

**KB**  
 TRUST  
 INSIGHT  
 CREATIVITY  
 CONVERGENCE  
**LEADERSHIP**  
 DIFFERENTIATION UNITY  
 GROWTH INSIGHT TRUST  
 KB COMPETENCY EXPERTISE  
 CREATIVITY CONVERGENCE INSIGHT KB ACTION EXPERTISE GROWTH  
 CONVERGENCE KB SYNERGY GROWTH **COMPETENCY**  
**ACTION** INNOVATION KB INSIGHT EXPERTISE INTEGRITY  
 GROWTH INNOVATION EXPERTISE **DIFFERENTIATION** CREATIVITY  
 CREATIVITY LEADERSHIP KB INTEGRITY UNITY CONVERGENCE LEADERSHIP INSIGHT  
 INSIGHT ACTION KB EXPERTISE COMPETENCY INNOVATION EXPERTISE KB CONVERGENCE  
**SYNERGY** GROWTH INNOVATION INTEGRITY EXPERTISE CREATIVITY **INNOVATION**  
 CONVERGENCE COMPETENCY KB TRUST **GROWTH** SYNERGY INTEGRITY  
 ACTION **CREATIVITY** EXPERTISE INTEGRITY CONVERGENCE INSIGHT  
 INNOVATION KB EXPERTISE RESILIENCE **INSIGHT** ACTION  
 GROWTH COMPETENCY DIFFERENTIATION INNOVATION INSIGHT  
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**EXPERTISE** KB  
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 UNITY CONVERGENCE  
 LEADERSHIP TRUST  
 INNOVATION KB  
 COMPETENCY  
 INTEGRITY  
 ACTION  
 UNITY  
**KB**

# SHINING ANEW

Annual Report  
2014

 KB Financial Group

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## SHINING ANEW

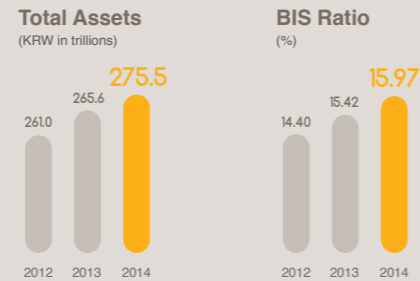
In 2014 KB Financial Group solidified its stature as Korea's leading financial group; growing total assets by KRW 25.3 trillion to KRW 405.4 trillion, recording a net income of KRW 1.4 trillion, and servicing over 30 million customers, more than half the nation's population.

The Group took steps to strengthen its non-banking sector: KB Capital was acquired as a consumer financing arm and LIG Insurance is to join the Group soon to fill the non-life insurance place, both of which will certainly expand its competency to fulfill customer needs.

# Group at a Glance

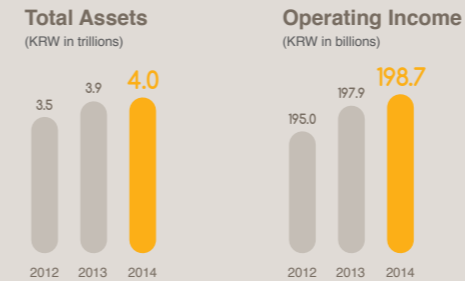
## KB Kookmin Bank

- Has the most extensive branch network and the largest customer base in Korea;
- Maintains the biggest market share in deposits, loans, trusts, custody, smart banking, and sales of mutual fund/bancassurance;
- Named 'best bank' in the NBCI(National Brand Competitiveness Index) for the past 11 years;
- Rated 'A1' by Moody's and 'A' by both S&P and Fitch.



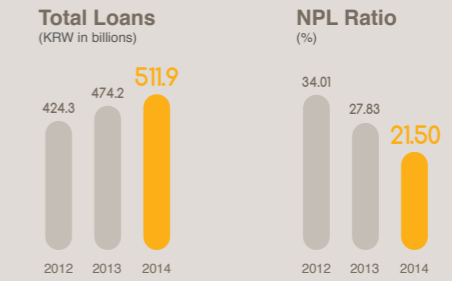
## KB Capital

- Specializes in auto financing, lease, and consumer and business financing through a nationwide network of 19 branches;
- Offers personal loans through the 1,200-branch network of KB Kookmin Bank;
- Developed the industry's first bank-linked credit model.



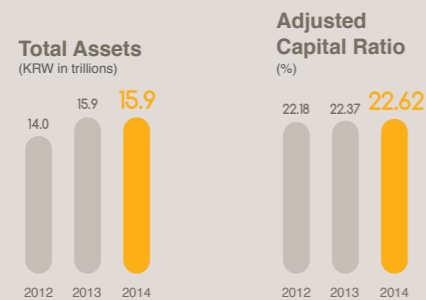
## KB Savings Bank

- Provides loan and deposit-taking services to low-income households and small business owners;
- Recorded 18.03% in BIS ratio, 21.50% in NPL ratio, and 20.44% in delinquency ratio in 2014.



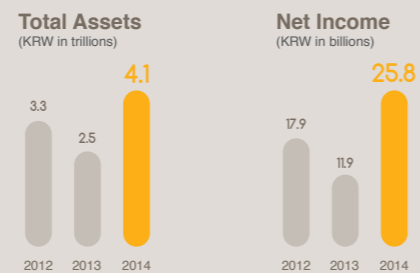
## KB Kookmin Card

- Engages in credit card, check card, factoring, payment services related to card uses, enlisting and managing merchant membership;
- Provides services through mail orders and telemarketing channels related to insurance products and travels;
- Has 18.2 million in card membership and 14% in transaction market share, as of the end of 2014.



## KB Investment & Securities

- Thrives in wholesales and investment banking;
- Competitive in stock brokerage and fixed income sales for institutional investors;
- Gaining strength in wealth management by leveraging the Group's extensive financial network.



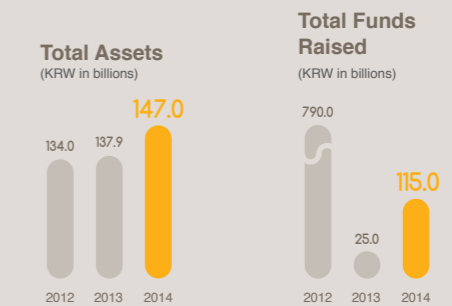
## KB Real Estate Trust

- Manages customers' real estate on consignment through land development trust, collateral trust, management trust and disposal trust, and REITs;
- Steadily improves net income performance and the NPL ratio.



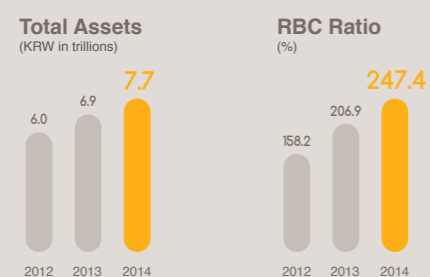
## KB Investment

- Specializes in the venture investment of unlisted SMEs and start-ups, in the capital investment of mid-sized companies, and in private equity investment;
- Targets mobile communication, semiconductor and display, alternative energy, new and renewable energy and secondary battery, pharmaceutical and medical equipment sectors.



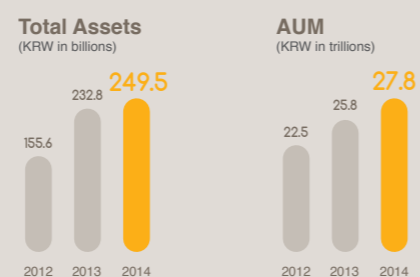
## KB Life Insurance

- Offers competitive life insurance products through bancassurance, direct marketing, independent insurance agency, and financial consultant channels;
- Consistently outperformed the competition for the last 10 years in asset growth, while steadily improving the RBC ratio over the last few years.



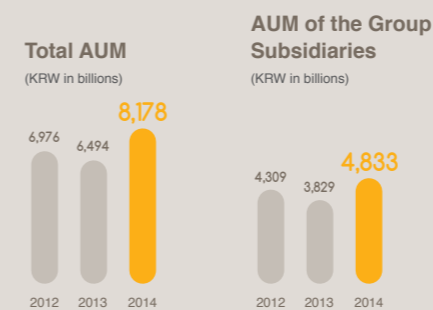
## KB Asset Management

- Maintains a lineup of top-quality products comprising stocks, bonds, derivatives, commodities, overseas assets, real estate, infrastructure, private equity;
- Has increased total assets and AUM for the past three years.



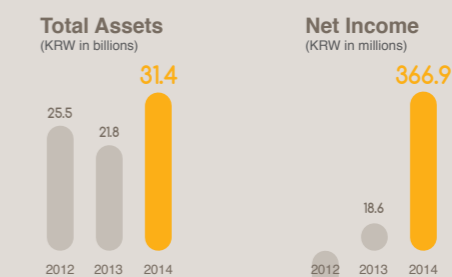
## KB Credit Information

- Collects unpaid receivables of KBFG subsidiaries and other financial institutions;
- Verifies the lease ownership of property submitted as collateral in loan applications;
- Maintains an unrivaled market leadership in managing and collecting receivables.



## KB Data Systems

- Provides such IT services for financial institution as financial IT consulting, integration of the entire process ranging from system analysis and design to development and testing, and IT outsourcing.



# CEO's Message

*With support and trust from our shareholders and customers, we have overcome a series of challenges and laid the groundwork for a new leap forward.*



## Dear valued shareholders and customers,

Last year, the Korean financial industry struggled in an environment characterized by chronically low interest rates and feeble growth. KB Financial Group had a particularly challenging year, enduring a series of regrettable events. However, with support and trust from our shareholders and customers, we have overcome all the challenges and laid the groundwork for a new leap forward.

During the year we made significant efforts toward strengthening our non-banking portfolio. We acquired KB Capital as the consumer financing arm of the Group and almost

completed the acquisition of LIG Insurance, a non-life insurance company, both of which will certainly boost our competency to fulfill customer needs.

To share our 2014 performance results, net interest income decreased in the midst of the low interest rate environment, but net income rose KRW 129.2 billion to KRW 1,400.7 billion, driven by the proactive management of loan loss provisions and group-wide efforts to control general and administrative expenses. Total assets increased KRW 16.2 trillion over the year to KRW 308.4 trillion, primarily due to increases in loans and the acquisition of KB Capital.

The improvement of earnings, albeit insufficient, is encouraging, especially given the adversity of the business environment. All this has been possible because of your unwavering trust which has contributed to put KB Financial Group back on the right track. For this, I offer every one of you my warmest appreciations.

2015 is expected to be another challenging year with uncertainties fueled by the end of U.S. quantitative easing and concerns over rising household debts. Furthermore, the domestic financial market, already afflicted with subdued growth, is expected to face intensifying competition from the rise of Fin-tech, with IT companies increasingly tapping into financial markets.

*We will do our best to restore our stature as a leading financial group and regain the trust of our customers and the nation as a whole.*

*Facing economic uncertainties and intensifying competition, we will secure distinctive competitive advantages by realigning all business operations to customer needs and focusing on core strengths.*

In response to such challenges, KB Financial Group will secure distinctive competitive advantages by carrying out the following resolves:

**First, we will rationalize and realign all business processes and systems from customers' perspective.**

Reorganization has been carried out to allow branches more focus on their customers and to have the back office better support field operations. By overhauling the evaluation and personnel systems, we will cultivate a corporate culture in which sales and field operations take front and center.

**Second, we will devote our foremost efforts toward regaining customer trust.**

We will further differentiate products and services and reorganize sales activities to provide customers with seamless services. We will also reshape all business channels to be more customer-oriented and provide services that reach out to rather than wait for customers.

**Lastly, we will strengthen our competitiveness through business differentiation.**

We will further differentiate retail banking and enhance our competencies in SOHO, corporate banking, and wealth management. We will also explore opportunities in treasury/derivatives

and investment banking and prepare steadily for overseas business to reinforce our future competitiveness. In response to the dwindling number of customer visits amidst the popularity of mobile banking, we will generate incomes by utilizing all types of our channels to their full extent.

With regret, I fathom the depth of concerns you had last year about confounding news involving KB Financial Group. In 2015, all of us at the Group will do our best to restore our stature as a leading financial group and regain the trust of our customers and the nation as a whole.

Looking forward to your continued support, I wish you and your loved ones good health and prosperity.

Thank you.

**Jong Kyoo Yoon**

*Chairman & CEO  
KB Financial Group Inc.*

# 2014 Highlights

## \*b KB Kookmin Bank

- The No. of customers reached 29.1 million, more than half the Korean population;
- The branch and mobile banking networks, both the most extensive in the industry;
- KB Star Banking ranked No. 1 in market share, reflecting the legacy of the world's first mobile banking service;
- Rated 'A1' by Moody's and 'A' by both S&P and Fitch.

## \*b KB Kookmin Card

- Strengthened the product line-up with two new products complementary to its market-leading, Korean alphabet-themed product;
- Realigned the business channels and marketing to customer needs;
- Demonstrated the sincerity of its commitment to social service by carrying out a company-wide 10,000-hour community service campaign;
- Improved the features of "K-motion", a cash-settlement smartphone app with an eye towards leading the future payment market;
- Actively searched for new business items and bolstered the competitiveness of existing ones through acquirement of competency in the use of big data.

## \*b KB Investment & Securities

- Ranked No.1 in the Bloomberg compilation of corporate bond and ABS underwriting, for fourth year in a row;
- Led the market in number of "Big Deals" involving capital increases through equity issuance;
- Strengthened the competitiveness of the IB business by leveraging its corporate banking position;
- Enhanced the quality of financial products and services by improving the operations of branch-in-branches together with KB Kookmin Bank;
- Expanded market share by running the "Star Camp", a premium securities investment consulting service.

## \*b KB Life Insurance

- Recorded KRW 15.6 trillion in insurance sales and KRW 7.7 billion in assets, continuing to pursue sustainable growth;

- Stabilized the long-term growth base through the improvement of the channel and product portfolios;
- Expanded the sales network through the formation of ties with securities and card businesses.

## \*b KB Asset Management

- Ranked No.1 in the retirement pension market both in inflows of funds and investment return rates;
- KB Retirement Pension Dividend 40 Fund ranked No. 1 in annualized return rate at 10.45%.

## \*b KB Capital

- Signed an MOU on joint venture capital business with Mahindra Group of India, the majority shareholder of Ssangyong Motors;
- Generated substantial increases in sales and market share through the formation of strategic ties with auto dealers;
- Became the exclusive financing agency of Jaguar Land Rover Korea, garnered the largest share among capital companies in the imported car market, and grew sales;
- Expanded the market position in durable goods financing.

## \*b KB Savings Bank

- Merged with Yehansol Savings Bank, which had been incorporated into the Group as an affiliate in 2013;
- Expanded the sales reach to the city of Incheon and the Greater Seoul area following the merger;
- Introduced a series of "KB Kind Loan" products each with features designed to address the needs of specific customer segments; and grew KB Kind loans KRW 16.4 billion to KRW 20.0 billion.

## \*b KB Data Systems

- Integrated the computer system of the latest subsidiary KB Capital into that of the Group and provided IT consulting support;
- Upgraded KB Life Insurance's call center, constructed a next-generation trading system for KB Asset Management, and upgraded KB Real Estate Trust's customer data management system.

# 2014 Awards & Recognitions

## \*b KB Financial Group

In 2014, as in the two previous years, the honor of being the Korea's top financial brand stayed with KB Financial Group, as it garnered:

- the Grand Prize in the corporate category (3rd year in a row) at the 2014 National Brand Awards;
- the Grand Prize at 'Korea's Most Loved Brands Awards' (4th year in a row);
- the 'Korea Super Brand of 2014' award

## \*b KB Kookmin Bank

KB Kookmin Bank has furthered its international reputation with such coveted accolades as:

- '2014 Korea's Best Trade Finance Bank' (*Trade Finance*, 4th year in a row);
- '2014 Korea's Best Trade Finance Bank' and 'Korea's Best WM Bank' (*Asian Banker*, 3rd year for the former)

Other domestic awards of 2014 include:

- No.1 in the bank category in the K-BPI report (16th year in a row);
- No. 1 in the '2014 Best Customer-selected Brand Awards' (3rd year in a row);
- No.1 in the '2014 Korea Brand Stars' report (8th year in a row);
- No.1 in the banking service category in 2014 NBCI report (11th year in a row);
- Grand Prize in the bank category at the '2014 Korea Consumer Trust Leading Brand Awards' (8th year in a row);
- No. 1 in the bank category, 9th in the overall category, at the 'Best Korea Brands 2014';
- Cited for having the best website in all financial categories at the '11th Web Awards Korea';
- Grand Prizes in the bank and corporate banking categories at the 'Smart App Awards Korea 2014'

## \*b KB Kookmin Card

- The Hun Min Jung Eum card, named after the book detailing the birth and use of the beloved Korean alphabet, became a hit;
- Won 'Web Accessibility Innovation Grand Prize' at the '11th Web Awards Korea'

## \*b KB Investment & Securities

- Underwrote debenture and ABS issues totaling KRW 15,050.3 billion, ranking No.1 in all six League Tables;
- Grand Prizes in the corporate bond underwriting category, awarded by the *Korea Economic Daily*, thebell, and other media;
- The most awarded in the area of analysis quality including being No.1 in the accurate analysis category at the 'Korea Analysts Awards';
- Cited 'Outstanding Corporation' in the community service category at the '2014 Market Leader Awards of the Year'.

## \*b KB Life Insurance

KB Life Insurance was cited for having an outstanding call center in the KSQI organized by KMAC, for 9th year in a row.

## \*b KB Asset Management

- Grand Prize in the pension fund category at the *Korea Economic Daily's* 'Korea Fund Awards';
- 'Best Pension Fund Award' at the *Herald Business's* 'Herald Funds Awards';
- 'Fund Manager of the Year Award' at the *Seoul Economic Daily's* "Korea Securities Awards"

## \*b KB Savings Bank

- 'Savings Bank Award' at the *Dong-A Daily's* '2014 Kind Brands Awards';
- 'Outstanding Finance New Product' from the Financial Supervisory Service



# Vision & Strategies

Fortifying the foundation it has laid as Korea's leading financial group and creating a vibrant and exciting place to work

## Strategic Initiatives

KB Financial Group has set as its vision, "The global financial group leading the Asian finance industry" and defined as its management goal, "Asia top 10, global top 50". To achieve this goal, the Group seeks to secure a distinctive competitive advantage through execution of the following four strategic initiatives—develop superior products/services, better manage risk, make the business structure more customer-centered, and nurture future growth engines:

- To develop products and services that stand out against those of our peers, we will construct a platform for the maximization of synergy creation based on the cohesion of subsidiaries jointly operating in diverse areas, strengthen competencies in the analysis of subtle changes in customer needs and preferences. In particular, to create services that induce customer trust, we will overhaul the internal controls and implement structural reforms.
- To better manage risk, we are improving the entire loan management process with strengthened competencies in industry analysis, while improving efficiencies in preemptive risk management, particularly the practice of de-marketing classified loans.
- To render the business structure more customer-centered, we will overhaul the organization structure to make it more customer-centric and field-oriented; realign the channel structure more closely to customer traits and preferences by getting branches more involved in their respective local economies; and creating a service system integrating the on- and off-line channels.
- Lastly, to nurture future growth engines, we continue to look for new growth opportunities in emerging business industries and build up the competencies vital to making inroads overseas.

## 2015 Strategic Business Direction and Tasks

As uncertainties surrounding the US monetary policy agitate volatility in foreign exchange markets in particular and uncertainties over the fate of the global economy in general, the Korean financial industry in 2015 is expected

to face slowing growth yet intensifying competition. Against this backdrop, KB Financial Group will focus on fortifying the foundation it has laid as Korea's leading financial group and creating a vibrant and exciting place to work through implementation of the following tasks:

- Firstly, all business processes and systems will be restructured to make them more sales and field-oriented. The Group organization will be restructured and unit functions redefined in such a way as to leave business branches solely devoted to their customers and sales and to have headquarters offices committed to supporting the frontline operations. The performance evaluation and personnel systems will be modified to encourage employees to reach higher without fear of failure. Adoption of a rational management succession program will also be pursued in earnest.
- Secondly, winning back customer trust will be given top propriety. All of us at KB Financial Group will stay united and ready to make ourselves at customer service at all time. Products and services will be more clearly defined and marketing carried out in a consistent manner. All channels will be reshaped and outbound marketing systemized to make them more relevant and appealing to customer needs and preferences.
- Lastly, we will strengthen the Group's competitiveness through differentiation. We will further differentiate our retail banking operations and bolster the competencies in the SOHO, SME banking, and asset management areas. In treasury/derivatives and investment banking, income opportunity will be actively explored, and in overseas operations, business opportunity will be pursued for future competitiveness in measured steps. Moreover, in response to the dwindling number of customers using off-line services, we will generate incomes by utilizing all of our channels to their full extent.

## Restructuring the Group Organization

KB Financial Group strives to strengthen its non-banking operations as a way to put its business portfolio in a more balanced position and at the same time to construct a stable income generating structure. On March 20, 2014, we

completed the acquisition of KB Capital as the consumer financing arm of the Group and thus raised by a notch or two the competitiveness of our non-banking operations targeting retail customers; and on December 24, we received approval from regulatory bodies on the acquisition of LIG Insurance, thus laying the ground for securing a competitive advantage in the insurance market.

In consideration of management situations surrounding the Group, we have sought to stabilize the governance structure through a reorganization conducted under the direction of three basic initiatives—constructing a new group management control committee, accelerating group synergy generation, and redefining the holding company's rights and responsibilities:

- Firstly, to construct a new group management operation structure, we have newly established a Group Management Control Committee that deliberates on the Group's major issues and supports the decision-making of the Chairman

and CEO of the Group, and launched a unit in charge of issues related to fostering and managing the top management of the Group.

• Secondly, to accelerate group synergy generation, we have created Marketing & Synergy Planning Division for more consistency in marketing, changed IT Planning into Digital Finance in response to fin-tech and other latest trends in smart finance, and reorganized the WM/CIB business to further sharpen the competitive edge of our strengths in the strategic business areas.

• Lastly, in redefining the holding company's rights and responsibilities, we have adopted a system of allowing key executives to concurrently serve at both the holding company and subsidiaries as a way to enhance communication within the Group and to improve operation efficiencies, while taking steps to clarify roles and responsibilities between the holding company and its subsidiaries and to strengthen internal controls.

## Senior Management

### • Jong Kyoo Yoon

Chairman & Chief Executive Officer

### • Jong-Hee Yang

Deputy President;  
• Financial Planning  
• Investor Relations  
• Human Resources

### • Jeong Rim Park

Deputy President;  
• Risk Management

### • Ki Heon Kim

Deputy President;  
• Digital Finance

### • Jae-Hong Park

Senior Managing Director;  
• Marketing & Synergy Planning  
• Strategic Planning  
• KB Research

### • Ki-Bum Lee

Senior Managing Director;  
• Audit  
• Information Security

### • Ki Hwan Kim

Managing Director;  
• Public Relations

### • Minkyu Chung

Managing Director &  
Chief Compliance Officer

### • Kyu Sul Choi

Managing Director;  
• Investor Relations

### • Young Tae Park

Managing Director;  
• Marketing & Synergy Planning

### • Kyung Yup Cho

Managing Director;  
• KB Research

# Corporate Governance

Building a stable corporate governance system and adopting a transparent decision-making process to enhance corporate value

## Corporate Governance

The Board of Directors (BoD) is the foremost decision-making body of KB Financial Group and deliberates and makes decision on major management and business issues concerning the holding company and its subsidiaries.

The Chairman and CEO of KB Financial Group is elected at the General Meeting of Shareholders, as stipulated in the Articles of Incorporation. Prior to the election of the Chairman, the Chairman and CEO Nominating Committee, which consists solely of non-executive directors, selects several candidates, evaluates their qualifications in accordance with the Articles of Incorporation, and recommends thus selected candidates to the General Meeting of Shareholders for final shareholder approval.

All non-executives directors are individuals of extensive knowledge and experience in their respective fields and of high integrity. Candidates for non-executive directors are selected and screened by the Non-executive Director Nominating Committee for the right qualifications in accordance with pre-defined criteria and procedures, and successful candidates thus selected are recommended to the General Meeting of Shareholders for final approval. The chairman of the BoD is selected among the non-executive directors of the Group and is responsible for convening and operating the BoD in a manner stipulated by the Articles of Incorporation.

KB Financial Group strives to maintain a stable and transparent corporate governance structure in order to secure sustainable growth, enhance corporate value, and protect stakeholders interests.

## Major Activities in 2014

In 2014, the BoD held 17 meetings during which 35 resolutions were passed and 33 reports were discussed. At each regular quarterly meeting, the BoD was briefed on the business performances and discussed issues relating to the operations of the Group. At the 4th quarter meeting, the BoD finalized the management plans and budget for 2015. In particular, following the suspension and the subsequent dismissal of the then Chairman and CEO of the Group, the BoD activated an emergency management system,

convened the Chairman and CEO Nominating Committee, and selected Mr. Jong Kyoo Yoon as the nominee for the Chairman and CEO.

The BoD launched in November 2014 a 'Corporate Governance Improvement Task Force' to implement a governance structure operation model that is stable, rational and suitable for the management of the situations it had faced. Accordingly, the BoD has revised the internal regulations based on the submitted plans and the 'Financial Corporate Governance Code' introduced by financial authorities last December, and implemented measures aimed at improving the Group's governance structure.

- First of all, 'Group Management Control Committee' has been newly established as a means to strengthen the holding company's overall ability to control KB Financial Group subsidiaries. The establishment of the new committee has formalized the authority and responsibility of the Chairman and CEO of the Group with respect to key issues of the Group and strengthened the ability of the BoD to check and supervise the Group's operations.

- Moreover, for efficient operation of the BoD, the Non-executive Director Nominating Committee has been upgraded to a standing status; the existing Board Steering Committee and Management Strategic Committee have been dissolved; and the two non-standing committees responsible for nominating candidates for Group chairman and subsidiary CEO positions have been consolidated into a standing 'Corporate Governance Committee'.

Meanwhile, the main traits of non-executive directors have been defined as 'shareholder representability', 'expertise' and 'diversity'. Accordingly, the expertise of non-executive director candidates is clearly defined as financial service, accounting, finance, legal/regulation, risk management, HR/IT, for the purpose of enforcing the trait requirements in identifying possible candidates for non-executive director positions. Also, to improve communication with shareholders, a system has been adopted that offers all shareholders opportunities to recommend possible candidates for non-executive director positions, an industry first; and to enhance the objectivity of the selection process, the service of third-party head hunters is employed in search of qualified candidates whenever necessary.

## Introduction to BoD Committees

As of the end of March 2015, there are eight committees under BoD's wing: Audit Committee, Risk Management Committee, Evaluation and Compensation Committee, Non-executive Director Nominating Committee, Corporate

Governance Committee, and Audit Committee Member Nominating Committee, of which the last being the only non-standing committee. All committees of the BoD are comprised of directors of various expertise capable of enabling their committees to perform their respective responsibility as defined in the Articles of Incorporation.

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## Board of Directors

### ● Young Hwi Choi

- Chairman, Board of Directors, KB Financial Group
- Member, Audit Committee
- Member, Non-executive Director Nominating Committee
- Member, Corporate Governance Committee
- 2003-2005 President & CEO, Shinhan Financial Group Co., Ltd.
- 1999-2001 Deputy president, Shinhan Bank
- 1978-1982 Deputy Director, Ministry of Finance
- 1969-1974 Manager, The Bank of Korea

### ● Woon Youl Choi

- Chairman, Audit Committee
- Member, Non-executive Director Nominating Committee
- Member, Corporate Governance Committee
- 1982-Present Professor, Sogang University
- 2006-2009 Vice President, Sogang University
- 2003-2004 President, Korea Money & Finance Association
- 2002-2003 Member, Korea Monetary Board
- 2001-2002 President, Korea Securities Association
- 1994-1998 Commissioner, Korea Stock Exchange

### ● Suk Ryul Yoo

- Chairman, Non-executive Director Nominating Committee
- Member, Risk Management Committee
- Member, Evaluation and Compensation Committee
- 2011-2013 Visiting Professor, Seoul National University
- 2009-2010 President & CEO, Samsung Total
- 2006-2007 Chairman, Credit Finance Association
- 2003-2009 President & CEO, Samsung Card
- 2001-2003 President & CEO, Samsung Life Insurance
- 2000-2001 President & CEO, Samsung Securities
- 1998-2000 President & CEO, Samsung Capital

### ● Michael Byungnam Lee

- Chairman, Evaluation and Compensation Committee
- Member, Corporate Governance Committee
- 2008-Present President & CEO, LG Academy
- 2000-2007 Executive Vice President, Human Resources, LG Corp.
- 1991-1994 Assistant Professor, Georgia State University
- 1988-1991 Assistant Professor, California State University
- 1977-1979 Project Analyst, Daewoo Industrial

### ● Jae Ha Park

- Chairman, Risk Management Committee
- Member, Evaluation and Compensation Committee
- 1991-Present Senior Research Fellow, Korea Institute of Finance
- 2011-2015 Deputy Dean, Asia Development Bank Institute
- 2009-2010 Outside Director, Daewoo Securities
- 2008-2010 Vice President, Korea Institute of Finance
- 2008-2009 Vice Chairman, Korea Money and Finance Association
- 2007-2011 Outside Director, Shinhan Bank
- 2004-2007 Outside Director, Jeonbuk Bank
- 1999-2000 Senior Counselor to the Minister, Ministry of Economy and Finance

### ● Eunice Kyonghee Kim

- Member, Audit Committee
- Member, Risk Management Committee
- 2010-Present Professor, Ewha Law School
- 2008-Present Vice-Chairperson, International Association of Korean Lawyers
- 2008-2010 Deputy CEO & Chief Compliance Officer, Hana Financial Group Inc.
- 2007-2008 Managing Director & Chief Compliance Officer, Citibank Japan
- 2004-2007 Executive Vice President & Chief Legal Officer, Citibank Korea
- 2000-2004 Chief Compliance Officer, Citigroup Global Markets Korea Securities
- 1998-2007, 2010-2011 Member, Financial Development Committee

### ● Jongsoo Han

- Member, Audit Committee
- Member, Evaluation and Compensation Committee
- 2006-Present Professor, College of Business Administration, Ewha Womans University
- 2013-Present Member, Korea Accounting Standards Board
- 2013-Present, 2011-2012 Vice President, Korea Accounting Association
- 2011-2013 Member, Korea Accounting Deliberating Council, Financial Services Commission

### ● Jong Kyoo Yoon

- Chairman & CEO, KB Financial Group

### ● Hong Lee

- Senior Executive Vice President, Head of Sales Group, KB Kookmin Bank
- Member, Risk Management Committee
- Member, Corporate Governance Committee

● Non-executive Directors ● Executive Director ● Non-standing Director



# Marketing Planning

Spearheading KBFG's efforts to maximize synergy creation and to sharpen the Group's competitive edge in smart finance

Marketing & Synergy Planning is one of the divisions newly created in 2014 under the direction of the new Chairman and CEO of KB Financial Group.

## Purposes

### Diversification of the business portfolio

As KB Financial Group was expanding its business portfolio through the acquisition of consumer financing and non-life insurance operations, it became all the more important for the Group to create a unit within its holding company structure that sets direction for and manages the diversification of the Group's ever-expanding business portfolio.

### Creation of synergies between WM and CIB

As the subsidiaries of KBFG were increasingly expanding their business operations even before the inclusions of KB Capital and LIG Insurance, there had been a corresponding need for an independent body to coordinate the operations of all subsidiaries in such a way as to minimize the overlap and to maximize the synergy, of complementary operations, particularly in wealth management and in corporate investment banking.

### Preparation for the rise of fin-tech

As IT is taking an increasingly dominant role in the world of financial services, an increasing number of IT players are making inroads on the back of fin-tech into the domestic financial industry. In response to the rising trend, the Group, Korea's pioneer in mobile banking, has taken steps towards reaffirming its supremacy in smart finance. One of the steps is the launch of a division tasked with channeling the competencies and efforts of all the Group subsidiaries towards sharpening the competitive edge in a sector destined to shape the landscape of the financial industry of tomorrow.

## 2014 Performance

Following KBFG's basic synergy creation direction, 'Maximize group synergy creation through formation of uniform growth among subsidiaries', Marketing & Synergy Planning Division sought to maximize the Group's revenue by defining synergy

guidelines by which the subsidiaries to abide in running their joint operations and maximizing the resultant synergies. The division also sought to expand the synergy basis through means of enhancing customer value.

In pursuit of higher efficiencies in the creation of group synergies and thus higher profitability, the division carried out 26 tasks in three areas—expansion of a strategic cross sell structure, maximization of synergy through expansion of referral business, and establishment of a framework through which subsidiaries can support one another in the creation of synergy.

## 2015 Plans

In 2015 Marketing & Synergy Planning Division plans to strengthen the competitiveness of the Group's core businesses and maximize the creation of group synergies by focusing on the following tasks:

- Steer the direction of synergy pursuit from the sale of the subsidiaries' products towards the creation of synergy for such core businesses as WM, retail and low-income retail banking;
- Continue to improve the competitiveness of subsidiary products and group hybrid-products;
- Strengthen the group-wide WM business basis and increase the WM synergy channels through enlargement of the Group's WM research capacity and WM product line-up; and
- Strengthen CIB co-op models through expansion of mutual cooperation among subsidiaries.

# Digital Finance

Leading the financial services industry in digital finance by focusing on customer needs and convenience

## Goals and Strategies

KB Financial Group created a Digital Finance Division in January 2015 to provide its subsidiaries with a comprehensive IT support conducive to an efficient execution of their business strategies.

Specifically, the division aims to enhance the effect of the IT linkage among the subsidiaries in the area of virtual channels such as internet and mobile banking, and to strengthen the competency of the Group as a whole in fin-tech and other smart finance areas.

To achieve the above-stated goals, the newly created division plans to focus on the following tasks:

- Define Group IT strategies;
- Manage the IT investment of the subsidiaries; and
- Identify businesses to which the Group can best apply its resources and synergies generated among subsidiaries.

## 2014 Achievements

### Formation of the synergy creation basis

In 2014 KB Financial Group took a series of steps towards upgrading its telecommunication infrastructure as follows;

- Rationalizing the IT expense structure;
- Strengthening the capacity to respond to the demand for financial services in the future; and
- Laying the foundation for supporting the Group in executing its long-term strategies.

In addition, the Group undertook the following IT-related activities:

- Relocating and integrating the electronic and computerized systems of KB Capital into the Group's centralized computer center;
- Constructing the service environment of groupware, a CRM system, and other common use systems; and
- Taking preparatory steps for integration of the IT system of LIG Insurance into that of the Group.

### Creating an environment for efficient IT investment

Through the operation of the IT Strategy Committee and the IT Strategy Working Conference, the Group has rendered more systematic the system through which subsidiaries

participate in the development and evaluation of Group IT strategies and projects.

By establishing the standard procedures of planning and managing IT projects, the Group has streamlined the guidelines for its subsidiaries to follow in planning their individual IT businesses; and evaluated the feasibility, modified the details if needed, coordinated the joint construction in case of overlaps, and monitored all execution phases, of the IT projects it undertook in 2014. In addition, higher operation efficiency also was sought and gained through group purchases of resources and uses of group synergies.

### Enhancing the productivity and stability of IT systems

The following actions were carried out during the year to enhance the productivity and stability of the Group's IT systems:

- Allocating and operating IT resources in the most efficient manner possible;
- Pursuing the optimal timeliness in the provision of IT services;
- Reforming the IT operation process to increase efficiencies in the way the IT services are provided;
- Reducing system errors to a minimum by fine-tuning the development process and upgrading related systems;
- Preventing system breaches by strengthening the security measures of the Group's portal systems.

## 2015 Plans

In 2015 the Digital Finance Division will continue to strengthen the Group's IT competencies in the following manner:

- Improve the internal IT process;
- Analyze the Group's IT competencies from many different angles, including technology, manpower, organization, for any improvement;
- Strengthen its role as a control tower coordinating the robust exchanges of opinions among the subsidiaries, and formulating accommodative strategies, on issues involving major IT projects in the works; and
- Support Group operations fusing IT and finance.

# Risk Management

Pursuing rigorous and proactive risk management across KBFG affiliates to ensure sustainable growth and support the long-term business strategy of the Group as a whole

## Governance of Risk Management

The risk management governance of KBFG consists of three bodies: Risk Management Committee, Risk Management Council, and Risk Management Department:

### Risk Management Committee

- formulates risk management strategies, determines the level of risk appetite,
- examines the Group's risk management status, and
- defines the risk management systems and methodologies, and deliberates on major improvements recommended.

### Risk Management Council

- comprising the Chief Risk Officer of the holding company and relevant officers of the subsidiaries,
- deliberates on matters designated by the Risk Management Committee, and
- examines detailed risk management-related issues.

### Risk Management Department

- formulates detailed risk management policies, procedures, and processes, and
- monitors and manages the Group's risk status and economic capital limits.

## Management of Risk by Type

### Credit risk management

#### • Credit Policy Direction

The basic direction of the Group's credit policy is the optimization of corporate value by maintaining asset quality at a level optimal for generating stable profit and by minimizing the volatility of mid and long-term credit cost.

#### • Credit Risk Assessment & Monitoring

To compute the credit value at risk (VaR) of on and off-balance sheet assets, the Group uses 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 concentrations of portfolio assets on certain individuals or categories of borrowers.

#### • Total Exposure Limits Management

A total exposure limits system is employed to prevent asset concentrations in specific areas, and to optimize the Group's credit portfolio through sound asset management.

### Market risk management

Market risks related to bonds, foreign exchange, equity, and derivatives holdings are identified, measured, monitored, controlled, and reported to the risk management governing bodies. 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 aims to maximize net interest income within acceptable risk limits and to minimize potential losses on net interest margins from adverse interest rate movements.

### Liquidity risk management

The Group maintains sufficient liquidity, ready to satisfy its obligations that arise from customer deposit withdrawals, redemption of matured debentures, and repayments of borrowings as well as to run lending, investment, and asset management operations.

### Operational risk management

The Group's operational risk management aims to satisfy regulations set forth by government authorities, and to infuse

a healthy risk management culture across the management and all employees through enforcement of internal controls and improvement of the work process.

### Economic capital management

In order to preempt an economic insolvency due to unexpected losses, the Group measures, allocates and manages economic capital in accordance with risk types for all financial subsidiaries, thereby maintaining capital adequacy at the group level. 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

To assess its portfolio's potential vulnerability to various macro-economic situations and to establish appropriate counter-measures, the Group conducts stress testing more than once a year. Stress test results are reported to top management as well as the Risk Management Committee for the purposes of having risk appetites and limits fine-tuned and relevant decisions made.

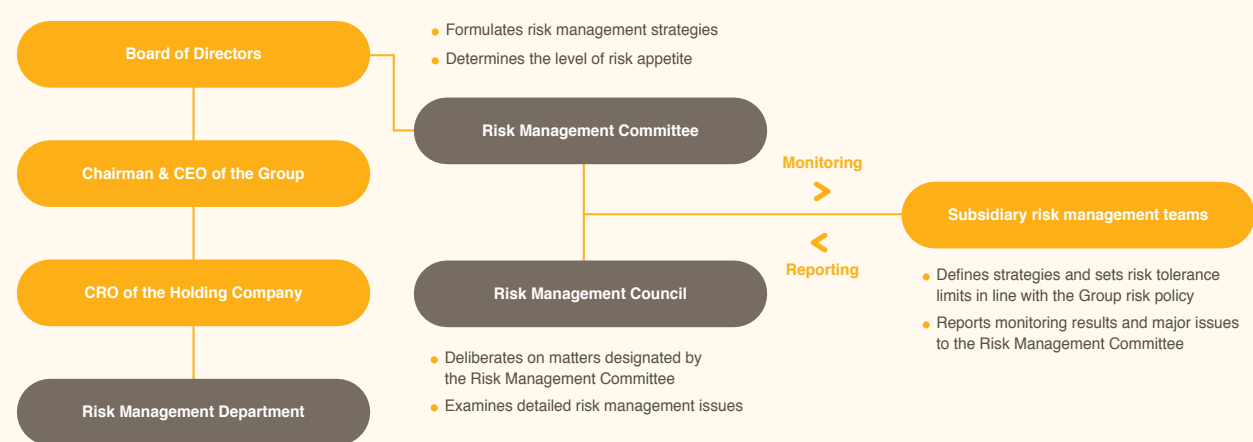
### Adoption of Basel III Guidelines

Since December 2013, KBFG has computed its risk-weighted assets and capital adequacy ratios in accordance with Basel III guidelines. As for credit risk, the banking subsidiaries use an internal-ratings based (IRB) approach whose use has been authorized, and the non-banking subsidiaries employ the standard approach, to calculate their risk-weighted assets. The standard approach is applied to market risk, the basis indicator approach to operating risk, in the calculation of risk-weighted assets.

The adoption of the above-mentioned Basel III-based internal risk management models is expected to raise KBFG's risk management systems to the level of those of world-class financial groups and to enhance the management soundness the Group as a whole to a new height.

The Group is in the process of constructing a single framework system of managing the internal rating of credit risks with the goal of implementing the Group internal model method in 2016. Development of group internal models for market and operational risks will be undertaken once new regulatory guidelines have been defined. In constructing the internal ratings management system of credit risk, the Group is developing various risk measurement systems to the standard of the IRB approach, upgrading the Group credit risk control structure, building a unified corporate credit evaluation system, and improving credit evaluation and risk measurement models. Once completed, these new systems will be incorporated into the Group internal models management system with approval from the Financial Supervisory Service.

## Risk Management Structure



# Corporate Culture

A premier financial services group fostering financial experts innovative in thought, open-minded to different precepts, proactive towards challenges, and dedicated to customer value

## HR Management

KB Financial Group seeks to develop its employees into a professional financial expert creative in thought, proactive in setting example and dedicated to improving customer value, as a way to realize its vision of becoming the "Global Financial Group Leading the Asian Financial Industry." The professional financial expert the Group envisions is a person who endeavors to improve customer service, leads change with an independent, responsible and innovative mindset, and possesses a progressive value system that respects diverse views and values.

### HR principles and strategies

The Group has established and applies uniform HR principles and norms throughout the operations of its subsidiaries. To help its subsidiaries plan for efficient HR management and effectively address major HR issues, the Group has created an integrated cooperative system to help generate manpower synergies at the group level. To improve its subsidiaries' personnel systems and encourage cooperation among them on HR issues, the Group has established strategic partnerships and balanced growth in HR management.

KB Kookmin Bank, the largest subsidiary, has adopted "HR Management Reform", a suggestion the Group had drafted for its subsidiaries, and mobilized a TF tasked with finding ways to improve the fairness and transparency of the personnel system. Through the TF, the Bank has identified such areas, numbering 19, to be improved as performance evaluation, promotion, transfer, personnel management, and other related aspects, and has started taking measured steps towards creating a genuine sense of ownership among employees and solidifying the basis for mid/long-term growth.

Meanwhile, the Group's non-banking affiliates will continue their efforts to effectively and efficiently recruit talent, particularly, in the card, securities, insurance and asset management areas as part of their plans to expand market share in their respective core businesses.

### HR development programs

The Group regards strengthening the competencies of human resources as the top priority for bolstering its

competitiveness. Each of its subsidiaries operates its own in-house and off-site training programs and has field-specific job competency development courses. KB Kookmin Bank hired 252 entry-level recruits in 2014 who are, together with existing employees, have gone through a four-pronged HR development process: job competency, leadership competency, global competency and core talent development.

## Labor-Management Relations

The holding company and its subsidiaries each operates 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 has in place a trade union with not only a labor-management council but also collective labor-management relations in place. Below is a description of labor-management developments that occurred at KB Kookmin Bank:

When the global financial crisis of 2008 gripped the financial industry as well as the Bank, the labor union and management agreed in 2009 to a pay freeze, a 5% across-the-board pay cut, and a mandatory use of the annual leave, along with an active participation in the nationwide job-sharing campaign.

To enhance management efficiencies through improvement of 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 an initial demand for a substantial wage increase to compensate for the wage freeze of 2008, the union agreed to salary levels suggested by the executive committee in 2011 and 2012. The union and management together continued efforts to build a future-oriented relationship in 2013. The mandatory use of the annual leave for all employees helped secure necessary funds to convert temporary workers into regular workers. In 2014, labor and management agreed on the adoption of a 'Wage Peak' system for the sake of manpower efficiency.

# Social Contributions

Proactively conducting a range of social contribution activities and constantly reminding the socially marginalized that they are not alone

## 2014 Performance

As youth is one of its key target segments, KB Financial Group runs such programs aimed at helping the generation of future leaders develop their vibrant minds as follows:

- KB Star Economy & Finance Class provides the students of participant schools with on-line and off-line lessons on economics and finance and gives them tours of KB Group facilities. Former and current employees of KBFG visit elementary, junior and senior high schools throughout the country to share their job expertise. The number of students who have taken in the program surpassed 133,000 as of 2014.
- KB Hope Camp provides disabled youth with practical opportunities to plan for their future with the help of expert advice, camp activity, hands-on working experiences and mentoring provided by volunteer employees of the Group.
- KB Youth Music College helps socially isolated but talented youths receive professional musical training by the participant universities of the program.
- As for multicultural families, the other main societal segment, the Group operates programs that either contribute to build the self-reliance foundation of families of which one parent is of a non-Korean origin or seeks to support the development of developing nations in Asia.
- KB Da Jung Da Gaum helps the children from multicultural families improve their Korean language skills and mature emotionally through provision of a one to one mentoring with the participant college students of the program.
- KB Hope Bicycles centers on sending bicycles as a means of mobility to needy children of developing countries.

### KB Star Dream Volunteer Teams

'KB Star Dream Volunteer Teams' is the group-wide organization under which 1,200 branches, and their members, of the Group take part in their community service activities related to the four key focus areas of the Group's overall social contribution direction (youth, the elderly, environment, and global community). As of 2014, the number of cumulative hours these volunteer teams contributed to community activity exceeded 350,000, which averages to about 14 hours per employee. During the Sewol ferry accident, the volunteer teams organized among themselves a disaster support group coordinating the dispatch of meal and laundry trucks to the accident site for a period of 45 days.

## KB Kookmin Bank

KB Kookmin Bank operates a wide variety of social contribution programs designed to provide underprivileged youth with opportunities to cultivate a positive mindset, to foster co-existence with the community, to diffuse the culture of sharing throughout the Korean society, and to take part in spreading the message of hope through global sharing.

Some of the leading community service programs include:

- Hope Study Rooms, supporting the children education of 45 youth centers in regional areas to reduce the information gap between those living in urban and rural areas;
- Hope Space Creation, building study rooms in 100 low-income family homes per year;
- Hope Boxes, delivering boxes of daily life goods to more than 18,000 low-income families.
- Hope Relay, organizing the regular visits of a meal truck and a laundry-equipped vehicle to 10 low-income areas;
- Royal Tomb Care, helping preserve Unesco-designated royal tomb sites
- Hope Stars of the People, matching financial donations to the number of hours employees volunteer in community service;
- 'RaonAtti, involving college students volunteering for community service activities for underprivileged youths in seven Southeast Asian countries including Cambodia, Thailand and the Philippines; and
- Hangul Love-Sharing, providing Korean-language learning materials to students in four countries - Vietnam, Mongol, Indonesia and Kazakhstan.

In addition, KB Kookmin Bank runs a website, <https://withkb.kbstar.com>, dedicated to raising the public awareness and the plights of the underprivileged and providing means for people to take part in the donation campaign for the needy. In 2014, 11,427 people responded through donations to 36 reports of the needy. Extending its helping hand to overseas, the Bank offers all-expense-paid medical treatments to Cambodian children suffering heart diseases, and as of 2014, 36 children have been benefited.



## \* KB Kookmin Card

KB Kookmin Card carries out various social contribution activities, including those that:

- Provide more than 400 elderly people living alone with daily necessities, including health foods, and supports free eye check-ups, cultural events, and portrait-taking services, through participation of its 31 branches and their employees, five times a year;
- Operate a toy craftsmanship class for single moms in which employees donate their toy-making skills;
- Provide, through 'Dream Day Camp', children from multi-cultural families with opportunities to experience Korean culture and learn about various professions, six times a year';
- Support public programs developed to educate handicapped children in arts and sports.

## \* KB Investment & Securities

KB Investment & Securities runs or supports community service programs that:

- Build classrooms stocked with books at elementary schools in remote areas and provides, through employee voluntary service, an education on basic economics and finance to the students of participant schools which, as of 2014, numbers four;
- Provide food to unprivileged seniors twice a year;
- Visit the homes of seniors living alone in Seoul areas and installs air caps and weather strips to help them better cope with Korea's muggy summers and bitter-cold winters;
- Support the publication of braille books, serves meals at local welfare centers, and holds blood donation drives;
- Donate 200 hand-knitted wool hats to newborns in Africa.

## \* KB Life Insurance

- Helps youths from low-income families to nurture bright hopes and dreams for their future through annual gift-giving programs during the year-end holiday season;
- Runs various elderly programs designed to foster respect for and to improve the welfare of the elderly living on the margins of society through;
- Takes an active part in tree planting activities, including "KB Life Star Forest" and in such nature conservations as an adopt-a-park program the Company has signed with a local government to better take care of a popular park in the heart of Seoul.

## \* KB Asset Management

- Operates a meal service program, which it launched 8 years ago, known for the quality of meals provided;

- Supports farm service activities organized its employees who visit farm villages every fall to help the farmers build greenhouses, harvest rice, repair their houses, and generally prepare for the winter season;
- Donates gift sets containing newborn supplies to institutions that care for abandoned babies;
- Donates hand-knitted wool hats to newborns in developing countries.

## \* KB Capital

- Supports a program delivering lunch boxes to seniors living alone and provides scholarships to child breadwinners.

## \* KB Savings Bank

- Runs a weekly free meal program in the major agricultural and marine produce center of Seoul;
- Conducts street-sweeping activities in the vicinities of its branches;
- Supports volunteer service programs of its employees for local children's welfare centers.

## \* KB Real Estate Trust

- Supports the Dongmyeong Children's Welfare Center with employee-organized volunteer programs bringing care and love to the orphaned children and youths;
- Makes financial donations to various senior centers and other institutions serving the social marginalized.

## \* KB Investment

- Maintains clean streets around the Company as a demonstration of its commitment to a clean natural environment;
- Supports its volunteer employees helping seniors at nursing homes get around towns.

## \* KB Credit Information

- Runs weekly programs involving employee volunteers serving free meals to the underprivileged at a local welfare center and performing various activities aimed at developing the communities of the socially marginalized.

## \* KB Data Systems

- Performs, through 'KDS Volunteer Team', a company-wide organization created in 2008, a variety of social contribution activities, including serving meals and holiday rice cakes to seniors at a local welfare center in Seoul.

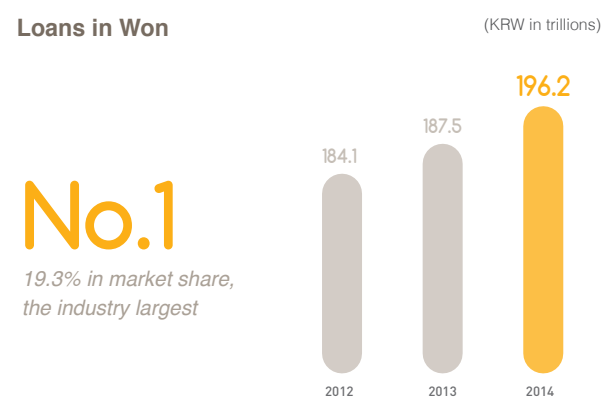
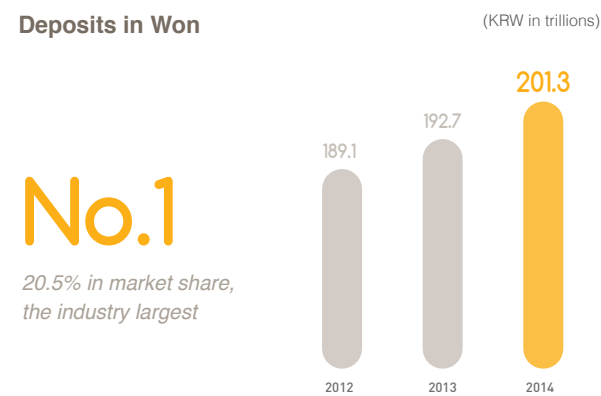
# Operation Review

In 2014 KB Financial Group had a particularly difficult year, faced with a host of unfortunate issues within and daunting challenges without, including falling interest rates and a sluggish economy. Though the quantitative performance of the Group as a whole bares ample signs of the difficulties it endured, the qualitative performance speaks volumes about the constitution of its subsidiaries rising through the challenges.

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- 026 KB Kookmin Card
- 028 KB Investment & Securities
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**Retail Banking**

As of end of 2014, the number of retail banking customers of KB Kookmin Bank exceeded 29.1 million, more than half the population of Korea. The Bank's business network comprises 1,161 branches, the most extensive in Korea. The Bank holds total Won-denominated deposits and loans at KRW 201.3 trillion and KRW 196.2 trillion, respectively, up KRW 8.6 trillion and KRW 8.7 trillion from the year before, each representing 20.5% and 19.3% in market share, both the industry largest.



**Award-winning New Products**

In 2014 the Bank developed a variety of retail banking products, based on its in-depth research of the ever-evolving consumer preferences.

Through the introduction of 14 savings-related products, the Bank attracted KRW 5,928.5 billion of deposits in 568,829 accounts. For the innovative or public interest-oriented

features of its products, the Bank was awarded a total of 13 times by various financial authorities and industry watchers.

In the area of unsecured loans, the Bank provided KRW 2,018.7 billions to 160,404 accounts, mostly through products developed to the characteristics of such specific customer segments as office workers, business entrepreneurs, those with high credit records, and the like.

In the area of mortgage loan, the Bank surpassed the government-recommended ratio (20%) of fixed-rate mortgage loans to total mortgage loans by flexibly managing its fixed-rate loan operations.

Meanwhile, the Bank completed a total asset management services system encompassing real estate trust ('R-easy'), retirement planning ('Golden Life'), and wealth management ('Star Table), ready to meet diverse customer needs in asset management in a more efficient manner.

**Channel Diversification**

The Bank continued efforts to reorganize its channel network to make it better reflect customer value. This realignment effort is the Bank's response to such changes in customer banking patterns as increasing uses of smart banking, as well as to a growing number of the elderly in proportion to total population.

The realignment was carried out in several forms, of which the creation of specialty branches was one; 'Afterbank' branches were set up in select business districts to serve middle-aged office workers too busy to go to bank during the daytime; in addition, 'KB Portable Branches' were launched in 2014 to bring regular branch services to the work places of busy customers.

Digital banking was another means the Bank used to realign the channel network. By increasing the number and improving the convenience of the electronic banking services and products it provides, including 'KB Star Banking 3.0', the Bank provided its increasingly IT-savvy customers with easier and cheaper daily banking services. Having introduced the world's first IC-based mobile banking service in 2003, the Bank boasts the largest share of the smartphone banking market in Korea, serving more than 9 million smartphone users as of August, 2014.

**Marketing and Promotion**

The Bank's customer focus extended beyond the channel network to the realm of customer relations and marketing; a number of new services were launched to inform customers in event of savings plans approaching their maturity; to provide customers with diverse financial and non-financial information ('KB Mobile Letter Service'); and to inform real-time various customer segments based on their individual characteristics and needs.

Off-line marketing approaches also were employed to expand market share in strategic customer segments, particularly youths in their late teens or early 20s:

- Rock Star Club was overhauled with preferential systems more appealing to youth;
- Diverse off-line marketing activities were carried out by KB Campus Stars, a marketing team comprising 90 collage students, in link with 20 collage student bloggers; and
- Select youth customers were invited to KB Rock Start Concerts.

The Bank also carried out marketing activities targeting customer segments other than youth; Such programs were developed to show long-term preferred customers how much the Bank appreciates their business as savings and loan products with preferential rates, invitation-only cultural events, and one-on-one "cultural marketing" sessions between branch employees and VIP customers.

**Industry-leading Customer Satisfaction**

All these product developments and service improvements helped the Bank earn coveted industry recognitions and accolades in 2014 as it did the year before. Some better-know awards the Bank received in the year include:

- No.1 in the bank category in the '2014 K-BPI Report' (16th year in a row);
- No. 1 in the '2014 Best Customer-selected Brand Awards', (3rd year in a row);
- No.1 in the '2014 Korea Brand Stars Report' (8th year in a row);
- No.1 in the banking service category in '2014 NBCI Report' (11th year in a row);
- Grand Prize in the bank category at the '2014 Korea Consumer Trust Leading Brand Awards' (8th year in a row);
- No. 1 in the bank category, 9th in the overall category, at the 'Best Korea Brands 2014'.

Going forward, KB Kookmin Bank plans to carry out the following customer satisfaction improvement measures:

- Rationalizing branch CSI models and evaluation systems with a focus on customer value;
- Enhancing the level of the services the HQ office as well as branches offer their customers, through application of improvements made in personal service to material service involving products, processes and the like;
- Implementing education programs aimed at instilling a customer satisfaction mindset among all HQ and branch employees.

**Wealth Management**

In 2014 KB Kookmin Bank upgraded its wealth management department to the division level mainly to offer asset management services that correspond to the investment goal of each customer and to strengthen competencies in a sector with great growth potential. To achieve these, the Bank focused on restructuring asset management channels, bolstering manpower, and differentiating product and service models.

The 'PB Center-Branch Co-op' model was introduced to expand the asset management customer basis in close cooperation with KB Bank branches in key strategic areas. Selected branches among the existing VIP lounges were upgraded to 'STAR TABLE LOUNGE' with enhanced customer service features. 'KB Golden Life Specialty Branch' was newly created to offer competitive retirement planning services and thus to better respond to the growth of a market catering to the fastest growing demographic segment in Korea.

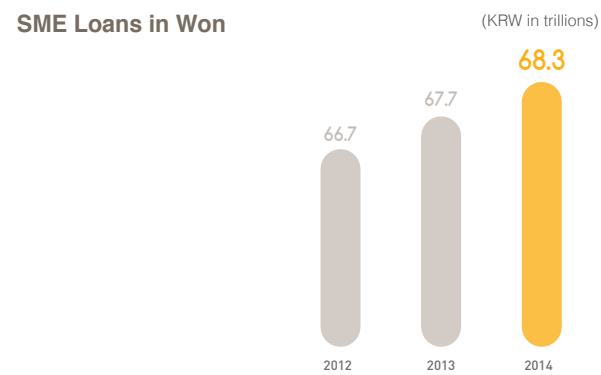
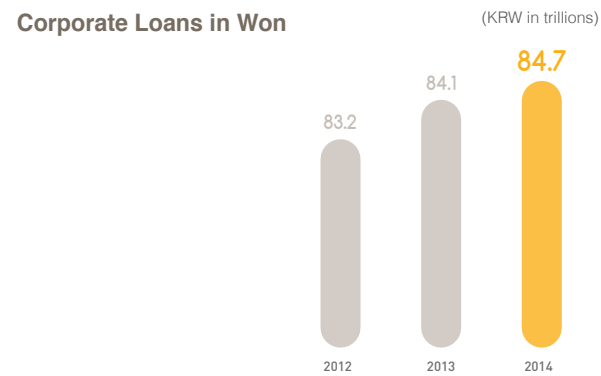
GOLD&WISE, a Private Banking (PB) brand launched in 2002 in conjunction with the PB business, has played a pivotal role in the Bank gaining leadership in the high-net wealth (HNW) customer wealth management market, with its 23 domestic PB channels, competitive PB-exclusive products, advisory services that are provided by top experts in different areas of wealth management, and total life care services. For the operation of GOLD&WISE the Bank has established and improved upon its close alliance with Lombard Odier, a Swiss bank specializing 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. These efforts, among many other things, led to recognitions of many industry watchers including the *Asian Banker* which named KB Kookmin Bank 'Korea's Best WM Bank'.



Reaffirming the leadership in retail banking through continuous development of distinctive financial products and constant realignment of channels to customer needs

**Corporate Banking**

In corporate banking, KB Kookmin Bank offers a range of distinctive products and services that meet the diverse banking needs and help build up the customer relations, of corporate clients. The Bank increased corporate loans by 0.72% in 2014 to KRW 84,690.4 billion and SME loans by 0.99% to KRW 68,344.3 billion.



The Bank took steps to strengthen proactive risk management, focusing on bolstering competitiveness from a mid and long-term perspective, and to effectively manage bad debts and make portfolio improvements.

The Bank also steadily moved forward with income diversification efforts by facilitating the integrated marketing among the subsidiaries of KB Financial Group through the use of corporate and investment CIB marketing models and the provision of total solutions through hybrid products.

In 2015 the Bank will continue to develop new growth

engines and thus diversify income models through expansion of CIB marketing in cooperation with other KB subsidiaries. Specifically, the Bank will seek to create synergies by combining its CB business basis and the IB planning competencies of subsidiaries, offer solutions through analysis of clients' hybrid financial needs, and explore new business opportunities by expanding deal sourcing.

**Public Institution Business**

The Bank made great progress in expanding the business basis in 2014 by signing with 68 institutions—state-run agencies, local autonomous governments, and universities—contracts involving the provision of various financial services.

**Investment Banking**

In the face of intensifying competition among domestic commercial banks in the project financing area, KB Kookmin Bank reinforced its market leadership by concluding major SOC refinancing deals, including a major section of the Second Seoul-Inchon Highway, the 2nd Belt Way of the new port in the City of Busan, and the expressway linking Incheon and Kimpo. The Bank also arranged financing in the M&A deal involving ADT Caps and took part as a joint lead-manager of the KRW 512.5 billion syndicated loan deal for the Chunchon Combined Cycle Cogeneration Project, thus contributing to the implementation of the nation's next-generation energy policy involving the dispersed generation system.

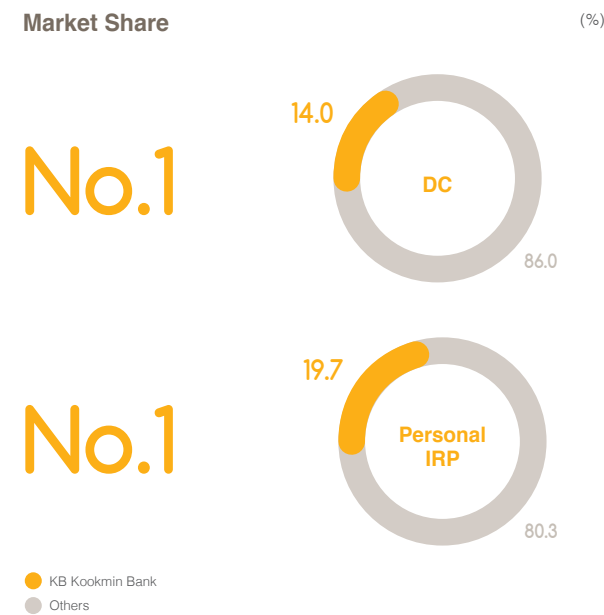
**SME Banking**

The Bank has newly created SME Support Group to develop and field competitive products and services in the SME/SOHO sector, one of the KB Financial Group's core growth areas, to ensure substantial growth with profitability and sustainability. As part of the effort to provide competitive financial and non-financial services, in 2014 the Bank developed 'KB SOHO Story Loan', 'KB Technology Start-up Preferential Loan' and other products to customers needs; offered 'KB Good-job Service' to help reduce the manpower shortage of SMEs, 'Business Matching Service' to support overseas expansion, 'WISE Consulting Service' for consulting support, and 'Cyber Branch' boasting the latest in security solution. Moreover, to grow together with SME customers, the Bank has, as of the end of 2014, indentified 910 SMEs with high growth potential and cultivated their growth through 'KB Hidden Star 500' and other programs. Through such support

of SMEs, the Bank seeks to enhance the qualitative growth of the loan portfolio and to contribute to job creation at the national level.

**Pension Market**

KB Kookmin Bank's market dominance in defined contribution (DC) continued in 2014, eight year in a row, reaching KRW 3,260.9 billion in total contributions in the DC category, a 32.1% increase from the previous year. What's more important, investment return rates in the DC, DB and IRP areas rose an average of 1.59%p, a laudable feat given the overall challenging condition of investment markets. The increase can be attributed, among many things, to the Bank's bold efforts to diversify investment vehicles. As of the end of 2014, the total balance of pension contributions at the Bank exceeds an important industry milestone of KRW 10 trillion, held in about 300,000 pension accounts.



**Global Operations**

KB Kookmin Bank continued to expand the scale and upgrade the contents, of its overseas operations in an effort to bolster its global competitiveness; a global operations unit was newly created in each key division; loan evaluation teams were dispatched to all overseas branches of the Bank; and approval was obtained in December 2014 from Chinese authorities, for opening a Shanghai branch of KB Kookmin Bank (China) Limited. In pursuit of business opportunity, the

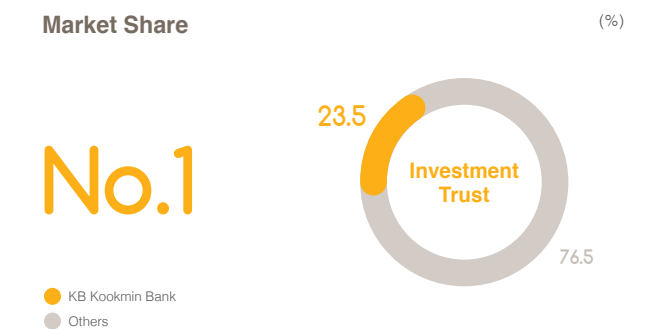
Bank continues to bolster strategic business relations with its partner banks overseas, including signing an MOU with Construction and Housing Development Bank (CHDB) of Myanmar in June 2014.

The Bank also continued to make progress in trade finance, further solidifying its market-leading position, which was duly recognized by such respected trade journals as:

- *Trade Finance* ('2014 Korea's Best Trade Finance Bank'—4th year in a row); and
- *Asian Banker* ('2014 Korea's Best Trade Finance Bank'—3rd year in a row).

**Custody**

KB Kookmin Bank is Korea's leader in the custody services business, maintaining the largest market share among 12 commercial custody banks for the past 12 consecutive years. The custody services the Bank provides include securities and NAV verifications safekeeping, compliance, corporate actions, and other services as well as such value-added services as tax management and foreign bill certification. The Bank's market dominance has accompanied remarkable annual growth rates over the past three years in particular: 19.7% in 2012, 23.7% in 2013, and 23.5% in 2014.



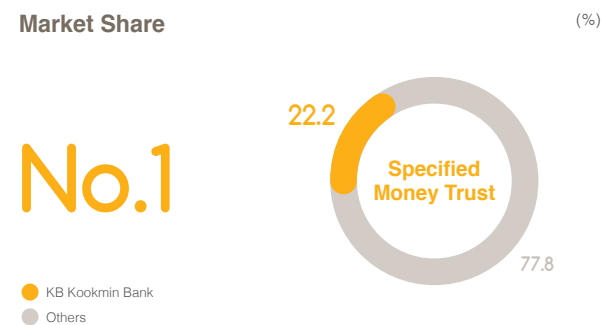
As of the end of 2014, assets in custody of the Bank were worth over KRW 141 trillion, entrusted by 140 asset managers, pension funds, insurance companies and other institutional investors. Noteworthy is that the Bank is the custodian bank of the National Pensions Service, the fourth largest in the world, until December 2016 when its current contract expires.

In 2015 the Bank will continue to solidify its customer market leadership through improvement of business competencies, customer value, and industry recognitions.

## Trust

KB Kookmin Bank also offers customers a wide range of trust products, from personal pension trust to commercial paper (CP,) money market trust (MMT), wealth care trust (WCT), and ELS/ETF products. The Bank's trust operation plays a key role in the growth of the Group's non-interest revenue as well as future income models.

The Bank's 2014 performance in the trust business is impressive; the year-end balance of specified money trusts amounted to KWR 19.2 trillion, up 22.4% from the year before, while trust fee income rose 56.3% to KRW 178.7 billion; the Bank's share of the specified money trust market reached 22.2%, the largest among commercial banks. These remarkable achievements can be attributed to timely releases of various money trust products that reflect the volatility of the financial environment and satisfy customer needs.



In 2015 the Bank will step up efforts to identify quality products in diverse markets at home and abroad, grow the return rate performance of popular ELS, maintain stable dividend rates among pension products, and develop outstanding generation transfer products.

## Capital Markets

### Treasury

In 2014, the Bank successfully issued the first public foreign currency bond at the lowest interest rate since the 2008 global financial crisis, despite a bearish sentiment in domestic markets, influenced by a customer information theft incident involving KB Kookim Card. Through aggressive IR activities and supported by an unwavering investor confidence, the bond attracted USD 3 billion from 161 institutional investors.

Through a second dollar-denominated bond issuance, the Bank reaffirmed international investors' confidence on its creditability despite a bearish market, triggered by the U.S. tapering of the quantitative easing and a falling demand for Korean bonds. In addition, the bond issuance has enabled

the Bank to attract the attention of institutional investors in the U.S., a market teeming with willing investors of new debt.

While an end to the US quantitative easing and Ukraine, Middle East and other geographical instabilities still loomed large, the Bank succeeded in funding USD 250 million with a two-year maturity through a club deal involving leading regional banks.

The club deal, carried out with a focus on diversifying funding sources, has become a benchmark for many, for it carries the lowest interest rate among foreign currency-denominated borrowings with a two-year maturity.

### Derivatives

Despite the continued sluggishness of the derivatives market, brought on by the protraction of the low-growth trend in global financial markets, the Bank developed a number of new products and engaged in active marketing activities. However, the overall force of pervasive challenges, including intense market competition, took a heavy toll on the Bank's derivatives operation, dashing its hopes to surpass the sales performance of the previous year. Otherwise, the robust sales of various products developed for trading corporations keen on hedging their foreign exchange risks would have been more pronounced. To further improve its sales performance, the Bank continues to strengthen the sales organization and develop products that address customer needs.

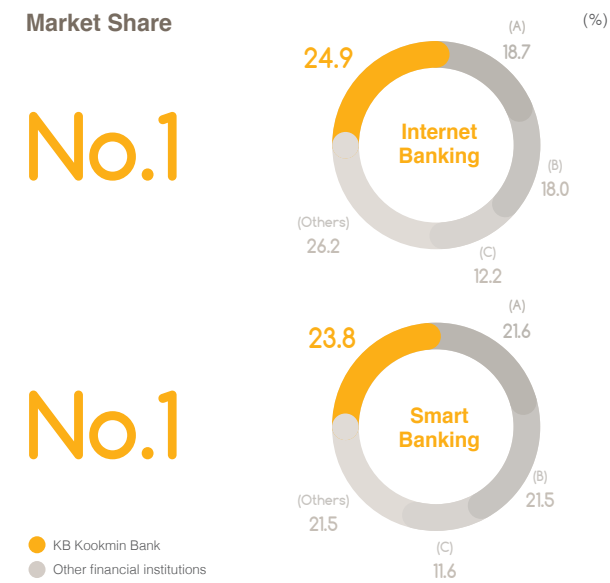
### Trading

Having streamlined its trading operation through the reorganization of key units in 2013, KB Kookmin Bank focused on growing the profit base of its trading operation by improving on the ties between the derivatives sales and trading units and thereby expanding its market presence; through the use of sophisticated derivatives strategies, the Bank reduced traditional risks involved in trading positions it took on behalf of customers and developed new products, including 'Target Redemption Forward', to accommodate a wider range of customer needs without exceeding the bounds of risk appetites. Another highlight of the year is the reappointment of the Bank a primary dealer of national bonds, which further contributed to strengthen its status as a major market maker.

In 2015 the Bank will create more stable income models and further enhance its stature in the trading market; specifically, it will expand its role in the newly launched won-yuan market, diversify funds operations and investment targets, and expand customer flows in cooperation with the derivatives sales units.

## Smart Banking

KB Kookmin Bank maintains an undisputed leadership in a fast-growing, electronic transaction-based financial services business increasingly known as smart banking. Having introduced to Korea 'Bank On', the nation's first IC-based mobile banking service, in 2003, the Bank provides various smart banking services to over 9.5 million customers, or 23.8% in market share, the largest among commercial banks, as of the end of 2014.



In 2014 as in the previous year, the Bank stayed focused on expanding the line-up and improving the quality, of the digital banking services it provides and thus maintaining its industry leadership.

The Bank rolled out 'KB Star Banking Mini', which enables smartphone users to conduct such basic daily transactions as account transfers and balance checks with ease and convenience. The continued upgrades of the service features has steadily attracted the interest and earned the loyalty, of IT-savvy customers. As of August 2014, the smart banking membership broke the industry milestone of 9 million.

The customer base of its smart banking operation also includes corporate clients, for whom the Bank introduced 'KB Corporate Banking' in 2014, which enables authorized employees of corporate clients to use their smartphones to conduct basic banking activities including B2B transactions and approval.

Living up to its smart banking legacy, the Bank introduced innovative services that are sure to set new industry trends; 'KB Portable Branch' was launched in August 2014 to bring

basic banking services right to office workers, store owners, and other people who are too busy to visit nearby Bank branches. The introduction of portable branch services not only satisfies demand for new channels but also presents a solution to the pressure of streamlining banking operations to the harsh developments of the business environment.

Another industry trend setter is the launch of an online finance center that offers a 1:1 consulting service on a range of banking topics which customers usually get from bank branches. The introduction of the consulting service is part of the Bank's response to the dwindling number of branch customers following the ongoing digital revolution of how people conduct their everyday financial transactions.

The digital revolution also has captured the imagination and hopes of the whole financial industry; convinced of the need for and the economy of a transaction system that transcends the different platforms of various industry players, the Bank has joined the banking industry-supported launch of a digital wallet that enables users to conduct basic banking and on/off-line purchase settlements using their smartphones without having a bank account.

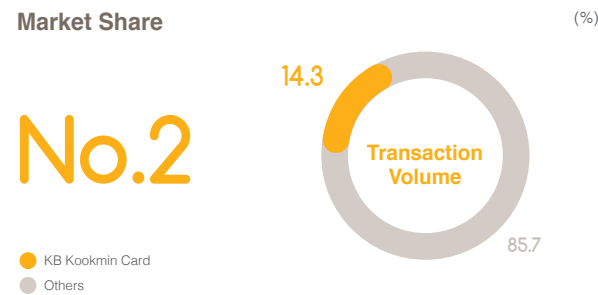
As the computer has now pretty much established itself as an ultimate financial business tool, the Bank conducted a host of online marketing events promoting the use of its smart and traditional banking products and services to different customer segments according to their predetermined characteristics and preferences. In addition, as the use of computers is as pervasive among ordinary people as that of automobiles, the Bank continued to develop and improve upon its computer-based online services, both financial and nonfinancial, for older generations as a way to help them fully enjoy the benefits of the digital revolution.

All these trend-setting innovations and improvements in smart banking did not go unnoticed by usual industry watchers and trade journals, as did in the previous years; some of the more prestigious accolades the Bank picked up in 2014 include:

- 'Best Website' in all financial categories at the '11th Web Awards Korea';
- Grand prizes in the bank and corporate banking categories at the 'Smart App Awards Korea 2014'; and
- 'Best Award' in the smart banking sector at the '2014 Asia Today Financial Services Awards'.

## 2014 Performance

The year 2014 was an exceptionally difficult period for KB Kookmin Card, for it had to cope with an onslaught of difficulties associated with worsening economic conditions, toughening regulation, reduced merchant fees, and growing competition, not to mention a customer information theft incident. Against this difficult backdrop, the Company devoted its resources to earning back customer trust. Immediately after the theft of customer information, every possible step was taken to respond to every customer inquiry and to prevent the recurrence of such an unfortunate incident. During the temporary suspension of the card operation, we reevaluated all of our business systems and processes, including membership drive, product development, marketing, and other related activities.



Fully aware of the importance of cyber security, the Company spared no effort to rebuild a customer information system to the highest industry standard as possible:

- A virtual PC environment has been constructed;
- Company internet networks securely kept separated with the latest in firewall; and
- A fingerprint-based user verification system implemented.

### Diverse security measures adopted

- In 2014, the WIPS was adopted to prevent the unauthorized use of AP or Wi-Fi devices within the company perimeters.
- A wireless network system was put in place that tracks the wireless transmission volumes of all APs and computer terminals within the company perimeters.
- All PC environments of non-company personnel working within the company perimeters now are automatically switched to the Cloud operating system;
- The fingerprint-based verification system was adopted;
- Advanced firewalls were set up in-between the Cloud

systems, all to preempt hacking or unauthorized data transfers.

The Company also took steps that are clearer to the eyes and closer to the hearts, of customers:

- Two more card products, developed with a focus on customer convenience, were introduced which allow for mileage build-up and discounts at all KB Card-affiliated merchants;
- More customer-oriented channels and marketing were created and conducted; and
- All the employees joined in a company-wide pledge and completed 10,000 hours of community service as a token of appreciation for the people and their customers' continued support during and after the data breach incident.

### Web security system upgraded

To prevent hackers and others from hijacking or hacking into its official website, the Company constructed a website counterfeit prevention system: A webshell detector solution was adopted to protect the website from the danger of remote controllers stealing data, changing contents, or implanting viruses.

### Minimizing personal information exposure

- The Company took a number of steps to minimize the employee retrievable of actual customer information and to destroy sensitive data as soon as they become inactive;
- An ID system was developed that assigns alternative id numbers to customers instead of using their national registration numbers, so as to eliminate the danger of any sensitive data being exposed to outsiders either by accident or by malignant intent;
- A measure was adopted that enforces the monthly destruction of the personal id information of customers who had been inactive more than five years;
- The box for the national registration number was deleted from all application forms, and all applicants are now given temporary id numbers instead.
- A system was implemented that informs customers real-time of a use of their data by Company personnel or by an authorized third party.

### Entry control systems installed

- In addition to a slew of software programs adopted to better secure digital data, the Company invested in 2014 a great deal of resources and attention in physical means for the same purpose;

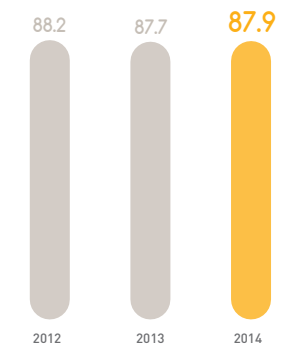
- A number of X-ray counters and metal detectors were installed at all points of entry in the Company and its branch offices; the number of security guards was increased to cover hard-to-control points of entry; and
- An extensive mobile device management system was installed to control the use of digital cameras and smartphones in IT Department and other sensitive areas.

### Expanding the future growth basis

KB Kookmin Card also focused in 2014 on solidifying its future growth basis through development of growth engines that will last for many years to come:

- One such an engine is an electronic payment mode, and the Company laid the groundwork to take the lead in the budding digital settlement industry popularly known as "fin-tech";
- It upgraded the features, and through an extensive marketing campaign, strengthened the competitiveness, of Kmotion, a smartphone payment app that allows users to pay for product or service purchases using their existing cards, and expanded, through the formation of strategic ties with mobile platform operators, the infrastructure of its electronic payment services;
- In addition, big data was extensively used to improve existing operations and to develop new business items.

### Total Transaction Volume (KRW in trillions)



Meanwhile, 'KB Kookmin Hun-Min-Jeong-Eum Card,' a new category product introduced in 2013, has surpassed the important industry milestone of one million in number of cards issued in 11 months from its debut. Its popularity can be ascribed to a wider selection of choice and more diverse lifestyles the card offers. In addition, its name, borrowed from the title of the book detailing the birth and use of the beloved

Korean alphabet, has engaged a great deal of the curiosity and interest of consumers in their 20s and 30s.

### Korea's first safety-guaranteed overseas online payment

The Company developed "Overseas Online SecurePay", Korea's first system that allows users to use virtual numbers instead of their actual card numbers, when buying from overseas online merchants. As no actual card numbers are used, there is no risk of card information being hacked; moreover, the use of any set of virtual numbers is blocked once it has reached the number of use, the limit of amounts, or the expiration date set by users.

### K-World, a private brand, launched

In 2014 the Company launched 'K-World', its own credit card brand. Unlike traditional cards that, in addition to the initial membership fee, apply an additional charge for overseas usage, K-World credit cards can be for both domestic and overseas purchases and only require a membership fee equivalent to that of domestic use-only cards. Affiliated with JCB International and UPI, K-World offers two lines of card products: one accepted by 26 million JCB merchants and ATMs in 190 countries and the other at 20 million UPI merchants and ATMs in 150 countries. The latter is particularly convenient in China as UPI is the nation's largest credit company. In contrast to other cards carrying the usual international brand names, K-World pays no royalties on card fees generated from domestic and overseas purchases, thereby free of the usual accusations of draining the country of hard currency. On overseas purchases, K-World offers a temporary discounted service charge about half that applied by other international cards. Going forward, KB Card plans to expand the K-World product lineup and to further increase the merchant network.

As of the end of 2014, the Company's check card membership stood at 13.8 million, or about 20% of the relevant market.

For all these steps taken, the Company was awarded in 2014 the following recognitions:

- Customer Satisfaction Management Grand Prize in financial and card categories;
- Web Accessibility Innovation Grand Prize at the '11th Web Awards Korea';
- KB Kookmin Hun-Min-Jeong-Eum Card named 'Hit of the Second Half of the Year'.

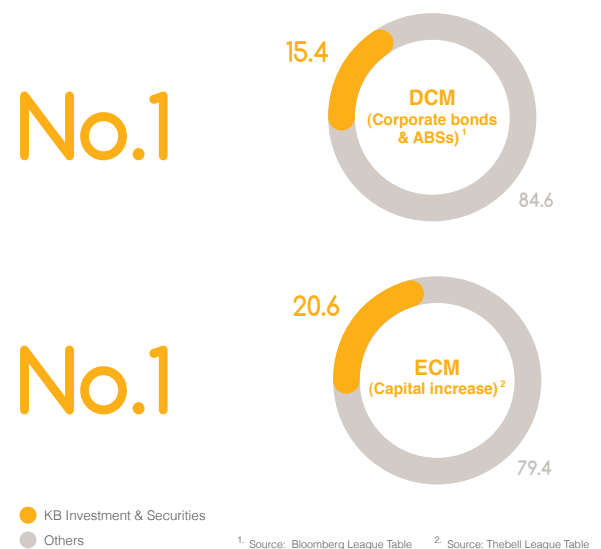


**2014 Performance**

Profitability substantially fell across the domestic securities industry, primarily due to a slower-than-expected recovery of the economy, a continuing decline in stock trades, and growing uncertainties overseas. Faced with unremitting business challenges, KB Investment & Securities stayed concentrated on strengthening its core business—IB and wholesale banking, actively seeking growth through diversification of income models.

- In 2014, KB Investment & Securities ranked No.1, for fourth consecutive year, in underwriting corporate bonds and asset-backed securities (ABS).
- The equity capital market is another area where the Company excelled, lead-managing major deals of raising capital for such business giants as GS Construction, KCC Construction, Dongguk Steels, JB Financial Group, and consequently ranking No.1 for the first time in its corporate history in thebell ECM League Table.

**Market Share**

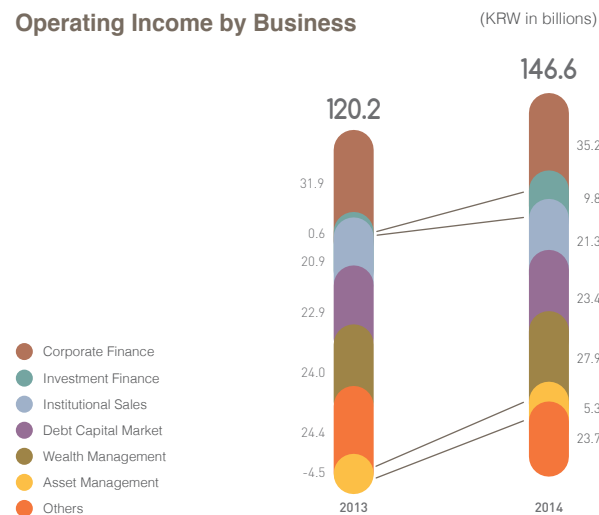


In the era of low interest rates and low growth being the new normal, unquestionably, the diversification of income sources has become one of few options left for financial institutions in search of higher returns on their investments. Accordingly,

the Company stepped up in 2014 its efforts to find more profit sources that are sustainable and cost-effective:

- With the investment finance-dedicated division created in 2013, the Company delved into the unfamiliar fields of financing power and energy projects and equity structured financing and emerged with encouraging achievements;
- Armed with the newly acquired DLS business license, the Company, in respond to changes in the external environment, substantially expanded the OTC derivatives-related operation and thus diversified, albeit to a degree, its profit sources;
- The WM business finally turned a profit after years of investments made in the sales base; and
- Stock and fixed income brokerage continued to generate sales at an increasing rate.

**Operating Income by Business**

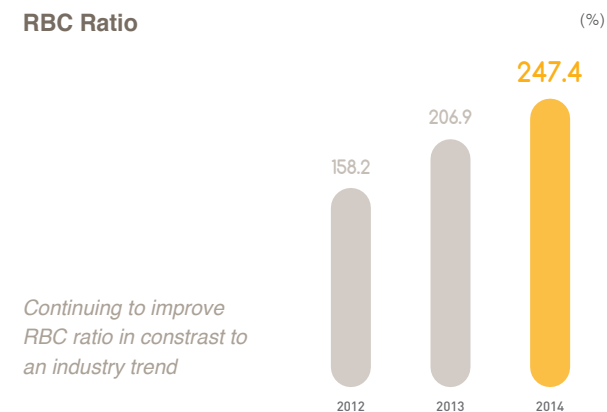


In recognition of its superior IB and WM performances, the Company was awarded the following industry accolades:

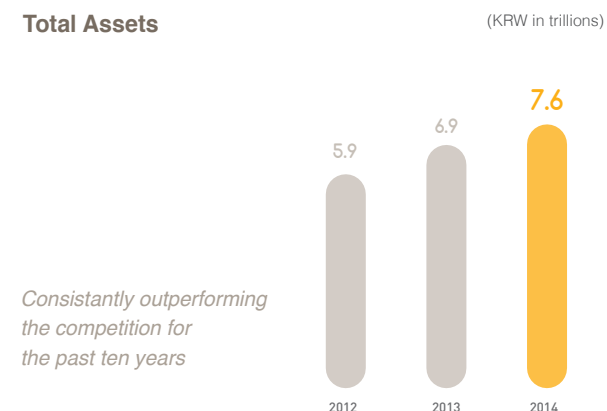
- 'Maekyong Business Daily Securities Man Award' in the DCM category
- 'Korea Economic Daily IB Grand Prize' in the DCM category
- 'Yonhap Infomax Grand Prize' in the bond underwriting category
- 'Best Bond House', 'Best Straight Bond House', 'Best Bond Deal' at the '2014 thebell League Table Awards';
- 'The World of Customer-loved Brands Award' in the MTS category.

**2014 Performance**

With its insurance premium and net profit performances reflective of the dire market condition of 2014, KB Life Insurance's risk-based capital (RBC) ratio, arguably the most important indicator of the financial health of insurance companies, has steadily improved over the last few years, reaching 247.4% at the end of 2014.



Meanwhile, year-end total assets amounted to KRW 7,680.2 billion, an increase of 10.6% from the year before. In fact, the Company has consistently outperformed the competition for the last 10 years in asset growth.



In 2014, as in the previous years, the Company stayed focused on improving customer satisfaction; a number of measures were taken to eliminate incomplete-sale practices and to effectively cope with new industry regulations

designed to protect consumer rights. As a result, the Company ranked in the top echelon in a government evaluation of financial customer complaints in 2014, for fifth year in a row; and its call center was rated "outstanding" in the 2014 Korean Service Quality Index survey, for ninth year in a row. The success reflects the Company's concerted efforts to reinforce its consumer-oriented sales support and to improve service quality.

The Company also focused on strengthening its sales competency, through the execution of strategies aimed at specializing the channels and revitalizing management; the direct marketing channel was diversified through the formation of partnerships with independent credit card companies and home-shopping businesses; the FC channel was fully converted into a face-to-face system, with a group of college graduates employed on a trial basis. System construction and other preparatory steps are being taken, as of writing this report, to expand into the online insurance market.

KB Life Insurance also is taking steps to expand guarantee-type insurance sales and to improve the profitability of products, with an eye towards enhancing mid/long-term profitability. A consultative body was established to enhance asset quality in general and to improve the RBC ratio in particular.

A new vision was adopted, along with detailed strategies, to set the direction for the Company to follow for the next 10 years; a team of task forces was formed in the areas of corporate culture/communication, business process reengineering(BPR), and HR, to diffuse company-wide the message and to initiate the first steps, of the vision. In particular, through BPR the Company will seek to standardize, computerize, and automate the business process.

**2015 Plans**

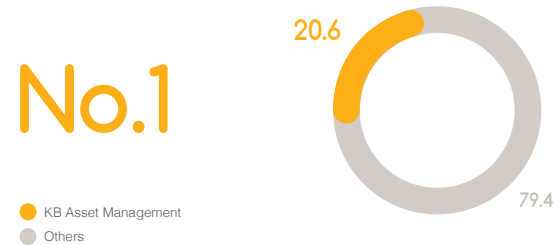
In 2015, KB Life Insurance plans to take the following actions:

- Upgrade channel competitiveness and profitability through expansion of cross-sell among the Group subsidiaries;
- Grow new business value and upgrade asset management competencies;

**2014 Performance**

One of its major 2014 business achievements is that KB Asset Management firmly established itself as the leader of retirement pension funds by ranking No. 1 both in amount of funds attracted and in return rates:

**Market Share in Retirement Pension (%)**



- KB Retirement Pension Dividend 40 (Fixed-income hybrid) posted an annual return rate of 10.45%, the highest in its class. Its 3-year and 5-year return rates also are the highest, with 28.93% and 62.92%, respectively. The fund's outstanding performances can be attributed to the long-term investment principles and the systematic risk management approaches by which the Company abided in managing the fund. In addition, the friendly and trust-inspiring brand of "KB", in couple with the fund's proven track records, played an important role in winning the confidence of a growing population nearing or in their retirement.
- KB Korea Long-short Fund, which recorded an annual return rate of 5.47%, a noteworthy figure in the era of low growth expectations becoming the new normal. Not only in return rates but also in amount of funds did it excel, exceeding the industry-significant milestone of KRW 100 billion. The laudable performance of the fund was made possible by the portfolio strategy the Company employed of managing risks through control of equity net exposures based on its research strengths.

These two leading domestic funds, however, paled in terms of ROI performance when compared with some of the funds the Company managed overseas:

- KB India Fund, which takes advantage of the market-friendly policies of the current Indian government, tops

at an annualized return rate of 29.09%, followed by KB China A Fund, which aims to capitalize on the nation's stock market rising high on the progressive economic stewardship of Premier Lee, with 26.00%.

- KB Star USA S&P500 Index Fund, KB Star Euro Index, and KB Star Japan Index Fund also generated outstanding annualized return rates of 16.71%, 5.78%, and 8.62%, respectively.
- Also popular among institutional investors were alternative investment funds, for their rate performance has proven more stable and thus more palatable to conservative investors increasingly weary of the long-term implication of the low-interest, low-growth environment.

No less aware of the prevalence of such a daunting environment, KB Asset Management has leveraged its wealth of management knowhow and experience in rolling out a variety of infrastructure funds designed to capitalize on investment opportunities in corporations going through restructuring as well as in power generating and alternative energy businesses. As risk management plays a bigger role in alternative investment, the Company's systematic and market-proven risk management practices are increasingly benchmarked by its peers.

These accomplishments have garnered KB Asset Management a number of market recognitions including:

- 'Best Pension Fund' award at the Herald Fund Awards from the *Herald Business Daily*;
- 'Fund Manager of the Year' at the 2014 Seoul Economic Daily Korea Securities Awards; and
- A grand prize in the pension fund category at the 2014 Korea Fund Awards from the *Korea Economic Daily*.

**2015 Plans**

In 2015 KB Asset Management plans to:

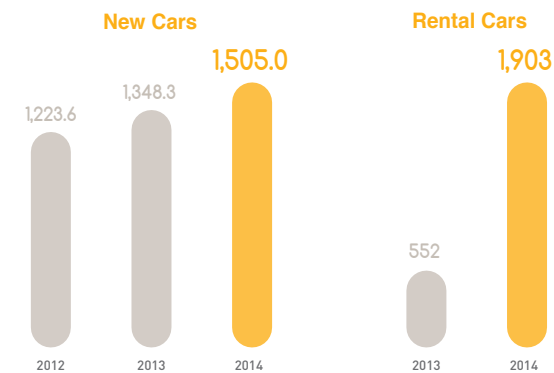
- Increase the AUM of equity-type and alternative investment funds;
- Solidify the foundations laid for overseas investment;
- Strengthen market dominance in passive funds;
- Consolidate the leadership position in the retirement pensions market.

**2014 Performance**

In the auto-related financing services areas, KB Capital focused its resources on expanding its market share, and the effort produced encouraging results:

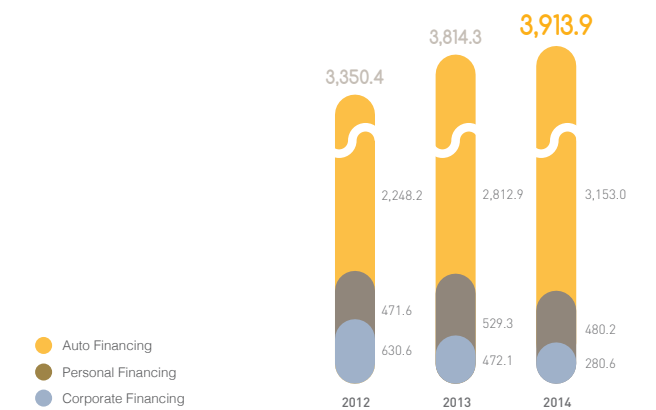
- Sales in new auto financing/leasing increased 12% yoy to KRW 1,505.0 billion. The increase can be attributed mainly to improved relations with domestic auto dealers in general and foreign car importers in particular: In addition to expanded partnerships with importers of Mercedes, BMW and other luxury cars, winning the contract as the exclusive financing arm of Jaguar Land Rover Korea played a decisive role.
- The rental car financing business, launched in January 2013, jumped 244% in number of rental cars financed, to 1,903 units. The Company extended partnership approaches to many rental car businesses in regional areas and increased the business activity of its branches directed at rental car outfits in their sectors.

**Sales in Auto-Financing (KRW in billions, No. of Cars)**



Personal financing, particularly durable goods financing, is another area that enjoyed a robust performance, posting KRW 47.1 billion in sales, a 41% increase yoy; the efficiency of branch operations and sales channels was raised through branch consolidations in the greater Seoul area; profitability was improved through the realignment of sales strategies to the characteristics of apartment owners and other sales target groups; and a durable goods financing service was launched through formation of partnerships with 16 businesses including Mobile Virtual Network Operators of LGU Plus, a telecommunication power house.

**Operating Asset by Business (KRW in billions)**



New growth engine development is another area to which the Company directed its resources in 2014. By launching the business of introducing and marketing the products and services of KB Kookmin Bank, the Company recorded sales of KRW 44.6 billion in eight months ended December of 2014. Moreover, the newly formed partnership with the NVNOs of LGU Plus recorded sales of KRW 10 billion in as little as six months. In view of the government policy to expand the use of affordable phones, the new partnership is expected to grow into an important source of income.

The improvement of asset quality was another focus of KB Capital in 2014. To rid of large-amount bad loans, the Company liquidated them little by little in an orderly fashion throughout the year, avoiding the usual year-end liquidation crunch and thus reducing loan loss expenses. To rebalance assets with high-quality loans, the Company created a department dedicated to corporate loans, made a monthly monitoring part of the business process, and devised contingency plans against various scenarios.

**2015 Plans**

In 2015, KB Capital plans to continue its approaches towards sustained growth. Specifically, high-return assets will be pursued, with the goal of improving profitability; Used car loan sales and cross sell will be strengthened through increase of manpower and resources.



**2014 Performance**

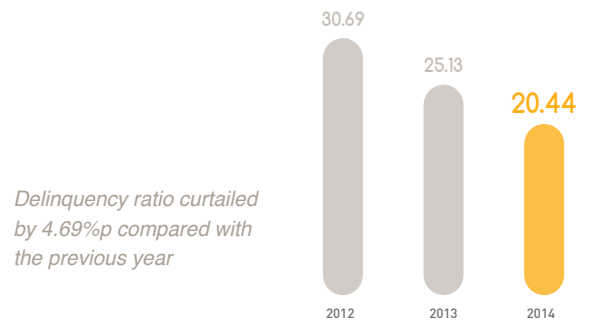
In 2014, KB Savings Bank devoted its resources and energies to its mission of supporting low-income people's finances; it expanded the "KB Kind Loan" program, which had been rolled out in 2013, to make its operations more customer-oriented and market-friendly; the program has been divided into a number of loan products each with features that better appeal to a wider range of target segments, including office workers, small business owners, franchise operators, and other customer groups usually shunned by commercial banks. One of the features that make these products attractive is the way in which loan limits are calculated for high-performing office workers. As a result of the program expansions, the outstanding balance of Kind Loan as of the end of 2014 amounted to KRW 20 billion, an increase of KRW 16.4 billion from the year before.

KB Savings Bank sought to expand its holdings of quality loans through construction of an advanced lending infrastructure; in addition to a credit evaluation system that accurately accesses credit risk, a model for scoring loan applications has been developed that is specially adopted to the characteristics of unsecured loan products the Bank offers.

KB Savings Bank took steps to stop some of the assets of its predecessor from defaulting; the scope of loan monitoring was expanded every month to identify signs of potential problems at an earliest time; and whenever a loan default is identified, the relevant branch loan officer is assigned the task of following up on the loan so as to unify the bad debt management channel. By taking these steps the Bank formulated how to deal with each case of loan default, confirmed follow-up processes, and prevented the prolongation of loans in default.

Moreover, to improve efficiencies in the management of loans in arrear, the Bank rationalized the process of managing bad assets, which includes the simplification of the procedures of filing suits and the adoption of a cost-saving electronic litigation process.

**Delinquency Ratio (%)**



In January 2014, KB Savings Bank absorbed Yehansol Savings Bank, which have since realized economies of scale, enhanced efficiencies the management of manpower, and created sales synergies through concentration of sales forces; two of each Bank's branches in close proximity have since been consolidated. Increased business efficiencies are expected in many areas of operations.

For its commitment to the financial independence of the underprivileged, the Bank was honored with:

- The "Savings Bank Award" at the "2014 Dong-A Daily Kind Brand Awards"; and
- An "Outstanding New Financial Product Award" from the Financial Supervisory Service.

**2015 Plans**

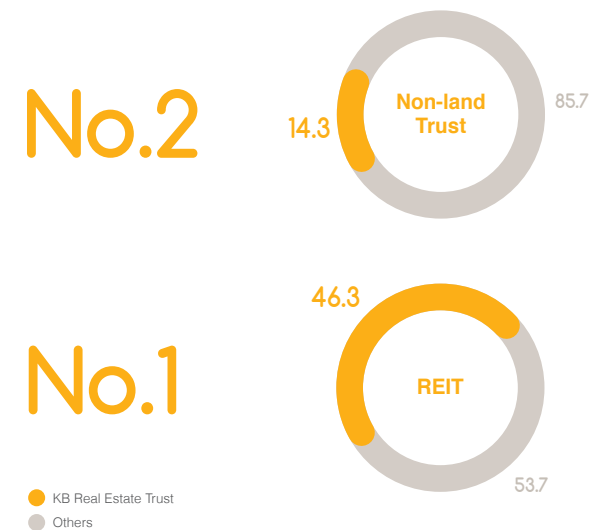
In 2015 KB Savings Bank plans to take the following steps:

- Improve upon existing products based on continued analysis and monitoring of their performance;
- Develop products with competitive edge compared with those of other savings banks;
- Diversify channels to include field offices and special sales units;
- Push forward relationship finance through strengthening of branch competencies; and
- Maintain the default rate of low-income loan products below 10%.

**2014 Performance**

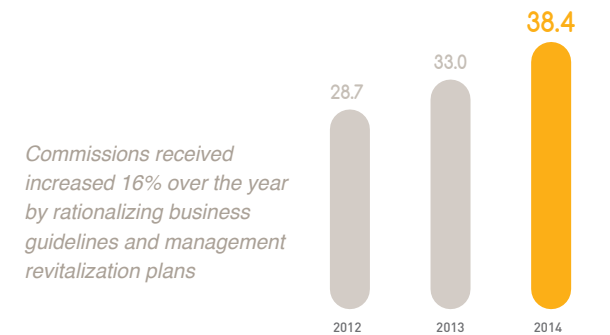
In 2014, KB Real Estate Trust's total assets represented a 12.2% increase from 2013, with total net revenue amounting to 8.3% more than the previous year; the market share in non-land trust showed a 2.2%p decrease, while that in REIT equaled to a 37.4%p jump.

**Market Share (%)**



The Company improved operation efficiencies by rationalizing business guidelines and systems and establishing management revitalization plans. As a result, commissions received increased 16% over the year to KRW 38.4 billion, and total entrusted assets amounted to KRW 17.8 trillion, as of the end of 2014, the most in the industry.

**Commissions Received (KRW in billions)**



The Company also took steps to strengthen its sales prowess in the area of REITs as a way to proactively respond to market changes:

- Introduced Korea's first private rental housing REIT;
- Successively purchased the YTN Tower, a towering landmark in the heart of Seoul; and
- Successfully completed the joint purchase, together with KB Asset Management, of the Ssangyong Construction building, another landmark of Seoul.

Meanwhile, the Company took on the project of parceling a residence hotel, a revenue-type real estate product adopted to the low-interest rate environment, and transformed it into a loan-type land trust, thereby completing the project ahead of schedule. The Company also conducted sales in accordance with market needs as a way to consolidate its market dominance and, as a result, won the project of managing a housing co-op involving a high-rise apartment complex in Busan, Korea's second largest city, as well as a land trust project of managing a residential area of houses, thereby making inroads into a niche market.

**2015 Plans**

As the market is expected to remain in the doldrums for a foreseeable future, KB Real Estate Trust plans to take the following actions in 2015:

- Strengthen business competencies in the loan-type land trust area as it is one of few sectors enjoying growing demand;
- Increase sales in non-land trust, a relatively low-risk business, by strengthening the sales network and improving the sales environment;
- Fortify its dominance in the REITs market by reinforcing sales competencies and improving ways to cooperate with other KB subsidiaries;
- Enhance business efficiencies by expanding the performance-oriented culture, fostering the business support mindset, and improving the stability of organization; and
- Develop new income models by expanding into redevelopment business and rental housing REITs.

**2014 Performance**

The year 2014 was a particularly difficult time for domestic investment business, represented by a significant drop in return rates which frustrated the venture industry; as ample liquidity increasingly drove budding firms to go public, the venture industry has crossed the threshold of self-destructive competition. In addition, new and renewable energy and other downstream industries remained sluggish, further tarnishing the glow of the market from which investors receive worthy returns on their risk-taking investments.

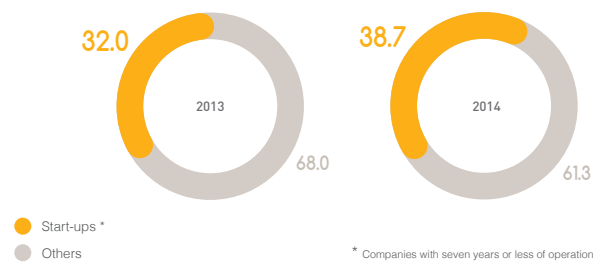
These daunting developments had a direct impact on the business performance of all domestic investment firms, including KB Investment. However, the Company's status as Korea's leading institutional investor remained intact, particularly in the venture capital and PEF markets;

- As of the end of 2014, assets under the management of the Company stood at KRW 1,295 billion, a 10.7% decrease from the year before. In addition to punishing market developments, the liquidation of three funds was another major contributing factor of the decline.
- Net income for the year amounted to KRW 1.3 billion, also reflecting the harsh environment and the fund dissolutions.
- A total of four venture firms went public, which represented 7% of the IPO market, or one fewer than the 2013 performance, which had accounted for 13.5% of the market.

Facing increasing competition among institutional investors, the Company contributed a great deal to giving rise to "Creative Economy";

- By increasing the 'KB Start-up Creation Fund', the Company increased its share of venture capital in start-up companies with seven years or less of operation, from 32.0% to 38.7%.
- In addition to capital support, the Company proactively provided its start-up clients with management support in personnel, accounting, marketing, strategy formulation, in an effort to help them reach the stable growth stage and enhance their business value.

**% of Start-ups\* in Total Investment (%)**



One of its business highlights was the creation of a fund that enables domestic investors to capitalize on investment opportunities in the Middle East. The USD 100 million 'Korea GCC Global Cooperation PEF' fund selectively invests in domestic corporations interested in expanding into the GCC markets;

- Thereby playing the role of a bridge linking Korea's technology prowess with industry development needs in the GCC region.
- In addition, the fund is expected to contribute to the creation of synergies among KB subsidiaries as it generates needs among invested companies for foreign exchange, investment-linked loan, and other related services.
- Moreover, through the operation of the fund, the Company hopes to accumulate valuable competencies and experience in overseas investment.

**2015 Plans**

As 2015 is widely expected to see no visible improvements in the market environment, KB Investment plans to:

- Maintain its focus on three areas—expansion of the funding/investment scale, diversification of funds in operation, and strengthening of competencies to enhance the corporate value of firms in which it invests;
- Expand its investment portfolio to include fin-tech, bio, chemical/new material businesses; and
- Build up its presence in the Asian market by cultivating industry-leading Middle East market expansion knowhow.

**2014 Performance**

The year 2014 presented KB Credit Information with a host of difficulties:

- Debt collection activities contracted significantly after the recent customer information theft incident; and
- The market environment was further constrained by a string of new regulations introduced in the wake of the leak incident.

Having faced and overcome numerous challenges in the past years, KB Credit Information stayed focused on honing its sales competencies and diversifying income sources beyond the bounds of the Group, to some laudable results.

Receivables worth about KRW 260 billion were collected on behalf of Group subsidiaries, which led to a visible non-performing loan reduction for the Group and a performance bonus for the Company. A new commission in the amount of KRW 48 billion from KB Capital was a contributing factor, but most of the performance can be attributed to the following steps the Company took in 2014:

- Improving the system of managing receivables by debt type and duration in arrear;
- Bolstering the in-house competition system with the adoption of an inter-branch coupling system;
- Launching diverse promotions with varying purposes and at varying intervals;
- Adopting the preferential treatment of high-performing employees in the process of allocating collection assignments;
- Increasing commission payout differences between top 20% and median performers; and
- Raising commission payout rates.

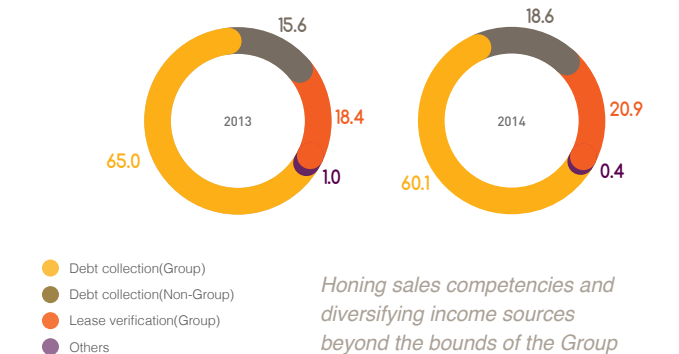
The Company also performed well for its non-Group clients, collecting nearly double the amount of debts it had initially planned, for the following reasons:

- A three-year contract with Korea Asset Management Corporation of collecting debts on behalf of the state-owned bad debt bank;

- A successful satisfaction of all criteria for asset management as stipulated in the asset securitization act;
- The effective oversight of participant asset managing companies; and
- The strengthened management of personal debts.

In the business of lease verification, the Company reached 94% of its initial goal, generating KRW 8,255 million in fees, or 21.3% of total sales, and continuing the growth of the promising business; despite the worsening regulatory environment, the Company managed to improve the quality of its lease verification reports through fostering of dedication and professionalism among its sales force.

**Sales by Business (KRW in billions)**



**2015 Plans**

Expecting 2015 will be another difficult year for debt collection business, KB Credit Information will remain focused on maximizing the rate of collecting debts through implementation of the following plans:

- Quantify and standardize the debt management process;
- Optimize the commission payout structure to the sales organization; and
- Retain and secure collection talents.

KB Data Systems provides first-rate IT services, mostly for financial institutions, based on its extensive experience accumulated from the wide range of projects undertaken to advance the IT-based services of KB Financial Group.

To provide optimal IT solutions in the ever-changing IT environment, the Company has 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, the Company builds the most optimal IT systems and identifies the effective operation measures for its affiliates within the Group.

#### 2014 Performance

In 2014, KB Data Systems concentrated its resources and energies on strengthening the foundation for growing into an IT service center that contributes to the IT services development of KBFG. Some of the more prominent actions it undertook include:

- Taking an active part in major Group IT projects, including the construction of an IPT and the development of an integrated messenger system;
- Providing KB Capital with IT consulting service and integrating the newest KBFG subsidiary's computerized systems into the Group's centralized system;
- Providing such IT support activities to non-banking subsidiaries as upgrading the call center of KB Life Insurance; constructing the next-generation trading system of KB Assets Management; constructing and implementing a system of strengthening customer information management at KB Real Estate Trust;
- Constructing IT systems for state-owned institutions including the National Pension Services, Korea Institute of Civil Engineering and Construction Technology, and Korea Resources Corporation.

In addition to revenue generating activities, KB Data Systems stepped up R&D efforts to further strengthen its technical prowess and successfully developed promising solutions, two of which have been applied for patent. The Company

also implemented diverse processes to reduce risks associated with the undertaking of IT projects, particularly those of non-Group clients; some of the processes include:

- Attaching QC experts to IT teams working at client sites for the purposes of preempting any service risks and thus raising the level of service quality; and
- Instituting employee education programs on the subjects of personal information protection, security guidelines, and corporate ethics.

#### 2015 Plans

In 2015 KB Data Systems will focus on the following areas:

- Expanding financial IT services to include the IT-based operations of insurance, asset management, capital companies, as well as of banking and securities institutions by attracting talents and strengthening employee competencies;
- Expanding the system integration business where it has a competitive advantage; and
- Establishing an organization optimal to IT services business and fostering a performance-oriented corporate culture.

# Financial Section

|     |                                   |
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| 263 | Overseas Network                  |
| 264 | Forward Looking Statements        |

# Independent Auditor's Report



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

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

We have audited the accompanying separate financial statements of KB Financial Group Inc. ("the Company"), which comprise the separate statements of financial position as of December 31, 2014 and 2013, and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of KB Financial Group Inc. as of December 31, 2014 and 2013, and its financial performance and cash flows for the years then ended accordance with the KIFRS.

### Other Matter

The financial statements of the Company as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

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.

*Samil PricewaterhouseCoopers*

Seoul, Korea  
March 12, 2015

This report is effective as of March 12, 2015, 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, 2014 and 2013

## KB Financial Group Inc.

(In millions of Korean won)

|  | Notes       | 2014         | 2013         |
|--|-------------|--------------|--------------|
| <b>Assets</b>                            |             |              |              |
| Cash and due from financial institutions | 4, 5, 6, 25 | ₩ 30,739     | ₩ 77,298     |
| Loans                                    | 4, 5, 7     | 10,000       | 10,000       |
| Investments in subsidiaries              | 8           | 18,557,566   | 18,292,443   |
| Property and equipment                   | 9           | 514          | 642          |
| Intangible assets                        | 10          | 8,684        | 10,133       |
| Deferred income tax assets               | 11, 23      | 4,089        | 4,203        |
| Other assets                             | 4, 5, 12    | 598,929      | 269,823      |
| <b>Total assets</b>                      |             | ₩ 19,210,521 | ₩ 18,664,542 |
| <b>Liabilities</b>                       |             |              |              |
| Debentures                               | 4, 5, 13    | 628,837      | 349,157      |
| Net defined benefit liabilities          | 14          | 803          | 1,433        |
| Current income tax liabilities           | 23          | 222,639      | 209,928      |
| Other liabilities                        | 4, 5, 15    | 71,568       | 55,602       |
| <b>Total liabilities</b>                 |             | 923,847      | 616,120      |
| <b>Equity</b>                            |             |              |              |
| Share capital                            | 16          | 1,931,758    | 1,931,758    |
| Capital surplus                          | 16          | 13,513,809   | 13,513,809   |
| Accumulated other comprehensive loss     | 16          | (4,238)      | (2,715)      |
| Retained earnings                        | 16          | 2,845,345    | 2,605,570    |
| <b>Total equity</b>                      |             | 18,286,674   | 18,048,422   |
| <b>Total liabilities and equity</b>      |             | ₩ 19,210,521 | ₩ 18,664,542 |

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

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# Separate Statements of Comprehensive Income

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc.

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

|  | Notes | 2014      | 2013      |
|--|-------|-----------|-----------|
| Interest income  |       | ₩ 2,391   | ₩ 3,859   |
| Interest expense   |       | (19,149)  | (5,227)   |
| <b>Net interest income</b>                                       | 18    | (16,758)  | (1,368)   |
| Fee and commission income  |       | -         | -         |
| Fee and commission expense                                       |       | (6,658)   | (6,270)   |
| <b>Net fee and commission income</b>                             | 19    | (6,658)   | (6,270)   |
| Net other operating income                                       | 20    | 493,782   | 245,044   |
| General and administrative expenses                              | 21    | (36,342)  | (40,657)  |
| Operating profit before provision for credit losses              |       | 434,024   | 196,749   |
| Provision for credit losses                                      |       | -         | -         |
| <b>Operating profit</b>  |       | 434,024   | 196,749   |
| Net non-operating income(expenses)                               | 22    | (473)     | (1,346)   |
| <b>Profit before income tax</b>                                  |       | 433,551   | 195,403   |
| Income tax benefit(expense)                                      | 23    | (600)     | 423       |
| <b>Profit for the year</b>                                       |       | 432,951   | 195,826   |
| Remeasurements of net defined benefit liabilities                |       | (1,523)   | 65        |
| Items that will not be reclassified to profit or loss            |       |           |           |
| <b>Other comprehensive income(loss) for the year, net of tax</b> |       | (1,523)   | 65        |
| <b>Total comprehensive income for the year</b>                   |       | ₩ 431,428 | ₩ 195,891 |
| <b>Earnings per share</b>  |       |           |           |
| Basic earnings per share   | 24    | ₩ 1,121   | ₩ 507     |
| Diluted earnings per share                                       | 24    | ₩ 1,116   | ₩ 505     |

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

# Separate Statements of Changes in Equity

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc.

(In millions of Korean won)

|   | Share Capital | Capital Surplus | Accumulated Other Comprehensive Loss | Retained Earnings | Total Equity |
|---|---------------|-----------------|--------------------------------------|-------------------|--------------|
| <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 |
| <b>Balance at January 1, 2014</b>                 | ₩ 1,931,758   | ₩ 13,513,809    | ₩ (2,715)                            | ₩ 2,605,570       | ₩ 18,048,422 |
| <b>Comprehensive income</b>                       |               |                 |                                      |                   |              |
| Profit for the year                               | -             | -               | -                                    | 432,951           | 432,951      |
| Remeasurements of net defined benefit liabilities | -             | -               | (1,523)                              | -                 | (1,523)      |
| <b>Total comprehensive income</b>                 | -             | -               | (1,523)                              | 432,951           | 431,428      |
| <b>Transactions with shareholders</b>             |               |                 |                                      |                   |              |
| Dividends   | -             | -               | -                                    | (193,176)         | (193,176)    |
| <b>Total transactions with shareholders</b>       | -             | -               | -                                    | (193,176)         | (193,176)    |
| <b>Balance at December 31, 2014</b>               | ₩ 1,931,758   | ₩ 13,513,809    | ₩ (4,238)                            | ₩ 2,845,345       | ₩ 18,286,674 |

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

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# Separate Statements of Cash Flows

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc.

(In millions of Korean won)

|   | Notes | 2014      | 2013      |
|---|-------|-----------|-----------|
| <b>Cash flows from operating activities</b>                   |       |           |           |
| Profit for the year   |       | ₩ 432,951 | ₩ 195,826 |
| Adjustment for non-cash items                                 |       |           |           |
| Depreciation and amortization                                 |       | 931       | 816       |
| Share-based payments  |       | 801       | 950       |
| Net interest income   |       | (201)     | (564)     |
| Impairment losses on investments in subsidiaries              |       | 14,747    | 36,995    |
| Net other expense   |       | 2,704     | 2,805     |
|   |       | 18,982    | 41,002    |
| Changes in operating assets and Liabilities                   |       |           |           |
| Deferred income tax assets                                    |       | 114       | (403)     |
| Other assets  |       | (299,688) | 9         |
| Other liabilities   |       | (5,962)   | (336)     |
|   |       | (305,536) | (730)     |
| <b>Net cash generated from operating activities</b>           |       | 146,397   | 236,098   |
| <b>Cash flows from investing activities</b>                   |       |           |           |
| Acquisition of investments in subsidiaries                    |       | (279,870) | (384,590) |
| Collection of loans   |       | -         | 15,000    |
| Acquisition of property and equipment                         |       | (225)     | (627)     |
| Acquisition of intangible assets                              |       | (165)     | (2,656)   |
| Disposal of intangible assets                                 |       | 939       | 757       |
| Net decrease(increase) in guarantee deposits paid             |       | 282       | (182)     |
| Others  |       | (81)      | (2)       |
| <b>Net cash used in investing activities</b>                  |       | (279,120) | (372,300) |
| <b>Cash flows from financing activities</b>                   |       |           |           |
| Increase in debts   |       | -         | 315,000   |
| Decrease in debts   |       | -         | (315,000) |
| Increase in debentures  |       | 279,340   | 349,077   |
| Distribution of dividends                                     |       | (193,176) | (231,811) |
| <b>Net cash provided by financing activities</b>              |       | 86,164    | 117,266   |
| <b>Net decrease in cash and cash equivalents</b>              |       | (46,559)  | (18,936)  |
| <b>Cash and cash equivalents at the beginning of the year</b> | 25    | 77,295    | 96,231    |
| <b>Cash and cash equivalents at the end of the year</b>       | 25    | ₩ 30,736  | ₩ 77,295  |

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

# Notes to Separate Financial Statements

December 31, 2014 and 2013

## 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, 2014, 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, acquired Yehansoul Savings Bank Co., Ltd. in September 2013 and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In addition, the Company acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. in March 2014.

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 on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized on its Articles of Incorporation is 1,000 million.

## 2. Basis of Preparation

### 2.1 Application of K-IFRS

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

Korean IFRS ("K-IFRS") are the standards, amendments 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 have been 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, 2014.

New standards, amendments and interpretations adopted by the Company for the financial year beginning on January 1, 2014, are as follows:

#### **Amendment 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

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manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. There is no material impact of the amendment on separate financial statements of the Company.

#### **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. There is no material impact of the amendment on separate financial statements of the Company.

#### **Amendment to K-IFRS 1102, *Share-based payment***

K-IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the separate financial statements of the Company.

#### **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). There is no material impact of the enactment on separate financial statements of the Company.

New standards, amendments and interpretations issued but not effective for the year beginning January 1, 2014, and not early adopted by the Company are as follows:

#### **Amendment to K-IFRS 1027, *Separate Financial Statements***

Amendment to K-IFRS 1027, *Separate Financial Statements*, requires that the accounting for investments in subsidiaries, jointly controlled entities and associates be accounted for under one of the following methods by each category: at cost, in accordance with K-IFRS 1039, or the equity method in K-IFRS 1028. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company is assessing the impact of application of this amendment on its separate financial statements.

## **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 losses.

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.

#### **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.

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

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

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 share-based payment transactions.

The Company measures the services acquired and the liability incurred at fair value. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the 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 a claim for rectification brought by the Company, an appeal for a refund of tax levied by the tax authorities, or others due to different interpretation of tax laws or others. The Company recognizes its uncertain tax positions in the separate financial statements based on the guidance in K-IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, additional tax and additional dues on tax refund are recognized in accordance with K-IFRS 1037.

### 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 Financial Risk Management Policy

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

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 managing 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014 |         | 2013 |         |
|---------------------------------|------|---------|------|---------|
| Due from financial institutions | ₩    | 30,739  | ₩    | 77,298  |
| Loans                           |      | 10,000  |      | 10,000  |
| Other financial assets          |      | 319,973 |      | 20,435  |
|                                 | ₩    | 360,712 | ₩    | 107,733 |

#### 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)

|                               | 2014            |               | 2013            |               |        |        |
|-------------------------------|-----------------|---------------|-----------------|---------------|--------|--------|
|                               | Corporate loans | Percentage(%) | Corporate loans | Percentage(%) |        |        |
| Neither past due nor impaired | ₩               | 10,000        | 100.00          | ₩             | 10,000 | 100.00 |
| Past due but not impaired     |                 | -             | -               |               | -      | -      |
| Impaired                      |                 | -             | -               |               | -      | -      |
|                               |                 | 10,000        | 100.00          |               | 10,000 | 100.00 |
| <b>Allowances</b>             |                 | -             | -               |               | -      | -      |
| <b>Carrying amount</b>        | ₩               | 10,000        | 100.00          | ₩             | 10,000 | 100.00 |

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

(In millions of Korean won)

|         | 2014 |        | 2013 |        |
|---------|------|--------|------|--------|
| Grade 1 | ₩    | 10,000 | ₩    | 10,000 |
| Grade 2 |      | -      |      | -      |
| Grade 3 |      | -      |      | -      |
| Grade 4 |      | -      |      | -      |
| Grade 5 |      | -      |      | -      |
|         | ₩    | 10,000 | ₩    | 10,000 |

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

|         | Range of PD(%)<br>(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 Company's loans by country, as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|              | 2014            |        |            |                 |
|--------------|-----------------|--------|------------|-----------------|
|              | Corporate loans | %      | Allowances | Carrying amount |
| <b>Korea</b> | ₩ 10,000        | 100.00 | ₩ -        | ₩ 10,000        |
|              | ₩ 10,000        | 100.00 | ₩ -        | ₩ 10,000        |

(In millions of Korean won)

|              | 2013            |        |            |                 |
|--------------|-----------------|--------|------------|-----------------|
|              | Corporate loans | %      | Allowances | Carrying amount |
| <b>Korea</b> | ₩ 10,000        | 100.00 | ₩ -        | ₩ 10,000        |
|              | ₩ 10,000        | 100.00 | ₩ -        | ₩ 10,000        |

The details of the Company's corporate loans by industry as of December 31, 2014 and 2013, are as follows

(In millions of Korean won)

|                               | 2014     |        |            |                 |
|-------------------------------|----------|--------|------------|-----------------|
|                               | Loans    | %      | Allowances | Carrying amount |
| <b>Financial institutions</b> | ₩ 10,000 | 100.00 | ₩ -        | ₩ 10,000        |
|                               | ₩ 10,000 | 100.00 | ₩ -        | ₩ 10,000        |

(In millions of Korean won)

|                               | 2013     |        |            |                 |
|-------------------------------|----------|--------|------------|-----------------|
|                               | Loans    | %      | Allowances | Carrying amount |
| <b>Financial institutions</b> | ₩ 10,000 | 100.00 | ₩ -        | ₩ 10,000        |
|                               | ₩ 10,000 | 100.00 | ₩ -        | ₩ 10,000        |

### 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 through 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014      |                   |            |             |           |              |     | Total     |
|---|-----------|-------------------|------------|-------------|-----------|--------------|-----|-----------|
|   | On demand | Less than 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> | ₩ 30,771  | ₩ -               | ₩ -        | ₩ -         | ₩ -       | ₩ -          | ₩ - | ₩ 30,771  |
| Loans   | -         | 26                | 51         | 10,077      | -         | -            | -   | 10,154    |
| Other financial assets                                | -         | 28                | 300,012    | 20,258      | -         | -            | -   | 320,298   |
|   | ₩ 30,771  | ₩ 54              | ₩ 300,063  | ₩ 30,335    | ₩ -       | ₩ -          | ₩ - | ₩ 361,223 |
| <b>Financial liabilities</b>                          |           |                   |            |             |           |              |     |           |
| Debenture   | ₩ -       | ₩ -               | ₩ 5,175    | ₩ 15,525    | ₩ 557,408 | ₩ 124,104    | ₩ - | ₩ 702,212 |
| Other financial liabilities                           | -         | 1,119             | -          | -           | -         | -            | -   | 1,119     |
|   | ₩ -       | ₩ 1,119           | ₩ 5,175    | ₩ 15,525    | ₩ 557,408 | ₩ 124,104    | ₩ - | ₩ 703,331 |

(In millions of Korean won)

|   | 2013      |                   |            |             |           |              |     | Total     |
|---|-----------|-------------------|------------|-------------|-----------|--------------|-----|-----------|
|   | On demand | Less than 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> | ₩ 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>                          |           |                   |            |             |           |              |     |           |
| Debenture   | ₩ -       | ₩ -               | ₩ 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 |

<sup>1</sup> The amount of ₩ 3 million, representing the restricted amount due from the financial institutions as of December 31, 2014 and 2013, is excluded.

### 4.4 Market Risk

#### 4.4.1 Concept

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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014               |            |             |             |              |          |
|--|--------------------|------------|-------------|-------------|--------------|----------|
|  | Less than 3 months | 3-6 months | 6-12 months | 1-3 years   | Over 3 years | Total    |
| <b>Interest-bearing assets</b>           |                    |            |             |             |              |          |
| Cash and due from financial institutions | ₩ 30,736           | ₩ -        | ₩ -         | ₩ -         | ₩ -          | ₩ 30,736 |
| Loans                                    | 10,000             | -          | -           | -           | -            | 10,000   |
|  | 40,736             | -          | -           | -           | -            | 40,736   |
| <b>Interest-bearing liabilities</b>      |                    |            |             |             |              |          |
| Debentures                               | ₩ -                | ₩ -        | ₩ 300,000   | ₩ 330,000   | ₩ 630,000    |          |
| <b>Gap</b>                               | ₩ 40,736           | ₩ -        | ₩ (300,000) | ₩ (330,000) | ₩ (589,264)  |          |
| <b>Accumulated gap</b>                   | 40,736             | 40,736     | 40,736      | (259,264)   | (589,264)    |          |
| <b>Percentage (%)</b>                    | 100.00             | 100.00     | 100.00      | (636.44)    | (1,446.53)   |          |

(In millions of Korean won)

|  | 2013               |            |             |             |              |             |
|--|--------------------|------------|-------------|-------------|--------------|-------------|
|  | Less than 3 months | 3-6 months | 6-12 months | 1-3 years   | Over 3 years | Total       |
| <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)     |             |

#### 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                   | 2014     | 2013     |
|-------------------|----------|----------|
| Interest rate VaR | ₩ 16,819 | ₩ 15,011 |

### 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 for 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 4.0%(3.5%), a minimum Tier 1 ratio of 5.5%(4.5%) and a minimum Total Regulatory Capital of 8.0%(8.0%) as of December 31, 2014 and 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 Group and its subsidiaries complied with external capital adequacy requirements as of December 31, 2014 and 2013. The Group complied with the capital adequacy standard as of December 31, 2014 and 2013.

The details of the Group's capital adequacy ratios based on Basel III, as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                  | 2014 |             | 2013 |             |
|----------------------------------|------|-------------|------|-------------|
| Equity Capital:                  | ₩    | 28,347,675  | ₩    | 27,296,535  |
| Tier 1 Capital                   |      | 24,248,598  |      | 22,693,836  |
| Common Equity Tier 1 Capital     |      | 24,062,475  |      | 22,693,836  |
| Additional Tier 1 Capital        |      | 186,123     |      | -           |
| Tier 2 Capital                   |      | 4,099,077   |      | 4,602,699   |
| Risk-weighted assets:            |      | 182,485,957 |      | 177,514,060 |
| Equity Capital (%):              |      | 15.53       |      | 15.38       |
| Tier 1 Capital (%)               |      | 13.29       |      | 12.78       |
| Common Equity Tier 1 Capital (%) |      | 13.19       |      | 12.78       |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014            |         |            |         |
|--|-----------------|---------|------------|---------|
|  | Carrying amount |         | Fair value |         |
| <b>Financial assets</b>                        |                 |         |            |         |
| <b>Loans and receivables</b>                   |                 |         |            |         |
| Cash and due from financial institutions       | ₩               | 30,739  | ₩          | 30,739  |
| Loans  |                 | 10,000  |            | 10,000  |
| Other financial assets                         |                 | 319,973 |            | 319,973 |
|  | ₩               | 360,712 | ₩          | 360,712 |
| <b>Financial liabilities</b>                   |                 |         |            |         |
| <b>Financial liabilities at amortized cost</b> |                 |         |            |         |
| Debentures                                     | ₩               | 628,837 | ₩          | 552,520 |
| Other financial liabilities                    |                 | 3,041   |            | 3,041   |
|  | ₩               | 631,878 | ₩          | 555,561 |

(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 |

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. |
| <b>Loans</b>                                    | DCF 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 pre-payment 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.

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**Fair value hierarchy of financial assets and liabilities whose fair values are disclosed**

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014                 |         |         |         |   |         |       |         |
|---|----------------------|---------|---------|---------|---|---------|-------|---------|
|   | Fair value hierarchy |         |         |         |   |         | Total |         |
|   | Level 1              | Level 2 | Level 3 |         |   |         |       |         |
| <b>Financial assets</b>                               |                      |         |         |         |   |         |       |         |
| Cash and due from financial institutions <sup>1</sup> | ₩                    | -       | ₩       | 30,739  | ₩ | -       | ₩     | 30,739  |
| Loans <sup>3</sup>                                    |                      | -       |         |         |   | 10,000  |       | 10,000  |
| Other financial assets                                |                      |         |         |         |   | 319,973 |       | 319,973 |
|   | ₩                    | -       | ₩       | 30,739  | ₩ | 329,973 | ₩     | 360,712 |
| <b>Financial liabilities</b>                          |                      |         |         |         |   |         |       |         |
| Debentures  | ₩                    | -       | ₩       | 552,520 | ₩ | -       | ₩     | 552,520 |
| Other financial liabilities                           |                      |         |         |         |   | 3,041   |       | 3,041   |
|   | ₩                    | -       | ₩       | 552,520 | ₩ | 3,041   | ₩     | 555,561 |

(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>1,2</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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  |                              | Financial Institution | Interest rate (%) (Dec. 31, 2014) | 2014 |        | 2013 |        |
|--|------------------------------|-----------------------|-----------------------------------|------|--------|------|--------|
|  |                              |                       |                                   | ₩    |        | ₩    |        |
| Due from financial institution in Korean won | Due from banking institution | Kookmin Bank          | 0.00 ~ 1.90                       | ₩    | 30,739 | ₩    | 77,298 |

The maturities of due from financial institution, excluding restricted due from financial institution, as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014               |            |             |           |              |       |   |   |   |        |
|--|--------------------|------------|-------------|-----------|--------------|-------|---|---|---|--------|
|  | Less than 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total |   |   |   |        |
| Due from financial institution in Korean won | ₩                  | 30,736     | ₩           | -         | ₩            | -     | ₩ | - | ₩ | 30,736 |

(In millions of Korean won)

|  | 2013               |            |             |           |              |       |   |   |   |        |
|--|--------------------|------------|-------------|-----------|--------------|-------|---|---|---|--------|
|  | Less than 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total |   |   |   |        |
| Due from financial institution in Korean won | ₩                  | 77,295     | ₩           | -         | ₩            | -     | ₩ | - | ₩ | 77,295 |

Restricted due from financial institution as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | Financial Institution | 2014 |   | 2013 |   | 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                            | 2014 |        | 2013 |        |
|----------------------------|------|--------|------|--------|
|                            | ₩    |        | ₩    |        |
| Loans                      | ₩    | 10,000 | ₩    | 10,000 |
| Allowances for loan losses |      | -      |      | -      |
| Carrying amount            | ₩    | 10,000 | ₩    | 10,000 |

## 8. Subsidiaries

The details of subsidiaries as of December 31, 2014, 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 Capital Co., Ltd.                 | 11,180,630              | Korea    | Financial Leasing                                  |
| KB Savings Bank Co., Ltd.            | 8,001,912               | Korea    | Savings Banking                                    |
| 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          |

Investments in subsidiaries as of December 31, 2014 and 2013, are as follows:

| Name of subsidiary                            | Ownership(%)<br>(Dec. 31, 2014) | 2014         | 2013         |
|---|---------------------------------|--------------|--------------|
| 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.                   | 100.00                          | 485,314      | 485,314      |
| KB Asset Management Co., Ltd.                 | 100.00                          | 96,312       | 96,312       |
| KB Capital Co., Ltd. <sup>1</sup>             | 52.02                           | 279,870      | -            |
| KB Savings Bank Co., Ltd.                     | 100.00                          | 157,544      | 134,531      |
| 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        |
| Yehansoul Savings Bank Co., Ltd. <sup>2</sup> | -                               | -            | 37,760       |
|   |                                 | ₩ 18,557,566 | ₩ 18,292,443 |

<sup>1</sup> The Company acquired the 52.02% of total issued shares of Woori Financial Co., Ltd. for ₩ 279,870 million and changed the name from Woori Financial Co., Ltd. to KB Capital Co., Ltd. in 2014.

<sup>2</sup> The Company acquired Yehansoul Savings Bank Co., Ltd. for ₩ 37,760 million in 2013. KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in 2014.

The changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2014 and 2013, are as follows:

|   | 2014       |            |        |            |
|---|------------|------------|--------|------------|
|   | Beginning  | Impairment | Others | Ending     |
| Accumulated impairment losses on investments in subsidiaries <sup>1</sup> | ₩ (36,995) | ₩ (14,747) | ₩ -    | ₩ (51,742) |

(In millions of Korean won)

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

<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 of KB Savings Bank Co., Ltd.

## 9. Property and Equipment

The details of property and equipment as of December 31, 2014 and 2013, are as follows:

|                        | 2014             |                          |                               |                 |
|------------------------|------------------|--------------------------|-------------------------------|-----------------|
|                        | Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Carrying amount |
| Leasehold improvements | ₩ 521            | ₩ (417)                  | ₩ -                           | ₩ 104           |
| Equipment and vehicles | 4,787            | (4,377)                  | -                             | 410             |
|                        | ₩ 5,308          | ₩ (4,794)                | ₩ -                           | ₩ 514           |

(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           |

The changes in property and equipment for the years ended December 31, 2014 and 2013, are as follows:

|                        | 2014      |             |              |        |
|------------------------|-----------|-------------|--------------|--------|
|                        | Beginning | Acquisition | Depreciation | Ending |
| Leasehold improvements | ₩ 93      | ₩ 97        | ₩ (86)       | ₩ 104  |
| Equipment and vehicles | 549       | 128         | (267)        | 410    |
|                        | ₩ 642     | ₩ 225       | ₩ (353)      | ₩ 514  |

(In millions of Korean won)

(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    |

Property and equipment insured as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

| Type of insurance          | Asset insured          | 2014               | 2013               | Insurance company                         |
|----------------------------|------------------------|--------------------|--------------------|---|
|                            |                        | Insurance coverage | Insurance coverage |   |
| General property insurance | Leasehold improvements | ₩ 521              | ₩ 424              | Samsung Fire & Marine Insurance Co., Ltd. |
|                            | Equipment and vehicles | 4,787              | 4,660              |   |
|                            |                        | ₩ 5,308            | ₩ 5,084            |   |

## 10. Intangible Assets

The details of intangible assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                         | 2014             |                          |                               |                 |
|-------------------------|------------------|--------------------------|-------------------------------|-----------------|
|                         | Acquisition cost | Accumulated amortization | Accumulated impairment losses | Carrying amount |
| Software                | ₩ 2,571          | ₩ (2,022)                | ₩ -                           | ₩ 549           |
| Membership rights       | 9,497            | -                        | (1,988)                       | 7,509           |
| Other intangible assets | 3,315            | (2,689)                  | -                             | 626             |
|                         | ₩ 15,383         | ₩ (4,711)                | ₩ (1,988)                     | ₩ 8,684         |

(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        |

The changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                         | 2014      |             |           |              |                         |         |
|-------------------------|-----------|-------------|-----------|--------------|-------------------------|---------|
|                         | Beginning | Acquisition | Disposal  | Amortization | Impairment <sup>1</sup> | Ending  |
| Software                | ₩ 629     | ₩ 140       | ₩ -       | ₩ (220)      | ₩ -                     | ₩ 549   |
| Membership rights       | 8,520     | 25          | (1,035)   | -            | (1)                     | 7,509   |
| Other intangible assets | 984       | -           | -         | (358)        | -                       | 626     |
|                         | ₩ 10,133  | ₩ 165       | ₩ (1,035) | ₩ (578)      | ₩ (1)                   | ₩ 8,684 |

(In millions of Korean won)

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

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      |            |          |           |
|--|-----------|------------|----------|-----------|
|  | Beginning | Impairment | Disposal | Ending    |
| Accumulated impairment losses on intangible assets | ₩ (3,172) | ₩ (1)      | ₩ 1,185  | ₩ (1,988) |

(In millions of Korean won)

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

## 11. Deferred Income Tax Assets and Liabilities

The details of deferred income tax assets and liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014    |             |            |
|---|---------|-------------|------------|
|   | Assets  | Liabilities | Net amount |
| Share-based payments                              | ₩ 2,211 | ₩ -         | ₩ 2,211    |
| Membership rights                                 | 481     | -           | 481        |
| Defined benefit obligation                        | 1,549   | -           | 1,549      |
| Plan assets                                       | -       | (861)       | (861)      |
| Short-term employee benefits                      | 285     | -           | 285        |
| Others  | 424     | -           | 424        |
|   | 4,950   | (861)       | 4,089      |
| Offsetting of deferred tax assets and liabilities | (861)   | 861         | -          |
|   | ₩ 4,089 | ₩ -         | ₩ 4,089    |

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(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)    |
| 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    |

**Unrecognized deferred income tax assets**

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million, ₩ 66,162 million and ₩ 51,742 million associated with investments in subsidiaries, tax loss carryforwards and impairment losses on investments in subsidiaries, respectively, as of December 31, 2014, 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, 2014, 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014          |           |           |               |
|--|---------------|-----------|-----------|---------------|
|  | Beginning     | Decrease  | Increase  | Ending        |
| <b>Deductible temporary differences</b>                            |               |           |           |               |
| Share-based payments   | ₩ 9,720       | ₩ 584     | ₩ -       | ₩ 9,136       |
| Membership rights  | 3,065         | 1,077     | 1         | 1,989         |
| Investments in subsidiaries  | 2,896,164     | -         | -         | 2,896,164     |
| Defined benefit obligation   | 5,757         | 3,164     | 3,808     | 6,401         |
| Short-term employee benefits                                       | 986           | 986       | 1,179     | 1,179         |
| Tax loss carryforwards   | 77,275        | 11,113    | -         | 66,162        |
| Impairment losses on investments in subsidiaries                   | 36,995        | -         | 14,747    | 51,742        |
| Others   | 2,432         | 2,430     | 1,747     | 1,749         |
|  | 3,032,394     | ₩ 19,354  | ₩ 21,482  | 3,034,522     |
| Unrecognized deferred income tax assets:                           |               |           |           |               |
| Investments in subsidiaries  | 2,896,164     |           |           | 2,896,164     |
| Tax loss carryforwards   | 77,275        |           |           | 66,162        |
| Impairment losses on investments in subsidiaries                   | 36,995        |           |           | 51,742        |
|  | 21,960        |           |           | 20,454        |
| Tax rate (%)   | 24.2          |           |           | 24.2          |
| Deferred income tax assets from deductible temporary differences   | ₩ 5,314       |           | ₩         | 4,950         |
| <b>Taxable temporary differences</b>                               |               |           |           |               |
| Investments in subsidiaries  | ₩ (2,395,805) | ₩ -       | ₩ -       | ₩ (2,395,805) |
| Plan assets  | (4,593)       | (3,165)   | (2,128)   | (3,556)       |
|  | (2,400,398)   | ₩ (3,165) | ₩ (2,128) | (2,399,361)   |
| Unrecognized deferred income tax liabilities:                      |               |           |           |               |
| Investments in subsidiaries  | (2,395,805)   |           |           | (2,395,805)   |
|  | (4,593)       |           |           | (3,556)       |
| Tax rate (%)   | 24.2          |           |           | 24.2          |
| Deferred income tax liabilities from taxable temporary differences | ₩ (1,111)     |           | ₩         | (861)         |



(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)     |

## 12. Other Assets

The details of other assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                               | 2014 |         | 2013 |         |
|-------------------------------|------|---------|------|---------|
| <b>Other financial assets</b> |      |         |      |         |
| Other receivables             | ₩    | 300,041 | ₩    | 35      |
| Accrued income                |      | 37      |      | 285     |
| Guarantee deposits            |      | 19,895  |      | 20,115  |
|                               |      | 319,973 |      | 20,435  |
| <b>Other assets</b>           |      |         |      |         |
| Other receivables             |      | 278,190 |      | 248,599 |
| Prepaid expenses              |      | 681     |      | 785     |
| Advance payments              |      | 85      |      | 4       |
|                               |      | 278,956 |      | 249,388 |
|                               | ₩    | 598,929 | ₩    | 269,823 |

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## 13. Debentures

The details of debentures as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | Issued date    | Expiration date | Annual interest rates (%) (Dec. 31, 2014) | 2014 |         | 2013 |         |
|---------------------------------|----------------|-----------------|---|------|---------|------|---------|
| Unguaranteed debentures No. 3-1 | 2013.08.13     | 2016.08.13      | 3.14                                      | ₩    | 150,000 | ₩    | 150,000 |
| Unguaranteed debentures No. 3-2 | 2013.08.13     | 2018.08.13      | 3.46                                      |      | 130,000 |      | 130,000 |
| Unguaranteed debentures No. 3-3 | 2013.08.13     | 2020.08.13      | 3.65                                      |      | 70,000  |      | 70,000  |
| Unguaranteed debentures No. 4   | 2014.03.17     | 2017.03.17      | 3.02                                      |      | 150,000 |      | -       |
| Unguaranteed debentures No. 5-1 | 2014.03.19     | 2019.03.19      | 3.31                                      |      | 80,000  |      | -       |
| Unguaranteed debentures No. 5-2 | 2014.03.19     | 2021.03.19      | 3.50                                      |      | 50,000  |      | -       |
|                                 | Bond Discounts |                 |   |      | (1,163) |      | (843)   |
|                                 |                |                 |   | ₩    | 628,837 | ₩    | 349,157 |

The maturities of debentures as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                          | 2014               |            |             |           |              |       |   |         |   |         |   |         |
|--------------------------|--------------------|------------|-------------|-----------|--------------|-------|---|---------|---|---------|---|---------|
|                          | Less than 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total |   |         |   |         |   |         |
| Debentures in Korean won | ₩                  | -          | ₩           | -         | ₩            | -     | ₩ | 300,000 | ₩ | 330,000 | ₩ | 630,000 |

(In millions of Korean won)

|                          | 2013               |            |             |           |              |       |   |         |   |         |   |         |
|--------------------------|--------------------|------------|-------------|-----------|--------------|-------|---|---------|---|---------|---|---------|
|                          | Less than 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total |   |         |   |         |   |         |
| Debentures in Korean won | ₩                  | -          | ₩           | -         | ₩            | -     | ₩ | 150,000 | ₩ | 200,000 | ₩ | 350,000 |

The changes in debentures based on face value for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                          | 2014      |           |           |           |
|--------------------------|-----------|-----------|-----------|-----------|
|                          | Beginning | Issuance  | Repayment | Ending    |
| Debentures in Korean won | ₩ 350,000 | ₩ 280,000 | ₩ -       | ₩ 630,000 |

(In millions of Korean won)

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

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014  |                           |                                 |
|---|---|---------------------------|---------------------------------|
|   | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
| Beginning   | ₩ 9,532                                     | ₩ (8,099)                 | ₩ 1,433                         |
| Current service cost  | 1,523                                       | -                         | 1,523                           |
| Interest cost(income)   | 380   | (323)                     | 57                              |
| Remeasurements  |   |                           |                                 |
| Actuarial gains and losses by changes in financial assumptions        | 1,219                                       | -                         | 1,219                           |
| Actuarial gains and losses by experience adjustments                  | 687   | -                         | 687                             |
| Return on plan assets (excluding amounts included in interest income) | -   | 103                       | 103                             |
| Contributions by the employer   | -   | (4,121)                   | (4,121)                         |
| Payments from plans   | (987)                                       | 987                       | -                               |
| Payments from the Company   | (80)  | -                         | (80)                            |
| Transfer in   | 2,231                                       | (2,231)                   | -                               |
| Transfer out  | (1,388)                                     | 1,370                     | (18)                            |
| Ending  | ₩ 13,117                                    | ₩ (12,314)                | ₩ 803                           |

(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                         |

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The details of the net defined benefit liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014     | 2013    |
|---|----------|---------|
| Present value of defined benefit obligation | ₩ 13,117 | ₩ 9,532 |
| Fair value of plan assets                   | (12,314) | (8,099) |
| Net defined benefit liabilities             | ₩ 803    | ₩ 1,433 |

The details of post-employment benefits recognized in profit and loss as employee compensation and benefits for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014    | 2013    |
|--|---------|---------|
| Current service cost                                 | ₩ 1,523 | ₩ 1,724 |
| Interest expenses of net defined benefit liabilities | 57      | 49      |
| Post-employment benefits                             | ₩ 1,580 | ₩ 1,773 |

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income(loss) for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014      | 2013   |
|---|-----------|--------|
| Remeasurements  |           |        |
| Return on plan assets (excluding amounts included in interest income) | ₩ (103)   | ₩ (60) |
| Actuarial gains and losses  | (1,906)   | 146    |
| Income tax effects  | 486       | (21)   |
| Remeasurements after income tax                                       | ₩ (1,523) | ₩ 65   |

Plan assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014                              |                                       |          |
|--|-----------------------------------|---------------------------------------|----------|
|  | Assets quoted in an active market | Assets not quoted in an active market | Total    |
| Cash and due from financial institutions | ₩ -                               | ₩ 12,314                              | ₩ 12,314 |

(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 |

Key actuarial assumptions used as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014                    | 2013                    |
|---------------------------------|-------------------------|-------------------------|
| Discount rate (%)               | 3.10                    | 4.00                    |
| Future salary increase rate (%) | 1.83(2015), 4.55(2016~) | 2.50(2014), 4.55(2015~) |
| 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 principal assumptions as of December 31, 2014, is as follows:

|                          | Effect on net defined benefit obligation |                                  |                                  |
|--------------------------|--|----------------------------------|----------------------------------|
|                          | Changes in principal assumption          | Increase in principal assumption | Decrease in principal assumption |
| Discount rate (%)        | 0.5%p.                                   | 6.67% decrease                   | 7.27% increase                   |
| Salary increase rate (%) | 0.5%p.                                   | 7.39% increase                   | 6.83% decrease                   |
| Turnover (%)             | 0.5%p.                                   | 0.86% decrease                   | 0.91% 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, 2014, are as follows:

(In millions of Korean won)

|                  | Less than 1 years | 1-2 years | 2-5 years | 5-10 years | Over 10 years | Total    |
|------------------|-------------------|-----------|-----------|------------|---------------|----------|
| Pension benefits | ₩ 251             | ₩ 124     | ₩ 496     | ₩ 5,704    | ₩ 64,322      | ₩ 70,897 |

The weighted average duration of the defined benefit obligation is 14.3 years.

Expected contribution to plan assets for periods after December 31, 2014, is estimated to be approximately ₩ 2,100 million.

## 15. Other Liabilities

The details of other liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014     | 2013     |
|--|----------|----------|
| <b>Other financial liabilities</b>     |          |          |
| Other payables                         | ₩ 360    | ₩ 306    |
| Accrued expenses                       | 2,681    | 3,270    |
|  | 3,041    | 3,576    |
| <b>Other non-financial liabilities</b> |          |          |
| Other payables                         | 16,291   | 178      |
| Accrued expenses                       | 51,978   | 51,580   |
| Withholding taxes                      | 258      | 268      |
|  | 68,527   | 52,026   |
|  | ₩ 71,568 | ₩ 55,602 |

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## 16. Equity

### 16.1 Share capital

The details of share capital as of December 31, 2014 and 2013, are as follows:

|                             | 2014                | 2013                |
|-----------------------------|---------------------|---------------------|
| Type                        | 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 million | ₩ 1,931,758 million |

The changes in shares outstanding for the years ended December 31, 2014 and 2013, are as follows:

(Number of issued shares)

|           | 2014        | 2013        |
|-----------|-------------|-------------|
| Beginning | 386,351,693 | 386,351,693 |
| Increase  | -           | -           |
| Decrease  | -           | -           |
| Ending    | 386,351,693 | 386,351,693 |

## 16.2 Capital Surplus

The details of capital surplus as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                       | 2014 |            | 2013 |            |
|-----------------------|------|------------|------|------------|
| 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 loss

The details of accumulated other comprehensive loss as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014 |         | 2013 |         |
|---|------|---------|------|---------|
| Remeasurements of net defined benefit liabilities | ₩    | (4,238) | ₩    | (2,715) |
|   | ₩    | (4,238) | ₩    | (2,715) |

The changes in accumulated other comprehensive loss for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014      |           |            |           |
|---|-----------|-----------|------------|-----------|
|   | Beginning | Changes   | Tax effect | Ending    |
| Remeasurements of net defined benefit liabilities | ₩ (2,715) | ₩ (2,009) | ₩ 486      | ₩ (4,238) |
|   | ₩ (2,715) | ₩ (2,009) | ₩ 486      | ₩ (4,238) |

(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) |

## 16.4 Retained Earnings

The details of retained earnings as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                      | 2014 |           | 2013 |           |
|--------------------------------------|------|-----------|------|-----------|
| Legal reserves                       | ₩    | 208,221   | ₩    | 188,638   |
| Voluntary reserves                   |      | 982,000   |      | 982,000   |
| Regulatory reserve for credit losses |      | 1,295     |      | 1,575     |
| Unappropriated retained earnings     |      | 1,653,829 |      | 1,433,357 |
|                                      | ₩    | 2,845,345 | ₩    | 2,605,570 |

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.

## Appropriation of retained earnings

(Expected Date of appropriation for 2014: March 27, 2015)

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

(In millions of Korean won)

|  | 2014 |           | 2013 |           |
|--|------|-----------|------|-----------|
| <b>Unappropriated retained earnings</b>  |      |           |      |           |
| Balance at the beginning of year   | ₩    | 1,220,878 | ₩    | 1,237,531 |
| Profit for the year  |      | 432,951   |      | 195,826   |
|  |      | 1,653,829 |      | 1,433,357 |
| <b>Transfers such as discretionary reserves</b>  |      |           |      |           |
| Regulatory reserve for credit losses   |      | -         |      | 280       |
|  |      | -         |      | 280       |
| <b>Appropriation of retained earnings</b>  |      |           |      |           |
| Legal reserve  |      | 43,296    |      | 19,583    |
| Regulatory reserve for credit losses   |      | 1,647     |      | -         |
| Cash dividends<br>(Dividends per common share: ₩ 780 (15.6%) in 2014)<br>(Dividends per common share: ₩ 500 (10.0%) in 2013) |      | 301,354   |      | 193,176   |
|  |      | 346,297   |      | 212,759   |
| Unappropriated retained earnings to be carried over to subsequent year   | ₩    | 1,307,532 | ₩    | 1,220,878 |

## Regulatory Reserve for Credit Losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of the Supervisory Regulations on Financial Holding Companies.

The details of the regulatory reserve for credit losses as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                      | 2014 |       | 2013 |       |
|--------------------------------------|------|-------|------|-------|
| Beginning                            | ₩    | 1,295 | ₩    | 1,575 |
| Amounts estimated to be appropriated |      | 1,647 |      | (280) |
| Ending                               | ₩    | 2,942 | ₩    | 1,295 |

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2014 and 2013, are as follows:

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

|  | 2014 |         |
|--|------|---------|
| Provision of regulatory reserve for credit losses  | ₩    | 1,647   |
| Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>                     |      | 431,304 |
| Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>   |      | 1,116   |
| Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>1</sup> |      | 1,112   |



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

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

<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 for the period.

## 17. Dividends

The dividends paid to the shareholders of the Company in 2014 and 2013 were ₩ 193,176 million (₩ 500per share) and 231,811 million (₩ 600 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2014, of ₩ 780 per share, amounting to total dividends of ₩ 301,354 million, is to be proposed at the annual general meeting on March 27, 2015. The Company's separate financial statements as of December 31, 2014, do not reflect this dividend payable.

## 18. Net Interest Income

Interest income and interest expense for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014 |          | 2013 |         |
|---------------------------------|------|----------|------|---------|
| <b>Interest income</b>          |      |          |      |         |
| Due from financial institutions | ₩    | 1,478    | ₩    | 2,618   |
| Loans                           |      | 373      |      | 596     |
| Others                          |      | 540      |      | 645     |
|                                 |      | 2,391    |      | 3,859   |
| <b>Interest expense</b>         |      |          |      |         |
| Debts                           |      | -        |      | 627     |
| Debentures                      |      | 19,149   |      | 4,600   |
|                                 |      | 19,149   |      | 5,227   |
| <b>Net interest income</b>      | ₩    | (16,758) | ₩    | (1,368) |

## 19. Net Fee and Commission Income

Fee and commission income and fee and commission expense for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                      | 2014 |         | 2013 |         |
|--------------------------------------|------|---------|------|---------|
| <b>Fee and commission income</b>     |      |         |      |         |
| Fees in Korean won                   | ₩    | -       | ₩    | -       |
| <b>Fee and commission expense</b>    |      |         |      |         |
| Fees paid in Korean won              |      | 6,548   |      | 6,189   |
| Fees paid in foreign currency        |      | 110     |      | 81      |
|                                      |      | 6,658   |      | 6,270   |
| <b>Net fee and commission income</b> | ₩    | (6,658) | ₩    | (6,270) |

## 20. Net Other Operating Income

Other operating income and other operating expense for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |         | 2013 |         |
|--|------|---------|------|---------|
| <b>Other operating income</b>                    |      |         |      |         |
| Dividend income from subsidiaries                | ₩    | 508,529 | ₩    | 282,039 |
| <b>Other operating expense</b>                   |      |         |      |         |
| Impairment losses on investments in subsidiaries |      | 14,747  |      | 36,995  |
| <b>Net other operating income</b>                | ₩    | 493,782 | ₩    | 245,044 |

## 21. General and Administrative Expenses

The details of general and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |        | 2013 |        |
|--|------|--------|------|--------|
| <b>Employee Benefits</b>                                   |      |        |      |        |
| Salaries and other short-term employee benefits - Salaries | ₩    | 19,381 | ₩    | 20,733 |
| Salaries and other short-term employee benefits - Others   |      | 3,429  |      | 2,685  |
| Termination benefits                                       |      | -      |      | 445    |
| Post employment benefits - defined benefit plans           |      | 1,580  |      | 1,773  |
| Share-based payments                                       |      | 801    |      | 950    |
|  |      | 25,191 |      | 26,586 |
| <b>Depreciation and amortization</b>                       |      | 931    |      | 816    |
| <b>Other general and administrative expenses</b>           |      |        |      |        |
| Travel   |      | 56     |      | 299    |
| Communications   |      | 399    |      | 265    |
| Tax and dues   |      | 191    |      | 289    |
| Publication  |      | 170    |      | 195    |
| Rental expense   |      | 1,772  |      | 1,954  |
| Vehicle  |      | 219    |      | 197    |
| Service fees   |      | 1,972  |      | 3,207  |
| Advertising  |      | 641    |      | 623    |
| Training   |      | 142    |      | 232    |
| Others   |      | 4,658  |      | 5,994  |
|  |      | 10,220 |      | 13,255 |
| <b>Net interest income</b>                                 | ₩    | 36,342 | ₩    | 40,657 |

## Share-Based Payments

The details of share based payments of December 31, 2014, 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 4                         | 2010.07.13 | 180,707                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,3</sup> |
| Series 8                         | 2012.01.01 | 13,471                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 9                         | 2013.07.17 | 82,699                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 10                        | 2014.01.01 | 37,732                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 11                        | 2013.07.13 | 69,892                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,3</sup> |
| Deferred grant in 2010           | -          | 6,583                                 | Satisfied  |
| Deferred grant in 2011           | -          | 1,435                                 | Satisfied  |
| Deferred grant in 2012           | -          | 7,975                                 | Satisfied  |
| Deferred grant in 2013           | -          | 2,617                                 | Satisfied  |
|                                  |            | 403,111                               |  |
| <b>(Kookmin Bank)</b>            |            |                                       |  |
| Series 41                        | 12.08.02   | 23,521                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 43                        | 12.11.26   | 13,918                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 44                        | 13.01.01   | 17,242                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 45                        | 13.01.01   | 9,698                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 46                        | 13.01.01   | 103,440                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 48                        | 13.07.23   | 74,666                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 49                        | 13.07.24   | 101,828                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 50                        | 13.07.24   | 82,926                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 51                        | 13.07.25   | 9,899                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 52                        | 13.08.01   | 10,278                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 53                        | 13.07.19   | 69,256                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,7</sup> |
| Series 54                        | 13.07.23   | 26,689                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,7</sup> |
| Series 55                        | 14.01.03   | 11,060                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,8</sup> |
| Series 56                        | 13.12.30   | 17,798                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |

(In number of shares)

| Share grants                | Grant date | Number of granted shares <sup>1</sup> | Vesting conditions   |
|-----------------------------|------------|---------------------------------------|--|
| Series 57                   | 14.01.01   | 44,265                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 58                   | 14.01.01   | 78,700                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 59                   | 14.08.26   | 9,106                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Deferred grant in 2010      | -          | 171                                   | Satisfied  |
| Deferred grant in 2011      | -          | 8,454                                 | Satisfied  |
| Deferred grant in 2012      | -          | 31,348                                | Satisfied  |
| Deferred grant in 2013      | -          | 92,316                                | Satisfied  |
|                             |            | 836,579                               |  |
| <b>(Other subsidiaries)</b> |            |                                       |  |
| Share granted in 2010       |            | 3,485                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2011       |            | 7,648                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2012       |            | 63,976                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2013       |            | 104,394                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2014       |            | 82,759                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
|                             |            | 262,262                               |  |
|                             |            | 1,501,952                             |  |

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

<sup>3</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 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 the targeted Value-up Index, 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>4</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted Value-up Index, targeted financial results of the Company and its subsidiaries (Group) and the targeted relative TSR, respectively. However, 50% and 50% of certain granted shares will be compensated based on the accomplishment of the targeted Value-up Index and the accomplishment of targeted relative TSR.

<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 Value-up Index and the targeted financial results of the Bank, respectively.

<sup>6</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted financial results of the Bank, the targeted relative TSR and the targeted Value-up Index, respectively. However, as for certain number of shares, 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 Value-up Index.

<sup>7</sup> The 30%, 45% and 25% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the ROA and the growth rate of total assets, respectively.

<sup>8</sup> The number of granted shares to be compensated is not linked to performance, but fixed.

<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 targeted Value-up Index, the respective subsidiaries' performance and the targeted relative TSR, respectively. The 60% and 40% of the number of certain granted shares to be compensated is determined based on the accomplishment of the respective subsidiaries' performance and the accomplishment of the targeted relative TSR, respectively. The 40%, 30% and 30% of the number of certain granted shares to be compensated is determined based on the accomplishment of the targeted Value-up Index, the respective subsidiaries' performance 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, 2014, are as follows:

(In number of shares)

| Share grants            | Grant date            | Number of granted shares <sup>1</sup> | Vesting conditions |                              |
|-------------------------|-----------------------|---------------------------------------|--------------------|------------------------------|
| KB Financial Group Inc. | Share granted in 2010 | 2010.01.01                            | 322                | Satisfied                    |
|                         | Share granted in 2011 | 2011.01.01                            | 7,295              | Satisfied                    |
|                         | Share granted in 2012 | 2012.01.01                            | 15,782             | Satisfied                    |
|                         | Share granted in 2013 | 2013.01.01                            | 16,560             | Satisfied                    |
|                         | Share granted in 2014 | 2014.01.01                            | 25,174             | Proportion to service period |
| Kookmin Bank            | Share granted in 2010 | 2010.01.01                            | 363                | Satisfied                    |
|                         | Share granted in 2011 | 2011.01.01                            | 46,845             | Satisfied                    |
|                         | Share granted in 2012 | 2012.01.01                            | 103,177            | Satisfied                    |
|                         | Share granted in 2013 | 2013.01.01                            | 102,343            | Satisfied                    |
|                         | Share granted in 2014 | 2014.01.01                            | 173,132            | Proportion to service period |
| Other subsidiaries      | Share granted in 2013 |                                       | 9,823              | Satisfied                    |
|                         | Share granted in 2014 |                                       | 28,149             | 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, 2014, 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 4  | 0.00~1.53                        | 2.07               | -   | 35,315~36,425                                 |
| Series 4-1  | 0.00~1.53                        | 2.07               | -   | 35,315~36,425                                 |
| Series 4-2  | 0.00~1.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 8  | 0.00~2.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 9  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 9-1  | 0.00~3.00                        | 2.07               | 39,437                                    | 36,389~38,111                                 |
| Series 9-2  | 1.00~4.00                        | 2.07               | 33,363                                    | 35,653~36,835                                 |
| Series 9-3  | 0.00~3.00                        | 2.07               | 39,223                                    | 36,389~38,111                                 |
| Series 9-4  | 0.00~3.00                        | 2.07               | 37,036                                    | 36,389~38,111                                 |
| Series 10   | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 10-1   | 1.00~4.00                        | 2.07               | 32,645                                    | 35,653~36,835                                 |
| Series 10-2   | 1.00~4.00                        | 2.07               | 33,110                                    | 35,653~36,835                                 |
| Series 11   | 1.53~4.53                        | 2.08               | 35,335                                    | 36,639~36,858                                 |
| Deferred grant in 2010                                  | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2011                                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2012                                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2013                                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |

(In Korean won)

|  | Expected exercise period (Years) | Risk free rate (%) | Fair value (Market performance condition) | Fair value (Non-market performance condition) |
|--|----------------------------------|--------------------|---|---|
| <b>(Kookmin Bank) Long-term achievements</b>             |                                  |                    |   |   |
| Series 41-1  | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 41-2  | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 43  | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 44  | 0.00~2.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 45  | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 46  | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 48  | 0.56~4.00                        | 2.07               | 35,029                                    | 36,389~36,835                                 |
| Series 48-1  | 0.00~3.00                        | 2.07               | 36,734                                    | 36,389~38,111                                 |
| Series 48-2  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 49  | 0.56~4.00                        | 2.07               | 34,972                                    | 36,389~36,835                                 |
| Series 49-1  | 0.65~4.00                        | 2.07               | 34,906                                    | 36,389~36,835                                 |
| Series 49-2  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 50  | 0.56~4.00                        | 2.07               | 34,972                                    | 36,389~36,835                                 |
| Series 50-1  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 51  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 52  | 0.58~4.00                        | 2.07               | 34,977                                    | 36,389~36,835                                 |
| Series 53  | 0.00~2.68                        | 2.07               | 38,284                                    | 36,317~40,991                                 |
| Series 54  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 55  | 2.01~5.01                        | 2.08               | -   | 36,551~37,053                                 |
| Series 56  | 0.00~3.00                        | 2.07               | 32,595                                    | 36,389~36,835                                 |
| Series 56-1  | 0.00~3.00                        | 2.07               | 36,854                                    | 36,389~38,111                                 |
| Series 57  | 1.00~4.00                        | 2.07               | 32,645                                    | 36,389~36,835                                 |
| Series 57-1  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 58  | 1.00~4.00                        | 2.07               | 32,645                                    | 36,389~36,835                                 |
| Series 59  | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Deferred grant in 2012                                   | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2013                                   | 0.00~2.00                        | 2.07               | -   | 36,205~38,111                                 |
| <b>(Other Subsidiaries) Long-term achievements</b>       |                                  |                    |   |   |
| Year 2012  | 0.00~0.54                        | 2.07               | 0~21,928                                  | 35,968~38,617                                 |
| Year 2013  | 0.00~1.75                        | 2.07~2.08          | 0~33,505                                  | 35,115~40,662                                 |
| Year 2014  | 1.00~2.67                        | 2.07~2.10          | 30,801~33,312                             | 34,676~36,835                                 |
| <b>(KB Financial Group Inc.) Short-term achievements</b> |                                  |                    |   |   |
| Year 2012  | 0.00~1.00                        | 2.07               | -   | 36,389~40,662                                 |
| Year 2013  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Year 2014  | 1.00~3.00                        | 2.07               | -   | 36,389~36,684                                 |

(In Korean won)

|   | Expected exercise period (Years) | Risk free rate (%) | Fair value (Market performance condition) | Fair value (Non-market performance condition) |
|---|----------------------------------|--------------------|---|---|
| <b>(Kookmin Bank) Short-term achievements</b>       |                                  |                    |   |   |
| Year 2012   | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Year 2013   | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Year 2014   | 1.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| <b>(Other Subsidiaries) Short-term achievements</b> |                                  |                    |   |   |
| Year 2013   | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Year 2014   | 2.00~4.00                        | 2.07               | -   | 36,498~36,835                                 |

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, 2014, 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, 2014 and 2013, are ₩ 48,734 million and ₩ 48,316 million, respectively, and the receivables to be reimbursed from the subsidiaries for the compensation costs are ₩ 39,598 million and ₩ 38,596 million, respectively. The compensation costs amounting to ₩ 801 million and ₩ 950 million were recognized as an expense for the years ended December 31, 2014 and 2013, respectively.

## 22. Net Non-operating Income(Expense)

The details of non-operating income and expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014    | 2013      |
|--|---------|-----------|
| <b>Non-operating income</b>            |         |           |
| Others                                 | ₩ 628   | ₩ 561     |
| <b>Non-operating expenses</b>          |         |           |
| Impairment losses on intangible assets | 1       | 302       |
| Donation                               | 999     | 1,488     |
| Others                                 | 101     | 117       |
|  | 1,101   | 1,907     |
| <b>Net non-operating expense</b>       | ₩ (473) | ₩ (1,346) |

## 23. Income Tax Benefit(Expense)

The details of income tax benefit(expense) for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014    | 2013  |
|---|---------|-------|
| <b>Tax payable</b>                                |         |       |
| Current tax expense                               | ₩ -     | ₩ -   |
| <b>Change in deferred tax assets(liabilities)</b> |         |       |
| Origination and reversal of temporary differences | (114)   | 402   |
| <b>Income tax recognized directly in equity</b>   |         |       |
| Remeasurements of net defined benefit liabilities | (486)   | 21    |
| <b>Tax benefit(expense)</b>                       | ₩ (600) | ₩ 423 |

The analysis of profit before tax and income tax benefit(expense) for the years ended December 31, 2014 and 2013, follows:

(In millions of Korean won)

|  | 2014      | 2013      |
|--|-----------|-----------|
| <b>Profit before tax</b>   | ₩ 433,551 | ₩ 195,403 |
| Tax expense at the applicable tax rate <sup>1</sup>                              | 104,457   | 46,826    |
| Non-taxable income   | (118,358) | (66,428)  |
| Non-deductible expense   | 514       | 9,534     |
| Consolidated tax effect  | 12,787    | 9,645     |
| <b>Tax benefit(expense)</b>  | ₩ (600)   | ₩ 423     |
| Average effective tax rate (Income tax benefit(expense) / Profit before tax) (%) | 0.14      | (0.22)    |

<sup>1</sup> Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      | 2013      |
|--|-----------|-----------|
| Income tax refund receivable prior to offsetting | ₩ -       | ₩ -       |
| Tax payable prior to offsetting                  | -         | -         |
| Adjustment on consolidated tax payable           | 222,639   | 209,928   |
| Current tax payable                              | ₩ 222,639 | ₩ 209,928 |



## 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)

|  | 2014                 |                      |                                    |
|--|----------------------|----------------------|------------------------------------|
|  | 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)

|  | 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          |                      |                                    |

### Basic earnings per share

(In Korean won and In number of shares)

|  | 2014  |             |
|--|---|-------------|
|  | Profit attributable to ordinary shares <sup>1</sup> (C) | ₩           |
| Weighted average number of ordinary shares outstanding (D) |   | 386,351,693 |
| Basic earnings per share (E = C / D)                       | ₩   | 1,121       |

(In Korean won and In number of shares)

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

<sup>1</sup> Profit attributable to ordinary shares is the same as profit for the year 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 grants. 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)

|  | 2014                                   |                 |
|--|--|-----------------|
|  | Profit attributable to ordinary shares | ₩               |
| Adjustment                                     |  | -               |
| Adjusted profit for diluted earnings per share | ₩                                      | 432,950,644,908 |

(In Korean won)

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

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

(In number of shares)

|  | 2014   |             |
|--|--|-------------|
|  | Weighted average number of ordinary shares outstanding |             |
| Adjustment   |  |             |
| Share grants   |  | 1,589,706   |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |  | 387,941,399 |

(In number of shares)

|  | 2013   |             |
|--|--|-------------|
|  | Weighted average number of ordinary shares outstanding |             |
| Adjustment   |  |             |
| Share grants   |  | 1,639,306   |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |  | 387,990,999 |

### Diluted earnings per share:

(In Korean won and In number of shares)

|  | 2014   |             |
|--|--|-------------|
|  | Adjusted profit for diluted earnings per share | ₩           |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |  | 387,941,399 |
| Diluted earnings per share   | ₩  | 1,116       |

(In Korean won and In number of shares)

|  | 2013   |             |
|--|--|-------------|
|  | Adjusted profit for diluted earnings per share | ₩           |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |  | 387,990,999 |
| Diluted earnings per share   | ₩  | 505         |

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## 25. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |        | 2013 |        |
|--|------|--------|------|--------|
| Due from financial institutions            | ₩    | 30,739 | ₩    | 77,298 |
| Restricted due from financial institutions |      | (3)    |      | (3)    |
|  | ₩    | 30,736 | ₩    | 77,295 |

Significant non-cash transactions for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014 |          | 2013 |          |
|---|------|----------|------|----------|
| Changes in receivables and payables from consolidated tax | ₩    | (28,589) | ₩    | (51,393) |
| Changes in other receivables and other payables           |      | (1,003)  |      | (10,336) |

Cash inflow and outflow due to interest and dividends for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                    | Activity  | 2014 |         | 2013 |         |
|--------------------|-----------|------|---------|------|---------|
| Interest received  | Operating | ₩    | 2,099   | ₩    | 3,293   |
| Interest paid      | Operating |      | 18,466  |      | 3,568   |
| Dividends received | Operating |      | 208,517 |      | 282,039 |
| Dividends paid     | Financing |      | 193,176 |      | 231,811 |

## 26. Contingent Liabilities and Commitments

The commitments made with financial institutions as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      |                        | 2014                 |                  | 2013                 |                  |
|----------------------|------------------------|----------------------|------------------|----------------------|------------------|
|                      |                        | Amount of commitment | Amounts borrowed | Amount of commitment | Amounts borrowed |
| General loans        | Hana Bank              | ₩ 50,000             | ₩ -              | ₩ 50,000             | ₩ -              |
|                      | Woori Bank             | -                    | -                | 130,000              | -                |
|                      | Korea Development Bank | 300,000              | -                | 300,000              | -                |
| Discounting of bills | Korea Exchange Bank    | 100,000              | -                | 100,000              | -                |
|                      |                        | ₩ 450,000            | ₩ -              | ₩ 580,000            | ₩ -              |

Other Matters(including litigation)

- a) The Company faces a lawsuit (as the defendant) involving damages of ₩ 51 million, which is still pending as of December 31, 2014.
- b) 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 ₩ 123,330 million, excluding local income taxes, and recognized local income taxes amounting to ₩ 1,027

million as other payables. Meanwhile, the Company and Kookmin Bank, a subsidiary of the Company, appealed to the tax tribunal over the ₩ 114,283 million in fines. The Company's claim for this appeal amounts to ₩ 89,284 million as of December 31, 2014.

- c) The Company entered into a share purchase agreement in June 2014, to acquire 11,682,580 of LIG Insurance Co., Ltd.'s common shares (representing 19.47% of outstanding shares) amounting to ₩ 685,000 million. The Financial Services Commission approved LIG Insurance Co., Ltd to be included as a subsidiary of the Company in December 2014.

## 27. Related Party Transactions

Significant related party transactions for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                           |                                      |                                     | 2014    |
|---------------------------|--------------------------------------|-------------------------------------|---------|
| Subsidiaries              | Kookmin Bank                         | Interest income                     | ₩ 2,006 |
|                           |                                      | Net other operating income          | 158,517 |
|                           |                                      | General and administrative expenses | 1,718   |
|                           | KB Kookmin Card Co., Ltd             | Net other operating income          | 300,102 |
|                           |                                      | General and administrative expenses | 162     |
|                           |                                      | Net non-operating income            | 2       |
|                           | KB Investment & Securities Co., Ltd. | Fee and commission expense          | 234     |
|                           |                                      | General and administrative expenses | 68      |
|                           | KB Life Insurance Co., Ltd.          | General and administrative expenses | 109     |
|                           | KB Asset Management Co., Ltd         | Net other operating income          | 50,000  |
|                           | KB Capital Co., Ltd                  | General and administrative expenses | 72      |
|                           | KB Investment Co., Ltd.              | Interest Income                     | 373     |
| KB Data Systems Co., Ltd. | General and administrative expenses  | 975                                 |         |

(In millions of Korean won)

|                           |                                      |                                     | 2013    |
|---------------------------|--------------------------------------|-------------------------------------|---------|
| Subsidiaries              | Kookmin Bank                         | Interest income                     | ₩ 3,251 |
|                           |                                      | Net other operating income          | 282,039 |
|                           |                                      | General and administrative expenses | 2,775   |
|                           | KB Kookmin Card Co., Ltd             | 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 Savings Bank Co., Ltd             | General and administrative expenses | 182     |
|                           | 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                                 |         |

Significant receivables and payables, and related allowance for loan losses arising from the related party transactions as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                           |                                      | <b>2014</b>                              |          |
|---------------------------|--------------------------------------|--|----------|
| Subsidiaries              | Kookmin Bank                         | Cash and due from financial institutions | ₩ 30,739 |
|                           |                                      | Other assets                             | 224,755  |
|                           |                                      | Other liabilities                        | 465      |
|                           | KB Kookmin Card Co., Ltd             | Other assets                             | 352,273  |
|                           |                                      | Other liabilities                        | 267      |
|                           | KB Investment & Securities Co., Ltd. | Other assets                             | 3,038    |
|                           |                                      | Other liabilities                        | 3,563    |
|                           | KB Life Insurance Co., Ltd.          | Other assets                             | 826      |
|                           |                                      | Other liabilities                        | 11,967   |
|                           | KB Asset Management Co., Ltd         | Other assets                             | 9,617    |
|                           | KB Capital Co., Ltd                  | Other assets                             | 172      |
|                           | KB Savings Bank Co., Ltd             | Other assets                             | 81       |
|                           |                                      | Other liabilities                        | 21       |
|                           | KB Real Estate Trust Co., Ltd        | Other assets                             | 6,120    |
|                           | KB Investment Co., Ltd.              | Loans                                    | 10,000   |
|                           |                                      | Other assets                             | 715      |
|                           | KB Credit Information Co., Ltd       | Other assets                             | 238      |
|                           |                                      | Other liabilities                        | 68       |
| KB Data Systems Co., Ltd. | Other assets                         | 216                                      |          |
|                           | Other liabilities                    | 97                                       |          |
|                           |                                      | (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 Savings Bank Co., Ltd             | Other assets                             | 30       |
|                           |                                      | Other liabilities                        | 28       |
|                           | KB Real Estate Trust Co., Ltd        | Other assets                             | 474      |
|                           | KB Investment Co., Ltd.              | Loans                                    | 10,000   |
|                           |                                      | Other assets                             | 217      |
|                           | KB Credit Information Co., Ltd       | Other assets                             | 236      |
|                           |                                      | Other liabilities                        | 18       |
|                           | KB Data Systems Co., Ltd.            | Other assets                             | 206      |
|                           |                                      | Other liabilities                        | 108      |

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, 2014 and 2013, are as follows:

(In millions of Korean won)

|              |                           | <b>2014</b>               |         | <b>2013</b> |     |
|--------------|---------------------------|---------------------------|---------|-------------|-----|
| Subsidiaries | KB Kookmin Card Co., Ltd. | Commitments in Korean won | ₩ 1,133 | ₩           | 940 |

Compensation to key management for the years ended December 31, 2014 and 2013, consists of:

(In millions of Korean won)

|                                     | <b>2014</b>                  |                          |                      |                      |         |
|-------------------------------------|------------------------------|--------------------------|----------------------|----------------------|---------|
|                                     | Short-term employee benefits | Post-employment benefits | Termination benefits | Share-based payments | Total   |
| Registered directors (executive)    | ₩ 175                        | ₩ 73                     | ₩ -                  | ₩ (1,177)            | ₩ (929) |
| Registered directors(non-executive) | 746                          | -                        | -                    | (15)                 | 731     |
| Non-registered directors            | 2,657                        | 110                      | -                    | 1,993                | 4,760   |
|                                     | ₩ 3,578                      | ₩ 183                    | ₩ -                  | ₩ 801                | ₩ 4,562 |

(In millions of Korean won)

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

## 28. Approval of Issuance of the Financial Statements

The issuance of the Company's financial statements as of and for the year ended December 31, 2014, was approved by the Board of Directors on February 5, 2015.

# 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, 2014. 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, 2014, the Company's IACS has been designed and is operating effectively as of December 31, 2014, 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, 2014, and we did not review management's assessment of its IACS subsequent to December 31, 2014. 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, 2015

# Report on the Operations of Internal Accounting Control System

To the Board of Directors and 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, 2014.

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, 2014, in all material respects, in accordance with the IACS standards.

March 12, 2015

Jong-Hee Yang, Internal Accounting Control Officer

Jong Kyoo Yoon, Chief Executive Officer

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# Independent Auditor's Report



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

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

We have audited the accompanying consolidated financial statements of KB Financial Group Inc. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and January 1, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KB Financial Group Inc. and its subsidiaries as of December 31, 2014 and 2013, and January 1, 2013, and their financial performance and cash flows for the years ended December 31, 2014 and 2013, in accordance with the K-IFRS.

### Other Matter

The financial position of the Group as of January 1, 2013, and the financial statements of the Group as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

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

Samil PricewaterhouseCoopers

Seoul, Korea  
March 12, 2015

This report is effective as of March 12, 2015, 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, 2014 and 2013, and January 1, 2013

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

|  | Notes           | December 31, 2014 | December 31, 2013 | January 1, 2013 |
|--|-----------------|-------------------|-------------------|-----------------|
| <b>Assets</b>  |                 |                   |                   |                 |
| Cash and due from financial institutions                         | 4, 6, 7, 8, 39  | ₩ 15,423,847      | ₩ 14,792,654      | ₩ 10,592,605    |
| Financial assets at fair value through profit or loss            | 4, 6, 8, 12     | 10,757,910        | 9,328,742         | 9,559,719       |
| Derivative financial assets                                      | 4, 6, 9         | 1,968,190         | 1,819,409         | 2,091,285       |
| Loans  | 4, 6, 8, 10, 11 | 231,449,653       | 219,001,356       | 213,644,791     |
| Financial investments  | 4, 6, 8, 12     | 34,960,620        | 34,849,095        | 36,467,352      |
| Investments in associates  | 13              | 670,332           | 755,390           | 934,641         |
| Property and equipment   | 14              | 3,082,985         | 3,060,843         | 3,100,393       |
| Investment property  | 14              | 377,544           | 166,259           | 52,974          |
| Intangible assets  | 15              | 488,922           | 443,204           | 493,131         |
| Current income tax assets  | 18, 33          | 306,313           | 346,910           | 332,970         |
| Deferred income tax assets                                       | 16, 33          | 15,562            | 15,422            | 18,432          |
| Assets held for sale   | 17              | 70,357            | 37,718            | 35,412          |
| Other assets   | 4, 6, 18        | 8,783,473         | 7,550,596         | 8,745,799       |
| <b>Total assets</b>  |                 | ₩ 308,355,708     | ₩ 292,167,598     | ₩ 286,069,504   |
| <b>Liabilities</b>   |                 |                   |                   |                 |
| Financial liabilities at fair value through profit or loss       | 4, 6, 19        | ₩ 1,818,968       | ₩ 1,115,202       | ₩ 1,851,135     |
| Derivative financial liabilities                                 | 4, 6, 9         | 1,797,390         | 1,795,339         | 2,054,742       |
| Deposits   | 4, 6, 20        | 211,549,121       | 200,882,064       | 197,346,205     |
| Debts  | 4, 6, 21        | 15,864,500        | 14,101,331        | 15,965,458      |
| Debentures   | 4, 6, 22        | 29,200,706        | 27,039,534        | 24,270,212      |
| Provisions   | 23              | 614,347           | 678,073           | 669,729         |
| Net defined benefit liabilities                                  | 24              | 75,684            | 64,473            | 83,723          |
| Current income tax liabilities                                   | 33              | 231,907           | 211,263           | 264,666         |
| Deferred income tax liabilities                                  | 16, 33          | 93,211            | 61,816            | 154,303         |
| Other liabilities  | 4, 6, 25        | 19,597,202        | 20,236,229        | 18,327,740      |
| <b>Total liabilities</b>   |                 | 280,843,036       | 266,185,324       | 260,987,913     |
| <b>Equity</b>  |                 |                   |                   |                 |
| Share capital  | 26              | 1,931,758         | 1,931,758         | 1,931,758       |
| Capital surplus  | 26              | 15,854,510        | 15,854,605        | 15,840,300      |
| Accumulated other comprehensive income                           | 26,35           | 461,679           | 336,312           | 295,142         |
| Retained earnings  | 26              | 9,067,145         | 7,859,599         | 6,819,869       |
| <b>Equity attributable to shareholders of the parent company</b> |                 | 27,315,092        | 25,982,274        | 24,887,069      |
| <b>Non-controlling interests</b>                                 |                 | 197,580           | -                 | 194,522         |
| <b>Total equity</b>  |                 | 27,512,672        | 25,982,274        | 25,081,591      |
| <b>Total liabilities and equity</b>                              |                 | ₩ 308,355,708     | ₩ 292,167,598     | ₩ 286,069,504   |

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

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# Consolidated Statements of Comprehensive Income

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc. and Subsidiaries

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

|   | Notes         | 2014         | 2013         |
|---|---------------|--------------|--------------|
| Interest income   |               | ₩ 11,635,296 | ₩ 12,356,930 |
| Interest expense  |               | (5,219,521)  | (5,834,098)  |
| <b>Net interest income</b>  | 5, 27         | 6,415,775    | 6,522,832    |
| Fee and commission income   |               | 2,666,185    | 2,657,365    |
| Fee and commission expense  |               | (1,283,456)  | (1,178,126)  |
| <b>Net fee and commission income</b>  | 5, 28         | 1,382,729    | 1,479,239    |
| <b>Net gains(losses) on financial assets/liabilities at fair value through profit or loss</b> | 5, 29         | 439,198      | 756,822      |
| <b>Net other operating income(expenses)</b>   | 5, 30         | (1,040,909)  | (1,304,765)  |
| General and administrative expenses   | 5,14,15,24,31 | (4,009,694)  | (3,983,564)  |
| <b>Operating profit before provision for credit losses</b>                                    | 5             | 3,187,099    | 3,470,564    |
| Provision for credit losses   | 5, 11, 18, 23 | (1,227,976)  | (1,443,572)  |
| <b>Net operating profit</b>   | 5             | 1,959,123    | 2,026,992    |
| Share of profit(loss) of associates   | 5, 13         | 13,428       | (199,392)    |
| Net other non-operating income(expense)   | 5, 32         | (71,126)     | (12,309)     |
| <b>Net non-operating profit (loss)</b>  |               | (57,698)     | (211,701)    |
| <b>Profit before income tax</b>   | 5             | 1,901,425    | 1,815,291    |
| Income tax expense  | 5, 33         | (486,314)    | (540,593)    |
| <b>Profit for the year</b>  | 5             | 1,415,111    | 1,274,698    |
| Remeasurements of net defined benefit liabilities   | 24            | (99,594)     | 40,984       |
| Items that will not be reclassified to profit or loss   |               | (99,594)     | 40,984       |
| Exchange differences on translating foreign operations  |               | 17,280       | (2,298)      |
| Change in value of financial investments  |               | 248,880      | (3,591)      |
| Shares of other comprehensive income of associates  |               | (32,206)     | (9,811)      |
| Cash flow hedges  |               | (10,497)     | 1,618        |
| Items that may be reclassified subsequently to profit or loss                                 |               | 223,457      | (14,082)     |
| <b>Other comprehensive income for the year, net of tax</b>                                    |               | 123,863      | 26,902       |
| <b>Total comprehensive income for the year</b>  |               | ₩ 1,538,974  | ₩ 1,301,600  |
| <b>Profit attributable to:</b>  |               |              |              |
| Shareholders of the parent company  | 5             | ₩ 1,400,722  | ₩ 1,271,502  |
| Non-controlling interests   | 5             | 14,389       | 3,196        |
|   | 5             | ₩ 1,415,111  | ₩ 1,274,698  |
| <b>Total comprehensive income for the year attributable to:</b>                               |               |              |              |
| Shareholders of the parent company  |               | ₩ 1,526,089  | ₩ 1,312,672  |
| Non-controlling interests   |               | 12,885       | (11,072)     |
|   |               | ₩ 1,538,974  | ₩ 1,301,600  |
| <b>Earnings per share</b>   | 36            |              |              |
| Basic earnings per share  |               | ₩ 3,626      | ₩ 3,291      |
| Diluted earnings per share  |               | 3,611        | 3,277        |

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

# Consolidated Statements of Changes in Equity

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

|  | Equity attributable to shareholders of the parent company |                 |  |                   | Non-controlling Interests | Total Equity |
|--|---|-----------------|--|-------------------|---------------------------|--------------|
|  | Share Capital   | Capital Surplus | Accumulated Other Comprehensive Income | Retained Earnings |                           |              |
| <b>Balance at January 1, 2013</b>                      | ₩ 1,931,758   | ₩ 15,840,300    | ₩ 295,142                              | ₩ 6,501,419       | ₩ 194,522                 | ₩ 24,763,141 |
| <b>Changes in accounting policy</b>                    | -   | -               | -                                      | 318,450           | -                         | 318,450      |
| <b>Restated balance</b>                                | 1,931,758   | 15,840,300      | 295,142                                | 6,819,869         | 194,522                   | 25,081,591   |
| <b>Comprehensive income</b>                            |   |                 |  |                   |                           |              |
| Profit for the year                                    | -   | -               | -                                      | 1,271,502         | 3,196                     | 1,274,698    |
| 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                                 | 1,271,502         | (11,072)                  | 1,301,600    |
| <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                              | ₩ 7,859,599       | ₩ -                       | ₩ 25,982,274 |
| <b>Balance at January 1, 2014</b>                      | ₩ 1,931,758   | ₩ 15,854,605    | ₩ 336,312                              | ₩ 7,859,599       | ₩ -                       | ₩ 25,982,274 |
| <b>Comprehensive income</b>                            |   |                 |  |                   |                           |              |
| Profit for the year                                    | -   | -               | -                                      | 1,400,722         | 14,389                    | 1,415,111    |
| Remeasurements of net defined benefit liabilities      | -   | -               | (98,291)                               | -                 | (1,303)                   | (99,594)     |
| Exchange differences on translating foreign operations | -   | -               | 17,280                                 | -                 | -                         | 17,280       |
| Change in value of financial investments               | -   | -               | 248,843                                | -                 | 37                        | 248,880      |
| Shares of other comprehensive income of associates     | -   | -               | (32,206)                               | -                 | -                         | (32,206)     |
| Cash flow hedges                                       | -   | -               | (10,259)                               | -                 | (238)                     | (10,497)     |
| <b>Total comprehensive income</b>                      | -   | -               | 125,367                                | 1,400,722         | 12,885                    | 1,538,974    |
| <b>Transactions with shareholders</b>                  |   |                 |  |                   |                           |              |
| Dividends paid to shareholders of the parent company   | -   | -               | -                                      | (193,176)         | -                         | (193,176)    |
| Changes in interest in subsidiaries                    | -   | (95)            | -                                      | -                 | 184,695                   | 184,600      |
| <b>Total transactions with shareholders</b>            | -   | (95)            | -                                      | (193,176)         | 184,695                   | (8,576)      |
| <b>Balance at December 31, 2014</b>                    | ₩ 1,931,758   | ₩ 15,854,510    | ₩ 461,679                              | ₩ 9,067,145       | ₩ 197,580                 | ₩ 27,512,672 |

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

# Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

## KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

|   | Notes | 2014         | 2013         |
|---|-------|--------------|--------------|
| <b>Cash flows from operating activities</b>   |       |              |              |
| Profit for the year   |       | ₩ 1,415,111  | ₩ 1,274,698  |
| Adjustment for non-cash items   |       |              |              |
| Net loss(gain) on financial assets/liabilities at fair value through profit or loss |       | (151,483)    | (110,425)    |
| Net loss(gain) on derivative financial instruments for hedging purposes             |       | 27,088       | 48,787       |
| Adjustment of fair value of derivative financial instruments                        |       | (2,040)      | 699          |
| Provision for credit loss   |       | 1,227,976    | 1,443,572    |
| Net loss(gain) on financial investments   |       | 109,461      | (1,191)      |
| Share of loss(profit) of associates   |       | (13,428)     | 199,392      |
| Depreciation and amortization expense   |       | 261,197      | 286,858      |
| Other net losses on property and equipment/intangible assets                        |       | 41,115       | 39,777       |
| Share-based payments  |       | 11,422       | 17,289       |
| Policy reserve appropriation  |       | 666,155      | 761,877      |
| Post-employment benefits  |       | 166,671      | 172,579      |
| Net interest expense  |       | 360,500      | 314,866      |
| Loss(gains) on foreign currency translation   |       | 116,035      | 17,082       |
| Net other expense(income)   |       | (17,076)     | (24,981)     |
|   |       | 2,803,593    | 3,166,181    |
| Changes in operating assets and liabilities   |       |              |              |
| Financial asset at fair value through profit or loss                                |       | (1,364,780)  | 214,181      |
| Derivative financial instruments  |       | 104,333      | 116,660      |
| Loans   |       | (10,027,349) | (7,335,434)  |
| Current income tax assets   |       | 40,597       | (13,940)     |
| Deferred income tax assets  |       | (140)        | 1,349        |
| Other assets  |       | 427,501      | (5,075,338)  |
| Financial liabilities at fair value through profit or loss                          |       | 704,389      | (773,558)    |
| Deposits  |       | 10,668,675   | 2,584,993    |
| Deferred income tax liabilities   |       | (27,242)     | (74,463)     |
| Other liabilities   |       | (1,467,942)  | (430,856)    |
|   |       | (941,958)    | (10,786,406) |
| <b>Net cash generated from (used in) operating activities</b>                       |       | 3,276,746    | (6,345,527)  |

(In millions of Korean won)

|   | Notes | 2014         | 2013         |
|---|-------|--------------|--------------|
| <b>Cash flows from investing activities</b>                               |       |              |              |
| Disposal of financial investments   |       | 19,632,047   | 25,655,149   |
| Acquisition of financial investments                                      |       | (19,463,101) | (23,020,912) |
| Disposal in investments in associates                                     |       | 81,321       | 20,554       |
| Acquisition of investments in associates                                  |       | (17,650)     | (23,340)     |
| Disposal of property and equipment  |       | 223          | 1,070        |
| Acquisition of property and equipment                                     |       | (202,007)    | (153,469)    |
| Acquisition of investment property  |       | (211,995)    | (114,609)    |
| Disposal of intangible assets   |       | 4,590        | 5,072        |
| Acquisition of intangible assets  |       | (30,755)     | (68,091)     |
| Business combination, net of cash acquired                                |       | (266,899)    | 322,641      |
| Others  |       | (1,210,071)  | 1,554,752    |
| <b>Net cash provided by (used in) investing activities</b>                |       | (1,684,297)  | 4,178,817    |
| <b>Cash flows from financing activities</b>                               |       |              |              |
| Net cash flows from derivative financial instruments for hedging purposes |       | (204,563)    | 10,977       |
| Net increase(decrease) in debts   |       | 1,129,837    | (1,990,258)  |
| Increase in debentures  |       | 43,135,390   | 10,758,948   |
| Decrease in debentures  |       | (43,816,790) | (7,924,609)  |
| Increase in other payables from trust accounts                            |       | 124,904      | 414,279      |
| Dividends paid to shareholders of the parent company                      |       | (193,176)    | (231,811)    |
| Changes in interest in subsidiaries                                       |       | (95)         | (168,293)    |
| Others  |       | (930,573)    | 837,906      |
| <b>Net cash provided by (used in) financing activities</b>                |       | (755,066)    | 1,707,139    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>       |       | 12,227       | 41,452       |
| <b>Net increase(decrease) in cash and cash equivalents</b>                |       | 849,610      | (418,119)    |
| <b>Cash and cash equivalents at the beginning of the year</b>             | 39    | 6,169,186    | 6,587,305    |
| <b>Cash and cash equivalents at the end of the year</b>                   | 39    | ₩ 7,018,796  | ₩ 6,169,186  |

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

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# Notes to Consolidated Financial Statements

December 31, 2014 and 2013

## 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, acquired Yehansoul Savings Bank Co., Ltd. in September 2013 and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In addition, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. in March 2014.

The Parent Company's share capital as of December 31, 2014, 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 on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized on its Articles of Incorporation is 1,000 million.

## 2. Basis of Preparation

### 2.1 Application of K-IFRS

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Parent company and its subsidiaries ("The Group") 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.

The Group has applied the following accounting policy for the financial year beginning on January 1, 2014

#### 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. The application of this amendment does not have a material impact on the consolidated financial statements.

#### Amendment to K-IFRS 1036, *Impairment of Assets*

Amendment to K-IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of K-IFRS 1113. The application of this amendment does not have a material impact on the 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. The application of this amendment does not have a material impact on the consolidated financial statements.

#### Amendment to Korean IFRS 1102, *Share-based payment*

K-IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the consolidated 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). The interpretation does not have a significant impact on the consolidated financial statements.

The group has applied the following policy for the financial year beginning on January 1, 2014.

#### Changes in accounting policy with respect to uncertain tax position

For the periods prior to the year ended December 31, 2014, pursuant to Korean IFRS 1037 if a uncertain tax position satisfied the criteria for provisions, the Group measured the best estimate of expenditures for the uncertain tax position. The amount in relation to the claim of rectification and litigation over the levied amount from taxation authority was recognized as contingent assets. However, the Group retrospectively applied the accounting policy in accordance with the Korean IFRS 1012, which allows recognition of the tax payment in 2014 as income tax assets when it is probable to receive a tax refund. The restated comparative consolidated financial statements reflect adjustments resulting from the retrospective application.

The effect of these changes in accounting policy to financial position as of December 31, 2014 and 2013, and January 1, 2013, and to comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

Effect on Consolidated Statements of Financial Position

|                                       | (In millions of Korean won) |               |              |
|---------------------------------------|-----------------------------|---------------|--------------|
|                                       | Dec. 31, 2014               | Dec. 31, 2013 | Jan. 1, 2013 |
| Increase in current income tax assets | ₩ 306,313                   | ₩ 329,443     | ₩ 318,450    |
| Increase in retained earnings         | 306,313                     | 329,443       | 318,450      |

Effect on Consolidated Statements of Comprehensive Income

|                                  | (In millions of Korean won) |          |
|----------------------------------|-----------------------------|----------|
|                                  | 2014                        | 2013     |
| Decrease(increase) in income tax | ₩ (23,130)                  | ₩ 10,993 |

|  | (In Korean won) |      |
|--|-----------------|------|
|  | 2014            | 2013 |
| Increase(decrease) in earnings per share         | ₩ (60)          | ₩ 28 |
| Increase(decrease) in diluted earnings per share | (60)            | 28   |

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014, and not early adopted would not have a material impact on its consolidated financial statements.

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## 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 Measurements of 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 de-consolidated from the date when control is lost.

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

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

#### 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 Management of 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 non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are also recognized in profit or loss.

### 3.2.2 Foreign Operations

The financial performance and financial position of all foreign operations, whose functional currencies differ from the Group's presentation currency, are translated into the Group'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 re-attributes 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

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 3.4 Cash and cash equivalents

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

## 3.5 Non-derivative financial assets

### 3.5.1 Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A non-derivative financial asset is classified as held for trading if either:

- It is acquired for the purpose of selling in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group may designate certain financial assets, other than held for trading, upon initial recognition as at fair value through profit or loss when one of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.
- A contract contains one or more embedded derivatives; the Group may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss if allowed by K-IFRS 1039, *Financial Instruments: Recognition and Measurement*.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income, dividend income, and gains or losses from sale and repayment from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income as net gains on financial instruments at fair value through profit or loss.

### 3.5.2 Financial Investments

Available-for-sale and held-to-maturity financial assets are presented as financial investments.

#### **Available-for-sale financial assets**

Profit or loss of financial assets classified as available for sale, except for impairment loss and foreign exchange gains and losses resulting from changes in amortized cost of debt securities, is recognized as other comprehensive income, and cumulative profit or loss is reclassified from equity to current profit or loss at the derecognition of the financial asset, and it is recognized as part of other operating profit or loss in the statement of comprehensive income.

However, interest revenue measured using the effective interest method is recognized in current profit or loss, and dividends of financial assets classified as available-for-sale are recognized when the right to receive payment is established.

Available-for-sale financial assets denominated in foreign currencies are translated at the closing rate. For available-for-sale debt securities denominated in foreign currency, exchange differences resulting from changes in amortized cost are recognized in profit or loss as part of other operating income and expenses. For available-for-sale equity securities denominated in foreign currency, the entire change in fair value including any exchange component is recognized in other comprehensive income.

#### **Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

### 3.5.3 Loans and receivables

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

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

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

If the financial asset is purchased under an agreement to resale the asset at a fixed price or at a price that provides a lender's return on the purchase price, the consideration paid is recognized as loans and receivables.

### 3.6 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets except for financial assets at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. However, losses expected as a result of future events, no matter how likely, are not recognized.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will 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. The impairment loss on available-for-sale financial assets is directly deducted from the carrying amount.

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                         |
| Finance leased assets    | Declining-balance   | 8 months ~ 5 years and 8 months |

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end, if expectations differ from previous estimates, 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                       |
| Finance leased assets      | Straight-line       | 8 months ~ 5 years and 8 months |
| 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.

#### 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 unearned 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 total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of 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 a claim for rectification brought by the Group, an appeal for a refund of tax levied by the tax authorities, or others due to different interpretation of tax laws or others. The Group recognizes its uncertain tax positions in the consolidated financial statements based on the guidance in K-IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, additional tax and additional dues on tax refund are recognized in accordance with K-IFRS 1037.

## 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 sheet 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         | 2013         |
|--|--------------|--------------|
| <b>Financial assets</b>  |              |              |
| Due from financial institutions                                  | ₩ 12,878,430 | ₩ 12,094,103 |
| Financial assets at fair value through profit or loss            |              |              |
| Financial assets held for trading <sup>1</sup>                   | 9,763,553    | 7,866,037    |
| Financial assets designated at fair value through profit or loss | 442,960      | 210,805      |
| Derivatives  | 1,968,190    | 1,819,409    |
| Loans <sup>2</sup>   | 231,449,653  | 219,001,356  |
| Financial investments  |              |              |
| Available-for-sale financial assets                              | 19,359,822   | 18,933,288   |
| Held-to-maturity financial assets                                | 12,569,154   | 13,016,991   |
| Other financial assets <sup>2</sup>                              | 7,559,631    | 6,251,679    |
|  | 295,991,393  | 279,193,668  |

(In millions of Korean won)

|                                      | 2014          | 2013          |
|--------------------------------------|---------------|---------------|
| <b>Off-balance sheet items</b>       |               |               |
| Acceptances and guarantees contracts | 9,045,824     | 9,804,692     |
| Financial guarantee contracts        | 4,459,645     | 3,097,372     |
| Commitments                          | 96,316,581    | 95,422,032    |
|                                      | 109,822,050   | 108,324,096   |
|                                      | ₩ 405,813,443 | ₩ 387,517,764 |

<sup>1</sup> The amounts of ₩ 51,345 million and ₩ 40,252 million as of December 31, 2014 and 2013, respectively, related to financial instruments indexed to the price of gold are included.

<sup>2</sup> Loans and other financial assets are net of allowance.

### 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                         | 2014          |        |               |        |              |        |               |        |
|-------------------------------|---------------|--------|---------------|--------|--------------|--------|---------------|--------|
|                               | Retail        |        | Corporate     |        | Credit card  |        | Total         |        |
|                               | Amount        | %      | Amount        | %      | Amount       | %      | Amount        | %      |
| Neither past due nor impaired | ₩ 116,956,042 | 98.04  | ₩ 100,542,430 | 97.64  | ₩ 11,155,710 | 95.90  | ₩ 228,654,182 | 97.76  |
| Past due but not impaired     | 1,576,365     | 1.32   | 331,780       | 0.32   | 276,875      | 2.38   | 2,185,020     | 0.93   |
| Impaired                      | 765,751       | 0.64   | 2,097,041     | 2.04   | 199,711      | 1.72   | 3,062,503     | 1.31   |
|                               | 119,298,158   | 100.00 | 102,971,251   | 100.00 | 11,632,296   | 100.00 | 233,901,705   | 100.00 |
| <b>Allowances<sup>1</sup></b> | (536,959)     | 0.45   | (1,525,152)   | 1.48   | (389,941)    | 3.35   | (2,452,052)   | 1.05   |
| <b>Carrying amount</b>        | ₩ 118,761,199 |        | ₩ 101,446,099 |        | ₩ 11,242,355 |        | ₩ 231,449,653 |        |

(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 |        |

<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)

|         | 2014          |               |              |               |
|---------|---------------|---------------|--------------|---------------|
|         | Retail        | Corporate     | Credit card  | Total         |
| Grade 1 | ₩ 99,314,075  | ₩ 43,166,076  | ₩ 5,705,083  | ₩ 148,185,234 |
| Grade 2 | 12,557,654    | 43,913,621    | 3,788,572    | 60,259,847    |
| Grade 3 | 4,057,239     | 11,014,410    | 1,342,891    | 16,414,540    |
| Grade 4 | 775,407       | 1,984,073     | 163,279      | 2,922,759     |
| Grade 5 | 251,667       | 464,250       | 155,885      | 871,802       |
|         | ₩ 116,956,042 | ₩ 100,542,430 | ₩ 11,155,710 | ₩ 228,654,182 |

(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 |

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

|         | Range of PD (%)<br>(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)

|             | 2014        |              |              |                 |             |
|-------------|-------------|--------------|--------------|-----------------|-------------|
|             | 1 ~ 29 days | 30 ~ 59 days | 60 ~ 89 days | 90 days or more | Total       |
| Retail      | ₩ 1,271,327 | ₩ 211,857    | ₩ 93,125     | ₩ 56            | ₩ 1,576,365 |
| Corporate   | 279,413     | 37,918       | 14,449       | -               | 331,780     |
| Credit card | 201,652     | 41,428       | 32,839       | 956             | 276,875     |
|             | ₩ 1,752,392 | ₩ 291,203    | ₩ 140,413    | ₩ 1,012         | ₩ 2,185,020 |

(In millions of Korean won)

|             | 2013        |              |              |                 |             |
|-------------|-------------|--------------|--------------|-----------------|-------------|
|             | 1 ~ 29 days | 30 ~ 59 days | 60 ~ 89 days | 90 days or more | 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 |

Impaired loans are as follows:

(In millions of Korean won)

|                       | 2014      |             |             |             |
|-----------------------|-----------|-------------|-------------|-------------|
|                       | Retail    | Corporate   | Credit card | Total       |
| Loans                 | ₩ 765,751 | ₩ 2,097,041 | ₩ 199,711   | ₩ 3,062,503 |
| Allowances            |           |             |             |             |
| Individual assessment | -         | (827,386)   | -           | (827,386)   |
| Collective assessment | (287,548) | (212,625)   | (129,518)   | (629,691)   |
|                       | (287,548) | (1,040,011) | (129,518)   | (1,457,077) |
|                       | ₩ 478,203 | ₩ 1,057,030 | ₩ 70,193    | ₩ 1,605,426 |

(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 |

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                        | 2014           |            |             |                    |               |  |
|------------------------|----------------|------------|-------------|--------------------|---------------|--|
|                        | Impaired Loans |            |             | Non-impaired Loans |               |  |
|                        | Individual     | Collective | Past due    | Not past due       | Total         |  |
| Guarantees             | ₩ 19,654       | ₩ 190,491  | ₩ 359,532   | ₩ 37,754,080       | ₩ 38,323,757  |  |
| Deposits and savings   | 954            | 15,466     | 35,756      | 2,286,691          | 2,338,867     |  |
| Property and equipment | 7,772          | 4,921      | 2,449       | 2,769,360          | 2,784,502     |  |
| Real estate            | 270,230        | 529,446    | 1,125,065   | 123,451,062        | 125,375,803   |  |
|                        | ₩ 298,610      | ₩ 740,324  | ₩ 1,522,802 | ₩ 166,261,193      | ₩ 168,822,929 |  |

(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 |  |

#### 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)

|   | 2014 |            | 2013 |            |
|---|------|------------|------|------------|
| Securities that are neither past due nor impaired | ₩    | 42,077,873 | ₩    | 39,977,309 |
| Impaired securities                               |      | 6,271      |      | 9,560      |
|   | ₩    | 42,084,144 | ₩    | 39,986,869 |

The credit quality of securities (excluding equity securities) that are neither past due nor impaired as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         |             |          |         |         |              |  |
|--|--------------|-------------|----------|---------|---------|--------------|--|
|  | Grade 1      | Grade 2     | Grade 3  | Grade 4 | Grade 5 | Total        |  |
| Financial assets held for trading                                | ₩ 8,464,038  | ₩ 1,248,170 | ₩ -      | ₩ -     | ₩ -     | ₩ 9,712,208  |  |
| Financial assets designated at fair value through profit or loss | 76,893       | 366,067     | -        | -       | -       | 442,960      |  |
| Available-for-sale financial assets                              | 18,442,055   | 847,565     | 63,931   | -       | -       | 19,353,551   |  |
| Held-to-maturity financial assets                                | 12,569,154   | -           | -        | -       | -       | 12,569,154   |  |
|  | ₩ 39,552,140 | ₩ 2,461,802 | ₩ 63,931 | ₩ -     | ₩ -     | ₩ 42,077,873 |  |

(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 |  |

The credit qualities of securities (excluding equity securities) according to the credit ratings by external rating agencies are as follows:

| Credit quality | Domestic     |              |              | Foreign      |              |              |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                | KAP          | KIS          | 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014 |         | 2013 |         |
|---|------|---------|------|---------|
| Deposits and savings, securities and others | ₩    | 329,482 | ₩    | 271,380 |
|   | ₩    | 329,482 | ₩    | 271,380 |

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#### 4.2.7 Credit risk concentration analysis

The details of the Group's loans by country as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|        | 2014          |               |              |               |        |               |                 |
|--------|---------------|---------------|--------------|---------------|--------|---------------|-----------------|
|        | Retail        | Corporate     | Credit card  | Total         | %      | Allowances    | Carrying amount |
| Korea  | ₩ 119,248,111 | ₩ 100,878,627 | ₩ 11,629,337 | ₩ 231,756,075 | 99.08  | ₩ (2,401,417) | ₩ 229,354,658   |
| Europe | 9             | 184,307       | 428          | 184,744       | 0.08   | (390)         | 184,354         |
| China  | 84            | 764,415       | 240          | 764,739       | 0.33   | (15,544)      | 749,195         |
| Japan  | 2,581         | 271,914       | 263          | 274,758       | 0.12   | (31,394)      | 243,364         |
| U.S.   | -             | 698,294       | 834          | 699,128       | 0.30   | (631)         | 698,497         |
| Others | 47,373        | 173,694       | 1,194        | 222,261       | 0.09   | (2,676)       | 219,585         |
|        | ₩ 119,298,158 | ₩ 102,971,251 | ₩ 11,632,296 | ₩ 233,901,705 | 100.00 | ₩ (2,452,052) | ₩ 231,449,653   |

(In millions of Korean won)

|        | 2013          |               |              |               |        |               |                 |
|--------|---------------|---------------|--------------|---------------|--------|---------------|-----------------|
|        | Retail        | Corporate     | Credit card  | Total         | %      | Allowances    | Carrying amount |
| 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         |
|        | ₩ 107,743,214 | ₩ 102,334,868 | ₩ 11,784,458 | ₩ 221,862,540 | 100.00 | ₩ (2,861,184) | ₩ 219,001,356   |



The details of the Group's corporate loans by industry as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                        | 2014 |             |        |               |                 |             |
|------------------------|------|-------------|--------|---------------|-----------------|-------------|
|                        |      | Loans       | %      | Allowances    | Carrying amount |             |
| Financial institutions | ₩    | 9,117,333   | 8.85   | ₩ (85,507)    | ₩               | 9,031,826   |
| Manufacturing          |      | 32,694,233  | 31.75  | (524,868)     |                 | 32,169,365  |
| Service                |      | 39,384,520  | 38.25  | (306,588)     |                 | 39,077,932  |
| Wholesale & Retail     |      | 13,286,775  | 12.90  | (152,391)     |                 | 13,134,384  |
| Construction           |      | 3,862,457   | 3.75   | (429,297)     |                 | 3,433,160   |
| Public sector          |      | 755,150     | 0.73   | (6,740)       |                 | 748,410     |
| Others                 |      | 3,870,783   | 3.77   | (19,761)      |                 | 3,851,022   |
|                        | ₩    | 102,971,251 | 100.00 | ₩ (1,525,152) | ₩               | 101,446,099 |

(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 |

The details of the Group's retail and credit card loans by type as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                 | 2014 |             |        |             |                 |             |
|-----------------|------|-------------|--------|-------------|-----------------|-------------|
|                 |      | Loans       | %      | Allowances  | Carrying amount |             |
| Housing purpose | ₩    | 52,530,611  | 40.12  | ₩ (30,966)  | ₩               | 52,499,645  |
| General purpose |      | 66,767,547  | 50.99  | (505,993)   |                 | 66,261,554  |
| Credit card     |      | 11,632,296  | 8.89   | (389,941)   |                 | 11,242,355  |
|                 | ₩    | 130,930,454 | 100.00 | ₩ (926,900) | ₩               | 130,003,554 |

(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 |

The details of the Group's securities (excluding equity securities) and derivative financial instruments by industry as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014         |        |
|---|--------------|--------|
|   | Amount       | %      |
| <b>Financial assets held for trading</b>                                |              |        |
| Government and government funded institutions                           | ₩ 4,003,061  | 41.22  |
| Banking and Insurance   | 4,368,341    | 44.98  |
| Others  | 1,340,806    | 13.80  |
|   | 9,712,208    | 100.00 |
| <b>Financial assets designated at fair value through profit or loss</b> |              |        |
| Banking and Insurance   | 442,960      | 100.00 |
|   | 442,960      | 100.00 |
| <b>Derivative financial assets</b>                                      |              |        |
| Government and government funded institutions                           | 19,732       | 1.00   |
| Banking and Insurance   | 1,762,160    | 89.53  |
| Others  | 186,298      | 9.47   |
|   | 1,968,190    | 100.00 |
| <b>Available-for-sale financial assets</b>                              |              |        |
| Government and government funded institutions                           | 8,274,026    | 42.74  |
| Banking and Insurance   | 8,192,189    | 42.32  |
| Others  | 2,893,607    | 14.95  |
|   | 19,359,822   | 100.00 |
| <b>Held-to-maturity financial assets</b>                                |              |        |
| Government and government funded institutions                           | 10,221,322   | 81.32  |
| Banking and Insurance   | 1,734,462    | 13.80  |
| Others  | 613,370      | 4.88   |
|   | 12,569,154   | 100.00 |
|   | ₩ 44,052,334 |        |

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(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 |

The details of the Group's securities (excluding equity securities) and derivative financial instruments by country, as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   |   | 2014       |            |
|---|---|------------|------------|
|   |   | Amount     | %          |
| <b>Financial assets held for trading</b>                                |   |            |            |
| Korea   | ₩ | 9,653,123  | 99.39      |
| Others  |   | 59,085     | 0.61       |
|   |   | 9,712,208  | 100.00     |
| <b>Financial assets designated at fair value through profit or loss</b> |   |            |            |
| Korea   |   | 442,960    | 100.00     |
|   |   | 442,960    | 100.00     |
| <b>Derivative financial assets</b>                                      |   |            |            |
| Korea   |   | 791,704    | 40.22      |
| United States   |   | 274,608    | 13.95      |
| Others  |   | 901,878    | 45.83      |
|   |   | 1,968,190  | 100.00     |
| <b>Available-for-sale financial assets</b>                              |   |            |            |
| Korea   |   | 19,307,222 | 99.73      |
| United States   |   | 4,948      | 0.03       |
| Others  |   | 47,652     | 0.24       |
|   |   | 19,359,822 | 100.00     |
| <b>Held-to-maturity financial assets</b>                                |   |            |            |
| Korea   |   | 12,569,154 | 100.00     |
|   |   | 12,569,154 | 100.00     |
|   |   | ₩          | 44,052,334 |

(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 |

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(In millions of Korean won)

|  | 2013         |        |
|--|--------------|--------|
|  | Amount       | %      |
| <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 |        |

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 interest-bearing assets and liabilities, assets and liabilities related to the other in and outflows, and off-balance sheet related to in and outflows of currency derivative instruments and others.

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.

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

Cash flows disclosed below are undiscounted contractual principal and interest to be received (paid) and, thus, differ from the amount in the consolidated financial statements which are based on the present value of expected cash flows. 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.

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of December 31, 2014 and 2013, are follows:

(In millions of Korean won)

|  | 2014          |               |              |              |              |              |               |
|--|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
|  | 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>                              | ₩ 6,397,552   | ₩ 675,876     | ₩ 544,520    | ₩ 675,266    | ₩ 57,441     | ₩ -          | ₩ 8,350,655   |
| Financial assets held for trading <sup>2</sup>                                     | 10,121,570    | -             | -            | -            | -            | -            | 10,121,570    |
| Financial assets designated at fair value through profit or loss <sup>2</sup>      | 636,340       | -             | -            | -            | -            | -            | 636,340       |
| Derivatives held for trading <sup>2</sup>  | 1,858,637     | -             | -            | -            | -            | -            | 1,858,637     |
| Derivatives held for fair value hedging <sup>3</sup>                               | -             | 7,742         | (1,147)      | 20,804       | 77,968       | 118,804      | 224,171       |
| Loans  | 95,437        | 21,432,048    | 24,040,500   | 79,199,603   | 60,798,143   | 88,936,816   | 274,502,547   |
| Available-for-sale financial assets <sup>4</sup>                                   | 2,849,188     | 501,929       | 1,688,594    | 5,008,162    | 12,201,794   | 1,365,437    | 23,615,104    |
| Held-to-maturity financial assets  | -             | 276,462       | 665,030      | 3,618,565    | 8,174,038    | 1,184,433    | 13,918,528    |
| Other financial assets   | 159,698       | 5,341,800     | 22,324       | 1,330,773    | 8,163        | 8,931        | 6,871,689     |
|  | ₩ 22,118,422  | ₩ 28,235,857  | ₩ 26,959,821 | ₩ 89,853,173 | ₩ 81,317,547 | ₩ 91,614,421 | ₩ 340,099,241 |
| <b>Financial liabilities</b>   |               |               |              |              |              |              |               |
| Financial liabilities held for trading <sup>2</sup>                                | ₩ 836,542     | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 836,542     |
| Financial liabilities designated at fair value through profit or loss <sup>2</sup> | 982,426       | -             | -            | -            | -            | -            | 982,426       |
| Derivatives held for trading <sup>2</sup>  | 1,775,341     | -             | -            | -            | -            | -            | 1,775,341     |
| Derivatives held for fair value hedging <sup>3</sup>                               | -             | -             | 652          | 146          | 6,304        | (15,580)     | (8,478)       |
| Deposits <sup>5</sup>  | 83,154,750    | 13,861,281    | 25,306,312   | 80,646,054   | 9,666,892    | 3,266,842    | 215,902,131   |
| Debts  | 943,012       | 4,058,558     | 2,078,905    | 5,200,009    | 3,611,420    | 282,484      | 16,174,388    |
| Debentures   | 159,620       | 1,112,986     | 1,812,861    | 6,894,122    | 16,971,344   | 4,339,194    | 31,290,127    |
| Other financial liabilities  | 152,035       | 7,737,557     | 23,709       | 109,784      | 298,553      | 559,911      | 8,881,549     |
|  | ₩ 88,003,726  | ₩ 26,770,382  | ₩ 29,222,439 | ₩ 92,850,115 | ₩ 30,554,513 | ₩ 8,432,851  | ₩ 275,834,026 |
| <b>Off-balance sheet items</b>   |               |               |              |              |              |              |               |
| Commitments <sup>6</sup>   | ₩ 96,316,581  | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 96,316,581  |
| Financial guarantee contract <sup>7</sup>  | 4,459,645     | -             | -            | -            | -            | -            | 4,459,645     |
|  | ₩ 100,776,226 | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 100,776,226 |

(In millions of Korean won)

|  | 2013         |               |              |              |              |              |               | 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>                              | ₩ 5,672,570  | ₩ 501,100     | ₩ 183,931    | ₩ 586,696    | ₩ 49,314     | ₩ 160,826    | ₩ 7,154,437   |       |
| Financial assets held for trading <sup>2</sup>                                     | 8,967,006    | -             | -            | -            | -            | -            | 8,967,006     |       |
| Financial assets designated at fair value through profit or loss <sup>2</sup>      | 326,583      | -             | -            | -            | -            | 35,153       | 361,736       |       |
| Derivatives held for trading <sup>2</sup>  | 1,680,880    | -             | -            | -            | -            | -            | 1,680,880     |       |
| Derivatives held for fair value hedging <sup>3</sup>                               | -            | 10,944        | 1,617        | 16,036       | 124,794      | 123,782      | 277,173       |       |
| Loans  | 112,484      | 22,354,010    | 23,245,138   | 77,032,831   | 57,284,561   | 82,239,530   | 262,268,554   |       |
| Available-for-sale financial assets <sup>4</sup>                                   | 2,496,486    | 571,796       | 1,542,912    | 4,891,859    | 12,313,615   | 1,977,317    | 23,793,985    |       |
| Held-to-maturity financial assets  | -            | 261,124       | 518,368      | 3,343,087    | 9,254,470    | 1,268,563    | 14,645,612    |       |
| Other financial assets   | 27,788       | 4,262,763     | 22,473       | 1,526,228    | 6,554        | 2,382        | 5,848,188     |       |
|  | ₩ 19,283,797 | ₩ 27,961,737  | ₩ 25,514,439 | ₩ 87,396,737 | ₩ 79,033,308 | ₩ 85,807,553 | ₩ 324,997,571 |       |
| <b>Financial liabilities</b>   |              |               |              |              |              |              |               |       |
| Financial liabilities held for trading <sup>2</sup>                                | ₩ 236,637    | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 236,637     |       |
| Financial liabilities designated at fair value through profit or loss <sup>2</sup> | 878,565      | -             | -            | -            | -            | -            | 878,565       |       |
| Derivatives held for trading <sup>2</sup>  | 1,580,029    | -             | -            | -            | -            | -            | 1,580,029     |       |
| Derivatives held for fair value hedging <sup>3</sup>                               | -            | -             | 25,411       | 179,000      | 8,959        | -            | 213,370       |       |
| Deposits <sup>5</sup>  | 74,110,641   | 14,193,153    | 28,638,089   | 77,181,179   | 8,603,695    | 2,677,536    | 205,404,293   |       |
| Debts  | 270,987      | 3,279,051     | 1,711,622    | 4,733,173    | 4,038,514    | 356,424      | 14,389,771    |       |
| Debentures   | 17,917       | 1,237,666     | 2,039,452    | 9,489,594    | 13,576,339   | 4,722,857    | 31,083,825    |       |
| Other financial liabilities  | 141,041      | 8,372,426     | 13,101       | 63,409       | 198,068      | 509,412      | 9,297,457     |       |
|  | ₩ 77,235,817 | ₩ 27,082,296  | ₩ 32,427,675 | ₩ 91,646,355 | ₩ 26,425,575 | ₩ 8,266,229  | ₩ 263,083,947 |       |
| <b>Off-balance sheet items</b>   |              |               |              |              |              |              |               |       |
| Commitments <sup>6</sup>   | ₩ 95,422,032 | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 95,422,032  |       |
| Financial guarantee contract <sup>7</sup>  | 3,097,372    | -             | -            | -            | -            | -            | 3,097,372     |       |
|  | ₩ 98,519,404 | ₩ -           | ₩ -          | ₩ -          | ₩ -          | ₩ -          | ₩ 98,519,404  |       |

<sup>1</sup> The amounts of ₩ 7,136,623 million and ₩ 7,671,914 million which are restricted amounts due from the financial institutions as of December 31, 2014 and 2013, 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014          |            |             |           |              |            | Total |
|--|---------------|------------|-------------|-----------|--------------|------------|-------|
|  | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years |            |       |
| Net cash flow of net settlement derivatives              | ₩ (688)       | ₩ (1,365)  | ₩ (5,203)   | ₩ (8,437) | ₩ -          | ₩ (15,693) |       |
| Cash flow to be received of total settlement derivatives | 171           | 423        | 2,531       | 344,051   | -            | 347,176    |       |
| Cash flow to be paid of total settlement derivatives     | (504)         | (1,062)    | (5,006)     | (343,149) | -            | (349,721)  |       |

(In millions of Korean won)

|  | 2013          |            |             |           |              |           | Total |
|--|---------------|------------|-------------|-----------|--------------|-----------|-------|
|  | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years |           |       |
| Net cash flow of net settlement derivatives              | ₩ (449)       | ₩ (1,127)  | ₩ (3,815)   | ₩ 1,212   | ₩ -          | ₩ (4,179) |       |
| Cash flow to be received of total settlement derivatives | 169           | 370        | 317,714     | -         | -            | 318,253   |       |
| Cash flow to be paid of total settlement derivatives     | (617)         | (1,153)    | (326,160)   | -         | -            | (327,930) |       |

## 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 currency risks and other risks include stock price risks. In addition, the Group is exposed to interest rate risks and currency 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 the operational standards of interest and commission, the details of the establishment and prosecution of the Asset Liability Management (ALM) policies and enacts and amends relevant guidelines. The Risk Management Committee and Risk Management Council monitor the establishment and enforcement of ALM risk management policies and enact and amend ALM risk management guidelines. 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 and Risk Management Council on a monthly basis and to the Risk Management Committee on a quarterly basis. To ensure adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the risk management procedures and tasks conducted by the Financial Planning Department. Also, the Risk Management Department independently reports related information to management.

#### 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. The Group 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 variance-covariance method and a 99% single tail confidence level based on historical data for the previous 250 business days calculated by the equal-weighted average method. It means the maximum amount of loss for the 10 days that could occur under normal distribution of financial changes.

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 Korean 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, 2014 and 2013, are as follows:

##### Kookmin Bank

(In millions of Korean won)

|                                     | 2014     |          |          |          |
|-------------------------------------|----------|----------|----------|----------|
|                                     | Average  | Minimum  | Maximum  | Ending   |
| Interest rate risk                  | ₩ 12,938 | ₩ 7,657  | ₩ 19,801 | ₩ 10,148 |
| Stock price risk                    | 1,627    | 714      | 3,858    | 851      |
| Foreign exchange rate risk          | 12,049   | 5,070    | 14,705   | 10,814   |
| Deduction of diversification effect |          |          |          | (8,809)  |
| Total VaR                           | ₩ 15,383 | ₩ 10,089 | ₩ 23,560 | ₩ 13,004 |

(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 |

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

(In millions of Korean won)

|                                     | 2014    |         |         |         |
|-------------------------------------|---------|---------|---------|---------|
|                                     | Average | Minimum | Maximum | Ending  |
| Interest rate risk                  | ₩ 1,334 | ₩ 294   | ₩ 2,971 | ₩ 1,874 |
| Stock price risk                    | 1,154   | 480     | 3,054   | 1,414   |
| Foreign exchange rate risk          | 12      | 1       | 125     | 55      |
| Deduction of diversification effect |         |         |         | (878)   |
| Total VaR                           | ₩ 1,773 | ₩ 753   | ₩ 3,098 | ₩ 2,465 |

(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 |



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

(In millions of Korean won)

|                                     | 2014    |         |         |        |
|-------------------------------------|---------|---------|---------|--------|
|                                     | Average | Minimum | Maximum | Ending |
| Interest rate risk                  | ₩ 121   | ₩ 33    | ₩ 374   | ₩ 33   |
| Deduction of diversification effect |         |         |         | -      |
| Total VaR                           | ₩ 121   | ₩ 33    | ₩ 374   | ₩ 33   |

(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  |

**KB Investment Co., Ltd.**

(In millions of Korean won)

|                                     | 2014    |         |         |        |
|-------------------------------------|---------|---------|---------|--------|
|                                     | Average | Minimum | Maximum | Ending |
| Foreign exchange rate risk          | ₩ 30    | ₩ 18    | ₩ 37    | ₩ 25   |
| Deduction of diversification effect |         |         |         | -      |
| Total VaR                           | ₩ 30    | ₩ 18    | ₩ 37    | ₩ 25   |

(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   |

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR as of December 31, 2014 and 2013, is as follows:

**Kookmin Bank**

(In millions of Korean won)

|                            | 2014     | 2013     |
|----------------------------|----------|----------|
| Interest rate risk         | ₩ 792    | ₩ 921    |
| Stock price risk           | 1,101    | 2        |
| Foreign exchange rate risk | 9,387    | 9,214    |
|                            | ₩ 11,280 | ₩ 10,137 |

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

(In millions of Korean won)

|                    | 2014     | 2013    |
|--------------------|----------|---------|
| Interest rate risk | ₩ 8,865  | ₩ 5,081 |
| Stock price risk   | 2,590    | 3,602   |
|                    | ₩ 11,455 | ₩ 8,683 |

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

(In millions of Korean won)

|                  | 2014 | 2013  |
|------------------|------|-------|
| Stock price risk | ₩ -  | ₩ 106 |

**KB Investment Co., Ltd.**

(In millions of Korean won)

|                  | 2014    | 2013    |
|------------------|---------|---------|
| Stock price risk | ₩ 1,979 | ₩ 1,424 |

**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 interest-bearing 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, 2014 and 2013, are as follows:

**Kookmin Bank**

(In millions of Korean won)

|  | 2014           |               |               |              |               |               |
|--|----------------|---------------|---------------|--------------|---------------|---------------|
|  | Up to 3 months | 3-6 months    | 6-12 months   | 1-3 years    | Over 3 years  | Total         |
| Interest-bearing assets in Korean won              | ₩ 81,410,723   | ₩ 58,363,078  | ₩ 49,200,979  | ₩ 25,841,692 | ₩ 16,042,468  | ₩ 230,858,940 |
| Interest-bearing liabilities in Korean won         | 92,018,008     | 38,515,842    | 52,996,290    | 25,838,417   | 19,891,843    | 229,260,400   |
| Gap  | ₩ (10,607,285) | ₩ 19,847,236  | ₩ (3,795,311) | ₩ 3,275      | ₩ (3,849,375) | ₩ 1,598,540   |
| Accumulated gap                                    | (10,607,285)   | 9,239,951     | 5,444,640     | 5,447,915    | 1,598,540     |               |
| Percentage (%)                                     | (4.59)         | 4.00          | 2.36          | 2.36         | 0.69          |               |
| Interest-bearing assets in foreign currencies      | ₩ 9,976,001    | ₩ 2,287,466   | ₩ 1,468,572   | ₩ 1,506,339  | ₩ 117,486     | ₩ 15,355,864  |
| Interest-bearing liabilities in foreign currencies | 9,321,764      | 3,710,940     | 1,475,686     | 1,415,952    | 51,071        | 15,975,413    |
| Gap  | ₩ 654,237      | ₩ (1,423,474) | ₩ (7,114)     | ₩ 90,387     | ₩ 66,415      | ₩ (619,549)   |
| Accumulated gap                                    | 654,237        | (769,237)     | (776,351)     | (685,964)    | (619,549)     |               |
| Percentage (%)                                     | 4.26           | (5.01)        | (5.06)        | (4.47)       | (4.03)        |               |

(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)        |               |

**KB Kookmin Card Co., Ltd.**

(In millions of Korean won)

|  | 2014           |             |             |             |              |              |
|--|----------------|-------------|-------------|-------------|--------------|--------------|
|  | Up to 3 months | 3-6 months  | 6-12 months | 1-3 years   | Over 3 years | Total        |
| Interest-bearing assets in Korean won      | ₩ 4,116,795    | ₩ 1,293,247 | ₩ 1,695,695 | ₩ 4,852,525 | ₩ 3,143,092  | ₩ 15,101,354 |
| Interest-bearing liabilities in Korean won | 1,060,000      | 988,000     | 1,461,000   | 4,604,840   | 2,104,920    | 10,218,760   |
| Gap  | ₩ 3,056,795    | ₩ 305,247   | ₩ 234,695   | ₩ 247,685   | ₩ 1,038,172  | ₩ 4,882,594  |
| Accumulated gap                            | 3,056,795      | 3,362,042   | 3,596,737   | 3,844,422   | 4,882,594    |              |
| Percentage (%)                             | 20.24          | 22.26       | 23.82       | 25.46       | 32.33        |              |

(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        |              |

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

(In millions of Korean won)

|  | 2014           |            |             |           |              |             |
|--|----------------|------------|-------------|-----------|--------------|-------------|
|  | Up to 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total       |
| Interest-bearing assets in Korean won              | ₩ 490,113      | ₩ 214,300  | ₩ 212,351   | ₩ 15,190  | ₩ 19,211     | ₩ 951,165   |
| Interest-bearing liabilities in Korean won         | 1,365,885      | 125,000    | 36,997      | -         | -            | 1,527,882   |
| Gap  | ₩ (875,772)    | ₩ 89,300   | ₩ 175,354   | ₩ 15,190  | ₩ 19,211     | ₩ (576,717) |
| Accumulated gap                                    | (875,772)      | (786,472)  | (611,118)   | (595,928) | (576,717)    |             |
| Percentage (%)                                     | (92.07)        | (82.69)    | (64.25)     | (62.65)   | (60.63)      |             |
| Interest-bearing assets in foreign currencies      | ₩ 20,815       | ₩ 10,419   | ₩ 64,997    | ₩ -       | ₩ -          | ₩ 96,231    |
| Interest-bearing liabilities in foreign currencies | -              | -          | -           | -         | -            | -           |
| Gap  | ₩ 20,815       | ₩ 10,419   | ₩ 64,997    | ₩ -       | ₩ -          | ₩ 96,231    |
| Accumulated gap                                    | 20,815         | 31,234     | 96,231      | 96,231    | 96,231       |             |
| Percentage (%)                                     | 21.63          | 32.46      | 100.00      | 100.00    | 100.00       |             |

(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       |           |

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

(In millions of Korean won)

|  | 2014           |            |             |               |              |             |
|--|----------------|------------|-------------|---------------|--------------|-------------|
|  | Up to 3 months | 3-6 months | 6-12 months | 1-3 years     | Over 3 years | Total       |
| Interest-bearing assets in Korean won      | ₩ 501,452      | ₩ 317,004  | ₩ 732,000   | ₩ 1,883,395   | ₩ 2,648,788  | ₩ 6,082,639 |
| Interest-bearing liabilities in Korean won | 2,068          | 949        | 1,579,923   | 4,137,043     | 465,131      | 6,185,114   |
| Gap  | ₩ 499,384      | ₩ 316,055  | ₩ (847,923) | ₩ (2,253,648) | ₩ 2,183,657  | ₩ (102,475) |
| Accumulated gap                            | 499,384        | 815,439    | (32,484)    | (2,286,132)   | (102,475)    |             |
| Percentage (%)                             | 8.21           | 13.41      | (0.53)      | (37.58)       | (1.68)       |             |

(In millions of Korean won)

|  | 201            |            |               |             |              |             |
|--|----------------|------------|---------------|-------------|--------------|-------------|
|  | 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)      |             |

**KB Savings Bank Co., Ltd.**

(In millions of Korean won)

|  | 2014           |            |             |           |              |           |
|--|----------------|------------|-------------|-----------|--------------|-----------|
|  | Up to 3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total     |
| Interest-bearing assets in Korean won      | ₩ 209,895      | ₩ 109,368  | ₩ 156,869   | ₩ 53,424  | ₩ 86,272     | ₩ 615,828 |
| Interest-bearing liabilities in Korean won | 133,057        | 160,070    | 249,389     | 62,139    | 2,403        | 607,058   |
| Gap  | ₩ 76,838       | ₩ (50,702) | ₩ (92,520)  | ₩ (8,715) | ₩ 83,869     | ₩ 8,770   |
| Accumulated gap                            | 76,838         | 26,136     | (66,384)    | (75,099)  | 8,770        |           |
| Percentage (%)                             | 12.48          | 4.24       | (10.78)     | (12.19)   | 1.42         |           |

(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)       |           |

**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)       |           |

**KB Capital Co., Ltd.**

(In millions of Korean won)

|  | 2014           |            |             |             |              |             |
|--|----------------|------------|-------------|-------------|--------------|-------------|
|  | Up to 3 months | 3-6 months | 6-12 months | 1-3 years   | Over 3 years | Total       |
| Interest-bearing assets in Korean won      | ₩ 574,781      | ₩ 423,694  | ₩ 694,273   | ₩ 1,768,434 | ₩ 498,480    | ₩ 3,959,662 |
| Interest-bearing liabilities in Korean won | 414,253        | 36,399     | 66,512      | 1,841,011   | 254,094      | 2,612,269   |
| Gap  | ₩ 160,528      | ₩ 387,295  | ₩ 627,761   | ₩ (72,577)  | ₩ 244,386    | ₩ 1,347,393 |
| Accumulated gap                            | 160,528        | 547,823    | 1,175,584   | 1,103,007   | 1,347,393    |             |
| Percentage (%)                             | 4.05           | 13.84      | 29.69       | 27.86       | 34.03        |             |

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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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                      | 2014 |         | 2013 |         |
|--------------------------------------|------|---------|------|---------|
| Kookmin Bank                         | ₩    | 112,500 | ₩    | 203,503 |
| KB Kookmin Card Co., Ltd.            |      | 55,101  |      | 73,135  |
| KB Investment & Securities Co., Ltd. |      | 3,489   |      | 7,503   |
| KB Life Insurance Co., Ltd.          |      | 103,424 |      | 168,542 |
| KB Savings Bank Co., Ltd.            |      | 4,649   |      | 3,870   |
| Yehansoul Savings Bank Co., Ltd.     |      | -       |      | 1,604   |
| KB Capital Co., Ltd.                 |      | 3,685   |      | -       |

#### 4.4.4 Financial instruments in foreign currencies

Financial instruments in foreign currencies as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         |             |           |          |          |           |              |
|--|--------------|-------------|-----------|----------|----------|-----------|--------------|
|  | USD          | JPY         | EUR       | GBP      | CNY      | Others    | Total        |
| <b>Financial assets</b>  |              |             |           |          |          |           |              |
| Cash and due from financial institutions                         | ₩ 1,554,219  | ₩ 148,923   | ₩ 104,932 | ₩ 10,875 | ₩ 47,653 | ₩ 180,518 | ₩ 2,047,120  |
| Financial assets held for trading                                | 43,753       | -           | 15,333    | -        | -        | -         | 59,086       |
| Financial assets designated at fair value through profit or loss | 11,000       | -           | -         | -        | -        | -         | 11,000       |
| Derivatives held for trading                                     | 55,895       | 83          | 694       | -        | 37       | 6         | 56,715       |
| Derivatives held for hedging                                     | 5,032        | -           | -         | -        | -        | -         | 5,032        |
| Loans  | 10,753,455   | 900,972     | 402,656   | 6,612    | 3,492    | 115,633   | 12,182,820   |
| Available-for-sale financial assets                              | 798,353      | -           | -         | -        | -        | 1,914     | 800,267      |
| Other financial assets   | 1,192,982    | 61,140      | 75,970    | 1,710    | 46,434   | 10,212    | 1,388,448    |
|  | ₩ 14,414,689 | ₩ 1,111,118 | ₩ 599,585 | ₩ 19,197 | ₩ 97,616 | ₩ 308,283 | ₩ 16,550,488 |
| <b>Financial liabilities</b>                                     |              |             |           |          |          |           |              |
| Derivatives held for trading                                     | ₩ 86,046     | ₩ -         | ₩ 921     | ₩ -      | ₩ -      | ₩ 47      | ₩ 87,014     |
| Derivatives held for hedging                                     | 226          | -           | -         | -        | -        | -         | 226          |
| Deposits   | 4,611,932    | 389,071     | 188,431   | 19,924   | 21,297   | 273,357   | 5,504,012    |
| Debts  | 6,382,288    | 258,483     | 303,866   | 880      | 3,577    | 168,908   | 7,118,002    |
| Debentures   | 3,094,159    | 73,606      | 26,730    | -        | -        | 22,671    | 3,217,166    |
| Other financial liabilities                                      | 1,194,927    | 76,150      | 78,093    | 7,157    | 46,710   | 13,043    | 1,416,080    |
|  | ₩ 15,369,578 | ₩ 797,310   | ₩ 598,041 | ₩ 27,961 | ₩ 71,584 | ₩ 478,026 | ₩ 17,342,500 |
| <b>Off-balance sheet items</b>                                   | 17,850,878   | 19,783      | 6,549     | 4,704    | 18,898   | 78,818    | 17,979,630   |

(In millions of Korean won)

|   | 2013         |             |           |          |           |           |              |
|---|--------------|-------------|-----------|----------|-----------|-----------|--------------|
|   | USD          | JPY         | EUR       | GBP      | CNY       | Others    | Total        |
| <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   |

#### 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 4.0%(3.5%,2013), a minimum Tier 1 ratio of 5.5%(4.5%,2013) and a minimum Total Regulatory Capital of 8.0%(8.0%,2013) as of December 31,2014.

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 Group and its subsidiaries comply with external capital adequacy requirements as of December 31, 2014 and 2013.

The details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2014 and 2013, are as follows:

|                                  | (In millions of Korean won) |              |
|----------------------------------|-----------------------------|--------------|
|                                  | 2014                        | 2013         |
| Equity Capital:                  | ₩ 28,347,675                | ₩ 27,296,535 |
| Tier 1 Capital                   | 24,248,598                  | 22,693,836   |
| Common Equity Tier 1 Capital     | 24,062,475                  | 22,693,836   |
| Additional Tier 1 Capital        | 186,123                     | -            |
| Tier 2 Capital                   | 4,099,077                   | 4,602,699    |
| Risk-weighted assets:            | 182,485,957                 | 177,514,060  |
| Equity Capital (%):              | 15.53                       | 15.38        |
| Tier 1 Capital (%)               | 13.29                       | 12.78        |
| Common Equity Tier 1 Capital (%) | ₩ 13.19                     | ₩ 12.78      |

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## 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>                     | <b>Corporate Banking</b>      | The activities within this segment include providing credit, deposit products and other related financial services to large, small-and medium-sized enterprises and SOHOs. |
|   | <b>Retail Banking</b>         | The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.                          |
|   | <b>Other Banking services</b> | 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, 2014, is as follows:

(In millions of Korean won)

|  | Banking business  |                |                        |             |             |                         |                |            |                         |             |
|--|-------------------|----------------|------------------------|-------------|-------------|-------------------------|----------------|------------|-------------------------|-------------|
|  | Corporate Banking | Retail Banking | Other Banking Services | Sub-total   | Credit Card | Investment & Securities | Life Insurance | Others     | Intra-group Adjustments | total       |
| Operating revenues from external customers   | ₩ 1,710,416       | ₩ 2,211,969    | ₩ 1,480,838            | ₩ 5,403,223 | ₩ 1,280,628 | ₩ 141,355               | ₩ 105,255      | ₩ 266,332  | ₩ -                     | ₩ 7,196,793 |
| Segment operating revenues(expenses)   | 70,271            | (48,256)       | 211,993                | 234,008     | (223,878)   | 5,218                   | (30,498)       | 166,503    | (151,353)               | -           |
|  | ₩ 1,780,687       | ₩ 2,163,713    | ₩ 1,692,831            | ₩ 5,637,231 | ₩ 1,056,750 | ₩ 146,573               | ₩ 74,757       | ₩ 432,835  | ₩ (151,353)             | ₩ 7,196,793 |
| Net interest income  | 2,448,966         | 2,079,834      | 442,646                | 4,971,446   | 993,806     | 18,136                  | 227,344        | 203,443    | 1,600                   | 6,415,775   |
| Interest income  | 4,008,584         | 4,432,760      | 1,261,283              | 9,702,627   | 1,353,704   | 45,404                  | 227,372        | 326,366    | (20,177)                | 11,635,296  |
| Interest expense   | (1,559,618)       | (2,352,926)    | (818,637)              | (4,731,181) | (359,898)   | (27,268)                | (28)           | (122,923)  | 21,777                  | (5,219,521) |
| Net fee and commission income  | 237,229           | 524,784        | 316,032                | 1,078,045   | 95,132      | 76,268                  | 253            | 134,154    | (1,123)                 | 1,382,729   |
| Fee and commission income  | 277,196           | 597,072        | 397,070                | 1,271,338   | 1,408,749   | 82,531                  | 253            | 157,924    | (254,610)               | 2,666,185   |
| Fee and commission expense   | (39,967)          | (72,288)       | (81,038)               | (193,293)   | (1,313,617) | (6,263)                 | -              | (23,770)   | 253,487                 | (1,283,456) |
| Net gains(losses) on financial assets/liabilities at fair value through profit or loss | 179               | (20,238)       | 376,350                | 356,291     | -           | 46,999                  | 10,338         | 25,595     | (25)                    | 439,198     |
| Net other operating income(loss)   | (905,687)         | (420,667)      | 557,803                | (768,551)   | (32,188)    | 5,170                   | (163,178)      | 69,643     | (151,805)               | (1,040,909) |
| General and administrative expenses  | (711,029)         | (1,695,563)    | (966,266)              | (3,372,858) | (340,606)   | (102,526)               | (59,994)       | (188,510)  | 54,800                  | (4,009,694) |
| Operating profit before provision for credit losses                                    | 1,069,658         | 468,150        | 726,565                | 2,264,373   | 716,144     | 44,047                  | 14,763         | 244,325    | (96,553)                | 3,187,099   |
| Provision(reversal) for credit losses  | (566,942)         | (304,116)      | (16,596)               | (887,654)   | (277,662)   | (4,422)                 | (1,112)        | (57,350)   | 224                     | (1,227,976) |
| Net operating profit   | 502,716           | 164,034        | 709,969                | 1,376,719   | 438,482     | 39,625                  | 13,651         | 186,975    | (96,329)                | 1,959,123   |
| Share of profit of associates  | -                 | -              | 17,555                 | 17,555      | -           | 81                      | -              | (13,778)   | 9,570                   | 13,428      |
| Net other non-operating revenue (expense)  | 1,242             | -              | (35,241)               | (33,999)    | (5,076)     | (1,025)                 | (1,383)        | (24,877)   | (4,766)                 | (71,126)    |
| Segment profits before income tax  | 503,958           | 164,034        | 692,283                | 1,360,275   | 433,406     | 38,681                  | 12,268         | 148,320    | (91,525)                | 1,901,425   |
| Income tax expense   | (120,504)         | (53,967)       | (156,763)              | (331,234)   | (100,705)   | (13,057)                | (5,731)        | (33,602)   | (1,985)                 | (486,314)   |
| Profit for the year  | 383,454           | 110,067        | 535,520                | 1,029,041   | 332,701     | 25,624                  | 6,537          | 114,718    | (93,510)                | 1,415,111   |
| Profit attributable to Shareholders of the parent company                              | 383,454           | 110,067        | 535,520                | 1,029,041   | 332,701     | 25,624                  | 6,537          | 100,329    | (93,510)                | 1,400,722   |
| Profit attributable to Non-controlling interests                                       | -                 | -              | -                      | -           | -           | -                       | -              | 14,389     | -                       | 14,389      |
| Total assets <sup>1</sup>  | 94,313,469        | 111,074,156    | 70,066,039             | 275,453,664 | 15,886,769  | 4,131,568               | 7,680,184      | 25,965,518 | (20,761,995)            | 308,355,708 |
| Total liabilities <sup>1</sup>   | 83,780,834        | 123,792,699    | 45,939,658             | 253,513,191 | 12,406,314  | 3,554,828               | 7,096,459      | 5,347,261  | (1,075,017)             | 280,843,036 |

Financial information by business segment for the year ended December 31, 2013, is as follows:

(In millions of Korean won)

|  | Banking business  |                |                        |             |             |                         |                |            |                         |             |
|--|-------------------|----------------|------------------------|-------------|-------------|-------------------------|----------------|------------|-------------------------|-------------|
|  | Corporate Banking | Retail Banking | Other Banking Services | Sub-total   | Credit Card | Investment & Securities | Life Insurance | Others     | Intra-group Adjustments | 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 non-operating 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)       | (241,421)              | (380,899)   | (117,696)   | (4,887)                 | (2,792)        | (30,021)   | (4,298)                 | (540,593)   |
| Profit for the year  | 157,215           | 177,682        | 495,815                | 830,712     | 384,411     | 11,856                  | 9,098          | 61,290     | (22,669)                | 1,274,698   |
| Profit attributable to Shareholders of the parent company                              | 157,215           | 177,682        | 495,731                | 830,628     | 384,411     | 11,856                  | 6,231          | 61,290     | (22,914)                | 1,271,502   |
| Profit attributable to Non-controlling interests                                       | -                 | -              | 84                     | 84          | -           | -                       | 2,867          | -          | 245                     | 3,196       |
| Total assets <sup>1</sup>  | 92,498,513        | 103,202,391    | 69,887,481             | 265,588,385 | 15,854,992  | 2,525,070               | 6,945,605      | 21,504,989 | (20,251,443)            | 292,167,598 |
| 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.

## 5.2 Services and Geographical Segments

### 5.2.1 Services information

Operating revenues from external customers by services for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014 |           | 2013 |           |
|---------------------------------|------|-----------|------|-----------|
| Banking service                 | ₩    | 5,403,223 | ₩    | 5,672,100 |
| Credit card service             |      | 1,280,628 |      | 1,420,937 |
| Investment & securities service |      | 141,355   |      | 115,054   |
| Life insurance service          |      | 105,255   |      | 102,226   |
| Other service                   |      | 266,332   |      | 143,811   |
|                                 | ₩    | 7,196,793 | ₩    | 7,454,128 |

### 5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2014 and 2013, and major non-current assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                        | 2014                             |                          | 2013                             |                          |
|------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|
|                        | Revenues from external customers | Major non-current assets | Revenues from external customers | Major non-current assets |
| Domestic               | ₩ 7,093,068                      | ₩ 3,807,792              | ₩ 7,399,906                      | ₩ 3,600,424              |
| United States          | 11,655                           | 256                      | 12,730                           | 21                       |
| New Zealand            | 6,684                            | 193                      | 8,581                            | 20                       |
| China                  | 46,892                           | 7,518                    | 32,190                           | 10,488                   |
| Japan                  | 19,842                           | 1,391                    | (17,182)                         | 1,722                    |
| Argentina              | 573                              | -                        | 6                                | -                        |
| Vietnam                | 3,130                            | 287                      | 3,268                            | 316                      |
| Cambodia               | 5,364                            | 564                      | 5,741                            | 898                      |
| United Kingdom         | 9,585                            | 108                      | 8,888                            | 9                        |
| Intra-group adjustment | -                                | 131,342                  | -                                | 56,408                   |
|                        | ₩ 7,196,793                      | ₩ 3,949,451              | ₩ 7,454,128                      | ₩ 3,670,306              |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014            |               | 2013            |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Carrying amount | Fair value    | Carrying amount | Fair value    |
| <b>Financial assets</b>   |                 |               |                 |               |
| Cash and due from financial institutions                              | ₩ 15,423,847    | ₩ 15,425,123  | ₩ 14,792,654    | ₩ 14,793,603  |
| Financial assets held for trading                                     | 10,121,570      | 10,121,570    | 8,967,006       | 8,967,006     |
| Debt securities   | 9,712,208       | 9,712,208     | 7,825,785       | 7,825,785     |
| Equity securities   | 358,017         | 358,017       | 1,100,969       | 1,100,969     |
| Others  | 51,345          | 51,345        | 40,252          | 40,252        |
| Financial assets designated at fair value through profit or loss      | 636,340         | 636,340       | 361,736         | 361,736       |
| Equity securities   | 134,172         | 134,172       | 115,778         | 115,778       |
| Derivative linked securities  | 502,168         | 502,168       | 245,958         | 245,958       |
| Derivatives held for trading  | 1,858,637       | 1,858,637     | 1,680,880       | 1,680,880     |
| Derivatives held for hedging  | 109,553         | 109,553       | 138,529         | 138,529       |
| Loans   | 231,449,653     | 232,084,413   | 219,001,356     | 219,319,406   |
| Available-for-sale financial assets                                   | 22,391,466      | 22,391,466    | 21,832,104      | 21,832,104    |
| Debt securities   | 19,359,822      | 19,359,822    | 18,933,288      | 18,933,288    |
| Equity securities   | 3,031,644       | 3,031,644     | 2,898,816       | 2,898,816     |
| Held-to-maturity financial assets                                     | 12,569,154      | 13,050,574    | 13,016,991      | 13,386,962    |
| Other financial assets  | 7,559,631       | 7,559,631     | 6,251,679       | 6,251,679     |
|   | ₩ 302,119,851   | ₩ 303,237,307 | ₩ 286,042,935   | ₩ 286,731,905 |
| <b>Financial liabilities</b>  |                 |               |                 |               |
| Financial liabilities held for trading                                | ₩ 836,542       | ₩ 836,542     | ₩ 236,637       | ₩ 236,637     |
| Financial liabilities designated at fair value through profit or loss | 982,426         | 982,426       | 878,565         | 878,565       |
| Derivatives held for trading  | 1,775,341       | 1,775,341     | 1,580,029       | 1,580,029     |
| Derivatives held for hedging  | 22,049          | 22,049        | 215,310         | 215,310       |
| Deposits  | 211,549,121     | 211,946,808   | 200,882,064     | 201,128,271   |
| Debts   | 15,864,500      | 15,944,770    | 14,101,331      | 14,098,569    |
| Debentures  | 29,200,706      | 29,752,202    | 27,039,534      | 28,221,196    |
| Other financial liabilities   | 11,918,820      | 11,918,865    | 13,262,914      | 13,262,946    |
|   | ₩ 272,149,505   | ₩ 273,179,003 | ₩ 258,196,384   | ₩ 259,621,523 |

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, 2014 and 2013, is as follows:

(In millions of Korean won)

|   | 2014                 |            |         |            |   |           |       | Total      |
|---|----------------------|------------|---------|------------|---|-----------|-------|------------|
|   | Fair value hierarchy |            |         |            |   |           | Total |            |
|   | Level 1              | Level 2    | Level 3 |            |   |           |       |            |
| <b>Financial assets</b>   |                      |            |         |            |   |           |       |            |
| Financial assets held for trading                                     |                      |            |         |            |   |           |       | <b>146</b> |
| Debt securities   | ₩                    | 4,371,105  | ₩       | 5,341,103  | ₩ | -         | ₩     | 9,712,208  |
| Equity securities   |                      | 248,689    |         | 109,328    |   | -         |       | 358,017    |
| Others  |                      | 51,345     |         | -          |   | -         |       | 51,345     |
| Financial assets designated at fair value through profit or loss      |                      |            |         |            |   |           |       | <b>147</b> |
| Equity securities   |                      | -          |         | 134,172    |   | -         |       | 134,172    |
| Derivative linked securities  |                      | -          |         | -          |   | 502,168   |       | 502,168    |
| Derivatives held for trading  |                      | 348        |         | 1,793,894  |   | 64,395    |       | 1,858,637  |
| Derivatives held for hedging  |                      | -          |         | 109,293    |   | 260       |       | 109,553    |
| Available-for-sale financial assets <sup>1</sup>                      |                      |            |         |            |   |           |       |            |
| Debt securities   |                      | 6,982,339  |         | 12,377,142 |   | 341       |       | 19,359,822 |
| Equity securities   |                      | 1,052,269  |         | 178,377    |   | 1,800,998 |       | 3,031,644  |
|   | ₩                    | 12,706,095 | ₩       | 20,043,309 | ₩ | 2,368,162 | ₩     | 35,117,566 |
| <b>Financial liabilities</b>  |                      |            |         |            |   |           |       |            |
| Financial liabilities held for trading                                | ₩                    | 836,542    | ₩       | -          | ₩ | -         | ₩     | 836,542    |
| Financial liabilities designated at fair value through profit or loss |                      | -          |         | -          |   | 982,426   |       | 982,426    |
| Derivatives held for trading  |                      | 1,146      |         | 1,751,617  |   | 22,578    |       | 1,775,341  |
| Derivatives held for hedging  |                      | -          |         | 19,768     |   | 2,281     |       | 22,049     |
|   | ₩                    | 837,688    | ₩       | 1,771,385  | ₩ | 1,007,285 | ₩     | 3,616,358  |

(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                                | ₩ 236,637            | ₩ -          | ₩ -         | ₩ - | ₩ - | ₩ - | ₩ 236,637    |
| 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  |

<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 ₩ 93,435 million and ₩ 117,750 million as of December 31, 2014 and 2013, 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

Valuation techniques and inputs of financial assets and liabilities measured at fair value in the statement of financial position and classified as Level 2 as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | Fair value   |              | Valuation techniques        | Inputs  |
|--|--------------|--------------|-----------------------------|---|
|  | 2014         | 2013         |                             |   |
| <b>Financial assets</b>  |              |              |                             |   |
| Financial assets held for trading                                | ₩ 5,450,431  | ₩ 5,438,902  |                             |   |
| Debt securities  | 5,341,103    | 4,665,193    | DCF Model                   | Discount rate   |
| Equity securities  | 109,328      | 773,709      | DCF Model, Net Asset Value  | Discount rate, Fair value of underlying asset   |
| Financial assets designated at fair value through profit or loss | 134,172      | 127,808      |                             |   |
| Equity securities  | 134,172      | 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 |
| Derivatives held for trading                                     | 1,793,894    | 1,630,940    | DCF Model, Closed Form, FDM | Discount rate, Volatility, Foreign exchange rate, Stock price and others  |
| Derivatives held for hedging                                     | 109,293      | 138,077      | DCF Model, Closed Form, FDM | Discount rate, Volatility, Foreign exchange rate and others   |
| Available-for-sale financial assets                              | 12,555,519   | 9,430,206    |                             |   |
| Debt securities  | 12,377,142   | 9,175,742    | DCF Model                   | Discount rate   |
| Equity securities  | 178,377      | 254,464      | DCF Model, Net Asset Value  | Discount rate, Fair value of underlying asset   |
|  | ₩ 20,043,309 | ₩ 16,765,933 |                             |   |
| <b>Financial liabilities</b>                                     |              |              |                             |   |
| Derivatives held for trading                                     | ₩ 1,751,617  | ₩ 1,538,374  | DCF Model, Closed Form, FDM | Discount rate, Volatility, Foreign exchange rate, Stock price and others  |
| Derivatives held for hedging                                     | 19,768       | 206,468      | DCF Model, Closed Form, FDM | Discount rate, Volatility, Foreign exchange rate and others   |
|  | ₩ 1,771,385  | ₩ 1,744,842  |                             |   |

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### 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, 2014 and 2013, is as follows:

(In millions of Korean won)

|   | 2014                 |           |         |             |   |             |   |             |
|---|----------------------|-----------|---------|-------------|---|-------------|---|-------------|
|   | Fair value hierarchy |           |         |             |   | Total       |   |             |
|   | Level 1              | Level 2   | Level 3 |             |   |             |   |             |
| <b>Financial assets</b>                               |                      |           |         |             |   |             |   |             |
| Cash and due from financial institutions <sup>1</sup> | ₩                    | 2,588,407 | ₩       | 10,879,916  | ₩ | 1,956,800   | ₩ | 15,425,123  |
| Loans   |                      | -         |         | -           |   | 232,084,413 |   | 232,084,413 |
| Held-to-maturity financial assets                     |                      | 2,639,552 |         | 10,411,022  |   | -           |   | 13,050,574  |
| Other financial assets <sup>2</sup>                   |                      | -         |         | -           |   | 7,559,631   |   | 7,559,631   |
|   | ₩                    | 5,227,959 | ₩       | 21,290,938  | ₩ | 241,600,844 | ₩ | 268,119,741 |
| <b>Financial liabilities</b>                          |                      |           |         |             |   |             |   |             |
| Deposits <sup>1</sup>                                 | ₩                    | -         | ₩       | 82,709,205  | ₩ | 129,237,603 | ₩ | 211,946,808 |
| Debts <sup>1</sup>                                    |                      | -         |         | 48,984      |   | 15,895,786  |   | 15,944,770  |
| Debentures  |                      | -         |         | 29,256,810  |   | 495,392     |   | 29,752,202  |
| Other financial liabilities <sup>3</sup>              |                      | -         |         | -           |   | 11,918,865  |   | 11,918,865  |
|   | ₩                    | -         | ₩       | 112,014,999 | ₩ | 157,547,646 | ₩ | 269,562,645 |

(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>3</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 ₩ 7,559,631 million and ₩ 6,251,679 million of other financial assets included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2014 and 2013.

<sup>3</sup> The ₩ 11,905,579 million and ₩ 13,261,041 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2014 and 2013.

### 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                   | Fair value |            | Valuation techniques | Inputs     |           |               |
|-----------------------------------|------------|------------|----------------------|------------|-----------|---------------|
|                                   | 2014       | 2013       |                      |            |           |               |
| <b>Financial assets</b>           |            |            |                      |            |           |               |
| Held-to-maturity financial assets | ₩          | 10,411,022 | ₩                    | 9,851,745  | DCF Model | Discount rate |
| <b>Financial liabilities</b>      |            |            |                      |            |           |               |
| Debentures                        | ₩          | 29,256,810 | ₩                    | 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | Fair value |             | Valuation techniques | Inputs      | Unobservable Inputs |   |  |
|--|------------|-------------|----------------------|-------------|---------------------|---|--|
|  | 2014       | 2013        |                      |             |                     |   |  |
| <b>Financial assets</b>                  |            |             |                      |             |                     |   |  |
| Cash and due from financial institutions | ₩          | 1,956,800   | ₩                    | 1,539,592   | DCF Model           | Credit spread, Other spread, Interest rate                  | Credit spread, Other spread                  |
| Loans                                    |            | 232,084,413 |                      | 219,319,406 | DCF Model           | Credit spread, Other spread, Prepayment rate, Interest rate | Credit spread, Other spread, Prepayment rate |
|  | ₩          | 234,041,213 | ₩                    | 220,858,998 |                     |   |  |
| <b>Financial liabilities</b>             |            |             |                      |             |                     |   |  |
| Deposits                                 | ₩          | 129,237,603 | ₩                    | 1,288,906   | DCF Model           | Other spread, Prepayment rate, Interest rate                | Other spread, Prepayment rate                |
| Debts                                    |            | 15,895,786  |                      | 13,942,220  | DCF Model           | Other spread, Interest rate                                 | Other spread                                 |
| Debentures                               |            | 495,392     |                      | 468,703     | DCF Model           | Other spread, Implied default probability, Interest rate    | Other spread, Implied default probability    |
| Other financial liabilities              |            | 13,286      |                      | 1,905       | DCF Model           | Other spread, Interest rate                                 | Other spread                                 |
|  | ₩          | 145,642,067 | ₩                    | 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 external, independent and qualified independent third-party valuation service in addition to internal valuation models to determine the fair value of the Group's assets at the end of every reporting period.

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 fair value (Level 3) measured using valuation technique based on unobservable in market

Changes in Level 3 of the fair value hierarchy for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                              | 2014  |                                     |  |  |                              |                 |
|------------------------------|---|-------------------------------------|--|--|------------------------------|-----------------|
|                              | Financial assets at fair value through profit or loss |                                     | Financial investments                          | Financial liabilities at fair value through profit or loss |                              | Net derivatives |
|                              | Designate at fair value through profit or loss        | Available-for-sale financial assets | Designate at fair value through profit or loss | Derivatives held for trading                               | Derivatives held for hedging |                 |
| Beginning balance            | ₩ 233,928   | ₩ 1,662,053                         | ₩ (878,565)                                    | ₩ 7,802  | ₩ (8,390)                    |                 |
| Total gains or losses        |   |                                     |  |  |                              |                 |
| - Profit or loss             | 11,350  | (131,057)                           | (26,232)                                       | 27,124   | 6,579                        |                 |
| - Other comprehensive income | -   | 141,422                             | -  | -  | -                            |                 |
| Purchases                    | 678,750   | 225,272                             | -  | 7,130  | -                            |                 |
| Sales                        | (421,860)   | (116,194)                           | -  | (3,771)  | -                            |                 |
| Issues                       | -   | -                                   | (1,417,513)                                    | (4,829)  | -                            |                 |
| Settlements                  | -   | -                                   | 1,339,884                                      | (14,290)   | (210)                        |                 |
| Transfers into Level 3       | -   | 25,146                              | -  | 22,651   | -                            |                 |
| Transfers out of Level 3     | -   | (12,137)                            | -  | -  | -                            |                 |
| Business combination         | -   | 6,834                               | -  | -  | -                            |                 |
| Ending balance               | ₩ 502,168   | ₩ 1,801,339                         | ₩ (982,426)                                    | ₩ 41,817   | ₩ (2,021)                    |                 |

(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 |
|                              | Designate at fair value through profit or loss        | Available-for-sale financial assets | Designate 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 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014   |                        |                     |
|---|--|------------------------|---------------------|
|   | Net income from financial investments at fair value through profit or loss | Other operating income | Net Interest Income |
| Total gains or losses included in profit or loss for the year   | ₩ 12,242   | ₩ (124,559)            | ₩ 81                |
| Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period | 35,573   | (119,657)              | 81                  |

(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)               |  |

### 6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs

(In millions of Korean won)

|  | Dec 31, 2014 |  |   |                                      |                                 |  |
|--|--------------|--|---|--------------------------------------|---------------------------------|--|
|  | 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                                     | ₩ 502,168    | Monte Carlo Simulation, Closed Form, DCF Model, Black-Derman-Toy Model                   | Price of the underlying asset, Interest rates, Dividend yield, Discount rate, Volatility of the underlying asset, Correlation between underlying asset, Probability of Default, Volatility of interest rate | Volatility of the underlying asset   | 2.82~48.96                      | The higher the volatility, the higher the fair value fluctuation                           |
|  |              |  |   | Correlation between underlying asset | -7.75~59.13                     | The higher the correlation between underlying asset, the higher the fair value fluctuation |
|  |              |  |   | Probability of Default               | 0.17~4.42                       | The higher the probability of default, the lower the fair value                            |
|  |              |  |   | Volatility of interest rate          | 4.48                            | The higher volatility of interest rate, the higher the fair value fluctuation              |
| Derivatives held for trading                                     |              |  |   |                                      |                                 |  |
| Stock and index  | 61,400       | DCF Model, Closed Form, FDM, Monte Carlo Simulation, Binomial trees, Black-Scholes Model | Price of the underlying asset, Interest rates, Dividend yield, Discount rate, Volatility of the underlying asset, Correlation between underlying asset  | Volatility of the underlying asset   | 4.80~45.82                      | The higher the volatility, the higher the fair value fluctuation                           |
|  |              |  |   | Correlation between underlying asset | -3.27~59.13                     | The higher the correlation between underlying asset, the higher the fair value fluctuation |
| Currency   | 2,995        | DCF Model  | Interest rates, Foreign exchange rate, Loss given default   | Loss given default                   | 6.78~90.56                      | The higher the loss given default, the lower the fair value                                |

(In millions of Korean won)

|   | Dec 31, 2014 |   |   |   |  |  |
|---|--------------|---|---|---|--|--|
|   | Fair value   | Valuation technique   | Inputs  | Unobservable inputs                       | Range of unobservable inputs(%)  | Relationship of unobservable inputs to fair value  |
| Derivatives held for hedging  |              |   |   |   |  |  |
| Interest rate   | 260          | DCF Model, Closed Form, FDM, MonteCarlo Simulation  | Price of the underlying asset, Interest rates, Volatility of the underlying asset   | Volatility of the underlying asset        | 3.91   | The higher the volatility, the higher the fair value fluctuation                           |
| Available-for-sale financial assets                                   |              |   |   |   |  |  |
| Debt securities   | 341          | DCF Model   | Discount rate   | Discount rate                             | 9.21   | The lower the discount rate, the higher the fair value                                     |
| Equity securities   | 1,800,998    | DCF Model, Comparable Company Analysis, Adjusted discount rate method, Binomial trees, Discounted cash flows to equity, Net asset value method, Dividend discount model | Growth rate, Discount rate, Volatility of interest rate, Volatilities of real estate selling price, Liquidation value, Recovery rate of receivables' acquisition cost | Growth rate                               | 0.00~3.00  | The higher the growth rate, the higher the fair value                                      |
|   |              |   |   | Discount rate                             | 2.29~23.25   | The lower the discount rate, the higher the fair value                                     |
|   |              |   |   | Volatility of interest rate               | 16.25~21.45  | The higher the volatility, the higher the fair value fluctuation                           |
|   |              |   |   | Volatilities of real estate selling price | 1.10   | 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                                |
|   |              |   | Recovery rate of receivables' acquisition cost  | 155.83                                    | The higher the recovery rate of receivables' acquisition cost, the higher the fair value |  |
|   | ₩ 2,368,162  |   |   |   |  |  |
| <b>Financial liabilities</b>  |              |   |   |   |  |  |
| Financial liabilities designated at fair value through profit or loss |              |   |   |   |  |  |
| Derivative linked securities  | ₩ 982,426    | Closed Form, MonteCarlo Simulation  | Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset                               | Volatility of the underlying asset        | 3.42~48.89   | The higher the volatility, the higher the fair value fluctuation                           |
|   |              |   |   | Correlation between underlying asset      | -7.75~59.13  | The higher the correlation between underlying asset, the higher the fair value fluctuation |
| Derivatives held for trading  |              |   |   |   |  |  |
| Stock and index   | 22,578       | DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model  | Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield, Volatility of interest rate  | Volatility of the underlying asset        | 11.15~41.79  | The higher the volatility, the higher the fair value fluctuation                           |
|   |              |   |   | Correlation between underlying asset      | -3.83~68.20  | The higher the correlation between underlying asset, the higher the fair value fluctuation |
|   |              |   |   | Volatility of interest rate               | 16.25~21.45  | The higher the volatility, the higher the fair value fluctuation                           |
| Derivatives held for hedging  |              |   |   |   |  |  |
| Interest rate   | 2,281        | 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        | 2.35~3.91  | The higher the volatility, the higher the fair value fluctuation                           |
|   | ₩ 1,007,285  |   |   |   |  |  |

(In millions of Korean won)

|  | Dec 31, 2013 |   |  |   |   |  |
|--|--------------|---|--|---|---|--|
|  | 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 model   | 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 fluctuation                           |
|  |              |   |  | Correlation between underlying asset                  | -3.28 ~ 57.89   | The higher the correlation between underlying asset, the higher the fair value fluctuation |
|  |              |   |  | 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 between underlying asset, Dividend yield, Discount rate                               | Volatility of the underlying asset                    | 7.10 ~ 45.64  | The higher the volatility, the higher the fair value fluctuation                           |
|  |              |   |  | Correlation between underlying asset                  | 11.43 ~ 79.26   | The higher the correlation between underlying asset, 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 between underlying asset (Interest rates), Foreign exchange rate   | Correlation between underlying asset (Interest rates) | 0.03  | The higher the correlation between underlying asset, the higher the fair value fluctuation |
| 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, Binomial trees, Hull and White model, Net asset value method, Dividend discount model, Discounted cash flows to equity | Growth rate, Discount rate, Volatility of interest rate, Volatilities of real estate selling price, Liquidation value, 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 |  |
|  | ₩ 1,945,629  |   |  |   |   |  |

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|   |   |         |   |  |                                      |               | Dec 31, 2013   |                     |        |                     |                                  |   |
|---|---|---------|---|--|--------------------------------------|---------------|--|---------------------|--------|---------------------|----------------------------------|---|
|   |   |         |   |  |                                      |               | 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 of the underlying asset, Correlation between underlying asset, Dividend yield                              | Volatility of the underlying asset   | 10.99 ~ 44.71 | The higher the volatility, the higher the fair value fluctuation                           |                     |        |                     |                                  |   |
|   |   |         |   |  | Correlation between underlying asset | -3.28 ~ 58.28 | The higher the correlation between underlying asset, the higher the fair value fluctuation |                     |        |                     |                                  |   |
| Derivatives held for trading  |   |         |   |  |                                      |               |  |                     |        |                     |                                  |   |
| 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 between underlying asset, Dividend yield, Volatility of interest rate | Volatility of the underlying asset   | 10.99 ~ 45.64 | The higher the volatility, the higher the fair value fluctuation                           |                     |        |                     |                                  |   |
|   |   |         |   |  | Correlation between underlying asset | 16.20 ~ 79.26 | The higher the correlation between underlying asset, 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)

|  |   |        |   |          |   |         | Dec. 31, 2014                  |                     |                            |                     |
|--|---|--------|---|----------|---|---------|--------------------------------|---------------------|----------------------------|---------------------|
|  |   |        |   |          |   |         | Recognition in profit and loss |                     | Other comprehensive income |                     |
|  |   |        |   |          |   |         | Favorable changes              | Unfavorable changes | Favorable changes          | Unfavorable changes |
| <b>Financial assets</b>  |   |        |   |          |   |         |                                |                     |                            |                     |
| Financial assets designated at fair value through profit or loss |   |        |   |          |   |         |                                |                     |                            |                     |
| Derivative linked securities <sup>1</sup>                        | ₩ | 6,006  | ₩ | (10,768) | ₩ | -       | ₩                              | -                   | -                          |                     |
| Derivatives held for trading <sup>2</sup>                        |   | 9,851  |   | (8,194)  |   | -       |                                | -                   | -                          |                     |
| Derivatives held for hedging <sup>2</sup>                        |   | 17     |   | (15)     |   | -       |                                | -                   | -                          |                     |
| Available-for-sale financial assets                              |   |        |   |          |   |         |                                |                     |                            |                     |
| Debt securities <sup>3</sup>                                     |   | -      |   | -        |   | 20      |                                | (18)                |                            |                     |
| Equity securities <sup>4</sup>                                   |   | -      |   | -        |   | 388,278 |                                | (147,164)           |                            |                     |
|  | ₩ | 15,874 | ₩ | (18,977) | ₩ | 388,298 | ₩                              | (147,182)           |                            |                     |

|  |   |        |   |          |   |         | Dec. 31, 2014                  |                     |                            |                     |   |   |   |   |
|--|---|--------|---|----------|---|---------|--------------------------------|---------------------|----------------------------|---------------------|---|---|---|---|
|  |   |        |   |          |   |         | Recognition in profit and loss |                     | Other comprehensive income |                     |   |   |   |   |
|  |   |        |   |          |   |         | Favorable changes              | Unfavorable changes | Favorable changes          | Unfavorable changes |   |   |   |   |
| <b>Financial liabilities</b>   |   |        |   |          |   |         |                                |                     |                            |                     |   |   |   |   |
| Financial liabilities designated at fair value through profit or loss <sup>1</sup> |   |        |   |          |   |         | ₩                              | 23,283              | ₩                          | (15,248)            | ₩ | - | ₩ | - |
| Derivatives held for trading <sup>2</sup>  |   |        |   |          |   |         |                                | 4,211               |                            | (6,812)             |   | - |   | - |
| Derivatives held for hedging <sup>2</sup>  |   |        |   |          |   |         |                                | 86                  |                            | (76)                |   | - |   | - |
|  | ₩ | 27,580 | ₩ | (22,136) | ₩ | -       | ₩                              | -                   |                            |                     |   |   |   |   |
|  |   |        |   |          |   |         | (In millions of Korean won)    |                     |                            |                     |   |   |   |   |
|  |   |        |   |          |   |         | Dec. 31, 2013                  |                     |                            |                     |   |   |   |   |
|  |   |        |   |          |   |         | Recognition in profit and loss |                     | Other comprehensive income |                     |   |   |   |   |
|  |   |        |   |          |   |         | Favorable changes              | Unfavorable changes | Favorable changes          | Unfavorable changes |   |   |   |   |
| <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>  |   | -      |   | -        |   | -       |                                | -                   | -                          |                     |   |   |   |   |
| Available-for-sale financial assets  |   |        |   |          |   |         |                                |                     |                            |                     |   |   |   |   |
| Debt securities <sup>3</sup>   |   | -      |   | -        |   | 61      |                                | (58)                |                            |                     |   |   |   |   |
| Equity securities <sup>4</sup>   |   | -      |   | -        |   | 322,444 |                                | (121,192)           |                            |                     |   |   |   |   |
|  | ₩ | 12,841 | ₩ | (15,133) | ₩ | 322,505 | ₩                              | (121,250)           |                            |                     |   |   |   |   |
| <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) | ₩ | -       | ₩                              | -                   |                            |                     |   |   |   |   |

<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 +/- 1%. For interest rate-related 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, liquidation value (-1~1%) and discount rate, or recovery rate of receivables' acquisition cost (-1~1%). Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estates, the changes in fair value are calculated by shifting correlation between discount rate (-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)

|  | 2014 |         | 2013 |         |
|--|------|---------|------|---------|
| Balance at the beginning of the year                 | ₩    | 4,190   | ₩    | 8,652   |
| New transactions                                     |      | (853)   |      | 3,449   |
| Amounts recognized in profit or loss during the year |      |         |      |         |
| Amortization   |      | (891)   |      | (3,484) |
| Settlement   |      | (1,070) |      | (4,427) |
| Balance at the end of the year                       | ₩    | 1,376   | ₩    | 4,190   |

### 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014  |   |                       |                                     |                                   |                              |       |             |
|---|---|---|-----------------------|-------------------------------------|-----------------------------------|------------------------------|-------|-------------|
|   | 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              | ₩   | -   | ₩                     | 15,423,847                          | ₩                                 | -                            | ₩     | 15,423,847  |
| Financial assets at fair value through profit or loss |   | 10,121,570                                      |                       | 636,340                             |                                   | -                            |       | 10,757,910  |
| Derivatives   |   | 1,858,637                                       |                       | -                                   |                                   | -                            |       | 1,968,190   |
| Loans   |   | -   |                       | 231,449,653                         |                                   | -                            |       | 231,449,653 |
| Financial investments                                 |   | -   |                       | -                                   |                                   | 22,391,466                   |       | 12,569,154  |
| Other financial assets                                |   | -   |                       | -                                   |                                   | 7,559,631                    |       | 7,559,631   |
|   | ₩   | 11,980,207                                      | ₩                     | 636,340                             | ₩                                 | 254,433,131                  | ₩     | 22,391,466  |
|   |   |   |                       |                                     |                                   |                              | ₩     | 12,569,154  |
|   |   |   |                       |                                     |                                   |                              | ₩     | 109,553     |
|   |   |   |                       |                                     |                                   |                              | ₩     | 302,119,851 |

(In millions of Korean won)

|  | 2014   |   |   |                              |       |             |   |             |
|--|--|---|---|------------------------------|-------|-------------|---|-------------|
|  | 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 | ₩  | 836,542   | ₩                                       | 982,426                      | ₩     | -           | ₩ | -           |
| Derivatives  |  | 1,775,341                                       |   | -                            |       | -           |   | 22,049      |
| Deposits   |  | -   |   | -                            |       | 211,549,121 |   | -           |
| Debts  |  | -   |   | -                            |       | 15,864,500  |   | -           |
| Debentures   |  | -   |   | -                            |       | 29,200,706  |   | -           |
| Other financial liabilities                                |  | -   |   | -                            |       | 11,918,820  |   | -           |
|  | ₩  | 2,611,883                                       | ₩                                       | 982,426                      | ₩     | 268,533,147 | ₩ | 22,049      |
|  |  |   |   |                              |       |             | ₩ | 272,149,505 |

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(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                   | ₩     | -           |
| Financial assets at fair value through profit or loss |   | 8,967,006                                       |                       | 361,736                             |                                   | -                            |       | -           |
| Derivatives   |   | 1,680,880                                       |                       | -                                   |                                   | -                            |       | 138,529     |
| Loans   |   | -   |                       | -                                   |                                   | 219,001,356                  |       | -           |
| Financial investments                                 |   | -   |                       | -                                   |                                   | 21,832,104                   |       | 13,016,991  |
| Other financial assets                                |   | -   |                       | -                                   |                                   | 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 |

#### 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                       | 2014                           |   |  |                                      |
|---------------------------------------|--------------------------------|---|--|--------------------------------------|
|                                       | 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.                      | Subordinate debt               | Available-for-sale financial assets     | ₩ 4,921  | ₩ 4,921                              |
| KR ABS Second Co., Ltd.               | Subordinate debt               | Available-for-sale financial assets     | 22,219   | 22,219                               |
| EAK ABS Co., Ltd.                     | Subordinate debt               | Available-for-sale financial assets     | 11,211   | 11,211                               |
| AP ABS First Co., Ltd.                | Senior debt                    | Loans and receivables                   | 9,762  | 9,842                                |
|                                       | Subordinate debt               | Available-for-sale financial assets     | 17,346   | 17,346                               |
| Discovery ABS First Co., Ltd.         | Senior debt                    | Loans and receivables                   | 1,175  | 1,194                                |
|                                       | Subordinate debt               | Available-for-sale financial assets     | 22,591   | 22,591                               |
| EAK ABS Second Co., Ltd. <sup>1</sup> | Senior debt                    | Loans and receivables                   | 19,806   | 20,026                               |
|                                       | Subordinate debt               | Available-for-sale financial assets     | 38,207   | 38,207                               |

|                               | 2014                           |   |  |                                      |
|-------------------------------|--------------------------------|---|--|--------------------------------------|
|                               | Type of continuing involvement | Classification of financial instruments | Carrying amount of continuing involvement in statement of financial position | Fair value of continuing involvement |
| FK1411 Co., Ltd. <sup>2</sup> | Senior debt                    | Loans and receivables                   | 44,966   | 44,917                               |
|                               | Subordinate debt               | Available-for-sale financial assets     | 47,600   | 47,600                               |
|                               |                                |   | ₩ 239,804  | ₩ 240,074                            |

<sup>1</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩ 6,924 million.

<sup>2</sup> Recognized net loss from transferring loans to the SPEs amounts to ₩ 27,365 million.

<sup>3</sup> In addition to the above, there were gains on sale of loans attributable to true-up adjustments based on the transfer agreement with the National Happiness Fund ('the Fund') amounting to ₩ 3,762 million.

(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/subordinate 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. 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.

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**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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014   |   |  |  |              |
|--|--|---|--|--|--------------|
|  | Liabilities arising from asset-backed securities |   |  |  |              |
|  | Carrying amount of assets (Underlying assets)    | Carrying amount of the associated liabilities (Senior debentures) | Fair value of assets (Underlying assets) | Fair value of the associated liabilities (Senior debentures) | Net Position |
| KB Kookmin Card First Securitization Co., Ltd. <sup>1</sup>  | ₩ 546,770  | ₩ -   | ₩ -                                      | ₩ -  | -            |
| KB Kookmin Card Second Securitization Co., Ltd. <sup>1</sup> | 622,573  | 327,553   | -  | -  | -            |
| Wise Mobile First Securitization Specialty <sup>2</sup>      | 122,528  | 109,972   | -  | -  | -            |
| Wise Mobile Second Securitization Specialty <sup>2</sup>     | 158,396  | 144,958   | -  | -  | -            |
| Wise Mobile Third Securitization Specialty <sup>2</sup>      | 169,609  | 158,957   | -  | -  | -            |
| Wise Mobile Fourth Securitization Specialty <sup>2</sup>     | 99,952   | 94,959  | -  | -  | -            |
| Wise Mobile Fifth Securitization Specialty <sup>2</sup>      | 179,703  | 169,926   | -  | -  | -            |
| Wise Mobile Sixth Securitization Specialty <sup>2</sup>      | 204,095  | 194,896   | -  | -  | -            |
| Wise Mobile Seventh Securitization Specialty <sup>2</sup>    | 207,387  | 199,878   | -  | -  | -            |
| Wise Mobile Eighth Securitization Specialty <sup>2</sup>     | 202,745  | 194,862   | -  | -  | -            |
| Wise Mobile Ninth Securitization Specialty <sup>2</sup>      | 143,666  | 139,889   | -  | -  | -            |
| Wise Mobile Tenth Securitization Specialty <sup>2</sup>      | 193,959  | 189,827   | -  | -  | -            |
| Wise Mobile Eleventh Securitization Specialty <sup>2</sup>   | 182,281  | 179,781   | -  | -  | -            |
| Wise Mobile Twelfth Securitization Specialty <sup>2</sup>    | 191,329  | 189,719   | -  | -  | -            |

(In millions of Korean won)

|   | 2013   |   |  |  |              |
|---|--|---|--|--|--------------|
|   | Liabilities arising from asset-backed securities |   |  |  |              |
|   | Carrying amount of assets (Underlying assets)    | Carrying amount of the associated liabilities (Senior debentures) | 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>3</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>2</sup>         | 339,222  | 329,785   | -  | -  | -            |
| Wise Mobile Second Securitization Specialty <sup>2</sup>        | 384,473  | 374,733   | -  | -  | -            |
| Wise Mobile Third Securitization Specialty <sup>2</sup>         | 350,822  | 343,736   | -  | -  | -            |
| Wise Mobile Fourth Securitization Specialty <sup>2</sup>        | 202,038  | 199,802   | -  | -  | -            |
| Wise Mobile Fifth Securitization Specialty <sup>2</sup>         | 344,047  | 339,631   | -  | -  | -            |
| Wise Mobile Sixth Securitization Specialty <sup>2</sup>         | 362,975  | 359,534   | -  | -  | -            |
| Wise Mobile Seventh Securitization Specialty <sup>2</sup>       | 351,905  | 349,486   | -  | -  | -            |

<sup>1</sup> They have the obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement as trust type asset securitization. To avoid such early redemption, they entrust supplementary card accounts, deposits and others. Accordingly, as asset-backed debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

<sup>2</sup> If the Special Purpose Companies(SPC) could not redeem the senior debentures by collection of underlying assets, the SPC should be redeemed by borrowings from the credit facilities. Accordingly, as senior debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

<sup>3</sup> Pursuant to the Purchase Agreement of the liabilities, the fair value is not disclosed as the counterparty has both a right of recourse for the securitized assets and a right to request to purchase the liabilities.

### Securities under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to repurchase agreements and securities lending transactions on the statements of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. 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 as the same asset. Thus, the Group retains substantially all the risks and rewards of ownership of the financial asset. The amounts of transferred assets and related liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014                                  |  | 2013                                  |  |
|---|---------------------------------------|--|---------------------------------------|--|
|   | Carrying amount of transferred assets | Carrying amount of related liabilities | Carrying amount of transferred assets | Carrying amount of related liabilities |
| Reverse repurchase, securities lending and similar agreements | ₩ 1,080,804                           | ₩ 1,019,071                            | ₩ 649,309                             | ₩ 608,156                              |
| Loaned securities   |                                       |  |                                       |  |
| Government bond   | 162,408                               | -                                      | 527,427                               | -                                      |
| Stock   | 2,378                                 | -                                      | 14,296                                | -                                      |
|   | ₩ 1,245,590                           | ₩ 1,019,071                            | ₩ 1,191,032                           | ₩ 608,156                              |

(In millions of Korean won)

### 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 financial assets subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014   |   |  |                          |           |             | 164 |
|--|--|---|--|--------------------------|-----------|-------------|-----|
|  | 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 | 165       |             |     |
| Derivatives held for trading   | ₩ 1,806,087                                  | ₩ -   | ₩ 1,806,087  | ₩ (1,477,495)            | ₩ (1,635) | ₩ 326,957   |     |
| Derivatives held for hedging   | 109,553                                      | -   | 109,553  | (15,688)                 | -         | 93,865      |     |
| Receivable spot exchange   | 2,343,308                                    | -   | 2,343,308  | (2,342,116)              | -         | 1,192       |     |
| Reverse repurchase, securities borrowing and similar agreements <sup>1</sup> | 3,529,900                                    | -   | 3,529,900  | (3,529,900)              | -         | -           |     |
| Other financial instruments  | 18,680,680                                   | (16,483,341)  | 2,197,339  | -                        | -         | 2,197,339   |     |
|  | ₩ 26,469,528                                 | ₩ (16,483,341)  | ₩ 9,986,187  | ₩ (7,365,199)            | ₩ (1,635) | ₩ 2,619,353 |     |

(In millions of Korean won)

|  | 2013   |   |  |                          |           |             | 164 |
|--|--|---|--|--------------------------|-----------|-------------|-----|
|  | 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 | 165       |             |     |
| 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 |     |

<sup>1</sup> Includes a portion of the securities loaned.

The details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014   |  |   |                       |                          |            |  |  |  |
|--|--|--|---|-----------------------|--------------------------|------------|--|--|--|
|  |  |  |   | Non-offsetting amount |                          |            |  |  |  |
|  | Gross amounts of recognized financial assets | 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 | Financial instruments | Cash collateral received | Net amount |  |  |  |
| Derivatives held for trading   | ₩ 1,765,781                                  | ₩ -  | ₩ 1,765,781   | ₩ (1,323,749)         | ₩ -                      | ₩ 442,032  |  |  |  |
| Derivatives held for hedging   | 21,147                                       | -  | 21,147  | (3,013)               | -                        | 18,134     |  |  |  |
| Payable spot exchange  | 2,343,234                                    | -  | 2,343,234   | (2,342,116)           | -                        | 1,118      |  |  |  |
| Reverse repurchase, securities lending and similar agreements <sup>1,2</sup> | 1,803,963                                    | -  | 1,803,963   | (1,803,963)           | -                        | -          |  |  |  |
| Other financial instruments  | 16,724,449                                   | (16,483,341)   | 241,108   | (122,797)             | -                        | 118,311    |  |  |  |
|  | ₩ 22,658,574                                 | ₩ (16,483,341)   | ₩ 6,175,233   | ₩ (5,595,638)         | ₩ -                      | ₩ 579,595  |  |  |  |

(In millions of Korean won)

|  | 2013   |  |   |                       |                          |            |  |  |  |
|--|--|--|---|-----------------------|--------------------------|------------|--|--|--|
|  |  |  |   | Non-offsetting amount |                          |            |  |  |  |
|  | Gross amounts of recognized financial assets | 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 | Financial instruments | Cash collateral received | Net amount |  |  |  |
| 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  |  |  |  |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   |                                      | Financial Institutions                               | Interest rate% | 2014         | 2013         |
|---|--------------------------------------|--|----------------|--------------|--------------|
|   |                                      |  |                | ₩            | ₩            |
| Due from financial institutions in Korean won         | Due from Bank of Korea               | Bank of Korea  | 0.00~2.03      | ₩ 6,283,230  | ₩ 6,283,230  |
|   | Due from banking institutions        | Hana Bank and others                                 | 0.00~7.15      | 1,191,877    | 1,191,877    |
|   | Due from others                      | DaiShin Investment & Securities Co., Ltd. and others | 0.10~3.20      | 3,750,163    | 3,750,163    |
|   |                                      |  |                | ₩ 11,225,270 | ₩ 10,557,986 |
| Due from financial institutions in foreign currencies | Due from banks in foreign currencies | Bank of Korea and others                             | -              | 899,080      | 855,388      |
|   | Time deposits in foreign currencies  | Bank of Communications and others                    | 0.11~6.70      | 708,926      | 657,408      |
|   | Due from others                      | Woori Investment & Securities Co., Ltd. and others   | -              | 45,154       | 23,321       |
|   |                                      |  |                | ₩ 1,653,160  | ₩ 1,536,117  |
|   |                                      |  |                | ₩ 12,878,430 | ₩ 12,094,103 |

Due from financial institutions, classified by type of financial institution as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                              | 2014          |                       |              |
|------------------------------|---------------|-----------------------|--------------|
|                              | In Korean won | In foreign currencies | Total        |
| Bank of Korea                | ₩ 6,283,230   | ₩ 225,393             | ₩ 6,508,623  |
| Other banking institutions   | 1,191,877     | 1,399,586             | 2,591,463    |
| Other financial institutions | 3,750,163     | 28,181                | 3,778,344    |
|                              | ₩ 11,225,270  | ₩ 1,653,160           | ₩ 12,878,430 |

(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 |

Restricted due from financial institutions as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   |                                      | Financial Institutions                             | 2014        |  | 2013        |  | Reason for restriction                |
|---|--------------------------------------|--|-------------|--|-------------|--|---------------------------------------|
|   |                                      |  | ₩           |  | ₩           |  |                                       |
| Due from financial institutions in Korean won         | Due from Bank of Korea               | Bank of Korea                                      | ₩ 6,283,230 |  | ₩ 6,717,697 |  | Bank of Korea Act                     |
|   | Due from banking institutions        | Hana Bank and others                               | 393,824     |  | 342,469     |  | Agreement for allocation of deposit   |
|   | Due from others                      | The Korea Exchange and others                      | 137,327     |  | 102,460     |  | Market entry deposit and others       |
|   |                                      |  | 6,814,381   |  | 7,162,626   |  |                                       |
| Due from financial institutions in foreign currencies | Due from banks in foreign currencies | Bank of Korea and others                           | 293,067     |  | 482,296     |  | Bank of Korea Act and others          |
|   | Time deposit in foreign currencies   | Bank of communications and others                  | 16,488      |  | 10,553      |  | Bank Act of the State of New York     |
|   | Due from others                      | Woori Investment & Securities Co., Ltd. and others | 8,158       |  | 10,428      |  | Derivatives margin account and others |
|   |                                      |  | 317,713     |  | 503,277     |  |                                       |
|   |                                      |  | ₩ 7,132,094 |  | ₩ 7,665,903 |  |                                       |

## 8. Assets Pledged as Collateral

The details of assets pledged as collateral as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

| Assets pledged                      | Pledgee                                      | 2014            |                       |  |
|-------------------------------------|--|-----------------|-----------------------|--|
|                                     |  | Carrying amount | Collateralized amount | Reason of pledge                             |
| Due from financial institutions     | Korea Federation of Savings Banks and others | ₩ 166,344       | ₩ 166,344             | Borrowings from Bank and others              |
| Financial assets held for trading   | Korea Securities Depository and others       | 999,412         | 960,368               | Repurchase agreements and similar agreements |
|                                     | Korea Securities Depository and others       | 959,858         | 869,279               | Securities lending transactions              |
|                                     | Samsung Futures Inc. and others              | 17,521          | 16,033                | Derivatives transactions                     |
|                                     | Others                                       | 17,864          | 17,721                | Others                                       |
|                                     |  | 1,994,655       | 1,863,401             |  |
| Available-for-sale financial assets | Korea Securities Depository and others       | 120,081         | 90,576                | Securities lending transactions              |
|                                     | Samsung Futures Inc. and others              | 24,856          | 22,634                | Derivatives transactions                     |
|                                     | Others                                       | 39,100          | 37,132                | Others                                       |
|                                     |  | 184,037         | 150,342               |  |

(In millions of Korean won)

| Assets pledged                    | Pledgee                                | 2014            |                       |  |
|-----------------------------------|--|-----------------|-----------------------|--|
|                                   |  | Carrying amount | Collateralized amount | Reason of pledge                             |
| Held-to-maturity financial assets | Korea Securities Depository and others | 1,460,932       | 1,452,000             | Repurchase agreements and similar agreements |
|                                   | Bank of Korea                          | 993,853         | 990,000               | Borrowings from Bank of Korea                |
|                                   | Bank of Korea                          | 1,440,821       | 1,416,800             | Settlement risk of Bank of Korea             |
|                                   | Samsung Futures Inc. and others        | 285,023         | 284,492               | Derivatives transactions                     |
|                                   | Others                                 | 238,654         | 238,500               | Others                                       |
|                                   |  | 4,419,283       | 4,381,792             |  |
|                                   |  | ₩ 6,764,319     | ₩ 6,561,879           |  |

(In millions of Korean won)

| Assets pledged                      | Pledgee                                      | 2013            |                       |  |
|-------------------------------------|--|-----------------|-----------------------|--|
|                                     |  | 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              |
| Financial assets held for trading   | Korea Securities Depository and others       | 336,154         | 329,391               | Repurchase agreements and similar agreements |
|                                     | 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             | Repurchase agreements 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                     |
|                                     | Others                                       | 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           |  |

The fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|            | 2014                          |  |             |
|------------|-------------------------------|--|-------------|
|            | Fair value of collateral held | Fair value of collateral sold or repledged | Total       |
| Securities | ₩ 3,601,032                   | ₩ -  | ₩ 3,601,032 |
|            | ₩ 3,601,032                   | ₩ -  | ₩ 3,601,032 |

(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 |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | 2014            |           |             |
|----------------------|-----------------|-----------|-------------|
|                      | Notional amount | Assets    | Liabilities |
| <b>Interest rate</b> |                 |           |             |
| Futures <sup>1</sup> | ₩ 678,798       | ₩ -       | ₩ -         |
| Swaps                | 101,610,724     | 924,189   | 957,504     |
| Options              | 8,398,000       | 86,277    | 128,185     |
|                      | 110,687,522     | 1,010,466 | 1,085,689   |
| <b>Currency</b>      |                 |           |             |
| Forwards             | 21,363,840      | 340,339   | 217,357     |
| Futures <sup>1</sup> | 632,430         | 46        | 289         |
| Swaps                | 18,430,843      | 415,842   | 441,696     |
| Options              | 616,977         | 6,057     | 6,078       |
|                      | 41,044,090      | 762,284   | 665,420     |

(In millions of Korean won)

|                        | 2014            |             |             |
|------------------------|-----------------|-------------|-------------|
|                        | Notional amount | Assets      | Liabilities |
| <b>Stock and index</b> |                 |             |             |
| Forwards               | 685,000         | -           | -           |
| Futures <sup>1</sup>   | 162,766         | 90          | 753         |
| Swaps                  | 431,709         | 30,091      | 6,222       |
| Options                | 1,860,561       | 31,632      | 8,199       |
|                        | 3,140,036       | 61,813      | 15,174      |
| <b>Commodity</b>       |                 |             |             |
| Futures <sup>1</sup>   | 765             | 7           | 9           |
|                        | 765             | 7           | 9           |
| <b>Other</b>           | -               | 24,067      | 9,049       |
|                        | ₩ 154,872,413   | ₩ 1,858,637 | ₩ 1,775,341 |

(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         | -           |
| <b>Other</b>           | 60,000          | 68,014      | 9,248       |
|                        | ₩ 194,306,585   | ₩ 1,680,880 | ₩ 1,580,029 |

<sup>1</sup> A gain or loss from daily mark-to-market futures is reflected in the margin accounts.



### Fair value hedge

The details of derivatives designated as fair value hedging instruments as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | 2014            |             |             |
|----------------------|-----------------|-------------|-------------|
|                      | Notional amount | Assets      | Liabilities |
| <b>Interest rate</b> |                 |             |             |
| Swaps                | ₩ 2,179,779 ₩   | ₩ 109,293 ₩ | ₩ 1,144     |
| <b>Other</b>         | 140,000         | 260         | 2,281       |
|                      | ₩ 2,319,779 ₩   | ₩ 109,553 ₩ | ₩ 3,425     |

(In millions of Korean won)

|                      | 2013            |             |             |
|----------------------|-----------------|-------------|-------------|
|                      | Notional amount | Assets      | Liabilities |
| <b>Interest rate</b> |                 |             |             |
| Swaps                | ₩ 1,951,013 ₩   | ₩ 137,445 ₩ | -           |
| <b>Currency</b>      |                 |             |             |
| Forwards             | 42,048          | 502         | -           |
| Swaps                | 1,055,300       | -           | 195,800     |
| <b>Other</b>         | 140,000         | -           | 8,842       |
|                      | ₩ 3,188,361 ₩   | ₩ 137,947 ₩ | ₩ 204,642   |

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         | 2013       |
|--|--------------|------------|
| Gains(losses) on hedging instruments                             | ₩ (26,320) ₩ | ₩ (48,545) |
| Gains(losses) on the hedged item attributable to the hedged risk | 52,721       | 81,428     |
|  | ₩ 26,401 ₩   | ₩ 32,883   |

### Cash flow hedge

The details of derivatives designated as cash flow hedging instruments as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | 2014            |        |             |
|----------------------|-----------------|--------|-------------|
|                      | Notional amount | Assets | Liabilities |
| <b>Interest rate</b> |                 |        |             |
| Swaps                | ₩ 1,033,000 ₩   | - ₩    | ₩ 16,073    |
| <b>Currency</b>      |                 |        |             |
| Swaps                | 329,760         | -      | 2,551       |
|                      | ₩ 1,362,760 ₩   | - ₩    | ₩ 18,624    |

(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    |

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013      |
|--|-------------|-----------|
| Gains(losses) on hedging instruments                             | ₩ (7,976) ₩ | ₩ (3,068) |
| Gains(losses) on the hedged item attributable to the hedged risk | (7,452)     | (2,990)   |
| Ineffectiveness recognized in profit or loss                     | ₩ (524) ₩   | ₩ (78)    |

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014         | 2013      |
|---|--------------|-----------|
| Amount recognized in other comprehensive income   | ₩ (7,452) ₩  | ₩ (2,990) |
| Amount reclassified from equity to profit or loss | (5,426)      | 5,227     |
| Tax effect  | 2,619        | (619)     |
|   | ₩ (10,259) ₩ | ₩ 1,618   |

## 10. Loans

Loans as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014            | 2013          |
|--|-----------------|---------------|
| Loans                                    | ₩ 233,300,563 ₩ | ₩ 221,439,295 |
| Deferred loan origination fees and costs | 601,142         | 423,245       |
| Less: Allowances for loan losses         | (2,452,052)     | (2,861,184)   |
| Carrying amount                          | ₩ 231,449,653 ₩ | ₩ 219,001,356 |

Loans to banks as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                  | 2014          | 2013        |
|----------------------------------|---------------|-------------|
| Loans                            | ₩ 6,208,391 ₩ | ₩ 6,335,056 |
| Less: Allowances for loan losses | -             | (25)        |
| Carrying amount                  | ₩ 6,208,391 ₩ | ₩ 6,335,031 |

Loans to customers other than banks as of December 31, 2014 and 2013, consist of:

(In millions of Korean won)

|   | 2014          |              |              |               |
|---|---------------|--------------|--------------|---------------|
|   | Retail        | Corporate    | Credit card  | Total         |
| Loans in Korean won                           | ₩ 114,712,199 | ₩ 85,633,171 | ₩ -          | ₩ 200,345,370 |
| Loans in foreign currencies                   | 50,047        | 2,574,041    | -            | 2,624,088     |
| Domestic import usance bills                  | -             | 3,693,951    | -            | 3,693,951     |
| Off-shore funding loans                       | -             | 664,794      | -            | 664,794       |
| Call loans                                    | -             | 292,043      | -            | 292,043       |
| Bills bought in Korean won                    | -             | 6,678        | -            | 6,678         |
| Bills bought in foreign currencies            | -             | 1,958,251    | -            | 1,958,251     |
| Guarantee payments under payment guarantee    | 418           | 12,975       | -            | 13,393        |
| Credit card receivables in Korean won         | -             | -            | 11,629,215   | 11,629,215    |
| Credit card receivables in foreign currencies | -             | -            | 3,081        | 3,081         |
| Reverse repurchase agreements                 | -             | 1,082,200    | -            | 1,082,200     |
| Privately placed bonds                        | -             | 743,348      | -            | 743,348       |
| Factored receivables                          | 2,741,789     | 50,435       | -            | 2,792,224     |
| Lease receivables                             | 808,866       | 50,973       | -            | 859,839       |
| Loans for installment credit                  | 984,839       | -            | -            | 984,839       |
|   | 119,298,158   | 96,762,860   | 11,632,296   | 227,693,314   |
| Proportion (%)                                | 52.39         | 42.50        | 5.11         | 100.00        |
| Allowances                                    | (536,959)     | (1,525,152)  | (389,941)    | (2,452,052)   |
|   | ₩ 118,761,199 | ₩ 95,237,708 | ₩ 11,242,355 | ₩ 225,241,262 |

(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 |

The changes in deferred loan origination fees and costs for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      |           |           |                      |        |           |
|--|-----------|-----------|-----------|----------------------|--------|-----------|
|  | Beginning | Increase  | Decrease  | Business Combination | Others | Ending    |
| <b>Deferred loan origination costs</b> |           |           |           |                      |        |           |
| Loans in Korean won                    | ₩ 510,901 | ₩ 402,415 | ₩ 310,681 | ₩ 24,656             | ₩ -    | ₩ 627,291 |
| Other origination costs                | 377       | 40,693    | 63,486    | 79,907               | -      | 57,491    |
|  | 511,278   | 443,108   | 374,167   | 104,563              | -      | 684,782   |
| <b>Deferred loan origination fees</b>  |           |           |           |                      |        |           |
| Loans in Korean won                    | 80,363    | 51,216    | 71,495    | 2,272                | -      | 62,356    |
| Other origination fees                 | 7,670     | 10,526    | 25,564    | 28,645               | 7      | 21,284    |
|  | 88,033    | 61,742    | 97,059    | 30,917               | 7      | 83,640    |
|  | ₩ 423,245 | ₩ 381,366 | ₩ 277,108 | ₩ 73,646             | ₩ (7)  | ₩ 601,142 |

(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 |

## 11. Allowances for Loan Losses

The changes in the allowances for loan losses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                   | 2014      |             |             |             |
|-----------------------------------|-----------|-------------|-------------|-------------|
|                                   | Retail    | Corporate   | Credit card | Total       |
| Beginning                         | ₩ 580,510 | ₩ 1,870,874 | ₩ 409,800   | ₩ 2,861,184 |
| Written-off                       | (576,084) | (1,087,897) | (427,059)   | (2,091,040) |
| Recoveries from written-off loans | 139,131   | 260,574     | 131,046     | 530,751     |
| Sale                              | (6,736)   | (65,163)    | -           | (71,899)    |
| Provision <sup>1</sup>            | 341,783   | 589,913     | 279,413     | 1,211,109   |
| Business combination              | 58,346    | 24,294      | -           | 82,640      |
| Other changes                     | 9         | (67,443)    | (3,259)     | (70,693)    |
| Ending                            | ₩ 536,959 | ₩ 1,525,152 | ₩ 389,941   | ₩ 2,452,052 |

(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 written-off 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 |

<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 ₩ 16,682,972 million and ₩ 15,061,182 million as of December 31, 2014 and 2013, respectively.

The coverage ratio of allowances for loan losses as of December 31, 2014 and 2013, is as follows:

(In millions of Korean won)

|                            | 2014          | 2013          |
|----------------------------|---------------|---------------|
| Loans                      | ₩ 233,901,705 | ₩ 221,862,540 |
| Allowances for loan losses | 2,452,052     | 2,861,184     |
| Ratio (%)                  | 1.05          | 1.29          |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014         | 2013         |
|---|--------------|--------------|
| <b>Financial assets held for trading</b>                                |              |              |
| Debt securities:  |              |              |
| Government and public bonds   | ₩ 3,067,490  | ₩ 2,085,450  |
| Financial bonds   | 4,049,449    | 3,265,960    |
| Corporate bonds   | 1,826,682    | 1,759,993    |
| Asset-backed securities   | 318,893      | 510,159      |
| Others  | 449,694      | 204,223      |
| Equity securities:  |              |              |
| Stocks  | 69,736       | 145,163      |
| Beneficiary certificates  | 288,281      | 955,806      |
| Others  | 51,345       | 40,252       |
|   | 10,121,570   | 8,967,006    |
| <b>Financial assets designated at fair value through profit or loss</b> |              |              |
| Equity securities:  |              |              |
| Beneficiary certificates  | 134,172      | 115,778      |
| Derivative linked securities  | 502,168      | 245,958      |
|   | 636,340      | 361,736      |
| <b>Total financial assets at fair value through profit or loss</b>      | ₩ 10,757,910 | ₩ 9,328,742  |
| <b>Available-for-sale financial assets</b>                              |              |              |
| Debt securities:  |              |              |
| Government and public bonds   | ₩ 4,702,036  | ₩ 6,925,617  |
| Financial bonds   | 6,980,846    | 5,782,234    |
| Corporate bonds   | 6,119,889    | 4,997,788    |
| Asset-backed securities   | 1,211,343    | 1,208,241    |
| Others  | 345,708      | 19,408       |
| Equity securities:  |              |              |
| Stocks  | 2,402,675    | 2,366,887    |
| Equity investments and others   | 74,596       | 97,937       |
| Beneficiary certificates  | 554,373      | 433,992      |
|   | 22,391,466   | 21,832,104   |
| <b>Held-to-maturity financial assets</b>                                |              |              |
| Debt securities:  |              |              |
| Government and public bonds   | 3,556,913    | 4,357,623    |
| Financial bonds   | 1,262,187    | 892,509      |
| Corporate bonds   | 7,277,779    | 7,400,085    |
| Asset-backed securities   | 472,275      | 366,774      |
|   | 12,569,154   | 13,016,991   |
| <b>Total financial investments</b>                                      | ₩ 34,960,620 | ₩ 34,849,095 |

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                     | 2014       |         |          |     |     |         |
|-------------------------------------|------------|---------|----------|-----|-----|---------|
|                                     | Impairment |         | Reversal |     | Net |         |
| Available-for-sale financial assets | ₩          | 195,929 | ₩        | 260 | ₩   | 195,669 |
| Held-to-maturity financial assets   |            | -       |          | -   |     | -       |
|                                     | ₩          | 195,929 | ₩        | 260 | ₩   | 195,669 |

(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 |

### 13. Investments in Associates

Investments in associates as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014          |                  |                           |                 |  |            |
|--|---------------|------------------|---------------------------|-----------------|--|------------|
|  | Ownership (%) | Acquisition cost | Share of net asset amount | Carrying amount | Industry   | Location   |
| <b>Associates</b>  |               |                  |                           |                 |  |            |
| Balhae Infrastructure Fund <sup>1</sup>                    | 12.61         | ₩ 122,623        | ₩ 125,119                 | ₩ 125,119       | Investment finance   | Korea      |
| Korea Credit Bureau Co., Ltd. <sup>1</sup>                 | 9.00          | 4,500            | 4,222                     | 4,222           | Credit Information   | Korea      |
| UAMCO., Ltd. <sup>1</sup>                                  | 17.50         | 85,050           | 114,240                   | 121,182         | Other finance  | Korea      |
| JSC Bank CenterCredit Ordinary share <sup>2,3</sup>        | 29.56         | 954,104          | 36,763                    | 29,279          | Banking  | Kazakhstan |
| Preference share <sup>2</sup>                              | 93.15         |                  |                           |                 |  |            |
| KoFC KBIC Frontier Champ 2010-5(PEF)                       | 50.00         | 31,635           | 26,176                    | 23,559          | Investment finance   | Korea      |
| United PF 1st Recovery Private Equity Fund <sup>1</sup>    | 17.72         | 191,617          | 203,270                   | 198,089         | Other finance  | Korea      |
| CH Engineering Co., Ltd.                                   | 41.73         | -                | 178                       | 20              | Specialty construction   | Korea      |
| Shinla Construction Co., Ltd.                              | 20.24         | -                | (504)                     | -               | Specialty construction   | Korea      |
| KB GwS Private Securities Investment Trust                 | 26.74         | 113,880          | 127,525                   | 124,074         | Investment finance   | Korea      |
| Incheon Bridge Co., Ltd <sup>1</sup>                       | 14.99         | 24,677           | (1,716)                   | -               | Operation of Highways and Related facilities                   | Korea      |
| KB Star office Private real estate Investment Trust No.1   | 21.05         | 20,000           | 20,402                    | 19,989          | Investment finance   | Korea      |
| KoFC POSCO HANHWA KB shared growth Private Equity Fund     | 25.00         | 26,250           | 23,204                    | 22,329          | Investment finance   | Korea      |
| NPS KBIC Private Equity Fund No. 1 <sup>1</sup>            | 2.56          | 3,393            | -                         | -               | Investment finance   | Korea      |
| KBIC Private Equity Fund No. 3 <sup>1</sup>                | 2.00          | 2,050            | 2,287                     | 2,287           | Investment finance   | Korea      |
| KB-Glenwood Private Equity Fund <sup>1</sup>               | 0.03          | 10               | 10                        | 10              | Investment finance   | Korea      |
| Terra Co., Ltd.  | 24.06         | -                | (99)                      | -               | Manufacture of Hand-Operated Kitchen Appliances and Metal Ware | Korea      |
| KB No.3 Special Purpose Acquisition Company <sup>1,4</sup> | 0.19          | 20               | 39                        | 39              | SPAC   | Korea      |
| KB No.4 Special Purpose Acquisition Company <sup>1,5</sup> | 0.19          | 30               | 38                        | 38              | SPAC   | Korea      |
| KB No.5 Special Purpose Acquisition Company <sup>1,6</sup> | 0.19          | 10               | 19                        | 19              | SPAC   | Korea      |
| KB No.6 Special Purpose Acquisition Company <sup>1,7</sup> | 0.25          | 40               | 77                        | 77              | SPAC   | Korea      |
|  |               | ₩ 1,579,889      | ₩ 681,250                 | ₩ 670,332       |  |            |

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(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>2,3</sup><br>Preference share <sup>2</sup> | 29.56<br>93.15 | 954,104          | 51,989                    | 68,110          | Banking  | Kazakhstan |
| 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>8</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>8</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 <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       |  |            |

<sup>1</sup> As of December 31, 2014 and 2013, 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> Fair value of ordinary shares of JSC Bank CenterCredit, reflecting the published market price, as of December 31, 2014 and 2013, are ₩ 42,945 million and ₩ 57,476 million.

<sup>4</sup> The fair value of KB No.3 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014, amounts to ₩ 40 million.

<sup>5</sup> The fair value of KB No.4 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014, amounts to ₩ 40 million.

<sup>6</sup> The fair value of KB No.5 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014, amounts to ₩ 20 million.

<sup>7</sup> The fair value of KB No.6 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014, amounts to ₩ 84 million.

<sup>8</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)

|  | 2014 <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                               | ₩ 994,768         | ₩ 2,158           | ₩ 999,430     | ₩ 992,610 | ₩ 125,119                 | ₩ -              | ₩ 125,119                    |
| Korea Credit Bureau Co., Ltd.                            | 54,717            | 7,806             | 10,000        | 46,911    | 4,222                     | -                | 4,222                        |
| UAMCO., Ltd.   | 4,357,490         | 3,688,589         | 2,430         | 668,901   | 114,240                   | 6,942            | 121,182                      |
| JSC Bank CenterCredit                                    | 6,278,391         | 6,156,255         | 546,794       | 122,136   | 36,763                    | (7,484)          | 29,279                       |
| KoFC KBIC Frontier Champ 2010-5(PEF)                     | 52,499            | 148               | 63,270        | 52,351    | 26,176                    | (2,617)          | 23,559                       |
| United PF 1st Recovery Private Equity Fund               | 1,187,406         | 40,240            | 1,081,400     | 1,147,166 | 203,270                   | (5,181)          | 198,089                      |
| CH Engineering Co., Ltd. <sup>2</sup>                    | 1,086             | 659               | 158           | 427       | 178                       | (158)            | 20                           |
| KB GwS Private Securities Investment Trust               | 477,646           | 738               | 425,814       | 476,908   | 127,525                   | (3,451)          | 124,074                      |
| Incheon Bridge Co., Ltd.                                 | 727,659           | 739,105           | 164,621       | (11,446)  | (1,716)                   | 1,716            | -                            |
| KB Star office Private real estate Investment Trust No.1 | 218,250           | 121,341           | 95,000        | 96,909    | 20,402                    | (413)            | 19,989                       |
| KoFC POSCO HANHWA KB shared growth Private Equity Fund   | 94,731            | 1,917             | 105,000       | 92,814    | 23,204                    | (875)            | 22,329                       |
| NPS KBIC Private Equity Fund No. 1                       | 151               | 146               | -             | 5         | -                         | -                | -                            |
| KBIC Private Equity Fund No. 3                           | 114,575           | 162               | 102,500       | 114,413   | 2,287                     | -                | 2,287                        |
| KB-Glenwood Private Equity Fund                          | 30,558            | 1,804             | 31,100        | 28,754    | 10                        | -                | 10                           |
| KB No.3 Special Purpose Acquisition Company              | 21,904            | 1,531             | 1,052         | 20,373    | 39                        | -                | 39                           |



(In millions of Korean won)

|   | 2014 <sup>1</sup> |                   |               |           |                           |                  |                              |
|---|-------------------|-------------------|---------------|-----------|---------------------------|------------------|------------------------------|
|   | Total assets      | Total liabilities | Share capital | Equity    | Share of net asset amount | Unrealized gains | Consolidated carrying amount |
| KB No.4 Special Purpose Acquisition Company | 22,567            | 2,382             | 1,052         | 20,185    | 38                        | -                | 38                           |
| KB No.5 Special Purpose Acquisition Company | 12,399            | 2,382             | 522           | 10,017    | 19                        | -                | 19                           |
| KB No.6 Special Purpose Acquisition Company | 34,434            | 3,515             | 1,600         | 30,919    | 77                        | -                | 77                           |
|   |                   |                   |               | ₩ 681,853 | ₩ (11,521)                | ₩                | 670,332                      |

(In millions of Korean won)

|  | 2014             |               |                                  |                                  |           |        |
|--|------------------|---------------|----------------------------------|----------------------------------|-----------|--------|
|  | Operating income | Profit (Loss) | Other comprehensive income(loss) | Total comprehensive income(loss) | Dividends |        |
| <b>Associates</b>  |                  |               |                                  |                                  |           |        |
| Balhae Infrastructure Fund                               | ₩ 53,100         | ₩ 44,616      | ₩ -                              | ₩ 44,616                         | ₩         | 6,280  |
| Korea Credit Bureau Co., Ltd.                            | 46,111           | 114           | -                                | 114                              |           | -      |
| UAMCO., Ltd.   | 548,990          | 57,438        | -                                | 57,438                           |           | 35,041 |
| JSC Bank CenterCredit                                    | 425,506          | (22,973)      | (26,987)                         | (49,960)                         |           | 2      |
| KoFC KBIC Frontier Champ 2010-5(PEF)                     | 16,942           | 957           | (3,249)                          | (2,292)                          |           | 3,230  |
| United PF 1st Recovery Private Equity Fund               | 105,369          | (1,962)       | -                                | (1,962)                          |           | -      |
| CH Engineering Co., Ltd. <sup>2</sup>                    | 787              | 251           | -                                | 251                              |           | -      |
| KB GwS Private Securities Investment Trust               | 39,207           | 38,207        | -                                | 38,207                           |           | 9,229  |
| Incheon Bridge Co., Ltd.                                 | 83,578           | (8,185)       | -                                | (8,185)                          |           | -      |
| KB Star office Private real estate Investment Trust No.1 | 17,413           | 8,585         | -                                | 8,585                            |           | 1,752  |
| KoFC POSCO HANHWA KB shared growth Private Equity Fund   | 9,228            | 3,771         | (6,337)                          | (2,566)                          |           | -      |
| NPS KBIC Private Equity Fund No. 1                       | 59,068           | 55,241        | (53,847)                         | 1,394                            |           | 4,274  |
| KBIC Private Equity Fund No. 3                           | 3,539            | 3,222         | -                                | 3,222                            |           | -      |
| KB-Glenwood Private Equity Fund                          | -                | (10)          | -                                | (10)                             |           | -      |
| KB No.3 Special Purpose Acquisition Company              | -                | (392)         | -                                | (392)                            |           | -      |
| KB No.4 Special Purpose Acquisition Company              | -                | (313)         | -                                | (313)                            |           | -      |
| KB No.5 Special Purpose Acquisition Company              | -                | (193)         | -                                | (193)                            |           | -      |
| KB No.6 Special Purpose Acquisition Company              | -                | (555)         | -                                | (555)                            |           | -      |

<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, 2014, were not available, the Group applied the equity method by using the financial statements as of November 30, 2014, and adjusted for the effects of significant transactions or events that occurred between the date of those financial statements and the date of the consolidated financial statements.

(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                             | 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                             | -                | (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, were 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 occurred 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 were 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 occurred between the date of those financial statements and the date of the consolidated financial statements.

As Shinla Construction Co., Ltd. is capital deficient as of December 31, 2014, its reliable financial information was not available. Therefore, financial information of this associate is not included in the summarized financial information.

The changes in investments in associates for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      |             |            |            |                |                            |            |           |           |  |
|--|-----------|-------------|------------|------------|----------------|----------------------------|------------|-----------|-----------|--|
|  | Beginning | Acquisition | Disposal   | Dividends  | Gains (losses) | Other comprehensive income | Impairment | Others    | Ending    |  |
| <b>Associates</b>  |           |             |            |            |                |                            |            |           |           |  |
| Balhae Infrastructure Fund                               | ₩ 124,968 | ₩ 807       | ₩ -        | ₩ (6,280)  | ₩ 5,624        | ₩ -                        | ₩ -        | ₩ -       | ₩ 125,119 |  |
| Korea Credit Bureau Co., Ltd.                            | 4,185     | -           | -          | -          | 37             | -                          | -          | -         | 4,222     |  |
| UAMCO., Ltd.   | 150,826   | -           | -          | (35,041)   | 5,397          | -                          | -          | -         | 121,182   |  |
| JSC Bank CenterCredit                                    | 68,110    | -           | -          | (2)        | (6,278)        | (32,551)                   | -          | -         | 29,279    |  |
| KoFC KBIC Frontier Champ 2010-5(PEF)                     | 45,393    | 50          | (15,995)   | (3,230)    | (5,877)        | 3,586                      | (368)      | -         | 23,559    |  |
| Semiland Co., Ltd.                                       | 2,639     | -           | (1,638)    | (11)       | 104            | -                          | -          | (1,094)   | -         |  |
| United PF 1st Recovery Private Equity Fund               | 197,941   | -           | -          | -          | 148            | -                          | -          | -         | 198,089   |  |
| CH Engineering Co., Ltd.                                 | -         | -           | -          | -          | 20             | -                          | -          | -         | 20        |  |
| Kores Co., Ltd.  | 1,505     | -           | -          | -          | -              | -                          | -          | (1,505)   | -         |  |
| KB GwS Private Securities Investment Trust               | 123,085   | -           | -          | (9,229)    | 10,218         | -                          | -          | -         | 124,074   |  |
| KB Star office Private real estate Investment Trust No.1 | 19,934    | -           | -          | (1,752)    | 1,807          | -                          | -          | -         | 19,989    |  |
| KoFC POSCO HANHWA KB shared growth Private Equity Fund   | 10,329    | 12,225      | -          | -          | 1,880          | (2,105)                    | -          | -         | 22,329    |  |
| NPS KBIC Private Equity Fund No. 1                       | 4,238     | -           | -          | (4,274)    | 1,414          | (1,378)                    | -          | -         | -         |  |
| KBIC Private Equity Fund No. 3                           | 2,223     | -           | -          | -          | 64             | -                          | -          | -         | 2,287     |  |
| KB-Glenwood Private Equity Fund                          | 10        | -           | -          | -          | -              | -                          | -          | -         | 10        |  |
| Terra Co., Ltd.  | 4         | -           | -          | -          | (4)            | -                          | -          | -         | -         |  |
| KB No.2 Special Purpose Acquisition Company              | -         | 15          | -          | -          | -              | -                          | -          | (15)      | -         |  |
| KB No.3 Special Purpose Acquisition Company              | -         | 20          | -          | -          | 19             | -                          | -          | -         | 39        |  |
| KB No.4 Special Purpose Acquisition Company              | -         | 4,483       | (4,453)    | -          | 8              | -                          | -          | -         | 38        |  |
| KB No.5 Special Purpose Acquisition Company              | -         | 10          | -          | -          | 9              | -                          | -          | -         | 19        |  |
| KB No.6 Special Purpose Acquisition Company              | -         | 40          | -          | -          | 37             | -                          | -          | -         | 77        |  |
|  | ₩ 755,390 | ₩ 17,650    | ₩ (22,086) | ₩ (59,819) | ₩ 14,627       | ₩ (32,448)                 | ₩ (368)    | ₩ (2,614) | ₩ 670,332 |  |

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(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)     | -      | -         |
| 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                             | 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 |

<sup>1</sup> Impairment recognized on reorganization proceedings filed on December 30, 2013.

Accumulated unrecognized share of losses in investments in associates due to discontinuation of applying the equity method as of December 31, 2014 and 2013, follows

(In millions of Korean won)

|                               | 2014                        |                               |
|-------------------------------|-----------------------------|-------------------------------|
|                               | Unrecognized loss           | Unrecognized change in equity |
| Incheon Bridge Co., Ltd.      | ₩ 1,287                     | ₩ 1,716                       |
| Shinla Construction Co., Ltd. | 34                          | 134                           |
| Terra Co., Ltd.               | 115                         | 115                           |
|                               | (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                           |

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#### 14. Property and Equipment, and Investment Property

The details of property and equipment as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                          | 2014                        |                          |                               |                 |
|--------------------------|-----------------------------|--------------------------|-------------------------------|-----------------|
|                          | Acquisition cost            | Accumulated depreciation | Accumulated impairment losses | Carrying amount |
| Land                     | ₩ 1,970,010                 | ₩ -                      | ₩ -                           | ₩ 1,970,010     |
| Buildings                | 1,231,645                   | (373,306)                | (2,117)                       | 856,222         |
| Leasehold improvements   | 602,438                     | (549,942)                | -                             | 52,496          |
| Equipment and vehicles   | 1,725,901                   | (1,561,480)              | -                             | 164,421         |
| Construction in-progress | 7,946                       | -                        | -                             | 7,946           |
| Financial lease assets   | 32,965                      | (1,075)                  | -                             | 31,890          |
|                          | ₩ 5,570,905                 | ₩ (2,485,803)            | ₩ (2,117)                     | ₩ 3,082,985     |
|                          | (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     |

The changes in property and equipment for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                          | 2014        |             |                        |          |                           |                      |         |             |  |
|--------------------------|-------------|-------------|------------------------|----------|---------------------------|----------------------|---------|-------------|--|
|                          | Beginning   | Acquisition | Transfers <sup>1</sup> | Disposal | Depreciation <sup>2</sup> | Business combination | Others  | Ending      |  |
| Land                     | ₩ 1,991,831 | ₩ 11,371    | ₩ (37,017)             | ₩ -      | ₩ -                       | ₩ 3,850              | ₩ (25)  | ₩ 1,970,010 |  |
| Buildings                | 864,549     | 12,884      | 2,044                  | -        | (29,335)                  | 6,159                | (79)    | 856,222     |  |
| Leasehold improvement    | 56,024      | 3,854       | 30,420                 | (605)    | (40,570)                  | 791                  | 2,582   | 52,496      |  |
| Equipment and vehicles   | 139,539     | 110,269     | 1,947                  | (333)    | (90,200)                  | 2,285                | 914     | 164,421     |  |
| Construction in-progress | -           | 63,629      | (55,683)               | -        | -                         | -                    | -       | 7,946       |  |
| Financial lease assets   | 8,900       | 40,873      | (1,947)                | -        | (15,936)                  | -                    | -       | 31,890      |  |
|                          | ₩ 3,060,843 | ₩ 242,880   | ₩ (60,236)             | ₩ (938)  | ₩ (176,041)               | ₩ 13,085             | ₩ 3,392 | ₩ 3,082,985 |  |

(In millions of Korean won)

|                          | 2013        |             |                        |           |                           |                      |          |             |  |
|--------------------------|-------------|-------------|------------------------|-----------|---------------------------|----------------------|----------|-------------|--|
|                          | Beginning   | Acquisition | Transfers <sup>1</sup> | Disposal  | Depreciation <sup>2</sup> | Business combination | 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       | 32,702                 | (332)     | (46,057)                  | 299                  | 11,067   | 56,024      |  |
| Equipment and vehicles   | 141,932     | 94,875      | -                      | (434)     | (97,119)                  | 247                  | 38       | 139,539     |  |
| Construction in-progress | 893         | 51,268      | (52,161)               | -         | -                         | -                    | -        | -           |  |
| Financial lease assets   | 9,767       | 10,734      | -                      | -         | (11,601)                  | -                    | -        | 8,900       |  |
|                          | ₩ 3,100,393 | ₩ 164,203   | ₩ (29,954)             | ₩ (1,261) | ₩ (183,871)               | ₩ 546                | ₩ 10,787 | ₩ 3,060,843 |  |

<sup>1</sup> Including transfers with investment property and assets held for sale.

<sup>2</sup> Including depreciation cost ₩ 82 million and ₩ 71 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014      |            |          |        |         |
|---|-----------|------------|----------|--------|---------|
|   | Beginning | Impairment | Reversal | Others | Ending  |
| ₩ | (2,117)   | -          | -        | -      | (2,117) |

(In millions of Korean won)

|   | 2013      |            |          |        |         |
|---|-----------|------------|----------|--------|---------|
|   | Beginning | Impairment | Reversal | Others | Ending  |
| ₩ | (3,242)   | -          | -        | 1,125  | (2,117) |

The details of investment property as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|           | 2014             |                          |                               |                 |
|-----------|------------------|--------------------------|-------------------------------|-----------------|
|           | Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Carrying amount |
| Land      | ₩ 229,437        | ₩ -                      | ₩ (738)                       | ₩ 228,699       |
| Buildings | 157,885          | (9,040)                  | -                             | 148,845         |
|           | ₩ 387,322        | ₩ (9,040)                | ₩ (738)                       | ₩ 377,544       |

(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       |

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2014, are as follows:

(In millions of Korean won)

|                    | 2013       |                      |  |
|--------------------|------------|----------------------|--|
|                    | Fair value | Valuation technique  | Inputs   |
| Land and buildings | ₩ 379,812  | Cost Approach Method | - Price per square meter<br>- Replacement cost |

As of December 31, 2014 and 2013, fair values of the investment properties amount to ₩ 379,812 million and ₩ 189,534 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, 2014 and 2013, amounts to ₩ 7,107 million and ₩ 4,889 million, respectively.

The changes in investment property for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|           | 2014      |             |           |              |                      |           |
|-----------|-----------|-------------|-----------|--------------|----------------------|-----------|
|           | Beginning | Acquisition | Transfers | Depreciation | Business combination | Ending    |
| Land      | ₩ 94,708  | ₩ 132,924   | ₩ (262)   | ₩ -          | ₩ 1,329              | ₩ 228,699 |
| Buildings | 71,551    | 79,071      | 288       | (2,065)      | -                    | 148,845   |
|           | ₩ 166,259 | ₩ 211,995   | ₩ 26      | ₩ (2,065)    | ₩ 1,329              | ₩ 377,544 |

(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 |

Property and equipment insured as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

| Type                       | Acquisition                       | Insurance coverage |             | Insurance company                                    |
|----------------------------|-----------------------------------|--------------------|-------------|--|
|                            |                                   | 2014               | 2013        |  |
| General property insurance | Buildings <sup>1</sup>            | ₩ 1,134,840        | ₩ 1,027,420 | Samsung Fire & Marine Insurance Co., Ltd. and others |
|                            | Leasehold improvements            | 142,163            | 121,188     |  |
|                            | Equipment and vehicles and others | 164,106            | 139,544     |  |
|                            |                                   | ₩ 1,441,109        | ₩ 1,288,152 |  |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                         | 2014             |                          |                               |                 |
|-------------------------|------------------|--------------------------|-------------------------------|-----------------|
|                         | Acquisition cost | Accumulated amortization | Accumulated impairment losses | Carrying amount |
| Goodwill                | ₩ 331,707        | ₩ -                      | ₩ (69,315)                    | ₩ 262,392       |
| Other intangible assets | 900,951          | (649,723)                | (24,698)                      | 226,530         |
|                         | ₩ 1,232,658      | ₩ (649,723)              | ₩ (94,013)                    | ₩ 488,922       |

(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       |

The details of goodwill as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                  | 2014             |                 | 2013             |                 |
|----------------------------------|------------------|-----------------|------------------|-----------------|
|                                  | 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           | 58,889          |
| KB Capital Co., Ltd.             | 79,609           | 79,609          | -                | -               |
| KB Savings Bank Co., Ltd.        | 115,343          | 57,404          | 108,000          | 72,843          |
| Yehansoul Savings Bank Co., Ltd. | -                | -               | 7,343            | 7,343           |
|                                  | ₩ 331,707        | ₩ 262,392       | ₩ 252,098        | ₩ 205,565       |

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      |            |        |          |
|--|-----------|------------|--------|----------|
|  | Beginning | Impairment | Others | Ending   |
|  | ₩ 46,533  | ₩ 22,782   | ₩ -    | ₩ 69,315 |

(In millions of Korean won)

|  | 2013      |            |        |          |
|--|-----------|------------|--------|----------|
|  | Beginning | Impairment | Others | Ending   |
|  | ₩ 35,157  | ₩ 11,376   | ₩ -    | ₩ 46,533 |

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2014, are as follows:

(In millions of Korean won)

|   | Housing & Commercial Bank |                   |                  |                          |                      | KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd. | Total     |
|---|---------------------------|-------------------|------------------|--------------------------|----------------------|--|-----------|
|   | Retail Banking            | Corporate Banking | KB Cambodia Bank | KB Investment Securities | KB Capital Co., Ltd. |  |           |
| Carrying amounts                            | ₩ 49,315                  | ₩ 15,973          | ₩ 1,202          | ₩ 58,889                 | ₩ 79,609             | ₩ 57,404   | ₩ 262,392 |
| Recoverable amount exceeded carrying amount | 1,090,789                 | 1,058,505         | 735              | 38,772                   | 210,379              | -  | 2,399,180 |
| Discount rate (%)                           | 17.13                     | 17.49             | 33.45            | 16.53                    | 13.67                | 17.01  |           |
| Permanent growth rate (%)                   | 2.00                      | 2.00              | 2.00             | 2.00                     | 2.00                 | 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 2.0% 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                            | 2014             |                          |                               |                 |
|----------------------------|------------------|--------------------------|-------------------------------|-----------------|
|                            | Acquisition cost | Accumulated amortization | Accumulated impairment losses | Carrying amount |
| Industrial property rights | ₩ 1,470          | ₩ (1,079)                | ₩ -                           | ₩ 391           |
| Software                   | 644,485          | (564,887)                | -                             | 79,598          |
| Other intangible assets    | 213,927          | (83,190)                 | (24,698)                      | 106,039         |
| Finance leases assets      | 41,069           | (567)                    | -                             | 40,502          |
|                            | ₩ 900,951        | ₩ (649,723)              | ₩ (24,698)                    | ₩ 226,530       |

(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       |

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                      | 2014      |             |           |          |                           |                      |           |           |
|--------------------------------------|-----------|-------------|-----------|----------|---------------------------|----------------------|-----------|-----------|
|                                      | Beginning | Acquisition | Disposal  | Transfer | Amortization <sup>1</sup> | Business combination | Others    | Ending    |
| Industrial property rights           | ₩ 469     | ₩ 74        | ₩ -       | ₩ -      | ₩ (151)                   | ₩ -                  | ₩ (1)     | ₩ 391     |
| Software                             | 113,797   | 24,516      | -         | 4,528    | (62,805)                  | 364                  | (802)     | 79,598    |
| Other intangible assets <sup>2</sup> | 115,318   | 6,165       | (4,455)   | -        | (11,805)                  | 2,050                | (1,234)   | 106,039   |
| Finance leases assets                | 8,055     | 45,305      | -         | (4,528)  | (8,330)                   | -                    | -         | 40,502    |
|                                      | ₩ 237,639 | ₩ 76,060    | ₩ (4,455) | ₩ -      | ₩ (83,091)                | ₩ 2,414              | ₩ (2,037) | ₩ 226,530 |

(In millions of Korean won)

|                                      | 2013      |             |           |                           |                      |            |           |  |
|--------------------------------------|-----------|-------------|-----------|---------------------------|----------------------|------------|-----------|--|
|                                      | Beginning | Acquisition | Disposal  | Amortization <sup>1</sup> | Business Combination | 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)   | (9,122)                   | 38                   | (12,667)   | 115,318   |  |
| Finance leases assets                | 7,089     | 6,036       | -         | (5,070)                   | -                    | -          | 8,055     |  |
|                                      | ₩ 283,533 | ₩ 74,127    | ₩ (5,177) | ₩ (101,407)               | ₩ 38                 | ₩ (13,475) | ₩ 237,639 |  |

<sup>1</sup> Including ₩ 59 million and ₩ 31 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2014 and 2013.

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014       |            |          |                     |            |
|--|------------|------------|----------|---------------------|------------|
|  | Beginning  | Impairment | Reversal | Disposal and others | Ending     |
| Accumulated impairment losses on intangible assets | ₩ (23,217) | ₩ (1,888)  | ₩ 411    | ₩ (4)               | ₩ (24,698) |

(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) |

## 16. Deferred Income Tax Assets and Liabilities

The details of deferred income tax assets and liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        |             |            |
|--|-------------|-------------|------------|
|  | Assets      | Liabilities | Net amount |
| Other provisions   | ₩ 99,369    | ₩ -         | ₩ 99,369   |
| Allowances for loan losses                                       | 2,416       | (1,900)     | 516        |
| Impairment losses on property and equipment                      | 5,590       | (358)       | 5,232      |
| Interest on equity index-linked deposits                         | 183         | -           | 183        |
| Share-based payments   | 8,134       | -           | 8,134      |
| Provisions for guarantees  | 50,115      | -           | 50,115     |
| Losses(gains) from valuation on derivative financial instruments | 3,714       | (52,714)    | (49,000)   |
| Present value discount   | 8,078       | (10,694)    | (2,616)    |
| Losses(gains) from fair value hedged item                        | 12,834      | -           | 12,834     |
| Accrued interest   | -           | (79,385)    | (79,385)   |
| Deferred loan origination fees and costs                         | 9,265       | (132,815)   | (123,550)  |
| Gains from revaluation   | -           | (274,947)   | (274,947)  |
| Investments in subsidiaries and others                           | 12,635      | (74,504)    | (61,869)   |
| Derivative linked securities                                     | 336,025     | (338,587)   | (2,562)    |
| Others   | 703,497     | (363,600)   | 339,897    |
|  | 1,251,855   | (1,329,504) | (77,649)   |
| Offsetting of deferred income tax assets and liabilities         | (1,236,293) | 1,236,293   | -          |
|  | ₩ 15,562    | ₩ (93,211)  | ₩ (77,649) |

(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) |

**Unrecognized deferred income tax assets**

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 563,040 million associated with investments in subsidiaries and others as of December 31, 2014, 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 ₩ 199 million, ₩ 80,204million and ₩ 172,199million associated with loss on other provisions, SPE repurchase and others, respectively, as of December 31, 2014, 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 ₩ 27,367 million associated with investment in subsidiaries and associates as of December 31, 2014, 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, 2014, 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        |             |             |           |
|--|-------------|-------------|-------------|-----------|
|  | Beginning   | Decrease    | Increase    | Ending    |
| <b>Deductible temporary differences</b>                                |             |             |             |           |
| Losses(gains) from fair value hedged item                              | ₩ 68,884    | ₩ 68,884    | ₩ 53,033    | ₩ 53,033  |
| Other provisions   | 470,329     | 445,632     | 386,116     | 410,813   |
| Allowances for loan losses   | 705         | 292         | 5,720       | 6,133     |
| Impairment losses on property and equipment                            | 11,873      | 11,873      | 22,363      | 22,363    |
| Deferred loan origination fees and costs                               | 54,616      | 54,772      | 37,529      | 37,373    |
| Interest on equity index-linked deposits                               | 1,407       | 1,325       | 676         | 758       |
| Share-based payments   | 35,174      | 35,174      | 33,613      | 33,613    |
| Provisions for guarantees  | 208,524     | 208,524     | 225,414     | 225,414   |
| Gains(losses) from valuation on derivative financial instruments       | 4,319       | 4,319       | 15,171      | 15,171    |
| Present value discount   | 10,555      | 10,555      | 11,762      | 11,762    |
| Loss on SPE repurchase   | 80,204      | -           | -           | 80,204    |
| Investments in subsidiaries and others                                 | 890,631     | 310,123     | 18,691      | 599,199   |
| Derivative linked securities   | 1,097,012   | 1,097,012   | 1,388,534   | 1,388,534 |
| Others   | 2,357,500   | 1,349,309   | 2,099,534   | 3,107,725 |
|  | 5,291,733   | ₩ 3,597,794 | ₩ 4,298,156 | 5,992,095 |
| Unrecognized deferred income tax assets:                               |             |             |             |           |
| Share-based payments   | -           |             |             | -         |
| Other provisions   | 250         |             |             | 199       |
| Loss on SPE repurchase   | 80,204      |             |             | 80,204    |
| Investments in subsidiaries and others                                 | 603,097     |             |             | 563,040   |
| Others   | 94,786      |             |             | 172,199   |
|  | 4,513,396   |             |             | 5,176,453 |
| Tax rate (%)   | 24.2        |             |             | 24.2      |
| Total deferred income tax assets from deductible temporary differences | ₩ 1,095,876 |             | ₩           | 1,251,855 |

(In millions of Korean won)

|  | 2014        |             |             |             |
|--|-------------|-------------|-------------|-------------|
|  | Beginning   | Decrease    | Increase    | Ending      |
| <b>Taxable temporary differences</b>                                   |             |             |             |             |
| Losses(gains) from fair value hedged item                              | ₩ (502)     | ₩ (502)     | ₩ -         | ₩ -         |
| Accrued interest   | (336,776)   | (220,808)   | (213,071)   | (329,039)   |
| Allowances for loans losses  | (8,752)     | (902)       | -           | (7,850)     |
| Deferred loan origination fees and costs                               | (403,026)   | (403,026)   | (548,978)   | (548,978)   |
| Gains(losses) from valuation on derivative financial instruments       | (62,577)    | (61,187)    | (216,436)   | (217,826)   |
| Present value discount   | (30,964)    | -           | (13,226)    | (44,190)    |
| Goodwill   | (65,288)    | -           | -           | (65,288)    |
| Gains on revaluation   | (1,140,730) | (4,587)     | -           | (1,136,143) |
| Investments in subsidiaries and others                                 | (367,717)   | (60,223)    | (15,199)    | (322,693)   |
| Derivative linked securities   | (1,091,009) | (1,091,009) | (1,399,118) | (1,399,118) |
| Others   | (1,386,712) | (562,646)   | (677,763)   | (1,501,829) |
|  | (4,894,053) | (2,404,890) | (3,083,791) | (5,572,954) |
| Unrecognized deferred income tax assets:                               |             |             |             |             |
| Goodwill   | (65,288)    |             |             | (65,288)    |
| Investments in subsidiaries and others                                 | (118,749)   |             |             | (27,367)    |
|  | (4,710,016) |             |             | (5,480,299) |
| Tax rate (%)   | 24.2        |             |             | 24.2        |
| Total deferred income tax assets from deductible temporary differences | (1,142,270) |             |             | (1,329,504) |

(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 |

(In millions of Korean won)

|  | 2013          |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | Beginning     | Decrease      | Increase      | Ending        |
| 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   |
| <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) |

## 17. Assets Held for Sale

The details of assets held for sale as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|           | 2014                          |                        |                 |                               |
|-----------|-------------------------------|------------------------|-----------------|-------------------------------|
|           | Acquisition cost <sup>1</sup> | Accumulated impairment | Carrying amount | Fair value less costs to sell |
| Land      | ₩ 47,418                      | ₩ (9,442)              | ₩ 37,976        | ₩ 40,530                      |
| Buildings | 57,005                        | (24,624)               | 32,381          | 33,752                        |
|           | ₩ 104,423                     | ₩ (34,066)             | ₩ 70,357        | ₩ 74,282                      |

(In millions of Korean won)

|           | 2013                          |                        |                 |                               |
|-----------|-------------------------------|------------------------|-----------------|-------------------------------|
|           | Acquisition cost <sup>1</sup> | Accumulated impairment | Carrying amount | Fair value less costs to sell |
| Land      | ₩ 21,380                      | ₩ (5,109)              | ₩ 16,271        | ₩ 16,271                      |
| Buildings | 39,777                        | (18,330)               | 21,447          | 21,447                        |
|           | ₩ 61,157                      | ₩ (23,439)             | ₩ 37,718        | ₩ 37,718                      |

<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, 2014, are as follows:

(In millions of Korean won)

|                    | 2014       |                                  |  |  |  |
|--------------------|------------|----------------------------------|--|--|--|
|                    | Fair value | Valuation technique <sup>1</sup> | Unobservable input <sup>2</sup>  | Range of unobservable inputs (%)   | Relationship of unobservable inputs to fair value  |
| Land and Buildings | ₩ 57,982   | Market comparison approach model | Adjustment index   | 0.17~2.00  | Fair value increases as the adjustment index rises.                                      |
|                    |            |                                  | Adjustment ratio   | -20.00~0.00  | Fair value decreases as the absolute value of adjustment index rises.                    |
|                    | 16,323     | 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 ₩ 4.9 million<br>Time point adjustment: 0.9987<br>Individual factor: 0.85 | Fair value increases as the unit price per area of exclusive possession and others rise. |
|                    | ₩ 74,305   |                                  |  |  |  |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014       |            |          |         |            |
|--|------------|------------|----------|---------|------------|
|  | Beginning  | Provision  | Reversal | Others  | Ending     |
|  | ₩ (23,439) | ₩ (16,592) | ₩ -      | ₩ 5,965 | ₩ (34,066) |

(In millions of Korean won)

|  | 2013      |            |          |         |            |
|--|-----------|------------|----------|---------|------------|
|  | Beginning | Provision  | Reversal | Others  | Ending     |
|  | ₩ (5,759) | ₩ (22,365) | ₩ -      | ₩ 4,685 | ₩ (23,439) |

As of December 31, 2014, buildings and land classified as assets held for sale consist of 15 pieces of real estate of closed branches and KB Wellyan Private Equity Real Estate Fund No. 6 and 7, which were acquired from the litigation of KB Asset Management Co., Ltd. The management of the Group decided to sell the assets, and accordingly, the assets were classified as assets held for sale. As of December 31, 2014, three assets out of above assets held for sale are under negotiation for sale and the remaining assets are also being actively marketed.

## 18. Other Assets

The details of other assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                     | 2014        | 2013        |
|-------------------------------------|-------------|-------------|
| <b>Other financial assets</b>       |             |             |
| Other receivables                   | ₩ 3,185,783 | ₩ 3,494,745 |
| Accrued income                      | 1,166,555   | 1,018,907   |
| Guarantee deposits                  | 1,339,572   | 1,395,359   |
| Domestic exchange settlement debits | 2,096,804   | 735,807     |
| Others                              | 119,733     | 188,540     |
| Allowances for loan losses          | (347,918)   | (580,651)   |
| Present value discount              | (898)       | (1,028)     |
|                                     | ₩ 7,559,631 | ₩ 6,251,679 |
| <b>Other non-financial assets</b>   |             |             |
| Other receivables                   | 1,469       | 663         |
| Prepaid expenses <sup>1</sup>       | 327,633     | 379,854     |
| Guarantee deposits                  | 4,081       | 3,941       |
| Insurance assets                    | 127,493     | 157,154     |
| Separate account assets             | 689,701     | 696,909     |
| Others                              | 96,759      | 76,798      |
| Allowances on other asset           | (23,294)    | (16,402)    |
|                                     | ₩ 1,223,842 | ₩ 1,298,917 |
|                                     | ₩ 8,783,473 | ₩ 7,550,596 |

<sup>1</sup> Prepaid income tax expenses amounting to ₩17,467 million for KB Life Insurance Co., Ltd as of December 31, 2013 were reclassified from other assets into deferred income tax assets.

The changes in allowances for loan losses on other assets for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | 2014                   |                            |           |
|----------------------|------------------------|----------------------------|-----------|
|                      | Other financial assets | Other non-financial assets | Total     |
| Beginning            | ₩ 580,651              | ₩ 16,402                   | ₩ 597,053 |
| Written-off          | (293,614)              | (2,436)                    | (296,050) |
| Provision            | 38,091                 | 3,930                      | 42,021    |
| Business combination | 1,085                  | -                          | 1,085     |
| Others               | 21,705                 | 5,398                      | 27,103    |
| Ending               | ₩ 347,918              | ₩ 23,294                   | ₩ 371,212 |

(In millions of Korean won)

|             | 2013                   |                            |           |
|-------------|------------------------|----------------------------|-----------|
|             | Other financial assets | Other non-financial 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 |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Financial liabilities held for trading</b>                                |             |             |
| Securities sold  | ₩ 784,892   | ₩ 196,570   |
| Other  | 51,650      | 40,067      |
|  | 836,542     | 236,637     |
| <b>Financial liabilities designated at fair value through profit or loss</b> |             |             |
| Derivative linked securities   | 982,426     | 878,565     |
|  | 982,426     | 878,565     |
| <b>Total financial liabilities at fair value through profit or loss</b>      | ₩ 1,818,968 | ₩ 1,115,202 |

The details of credit risk of financial liabilities designated at fair value through profit or loss

(In millions of Korean won)

|   | 2014      | 2013      |
|---|-----------|-----------|
| Financial liabilities designated at fair value through profit or loss       | ₩ 982,426 | ₩ 878,565 |
| Changes in fair value resulting from changes in the credit risk             | (4,848)   | (4,032)   |
| Accumulated changes in fair value resulting from changes in the credit risk | (14,510)  | (9,662)   |

## 20. Deposits

The details of deposits as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014        | 2013        |
|---|-------------|-------------|
| <b>Demand deposits</b>  |             |             |
| <b>Demand deposits in Korean won</b>  |             |             |
| Checking deposits   | ₩ 183,748   | ₩ 122,296   |
| Household checking deposits   | 495,268     | 467,229     |
| Special deposits  | 3,018,524   | 2,706,609   |
| Ordinary deposits   | 28,049,893  | 24,533,701  |
| Public fund deposits  | 81,899      | 75,127      |
| Treasury deposits   | 5,012       | 5,148       |
| General savings deposits  | 30,195,868  | 28,077,274  |
| Corporate savings deposits  | 13,549,740  | 10,715,746  |
| Nonresident's deposit in Korean won   | 53,079      | 32,355      |
| Nonresident's free deposit in Korean won  | 16,761      | 15,001      |
| Others  | 186,055     | 163,262     |
|   | 75,835,847  | 66,913,748  |
| <b>Demand deposits in foreign currencies</b>  |             |             |
| Checking deposits   | 114,531     | 251,072     |
| Ordinary deposits   | 2,808,835   | 2,461,685   |
| Special deposits  | 1,678       | 5,325       |
| Others  | 94,019      | 14,142      |
|   | 3,019,063   | 2,732,224   |
|   | 78,854,910  | 69,645,972  |
| <b>Time deposits</b>  |             |             |
| <b>Time deposits in Korean won</b>  |             |             |
| Time deposits   | 110,822,758 | 108,216,861 |
| Installment savings deposits  | 10,133,900  | 11,097,205  |
| Good-sum formation savings  | 846,172     | 425,090     |
| Nonresident's deposit in Korean won   | 137,578     | 186,966     |
| Workers' savings for housing  | 1,488       | 1,543       |
| Nonresident's free deposit in Korean won  | 26,361      | 41,085      |
| Long-term housing savings deposits  | 1,429,659   | 2,061,129   |
| Long-term savings for households  | 163         | 190         |
| Preferential savings deposits for workers   | 143         | 245         |
| Mutual installment deposits   | 1,265,869   | 1,478,299   |
| Mutual installment for housing  | 755,764     | 853,392     |
| Trust deposits  | 3,207,318   | 3,093,949   |
| Fair value adjustments on valuation of fair value hedged items (current period portion) | (958)       | -           |
|   | 128,626,215 | 127,455,954 |



(In millions of Korean won)

|  | 2014          | 2013          |
|--|---------------|---------------|
| <b>Time deposits in foreign currencies</b> |               |               |
| Time deposits                              | 2,456,599     | 2,082,865     |
| Installment savings deposits               | 3,053         | 4,035         |
| Others                                     | 25,297        | 68,960        |
|  | 2,484,949     | 2,155,860     |
|  | 131,111,164   | 129,611,814   |
| <b>Certificates of deposits</b>            | 1,583,047     | 1,624,278     |
| <b>Total deposits</b>                      | ₩ 211,549,121 | ₩ 200,882,064 |

## 21. Debts

The details of debts as of December 31, 2014 and 2013, consist of:

(In millions of Korean won)

|   | 2014         | 2013         |
|---|--------------|--------------|
| Borrowings  | ₩ 11,908,698 | ₩ 10,767,737 |
| Bonds sold under repurchase agreements and others | 1,074,146    | 685,626      |
| Call money  | 2,881,656    | 2,647,968    |
|   | ₩ 15,864,500 | ₩ 14,101,331 |

The details of borrowings as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 |  | Lender                                   | Annual interest rate (%) | 2014        | 2013      |
|---------------------------------|--|--|--------------------------|-------------|-----------|
| <b>Borrowings in Korean won</b> | Borrowings from the Bank of Korea                  | Bank of Korea                            | 0.50~1.00                | ₩ 1,002,796 | ₩ 557,998 |
|                                 | Borrowings from the government                     | KEMCO and others                         | 0.00~5.00                | 611,378     | 626,593   |
|                                 | Borrowings from banking institutions               | Industrial Bank of Korea and others      | 1.97~4.04                | 37,874      | 61,877    |
|                                 | Borrowings from non-banking financial institutions | The Korea Development Bank and others    | 0.71~2.70                | 212,452     | 142,511   |
|                                 | Other borrowings                                   | The Korea Finance Corporation and others | 0.00~7.50                | 3,980,812   | 3,527,292 |
|                                 |  |  |                          | 5,845,312   | 4,916,271 |

(In millions of Korean won)

|   |                                      | Lender                               | Annual interest rate (%) | 2014         | 2013         |
|---|--------------------------------------|--------------------------------------|--------------------------|--------------|--------------|
| <b>Borrowings in foreign currencies</b> | Due to banks                         | Royal Bank of Canada and others      | -                        | 3,313        | 158,180      |
|   | Borrowings from banking institutions | Wells Fargo Securities and others    | 0.21~1.70                | 3,522,159    | 3,831,929    |
|   | Other borrowings                     | The Korea Finance Corporation        | 0.61~1.36                | 34,460       | 3,166        |
|   | Other borrowings                     | JP Morgan Chase Bank N.A. and others | -                        | 2,503,454    | 1,858,191    |
|   |                                      |                                      |                          | 6,063,386    | 5,851,466    |
|   |                                      |                                      |                          | ₩ 11,908,698 | ₩ 10,767,737 |

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The details of bonds sold under repurchase agreements and others as of December 31, 2014 and 2013, are as follows:

|  | Lenders                              | Annual interest rate (%) | 2014        | 2013      |
|--|--------------------------------------|--------------------------|-------------|-----------|
| Bonds sold under repurchase agreements | Individuals, Groups and Corporations | 1.25~3.63                | 1,019,071   | 608,156   |
| Bills sold                             | Counter sale                         | 1.09~2.62                | 55,075      | 77,470    |
|  |                                      |                          | ₩ 1,074,146 | ₩ 685,626 |

The details of call money as of December 31, 2014 and 2013, are as follows:

|                                  | Lenders                            | Annual interest rate (%) | 2014        | 2013        |
|----------------------------------|------------------------------------|--------------------------|-------------|-------------|
| Call money in Korean won         | Woori Bank and others              | 1.83~2.15                | 1,882,000   | 1,649,400   |
| Call money in foreign currencies | Central bank Uzbekistan and others | 0.10~3.61                | 999,656     | 998,568     |
|                                  |                                    |                          | ₩ 2,881,656 | ₩ 2,647,968 |

Call money and borrowings from financial institutions as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|            | 2014          |             |             |              |
|------------|---------------|-------------|-------------|--------------|
|            | Bank of Korea | Other Banks | Others      | Total        |
| Call money | ₩ -           | ₩ 1,983,656 | ₩ 898,000   | ₩ 2,881,656  |
| Borrowings | 1,277,596     | 6,131,496   | 867,674     | 8,276,766    |
|            | ₩ 1,277,596   | ₩ 8,115,152 | ₩ 1,765,674 | ₩ 11,158,422 |

(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 |

## 22. Debentures

The details of debentures as of December 31, 2014 and 2013, are as follows:

|   | Annual interest rate (%) | 2014         | 2013         |
|---|--------------------------|--------------|--------------|
| <b>Debentures in Korean won</b>   |                          |              |              |
| Structured debentures   | 0.40~8.62                | 1,239,238    | 1,499,238    |
| Subordinated fixed rate debentures in Korean won  | 3.08~8.00                | 4,761,124    | 8,648,474    |
| Fixed rate debentures in Korean won   | 2.11~5.04                | 18,839,553   | 12,057,142   |
| Floating rate debentures in Korean won  | 2.17~2.93                | 1,133,000    | 1,505,858    |
|   |                          | 25,972,915   | 23,710,712   |
| <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) |                          | 5,733        | (31,577)     |
| Fair value adjustments on valuation of fair value hedged items (prior year portion)     |                          | 48,183       | 81,369       |
|   |                          | 53,916       | 49,792       |
| <b>Discount or premium on debentures in Korean won</b>                                  |                          |              |              |
| Discount on debentures  |                          | (43,291)     | (16,615)     |
|   |                          | 25,983,540   | 23,743,889   |
| <b>Debentures in foreign currencies</b>   |                          |              |              |
| Floating rate debentures  | 0.38~1.48                | 1,648,175    | 1,143,360    |
| Fixed rate debentures   | 0.60~3.63                | 1,578,980    | 2,335,059    |
|   |                          | 3,227,155    | 3,478,419    |
| <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) |                          | (10,309)     | (42,195)     |
| Fair value adjustments on valuation of fair value hedged items (prior year portion)     |                          | 10,384       | (130,011)    |
|   |                          | 75           | (172,206)    |
| <b>Discount or premium on debentures in foreign currencies</b>                          |                          |              |              |
| Discount on debentures  |                          | (10,064)     | (10,568)     |
|   |                          | ₩ 3,217,166  | ₩ 3,295,645  |
|   |                          | ₩ 29,200,706 | ₩ 27,039,534 |

The changes in debentures based on face value for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         |              |                |                      |           |              |
|--|--------------|--------------|----------------|----------------------|-----------|--------------|
|  | Beginning    | Issues       | Repayments     | Business combination | Others    | Ending       |
| <b>Debentures in Korean won</b>                  |              |              |                |                      |           |              |
| Structured debentures                            | ₩ 1,499,238  | ₩ 80,000     | ₩ (340,000)    | ₩ -                  | ₩ -       | ₩ 1,239,238  |
| Subordinated fixed rate debentures in Korean won | 8,648,474    | -            | (4,082,350)    | 195,000              | -         | 4,761,124    |
| Fixed rate debentures in Korean won              | 12,057,142   | 40,912,000   | (36,674,589)   | 2,545,000            | -         | 18,839,553   |
| Floating rate debentures in Korean won           | 1,505,858    | 353,200      | (726,058)      | -                    | -         | 1,133,000    |
|  | 23,710,712   | 41,345,200   | (41,822,997)   | 2,740,000            | -         | 25,972,915   |
| <b>Debentures in foreign currencies</b>          |              |              |                |                      |           |              |
| Floating rate debentures                         | 1,143,360    | 1,084,303    | (641,957)      | -                    | 62,469    | 1,648,175    |
| Fixed rate debentures                            | 2,335,059    | 803,503      | (1,633,588)    | -                    | 74,006    | 1,578,980    |
|  | 3,478,419    | 1,887,806    | (2,275,545)    | -                    | 136,475   | 3,227,155    |
|  | ₩ 27,189,131 | ₩ 43,233,006 | ₩ (44,098,542) | ₩ 2,740,000          | ₩ 136,475 | ₩ 29,200,070 |

(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 |

## 23. Provisions

The details of provisions as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |         | 2013 |         |
|--|------|---------|------|---------|
| Provisions for unused loan commitments       | ₩    | 209,964 | ₩    | 226,110 |
| Provisions for acceptances and guarantees    |      | 207,927 |      | 209,118 |
| Provisions for financial guarantee contracts |      | 2,718   |      | 2,699   |
| Provisions for asset retirement obligation   |      | 73,442  |      | 76,608  |
| Other  |      | 120,296 |      | 163,538 |
|  | ₩    | 614,347 | ₩    | 678,073 |

Provisions for unused loan commitments as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                             | 2014                    |            |           |         |           |
|-----------------------------|-------------------------|------------|-----------|---------|-----------|
|                             | Commitments outstanding |            | Provision |         | Ratio (%) |
| Corporate loan commitments  | ₩                       | 42,977,471 | ₩         | 90,315  | 0.21      |
| Retail loan commitments     |                         | 13,886,999 |           | 34,927  | 0.25      |
| Credit line on credit cards |                         | 37,584,381 |           | 84,722  | 0.23      |
|                             | ₩                       | 94,448,851 | ₩         | 209,964 | 0.22      |

(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      |

Provisions for acceptances and guarantees as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014                       |           |           |         |           |
|--|----------------------------|-----------|-----------|---------|-----------|
|  | Acceptances and guarantees |           | Provision |         | Ratio (%) |
| Confirmed acceptances and guarantees in Korean won         | ₩                          | 1,098,048 | ₩         | 37,507  | 3.42      |
| Confirmed acceptances and guarantees in foreign currencies |                            | 4,061,444 |           | 79,966  | 1.97      |
| Unconfirmed acceptances and guarantees                     |                            | 3,886,332 |           | 90,454  | 2.33      |
|  | ₩                          | 9,045,824 | ₩         | 207,927 | 2.30      |

(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      |

The changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014                                   |          |   |         |           |
|---|--|----------|---|---------|-----------|
|   | Provisions for unused loan commitments |          | Provisions for acceptances and guarantees |         | Total     |
| Beginning                                   | ₩                                      | 226,110  | ₩   | 209,118 | ₩ 435,228 |
| Effects of changes in foreign exchange rate |  | 548      |   | 3,358   | 3,906     |
| Provision(reversal)                         |  | (16,694) |   | (4,549) | (21,243)  |
| Ending                                      | ₩                                      | 209,964  | ₩   | 207,927 | ₩ 417,891 |

(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 |

The changes in provisions for financial guarantee contracts for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                     | 2014      |       | 2013  |         |
|---------------------|-----------|-------|-------|---------|
|                     | Beginning | ₩     | 2,699 | ₩       |
| Provision(reversal) |           | 19    |       | (4,684) |
| Ending              | ₩         | 2,718 | ₩     | 2,699   |

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The changes in provisions for asset retirement obligation for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                     | 2014 |         | 2013 |         |
|-------------------------------------|------|---------|------|---------|
| Beginning                           | ₩    | 76,608  | ₩    | 65,226  |
| Provision                           |      | 5,231   |      | 3,334   |
| Reversal                            |      | (6,047) |      | (226)   |
| Used                                |      | (5,701) |      | (2,475) |
| Unwinding of discount               |      | 2,936   |      | 2,203   |
| Effects of changes in discount rate |      | 70      |      | 7,908   |
| Business combination                |      | 345     |      | 638     |
| Ending                              | ₩    | 73,442  | ₩    | 76,608  |

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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                            | 2014 |         | 2013 |         |
|----------------------------|------|---------|------|---------|
| Membership rewards program | ₩    | 11,274  | ₩    | 5,402   |
| Dormant accounts           |      | 33,996  |      | 16,839  |
| Litigations                |      | 24,506  |      | 23,455  |
| Others                     |      | 50,520  |      | 117,842 |
|                            | ₩    | 120,296 | ₩    | 163,538 |

The changes in other provisions for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | 2014                       |                  |             |           |           |
|----------------------|----------------------------|------------------|-------------|-----------|-----------|
|                      | Membership rewards program | Dormant accounts | Litigations | Others    | Total     |
| Beginning            | ₩ 5,402                    | ₩ 16,839         | ₩ 23,455    | ₩ 117,842 | ₩ 163,538 |
| Increase             | 21,442                     | 49,040           | 2,965       | 3,352     | 76,799    |
| Decrease             | (15,570)                   | (31,883)         | (1,914)     | (70,947)  | (120,314) |
| Business combination | -                          | -                | -           | 273       | 273       |
| Ending               | ₩ 11,274                   | ₩ 33,996         | ₩ 24,506    | ₩ 50,520  | ₩ 120,296 |

(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 |

## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014  |                           |                                 |
|---|---|---------------------------|---------------------------------|
|   | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
| Beginning   | ₩ 985,195                                   | ₩ (920,722)               | ₩ 64,473                        |
| Current service cost  | 163,997                                     | -                         | 163,997                         |
| Interest cost(income)   | 39,208                                      | (36,545)                  | 2,663                           |
| Past service cost   | 11  | -                         | 11                              |
| Remeasurements  |   |                           |                                 |
| Actuarial gains and losses by changes in demographic assumptions      | (36)  | -                         | (36)                            |
| Actuarial gains and losses by changes in financial assumptions        | 112,550                                     | -                         | 112,550                         |
| Actuarial gains and losses by experience adjustments                  | 6,303                                       | -                         | 6,303                           |
| Return on plan assets (excluding amounts included in interest income) | -   | 12,576                    | 12,576                          |
| Contributions   | -   | (288,212)                 | (288,212)                       |
| Payments from plans (settlement)                                      | (43,108)                                    | 43,054                    | (54)                            |
| Payments from the Group   | (3,567)                                     | -                         | (3,567)                         |
| Transfer in   | 3,788                                       | (3,788)                   | -                               |
| Transfers out   | (3,788)                                     | 3,661                     | (127)                           |
| Effect of exchange rate changes                                       | (27)  | -                         | (27)                            |
| Business combination  | 10,552                                      | (5,418)                   | 5,134                           |
| Ending  | ₩ 1,271,078                                 | ₩ (1,195,394)             | ₩ 75,684                        |

(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                        |

The details of the net defined benefit liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014        | 2013      |
|---|-------------|-----------|
| Present value of defined benefit obligation | ₩ 1,271,078 | ₩ 985,195 |
| Fair value of plan assets                   | (1,195,394) | (920,722) |
| Net Defined benefit liabilities             | ₩ 75,684    | ₩ 64,473  |

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      | 2013      |
|--|-----------|-----------|
| Current service cost                                     | ₩ 163,997 | ₩ 172,857 |
| Past service cost  | 11        | 1,005     |
| Gain or loss on settlement                               | -         | (4,244)   |
| Net interest expenses of net defined benefit liabilities | 2,663     | 2,961     |
| Post-employment benefits <sup>1</sup>                    | ₩ 166,671 | ₩ 172,579 |

<sup>1</sup> Post-employment benefits amounting to ₩ 971 million and ₩ 1,471 million for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014       | 2013      |
|---|------------|-----------|
| Remeasurements  |            |           |
| Return on plan assets (excluding amounts included in interest income) | ₩ (12,576) | ₩ (1,096) |
| Actuarial gains and losses  | (118,817)  | 55,165    |
| Income tax effects  | 31,799     | (13,085)  |
| Remeasurements after income tax                                       | ₩ (99,594) | ₩ 40,984  |

The details of fair value of plan assets as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014                              |                                       |             |
|--|-----------------------------------|---------------------------------------|-------------|
|  | Assets quoted in an active market | Assets not quoted in an active market | Total       |
| Cash and due from financial institutions | ₩ -                               | ₩ 1,195,394                           | ₩ 1,195,394 |
|  | ₩ -                               | ₩ 1,195,394                           | ₩ 1,195,394 |

(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 |

Key actuarial assumptions used as of December 31, 2014 and 2013, are as follows:

|                          | 2014         | 2013         |
|--------------------------|--------------|--------------|
| Discount rate (%)        | 2.20 ~ 3.10  | 2.90 ~ 4.00  |
| Salary increase rate (%) | 0.00 ~ 8.50  | 0.00 ~ 8.50  |
| Turnover (%)             | 0.00 ~ 32.00 | 0.00 ~ 32.00 |

Mortality assumptions are based on the 7<sup>th</sup> 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, 2014, is as follows:

|                          | Effect on net defined benefit obligation |                                  |                                  |
|--------------------------|--|----------------------------------|----------------------------------|
|                          | Changes in principal assumption          | Increase in principal assumption | Decrease in principal assumption |
| Discount rate (%)        | 0.5 p.                                   | 4.49 decrease                    | 4.77 increase                    |
| Salary increase rate (%) | 0.5 p.                                   | 4.39 increase                    | 4.27 decrease                    |
| Turnover (%)             | 0.5 p.                                   | 0.53 decrease                    | 0.42 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, 2014, is as follows:

(In millions of Korean won)

|                  | Up to 1 year | 1~2 years | 2~5 years | 5~10 years | Over 10 years | Total       |
|------------------|--------------|-----------|-----------|------------|---------------|-------------|
| Pension benefits | ₩ 26,981     | ₩ 87,525  | ₩ 326,571 | ₩ 902,146  | ₩ 1,188,644   | ₩ 2,531,867 |

The weighted average duration of the defined benefit obligation is 1.0 ~ 14.4 years.

Expected contribution to plan assets for periods after December 31, 2014, is estimated to be ₩ 195,236 million.

## 25. Other Liabilities

The details of other liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014         | 2013         |
|--|--------------|--------------|
| <b>Other financial liabilities</b>           |              |              |
| Other payables                               | ₩ 4,712,587  | ₩ 4,582,344  |
| Prepaid card and debit card                  | 19,578       | 18,527       |
| Accrued expenses                             | 3,123,144    | 4,053,809    |
| Financial guarantee liabilities              | 13,237       | 11,797       |
| Deposits for letter of guarantees and others | 351,041      | 108,786      |
| Domestic exchange settlement credits         | 128,739      | 998,928      |
| Foreign exchanges settlement credits         | 69,440       | 83,237       |
| Borrowings from other business account       | 40,383       | 7,911        |
| Other payables from trust accounts           | 2,548,577    | 2,423,675    |
| Liability Incurred by agency relationship    | 505,664      | 532,157      |
| Account for agency businesses                | 340,062      | 384,921      |
| Dividend payables                            | 477          | 485          |
| Other payables from factored receivables     | 37,734       | 42,924       |
| Others                                       | 28,157       | 13,413       |
|  | ₩ 11,918,820 | ₩ 13,262,914 |

(In millions of Korean won)

|  | 2014         | 2013         |
|--|--------------|--------------|
| <b>Other non-financial liabilities</b> |              |              |
| Other payables                         | 72,370       | 44,982       |
| Unearned revenue                       | 154,066      | 123,033      |
| Accrued expenses                       | 208,226      | 191,513      |
| Deferred revenue on credit card points | 115,658      | 117,659      |
| Withholding taxes                      | 106,291      | 111,975      |
| Insurance liabilities                  | 6,265,198    | 5,599,043    |
| Separate account liabilities           | 698,832      | 702,757      |
| Others                                 | 57,741       | 82,353       |
|  | 7,678,382    | 6,973,315    |
|  | ₩ 19,597,202 | ₩ 20,236,229 |

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## 26. Equity

### 26.1 Capital Stock

The details of outstanding shares of the Parent Company as of December 31, 2014 and 2013, are as follows:

|                                  | Ordinary shares |               |
|----------------------------------|-----------------|---------------|
|                                  | 2014            | 2013          |
| 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014         | 2013         |
|---------------------------------|--------------|--------------|
| Share premium                   | ₩ 12,226,596 | ₩ 12,226,596 |
| Loss on sale of treasury shares | (568,544)    | (568,544)    |
| Other capital surplus           | 4,196,458    | 4,196,553    |
|                                 | ₩ 15,854,510 | ₩ 15,854,605 |

### 26.3 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013       |
|--|-------------|------------|
| Remeasurements of net defined benefit liabilities      | ₩ (110,814) | ₩ (12,523) |
| Exchange differences on translating foreign operations | (12,153)    | (29,433)   |
| Change in value of available-for-sale financial assets | 680,900     | 430,976    |
| Change in value of held-to-maturity financial assets   | 3,823       | 4,904      |
| Shares of other comprehensive income of associates     | (89,303)    | (57,097)   |
| Cash flow hedges                                       | (10,774)    | (515)      |
|  | ₩ 461,679   | ₩ 336,312  |

### 26.4 Retained earnings

The details of retained earnings as of December 31, 2014 and 2013, consist of:

(In millions of Korean won)

|                                  | 2014        | 2013        |
|----------------------------------|-------------|-------------|
| Legal reserves <sup>1</sup>      | ₩ 208,221   | ₩ 188,638   |
| Voluntary reserves               | 982,000     | 982,000     |
| Unappropriated retained earnings | 7,876,924   | 6,359,518   |
|                                  | ₩ 9,067,145 | ₩ 7,530,156 |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Regulatory reserve for credit losses attributable to:</b> |             |             |
| Shareholders of the Parent Company                           | ₩ 2,456,352 | ₩ 2,279,905 |
| Non-controlling interests                                    | 16,808      | -           |
|  | ₩ 2,473,160 | ₩ 2,279,905 |

The adjustments to the regulatory reserve for credit losses as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014      | 2013      |
|---|-----------|-----------|
| Provision(reversal) of regulatory reserve for credit losses <sup>1</sup>  | ₩ 167,694 | ₩ 133,755 |
| Adjusted profit after provision(reversal) of regulatory reserve for credit losses <sup>2</sup>                      | 1,233,028 | 1,137,747 |
| Adjusted basic earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>2</sup>   | 3,191     | 2,945     |
| Adjusted diluted earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>2</sup> | 3,178     | 2,932     |

<sup>1</sup> Excluding the ₩ 8,753 million increase in regulatory reserve for credit losses due to the business combination of KB Capital Co., Ltd.

<sup>2</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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                     | 2014        | 2013        |
|-------------------------------------|-------------|-------------|
| <b>Interest income</b>              |             |             |
| Due from financial institutions     | ₩ 190,302   | ₩ 146,105   |
| Loans                               | 10,168,304  | 10,778,258  |
| Financial investments               |             |             |
| Available-for-sale financial assets | 571,755     | 694,218     |
| Held-to-maturity financial assets   | 548,361     | 574,586     |
| Other                               | 156,574     | 163,763     |
|                                     | 11,635,296  | 12,356,930  |
| <b>Interest expenses</b>            |             |             |
| Deposits                            | 3,845,468   | 4,279,153   |
| Debts                               | 265,773     | 289,652     |
| Debentures                          | 1,032,111   | 1,190,446   |
| Other                               | 76,169      | 74,847      |
|                                     | 5,219,521   | 5,834,098   |
| <b>Net interest income</b>          | ₩ 6,415,775 | ₩ 6,522,832 |

Interest income recognized on impaired loans is ₩ 108,968 million (2013: ₩ 127,120 million) for the year ended December 31, 2014. Interest income recognized on impaired financial investments is ₩ 242 million (2013: ₩ 569 million) for the year ended December 31, 2014.

## 28. Net Fee and Commission income

The details of fee and commission income, and fee and commission expense for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Fee and commission income</b>                 |             |             |
| Banking activity fees                            | ₩ 167,452   | ₩ 167,507   |
| Lending activity fees                            | 74,133      | 90,413      |
| Credit card related fees and commissions         | 1,106,601   | 1,126,944   |
| Debit card related fees and commissions          | 291,723     | 255,742     |
| Agent activity fees                              | 158,022     | 207,036     |
| Trust and other fiduciary fees                   | 230,839     | 160,521     |
| Fund management related fees                     | 89,264      | 93,494      |
| Guarantee fees                                   | 29,811      | 34,173      |
| Foreign currency related fees                    | 96,018      | 102,047     |
| Commissions from transfer agent services         | 148,583     | 177,793     |
| Other business account commission on consignment | 25,311      | 29,799      |
| Securities brokerage fees                        | 68,249      | 68,158      |
| Lease fee  | 16,050      | -           |
| Other  | 164,129     | 143,738     |
|  | 2,666,185   | 2,657,365   |
| <b>Fee and commission expense</b>                |             |             |
| Trading activity related fees <sup>1</sup>       | 7,938       | 9,358       |
| Lending activity fees                            | 9,958       | 18,791      |
| Credit card related fees and commissions         | 979,913     | 934,114     |
| Outsourcing related fees                         | 76,604      | 74,516      |
| Foreign currency related fees                    | 12,812      | 12,561      |
| Management fees of written-off loans             | 9,853       | 4,065       |
| Other  | 186,378     | 124,721     |
|  | 1,283,456   | 1,178,126   |
| <b>Net fee and commission income</b>             | ₩ 1,382,729 | ₩ 1,479,239 |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Gains related to financial instruments held for trading</b>       |             |             |
| Financial assets held for trading                                    |             |             |
| Debt securities  | ₩ 471,048   | ₩ 340,601   |
| Equity securities  | 68,024      | 109,698     |
|  | 539,072     | 450,299     |
| <b>Derivatives held for trading</b>                                  |             |             |
| Interest rate  | 1,327,839   | 1,090,262   |
| Currency   | 1,919,287   | 2,524,173   |
| Stock or stock index   | 153,863     | 218,509     |
| Commodity  | 568         | 1,336       |
| Other  | 6,894       | 20,825      |
|  | 3,408,451   | 3,855,105   |
| <b>Financial liabilities held for trading</b>                        | 35,645      | 95,382      |
| <b>Other financial instruments</b>                                   | 47          | 70          |
|  | ₩ 3,983,215 | ₩ 4,400,856 |
| <b>Losses related to financial instruments held for trading</b>      |             |             |
| Financial assets held for trading                                    |             |             |
| Debt securities  | ₩ 38,888    | ₩ 118,362   |
| Equity securities  | 85,808      | 81,733      |
|  | 124,696     | 200,095     |
| <b>Derivatives held for trading</b>                                  |             |             |
| Interest rate  | 1,411,540   | 1,076,647   |
| Currency   | 1,796,605   | 2,007,454   |
| Stock or stock index   | 101,267     | 224,019     |
| Commodity  | 547         | 182         |
| Other  | 841         | 2,343       |
|  | 3,310,800   | 3,310,645   |
| <b>Financial liabilities held for trading</b>                        | 97,621      | 110,114     |
| <b>Other financial instruments</b>                                   | 50          | 29          |
|  | ₩ 3,533,167 | ₩ 3,620,883 |
| <b>Net gains or losses on financial instruments held for trading</b> | ₩ 450,048   | ₩ 779,973   |

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## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014       | 2013       |
|---|------------|------------|
| <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                                    | ₩ 28,496   | ₩ 23,760   |
| Financial liabilities designated at fair value through profit or loss                               | 34,468     | 20,846     |
|   | 62,964     | 44,606     |
| <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                                    | 22,521     | 14,754     |
| Financial liabilities designated at fair value through profit or loss                               | 51,293     | 53,003     |
|   | 73,814     | 67,757     |
| <b>Net gains or losses on financial instruments designated at fair value through profit or loss</b> | ₩ (10,850) | ₩ (23,151) |

## 30. Other Operating Income and Expenses

The details of other operating income and expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      | 2013      |
|--|-----------|-----------|
| <b>Other operating income</b>                                      |           |           |
| Revenue related to available-for-sale financial assets             |           |           |
| Gains on redemption of available-for-sale financial assets         | -         | 867       |
| Gains on sale of available-for-sale financial assets               | 91,925    | 189,011   |
| Reversal for Impairment on available-for-sale financial assets     | 260       | -         |
|  | 92,185    | 189,878   |
| Revenue related to available-for-sale held-to-maturity investments |           |           |
| Gains on sale of available-for-sale held-to-maturity investments   | 1,668     | -         |
|  | 1,668     | -         |
| Gains on foreign exchange transactions                             | 1,490,797 | 1,387,450 |
| Income related to insurance  | 1,215,031 | 1,233,773 |
| Dividend income  | 78,298    | 64,441    |
| Others   | 221,745   | 261,886   |
|  | 3,099,724 | 3,137,428 |

(In millions of Korean won)

|   | 2014          | 2013          |
|---|---------------|---------------|
| <b>Other operating expenses</b>                           |               |               |
| Expense related to available-for-sale financial assets    |               |               |
| Loss on redemption of available-for-sale financial assets | ₩ 7           | ₩ 65          |
| Loss on sale of available-for-sale financial assets       | 7,381         | 25,157        |
| Impairment on available-for-sale financial assets         | 195,929       | 163,464       |
|   | 203,317       | 188,686       |
| Expense related to held-to-maturity financial assets      |               |               |
| Impairment on held-to-maturity financial assets           | -             | 5             |
|   | -             | 5             |
| Loss on foreign exchanges transactions                    | 1,456,918     | 1,667,335     |
| Expense related to insurance                              | 1,352,384     | 1,358,830     |
| Others  | 1,128,014     | 1,227,337     |
|   | 4,140,633     | 4,442,193     |
| <b>Net other operating income (expenses)</b>              | ₩ (1,040,909) | ₩ (1,304,765) |

## 31. General and Administrative Expenses

### 31.1 General and administrative expenses

The details of general and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   | 2014        | 2013        |
|---|-------------|-------------|
| <b>Employee Benefits</b>                              |             |             |
| Salaries and short-term employee benefits - salaries  | ₩ 1,700,120 | ₩ 1,641,326 |
| Salaries and short-term employee benefits - others    | 706,309     | 677,107     |
| Post-employment benefits - defined benefit plans      | 165,700     | 171,108     |
| Post-employment benefits - defined contribution plans | 8,821       | 7,094       |
| Termination benefits                                  | 1,124       | 19,714      |
| Share-based payments                                  | 11,422      | 17,289      |
|   | 2,593,496   | 2,533,638   |
| <b>Depreciation and amortization</b>                  | 261,056     | 286,756     |

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Other general and administrative expenses</b> |             |             |
| Rental expense                                   | 297,656     | 290,886     |
| Tax and dues                                     | 150,443     | 141,274     |
| Communication                                    | 38,661      | 55,549      |
| Electricity and utilities                        | 27,988      | 26,315      |
| Publication                                      | 19,642      | 19,259      |
| Repairs and maintenance                          | 16,892      | 14,615      |
| Vehicle  | 11,579      | 11,816      |
| Travel   | 5,489       | 5,722       |
| Training   | 17,362      | 19,498      |
| Service fees                                     | 106,403     | 104,210     |
| Others   | 463,027     | 474,026     |
|  | 1,155,142   | 1,163,170   |
|  | ₩ 4,009,694 | ₩ 3,983,564 |

## 31.2 Share-based payments

### 31.2.1 Share options

The details of the share options as of December 31, 2014, are as follows:

(In number of shares)

|           | Grant date | Exercise period (Years) | Granted shares <sup>1</sup> | Vesting conditions         |
|-----------|------------|-------------------------|-----------------------------|----------------------------|
| Series 22 | 2007.02.08 | 8                       | 855,000                     | Service period: 1, 3 years |
| Series 23 | 2007.03.23 | 8                       | 30,000                      | Service period: 3 years    |
|           |            |                         | 885,000                     |                            |

<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.

The changes in the number of granted share options and the weighted average exercise price for the years ended December 31, 2014 and 2013, are as follows:

(In Korean won, except shares)

|                                 | 2014                     |          |          |                              |                          |                                   |   |
|---------------------------------|--------------------------|----------|----------|------------------------------|--------------------------|-----------------------------------|---|
|                                 | Number of granted shares |          |          | Number of exercisable shares | Exercise price per share | Remaining contractual life(Years) |   |
|                                 | Beginning                | Expired  | Ending   |                              |                          |                                   |   |
| Series 19                       | 751,651                  | 751,651  | -        | -                            | -                        | -                                 | - |
| Series 20                       | 25,613                   | 25,613   | -        | -                            | -                        | -                                 | - |
| Series 21                       | 18,987                   | 18,987   | -        | -                            | -                        | -                                 | - |
| Series 22                       | 657,498                  | -        | 657,498  | 657,498                      | 77,100                   | 0.11                              |   |
| Series 23                       | 15,246                   | -        | 15,246   | 15,246                       | 84,500                   | 0.22                              |   |
|                                 | 1,468,995                | 796,251  | 672,744  | 672,744                      |                          |                                   |   |
| Weighted average exercise price | ₩ 77,235                 | ₩ 77,207 | ₩ 77,268 | ₩ 77,268                     |                          |                                   |   |

(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                     |                          |                                   |   |

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 22 (Directors)               | ₩ 38,200    | ₩ 77,100                        | 11.15                   | 0.05                           | ₩ 32               | 2.07                        | -          |
| Series 22 (Employees)               | 38,200      | 77,100                          | 11.15                   | 0.05                           | 32                 | 2.07                        | -          |
| Series 23 (Non-executive directors) | 38,200      | 84,500                          | 8.01                    | 0.11                           | 67                 | 2.07                        | -          |

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.

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The details of the share grants as of December 31, 2014, 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 4                         | 2010.07.13 | 180,707                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,3</sup> |
| Series 8                         | 2012.01.01 | 13,471                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 9                         | 2013.07.17 | 82,699                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 10                        | 2014.01.01 | 37,732                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,4</sup> |
| Series 11                        | 2013.07.13 | 69,892                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,3</sup> |
| Deferred grant in 2010           | -          | 6,583                                 | Satisfied  |
| Deferred grant in 2011           | -          | 1,435                                 | Satisfied  |
| Deferred grant in 2012           | -          | 7,975                                 | Satisfied  |
| Deferred grant in 2013           | -          | 2,617                                 | Satisfied  |
|                                  |            | 403,111                               |  |
| <b>(Kookmin Bank)</b>            |            |                                       |  |
| Series 41                        | 2012.08.02 | 23,521                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 43                        | 2012.11.26 | 13,918                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 44                        | 2013.01.01 | 17,242                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 45                        | 2013.01.01 | 9,698                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 46                        | 2013.01.01 | 103,440                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,5</sup> |
| Series 48                        | 2013.07.23 | 74,666                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 49                        | 2013.07.24 | 101,828                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 50                        | 2013.07.24 | 82,926                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 51                        | 2013.07.25 | 9,899                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 52                        | 2013.08.01 | 10,278                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 53                        | 2013.07.19 | 69,256                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,7</sup> |
| Series 54                        | 2013.07.23 | 26,689                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,7</sup> |
| Series 55                        | 2014.01.03 | 11,060                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,8</sup> |

| Share grants                | Grant date | Number of granted shares <sup>1</sup> | Vesting conditions   |
|-----------------------------|------------|---------------------------------------|--|
| Series 56                   | 2013.12.30 | 17,798                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 57                   | 2014.01.01 | 44,265                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 58                   | 2014.01.01 | 78,700                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Series 59                   | 2014.08.26 | 9,106                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>2,6</sup> |
| Deferred grant in 2010      | -          | 171                                   | Satisfied  |
| Deferred grant in 2011      | -          | 8,454                                 | Satisfied  |
| Deferred grant in 2012      | -          | 31,348                                | Satisfied  |
| Deferred grant in 2013      | -          | 92,316                                | Satisfied  |
|                             |            | 836,579                               |  |
| <b>(Other subsidiaries)</b> |            |                                       |  |
| Share granted in 2010       |            | 3,485                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2011       |            | 7,648                                 | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2012       |            | 63,976                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2013       |            | 104,394                               | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
| Share granted in 2014       |            | 82,759                                | Services fulfillment, Achievements of targets on the basis of market and non-market performance <sup>9</sup>   |
|                             |            | 262,262                               |  |
|                             |            | 1,501,952                             |  |

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

<sup>3</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 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 the targeted Value-up Index, 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>4</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted Value-up Index, targeted financial results of the Company and its subsidiaries (Group) and the targeted relative TSR, respectively. However, 50% and 50% of certain granted shares will be compensated based on the accomplishment of the targeted Value-up Index and the accomplishment of targeted relative TSR.

<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 Value-up Index and the targeted financial results of the Bank, respectively.

<sup>6</sup> The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted financial results of the Bank, the targeted relative TSR and the targeted Value-up Index, respectively. However, as for certain number of shares, 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 Value-up Index.

<sup>7</sup> The 30%, 45% and 25% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted relative TSR, the ROA and the growth rate of total assets, respectively.

<sup>8</sup> The number of granted shares to be compensated is not linked to performance, but fixed.

<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 targeted Value-up Index, the respective subsidiaries' performance and the targeted relative TSR, respectively. The 60% and 40% of the number of certain granted shares to be compensated is determined based on the accomplishment of the respective subsidiaries' performance and the accomplishment of the targeted relative TSR, respectively. The 40%, 30% and 30% of the number of certain granted shares to be compensated is determined based on the accomplishment of the targeted Value-up Index, the respective subsidiaries' performance 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, 2014, are as follows:

(In number of shares)

|                                  | Grant date | Number of granted shares <sup>1</sup> | Vesting conditions           |
|----------------------------------|------------|---------------------------------------|------------------------------|
| <b>(KB Financial Group Inc.)</b> |            |                                       |                              |
| Share granted in 2010            | 2010.01.01 | 322                                   | Satisfied                    |
| Share granted in 2011            | 2011.01.01 | 7,295                                 | Satisfied                    |
| Share granted in 2012            | 2012.01.01 | 15,782                                | Satisfied                    |
| Share granted in 2013            | 2013.01.01 | 16,560                                | Satisfied                    |
| Share granted in 2014            | 2014.01.01 | 25,174                                | Proportion to service period |
| <b>(Kookmin Bank)</b>            |            |                                       |                              |
| Share granted in 2010            | 2010.01.01 | 363                                   | Satisfied                    |
| Share granted in 2011            | 2011.01.01 | 46,845                                | Satisfied                    |
| Share granted in 2012            | 2012.01.01 | 103,177                               | Satisfied                    |
| Share granted in 2013            | 2013.01.01 | 102,343                               | Satisfied                    |
| Share granted in 2014            | 2014.01.01 | 173,132                               | Proportion to service period |
| <b>(Other subsidiaries)</b>      |            |                                       |                              |
| Share granted in 2013            | 2013.01.01 | 9,823                                 | Satisfied                    |
| Share granted in 2014            | 2014.01.01 | 28,149                                | 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, 2014, are as follows:

|  | 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 4                               | 0.00~1.53                        | 2.07               | -   | 35,315~36,425                                 |
| Series 4-1                             | 0.00~1.53                        | 2.07               | -   | 35,315~36,425                                 |
| Series 4-2                             | 0.00~1.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 8                               | 0.00~2.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 9                               | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 9-1                             | 0.00~3.00                        | 2.07               | 39,437                                    | 36,389~38,111                                 |
| Series 9-2                             | 1.00~4.00                        | 2.07               | 33,363                                    | 35,653~36,835                                 |
| Series 9-3                             | 0.00~3.00                        | 2.07               | 39,223                                    | 36,389~38,111                                 |
| Series 9-4                             | 0.00~3.00                        | 2.07               | 37,036                                    | 36,389~38,111                                 |
| Series 10                              | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 10-1                            | 1.00~4.00                        | 2.07               | 32,645                                    | 35,653~36,835                                 |
| Series 10-2                            | 1.00~4.00                        | 2.07               | 33,110                                    | 35,653~36,835                                 |
| Series 11                              | 1.53~4.53                        | 2.08               | 35,335                                    | 36,639~36,858                                 |

|   | Expected exercise period (Years) | Risk free rate (%) | Fair value (Market performance condition) | Fair value (Non-market performance condition) |
|---|----------------------------------|--------------------|---|---|
| Deferred grant in 2010                  | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2011                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2012                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Deferred grant in 2013                  | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| <b>(Kookmin Bank)</b>                   |                                  |                    |   |   |
| Series 41-1                             | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 41-2                             | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 43                               | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 44                               | 0.00~2.00                        | 2.07               | -   | 36,389~40,662                                 |
| Series 45                               | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 46                               | 0.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| Series 48                               | 0.56~4.00                        | 2.07               | 35,029                                    | 36,389~36,835                                 |
| Series 48-1                             | 0.00~3.00                        | 2.07               | 36,734                                    | 36,389~38,111                                 |
| Series 48-2                             | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 49                               | 0.56~4.00                        | 2.07               | 34,972                                    | 36,389~36,835                                 |
| Series 49-1                             | 0.65~4.00                        | 2.07               | 34,906                                    | 36,389~36,835                                 |
| Series 49-2                             | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 50                               | 0.56~4.00                        | 2.07               | 34,972                                    | 36,389~36,835                                 |
| Series 50-1                             | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 51                               | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 52                               | 0.58~4.00                        | 2.07               | 34,977                                    | 36,389~36,835                                 |
| Series 53                               | 0.00~2.68                        | 2.07               | 38,284                                    | 36,317~40,991                                 |
| Series 54                               | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 55                               | 2.01~5.01                        | 2.08               | -   | 36,551~37,053                                 |
| Series 56                               | 0.00~3.00                        | 2.07               | 32,595                                    | 36,389~36,835                                 |
| Series 56-1                             | 0.00~3.00                        | 2.07               | 36,854                                    | 36,389~38,111                                 |
| Series 57                               | 1.00~4.00                        | 2.07               | 32,645                                    | 36,389~36,835                                 |
| Series 57-1                             | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Series 58                               | 1.00~4.00                        | 2.07               | 32,645                                    | 36,389~36,835                                 |
| Series 59                               | 0.00~3.00                        | 2.07               | 38,617                                    | 36,389~38,111                                 |
| Grant deferred in 2012                  | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Grant deferred in 2013                  | 0.00~2.00                        | 2.07               | -   | 36,205~38,111                                 |
| <b>(Other subsidiaries)</b>             |                                  |                    |   |   |
| Share granted in 2012                   | 0.00~0.54                        | 2.07               | 0~21,928                                  | 35,968~38,617                                 |
| Share granted in 2013                   | 0.00~1.75                        | 2.07~2.08          | 0~33,505                                  | 35,115~40,662                                 |
| Share granted in 2014                   | 1.00~2.67                        | 2.07~2.10          | 30,801~33,312                             | 34,676~36,835                                 |
| <b>Linked to short-term performance</b> |                                  |                    |   |   |
| <b>(KB Financial Group Inc.)</b>        |                                  |                    |   |   |
| Share granted in 2012                   | 0.00~1.00                        | 2.07               | -   | 36,389~40,662                                 |
| Share granted in 2013                   | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Share granted in 2014                   | 1.00~3.00                        | 2.07               | -   | 36,389~36,684                                 |
| <b>(Kookmin Bank)</b>                   |                                  |                    |   |   |
| Share granted in 2012                   | 0.00~1.00                        | 2.07               | -   | 36,389~38,111                                 |
| Share granted in 2013                   | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Share granted in 2014                   | 1.00~3.00                        | 2.07               | -   | 36,389~38,111                                 |
| <b>(Other subsidiaries)</b>             |                                  |                    |   |   |
| Share granted in 2013                   | 0.00~2.00                        | 2.07               | -   | 36,389~38,111                                 |
| Share granted in 2014                   | 2.00~4.00                        | 2.07               | -   | 36,498~36,835                                 |

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, 2014, 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, 2014 and 2013, the accrued expenses related to share-based payments including share options and share grants amounted to ₩ 48,734 million and ₩ 48,423 million, respectively, and the compensation costs from share options and share grants amounting to ₩ 11,422 million and ₩ 17,289 million were incurred during the years ended December 31, 2014 and 2013, respectively. There is no intrinsic value of the vested share options as of December 31, 2014 and 2013.

## 32. Other Non-operating Income and Expenses

The details of other non-operating income and expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |          | 2013 |          |
|--|------|----------|------|----------|
| <b>Other non-operating income</b>              |      |          |      |          |
| Gains of disposal in property and equipment    | ₩    | 491      | ₩    | 819      |
| Rent received                                  |      | 10,035   |      | 8,615    |
| Others   |      | 62,041   |      | 101,848  |
|  |      | 72,567   |      | 111,282  |
| <b>Other non-operating expenses</b>            |      |          |      |          |
| Losses of disposal in property and equipment   |      | 1,297    |      | 928      |
| Donation                                       |      | 52,330   |      | 59,760   |
| Restoration cost                               |      | 2,242    |      | 909      |
| Others   |      | 87,824   |      | 61,994   |
|  |      | 143,693  |      | 123,591  |
| <b>Net other non-operating income(expense)</b> | ₩    | (71,126) | ₩    | (12,309) |

## 33. Income Tax Expenses

Income tax expense for the years ended December 31, 2014 and 2013, consist of:

(In millions of Korean won)

|   | 2014 |          | 2013 |          |
|---|------|----------|------|----------|
| <b>Tax payable</b>  |      |          |      |          |
| Current tax expense   | ₩    | 512,536  | ₩    | 569,449  |
| Adjustments recognized in the period for current tax of prior years |      | (11,721) |      | 75,938   |
| <b>Changes in deferred income tax assets (liabilities)</b>          |      | 31,255   |      | (89,477) |
| <b>Income tax recognized directly in equity</b>                     |      |          |      |          |
| Remeasurements of net defined benefit liabilities                   |      | 31,386   |      | (13,085) |
| Change in value of available-for-sale financial assets              |      | (79,473) |      | 7,942    |
| Change in value of held-to-maturity financial assets                |      | 198      |      | (1,787)  |
| Share of other comprehensive income of associates                   |      | (6)      |      | 9        |
| Cash flow hedges  |      | 2,619    |      | (618)    |
| <b>Others</b>   |      | (480)    |      | (7,778)  |
| <b>Tax expense</b>  | ₩    | 486,314  | ₩    | 540,593  |

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2014 and 2013, follows:

(In millions of Korean won)

|  | 2014 |           | 2013 |           |
|--|------|-----------|------|-----------|
| <b>Net profit before income tax</b>  | ₩    | 1,901,425 | ₩    | 1,815,291 |
| Tax at the applicable tax rate <sup>1</sup>                                |      | 459,683   |      | 438,838   |
| Non-taxable income   |      | (11,171)  |      | (17,716)  |
| Non-deductible expense   |      | 14,916    |      | 33,489    |
| Tax credit and tax exemption   |      | (1,192)   |      | (1,417)   |
| Temporary difference for which no deferred tax is recognized               |      | 24,682    |      | 47,138    |
| Deferred tax relating to changes in recognition and measurement            |      | (1,593)   |      | 2,828     |
| Income tax refund for tax of prior years                                   |      | (6,654)   |      | 30,329    |
| Income tax expense of overseas branch                                      |      | 6,202     |      | 4,796     |
| Effects from change in tax rate  |      | 1,642     |      | (871)     |
| Others   |      | (201)     |      | 3,179     |
| <b>Tax expense</b>   | ₩    | 486,314   | ₩    | 540,593   |
| Average effective tax rate<br>(Income tax expense / Profit before tax) (%) |      | 25.58     |      | 29.78     |

<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, 2014 and 2013.

The details of current tax assets (income tax refund receivables) and current tax liabilities (income tax payables), as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014   |             |   |
|--|--|-------------|---|
|  | Tax payables (receivables) before offsetting | Offsetting  | Tax payables (receivables) after offsetting |
| Income tax refund receivables <sup>1</sup> | ₩ (693,018)                                  | ₩ 693,018   | ₩ -   |
| Income tax payables                        | ₩ 924,925                                    | ₩ (693,018) | ₩ 231,907                                   |

(In millions of Korean won)

|  | 2013   |            |   |
|--|--|------------|---|
|  | Tax payables (receivables) before offsetting | Offsetting | Tax payables (receivables) after offsetting |
| Income tax refund receivables <sup>1,2</sup> | ₩ (99,524)                                   | ₩ 82,057   | ₩ (17,467)                                  |
| Income tax payables                          | ₩ 293,320                                    | ₩ (82,057) | ₩ 211,263                                   |

<sup>1</sup> Excludes current tax assets of ₩ 306,313 million (2013: ₩ 329,443 million) by uncertain tax position, which do not qualify for offsetting.

<sup>2</sup> Prepaid income tax expenses amounting to ₩ 17,467 million for KB Life Insurance Co.,Ltd, which separately paid tax in 2013, were reclassified from other assets into current income tax assets.

### 34. Dividends

The dividends paid to the shareholders of the Parent Company in 2014 and 2013 were ₩ 193,176 million (₩ 500 per share) and ₩ 231,811 million (₩ 600 per share), respectively. The dividends to the shareholders of the Parent Company in respect of the year ended December 31, 2014, of ₩ 780 per share, amounting to total dividends of ₩ 301,354 million, is to be proposed at the annual general shareholders' meeting on March 27, 2015. The Group's consolidated financial statements as of December 31, 2014, do not reflect this dividend payable.

### 35. Accumulated Other Comprehensive Income

The details of accumulated other comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014       |                                     |                                    |            |             |
|--|------------|-------------------------------------|------------------------------------|------------|-------------|
|  | Beginning  | Changes except for reclassification | Reclassification to profit or loss | Tax effect | Ending      |
| Remeasurements of net defined benefit liabilities      | ₩ (12,523) | ₩ (129,677)                         | ₩ -                                | ₩ 31,386   | ₩ (110,814) |
| Exchange differences on translating foreign operations | (29,433)   | 17,280                              | -                                  | -          | (12,153)    |
| Change in value of available-for-sale financial assets | 430,976    | 403,828                             | (74,431)                           | (79,473)   | 680,900     |
| Change in value of held-to-maturity financial assets   | 4,904      | (1,276)                             | (3)                                | 198        | 3,823       |
| Shares of other comprehensive income of associates     | (57,097)   | (32,448)                            | 248                                | (6)        | (89,303)    |
| Cash flow hedges                                       | (515)      | (7,452)                             | (5,426)                            | 2,619      | (10,774)    |
|  | ₩ 336,312  | ₩ 250,255                           | ₩ (79,612)                         | ₩ (45,276) | ₩ 461,679   |

(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  |

### 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, during the years ended December 31, 2014 and 2013.

Weighted average number of ordinary shares outstanding:

(In number of shares)

|  | 2014                 |                      |                                      |
|--|----------------------|----------------------|--------------------------------------|
|  | 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)

|  | 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                          |

Basic earnings per share:

(In Korean won and in number of shares)

|  | 2014                                       |             |
|--|--|-------------|
|  | Profit attributable to ordinary shares (C) | ₩           |
| Weighted average number of ordinary shares outstanding (D) |  | 386,351,693 |
| Basic earnings per share [(E) = (C)/(D)]                   | ₩  | 3,626       |

(In Korean won and in number of shares)

|  | 2013                                       |             |
|--|--|-------------|
|  | Profit attributable to ordinary shares (C) | ₩           |
| Weighted average number of ordinary shares outstanding (D) |  | 386,351,693 |
| Basic earnings per share [(E) = (C)/(D)]                   | ₩  | 3,291       |

### 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)   |  |
|--|---|-------------------|--|
|  |   | <b>2014</b>       |  |
| Profit attributable to ordinary shares         | ₩ | 1,400,722,065,239 |  |
| Adjustment                                     |   | -                 |  |
| Adjusted profit for diluted earnings per share | ₩ | 1,400,722,065,239 |  |
|  |   | (In Korean won)   |  |
|  |   | <b>2013</b>       |  |
| Profit attributable to ordinary shares         | ₩ | 1,271,502,597,550 |  |
| Adjustment                                     |   | -                 |  |
| Adjusted profit for diluted earnings per share | ₩ | 1,271,502,597,550 |  |

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

|  |  | (In number of shares) |             |
|--|--|-----------------------|-------------|
|  |  | <b>2014</b>           | <b>2013</b> |
| Weighted average number of ordinary shares outstanding   |  | 386,351,693           | 386,351,693 |
| Adjustment   |  |                       |             |
| Share grants   |  | 1,589,706             | 1,639,306   |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |  | 387,941,399           | 387,990,999 |

Diluted earnings per share:

|  |   | (In Korean won and in number of shares) |  |
|--|---|---|--|
|  |   | <b>2014</b>                             |  |
| Adjusted profit for diluted earnings per share   | ₩ | 1,400,722,065,239                       |  |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |   | 387,941,399                             |  |
| Diluted earnings per share   | ₩ | 3,611                                   |  |
|  |   | (In Korean won and in number of shares) |  |
|  |   | <b>2013</b>                             |  |
| Adjusted profit for diluted earnings per share   | ₩ | 1,271,502,597,550                       |  |
| Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share |   | 387,990,999                             |  |
| Diluted earnings per share   | ₩ | 3,277                                   |  |

### 37. Insurance Contracts

#### 37.1 Insurance liabilities

The details of insurance liabilities presented within other liabilities as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                          | <b>2014</b> |           | <b>2013</b> |           |            |
|--------------------------|-------------|-----------|-------------|-----------|------------|
| Individual insurance     |             |           |             |           |            |
| Pure Endowment insurance | ₩           | 4,334,823 | ₩           | 3,861,364 | <b>230</b> |
| Death insurance          |             | 112,858   |             | 85,123    | —          |
| Joint insurance          |             | 1,800,468 |             | 1,634,590 | <b>231</b> |
| Group insurance          |             | 1,417     |             | 1,339     |            |
| Other                    |             | 15,632    |             | 16,627    |            |
|                          | ₩           | 6,265,198 | ₩           | 5,599,043 |            |

The changes in insurance liabilities for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                      | <b>2014</b>                     |                        |                        |                        |                           |              |
|----------------------|---------------------------------|------------------------|------------------------|------------------------|---------------------------|--------------|
|                      | <b>Individual insurance</b>     |                        |                        |                        |                           |              |
|                      | <b>Pure Endowment insurance</b> | <b>Death insurance</b> | <b>Joint insurance</b> | <b>Group insurance</b> | <b>Others<sup>1</sup></b> | <b>Total</b> |
| Beginning            | ₩ 3,861,364                     | ₩ 85,123               | ₩ 1,634,590            | ₩ 1,339                | ₩ 16,627                  | ₩ 5,599,043  |
| Provision (Reversal) | 473,459                         | 27,735                 | 165,878                | 78                     | (995)                     | 666,155      |
| Ending               | ₩ 4,334,823                     | ₩ 112,858              | ₩ 1,800,468            | ₩ 1,417                | ₩ 15,632                  | ₩ 6,265,198  |

(In millions of Korean won)

|                      | <b>2013</b>                     |                        |                        |                        |                           |              |
|----------------------|---------------------------------|------------------------|------------------------|------------------------|---------------------------|--------------|
|                      | <b>Individual insurance</b>     |                        |                        |                        |                           |              |
|                      | <b>Pure Endowment insurance</b> | <b>Death insurance</b> | <b>Joint insurance</b> | <b>Group insurance</b> | <b>Others<sup>1</sup></b> | <b>Total</b> |
| Beginning            | ₩ 3,281,701                     | ₩ 63,821               | ₩ 1,470,755            | ₩ 1,285                | ₩ 19,604                  | ₩ 4,837,166  |
| Provision (Reversal) | 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  |

<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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                            | 2014      | 2013      |
|----------------------------|-----------|-----------|
| Reinsurance assets         | ₩ 4,482   | ₩ 5,245   |
| Deferred acquisition costs | 123,011   | 151,909   |
|                            | ₩ 127,493 | ₩ 157,154 |

The changes in reinsurance assets for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                     | 2014    | 2013    |
|---------------------|---------|---------|
| Beginning           | ₩ 5,245 | ₩ 3,751 |
| Increase (decrease) | (763)   | 1,494   |
| Ending              | ₩ 4,482 | ₩ 5,245 |

The changes in deferred acquisition costs for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|              | 2014      | 2013      |
|--------------|-----------|-----------|
| Beginning    | ₩ 151,909 | ₩ 151,925 |
| Increase     | 52,386    | 102,702   |
| Amortization | (81,284)  | (102,718) |
| Ending       | ₩ 123,011 | ₩ 151,909 |

### 37.3 Insurance premiums and reinsurance

The details of insurance premiums for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                           | 2014                     |                 |                 |                 |          |             |
|---------------------------|--------------------------|-----------------|-----------------|-----------------|----------|-------------|
|                           | Pure endowment insurance | Death insurance | Joint insurance | Group insurance | Others   | Total       |
| Insurance premiums earned | ₩ 756,697                | ₩ 55,035        | ₩ 350,076       | ₩ 5,271         | ₩ 37,481 | ₩ 1,204,560 |
| Reinsurance premiums paid | (502)                    | (2,674)         | (306)           | (2,366)         | (7,072)  | (12,920)    |
| Net premiums earned       | ₩ 756,195                | ₩ 52,361        | ₩ 349,770       | ₩ 2,905         | ₩ 30,409 | ₩ 1,191,640 |

(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 |

The details of reinsurance transactions for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|            | 2014                     |                    |                        |          |
|------------|--------------------------|--------------------|------------------------|----------|
|            | Reinsurance expense      |                    | Reinsurance revenue    |          |
|            | Reinsurance premium paid | Reinsurance claims | Reinsurance commission | Total    |
| Individual | ₩ 3,482                  | ₩ 2,461            | ₩ 555                  | ₩ 3,016  |
| Group      | 2,366                    | 2,652              | 47                     | 2,699    |
| Others     | 7,072                    | 4,756              | -                      | 4,756    |
|            | ₩ 12,920                 | ₩ 9,869            | ₩ 602                  | ₩ 10,471 |

(In millions of Korean won)

|            | 2013                     |                    |                        |          |
|------------|--------------------------|--------------------|------------------------|----------|
|            | Reinsurance expense      |                    | Reinsurance revenue    |          |
|            | Reinsurance premium paid | Reinsurance claims | Reinsurance commission | Total    |
| 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 |

Insurance expenses for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                       | 2014                     |                 |                 |                 |         |             |
|-----------------------|--------------------------|-----------------|-----------------|-----------------|---------|-------------|
|                       | Pure endowment insurance | Death insurance | Joint insurance | Group insurance | Others  | Total       |
| Insurance expense     | ₩ 6,078                  | ₩ 3,006         | ₩ 10,837        | ₩ 5,006         | ₩ 4,757 | ₩ 29,684    |
| Dividend expense      | 417                      | 21              | -               | -               | -       | 438         |
| Refund expense        | 346,740                  | 7,588           | 201,029         | 238             | -       | 555,595     |
| Provision (Reversal)  | 473,459                  | 27,735          | 165,878         | 78              | (995)   | 666,155     |
|                       | 826,694                  | 38,350          | 377,744         | 5,322           | 3,762   | 1,251,872   |
| Reinsurance claims    | (202)                    | (2,205)         | (55)            | (2,651)         | (4,756) | (9,869)     |
| Net insurance expense | ₩ 826,492                | ₩ 36,145        | ₩ 377,689       | ₩ 2,671         | ₩ (994) | ₩ 1,242,003 |

(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 |

### 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:

- 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.
- 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 one year preceding the reporting date.

The maximum exposure of premium risk as of December 31, 2014 and 2013, follows:

(In millions of Korean won)

|                                   | 2014                          |                              |
|-----------------------------------|-------------------------------|------------------------------|
|                                   | Before reinsurance mitigation | After reinsurance mitigation |
| Mortality                         | ₩ 10,736                      | ₩ 6,321                      |
| Disability                        | 950                           | 545                          |
| Hospitalization                   | 767                           | 490                          |
| Operation and diagnosis           | 1,516                         | 998                          |
| Actual losses for medical expense | 279                           | 89                           |
| Others                            | 232                           | 189                          |
|                                   | ₩ 14,480                      | ₩ 8,632                      |

(In millions of Korean won)

|                                   | 2013                          |                              |
|-----------------------------------|-------------------------------|------------------------------|
|                                   | Before reinsurance mitigation | After reinsurance mitigation |
| Mortality                         | ₩ 10,969                      | ₩ 5,430                      |
| Disability                        | 660                           | 370                          |
| Hospitalization                   | 861                           | 600                          |
| Operation and diagnosis           | 1,731                         | 1,164                        |
| Actual losses for medical expense | 243                           | 132                          |
| Others                            | 89                            | 21                           |
|                                   | ₩ 14,553                      | ₩ 7,717                      |

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, 2014 and 2013, were 70% and 69%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                    | 2014                  |                   | 2013                  |                   |
|--------------------|-----------------------|-------------------|-----------------------|-------------------|
|                    | Policyholders reserve | Guarantee reserve | Policyholders reserve | Guarantee reserve |
| Variable annuity   | ₩ 535,749             | ₩ 5,153           | ₩ 540,797             | ₩ 4,058           |
| Variable universal | 110,766               | 458               | 132,413               | 135               |
| Others             | 26,573                | 118               | 1,443                 | -                 |
|                    | ₩ 673,088             | ₩ 5,729           | ₩ 674,653             | ₩ 4,193           |

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                           | 2014              |           |             |             |             |                  |             |
|---------------------------|-------------------|-----------|-------------|-------------|-------------|------------------|-------------|
|                           | Less than 3 years | 3-5 years | 5-10 years  | 10-15 years | 15-20 years | 20 years or more | Total       |
| Premium reserves          | ₩ 381,413         | ₩ 548,410 | ₩ 1,385,847 | ₩ 352,039   | ₩ 440,581   | ₩ 3,076,824      | ₩ 6,185,114 |
| Unearned premium reserves | 690               | 1         | 2           | 1           | 1           | 3                | 698         |

(In millions of Korean won)

|                           | 2013              |           |             |             |             |                  |             |
|---------------------------|-------------------|-----------|-------------|-------------|-------------|------------------|-------------|
|                           | Less than 3 years | 3-5 years | 5-10 years  | 10-15 years | 15-20 years | 20 years or more | Total       |
| 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         |

### 38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                | 2014         |                    | 2013         |                    |
|----------------|--------------|--------------------|--------------|--------------------|
|                | Total assets | Operating revenues | Total assets | Operating revenues |
| Consolidated   | ₩ 3,614,835  | ₩ 150,598          | ₩ 3,462,823  | ₩ 138,479          |
| Unconsolidated | 28,062,557   | 1,230,286          | 22,541,883   | 1,073,136          |
|                | ₩ 31,677,392 | ₩ 1,380,884        | ₩ 26,004,706 | ₩ 1,211,615        |

<sup>1</sup> Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, *Trust Accounts*, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant transactions between the Group and the trust accounts for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| <b>Revenues</b>                                      |             |             |
| Fees and commissions from trust accounts             | ₩ 230,839   | ₩ 160,521   |
| Interest income from loans on trust accounts         | 8,798       | 10,999      |
| Commissions from early termination in trust accounts | 129         | 69          |
|  | 239,766     | 171,589     |
| <b>Expenses</b>                                      |             |             |
| Interest expenses due to trust accounts              | 52,664      | 62,543      |
| <b>Receivables</b>                                   |             |             |
| Accrued trust fees                                   | 43,493      | 42,795      |
| Due from trust accounts                              | 92,678      | 165,709     |
|  | 136,171     | 208,504     |
| <b>Payables</b>                                      |             |             |
| Due to trust accounts                                | 2,548,578   | 2,423,675   |
| Accrued interest on due to trust accounts            | 5,790       | 4,576       |
|  | ₩ 2,554,368 | ₩ 2,428,251 |

### 39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| Cash   | ₩ 2,019,965 | ₩ 1,963,977 |
| Checks with other banks  | 525,452     | 734,574     |
| Due from Bank of Korea   | 6,508,623   | 7,128,025   |
| Due from other financial institutions                                      | 6,369,807   | 4,966,078   |
|  | 15,423,847  | 14,792,654  |
| Restricted due from financial institutions                                 | (7,132,094) | (7,665,903) |
| Due from financial institutions with original maturities over three-months | (1,272,957) | (957,565)   |
|  | (8,405,051) | (8,623,468) |
|  | ₩ 7,018,796 | ₩ 6,169,186 |

Significant non-cash transactions for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014        | 2013        |
|--|-------------|-------------|
| Decrease in loans due to the write-offs  | ₩ 2,091,040 | ₩ 2,132,066 |
| Changes in accumulated other comprehensive income due to valuation of financial investments                          | 248,880     | (3,591)     |
| Increase in investment in associates due to debt-for-equity swap with Ssangyong Engineering & Construction Co., Ltd. | -           | 28,779      |
| Increase in financial investments due to debt-for-equity swap with Hyundai Cement Wire Co., Ltd.                     | 25,178      | -           |
| Increase 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           | (32,206)    | (9,811)     |

Cash inflow and outflow from income tax, interests and dividends for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                         | Activity  | 2014       | 2013       |
|-------------------------|-----------|------------|------------|
| Income tax paid(refund) | Operating | ₩ 205,130  | ₩ 504,900  |
| Interest received       | Operating | 12,250,845 | 12,749,214 |
| Interest paid           | Operating | 5,342,297  | 6,407,081  |
| Dividends received      | Operating | 124,021    | 98,579     |
| Dividends paid          | Financing | 193,176    | 231,811    |

#### 40. Contingent Liabilities and Commitments

Acceptances and guarantees as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014      | 2013      |
|--|-----------|-----------|
| <b>Confirmed acceptances and guarantees</b>              |           |           |
| Confirmed acceptances and guarantees in Korean won       |           |           |
| Acceptances and guarantees for corporate purchasing card | ₩ -       | ₩ 17      |
| Acceptances and guarantees for KB purchasing loan        | 428,815   | 448,906   |
| Other acceptances and guarantees                         | 669,233   | 782,646   |
|  | 1,098,048 | 1,231,569 |
| Confirmed acceptances and guarantees in foreign currency |           |           |
| Acceptances of letter of credit                          | 327,963   | 281,049   |
| Letter of guarantees                                     | 61,081    | 57,596    |
| Bid bond   | 43,362    | 24,212    |
| Performance bond   | 1,175,330 | 999,872   |
| Refund guarantees  | 1,494,023 | 2,263,202 |
| Other acceptances and guarantees                         | 959,685   | 906,105   |
|  | 4,061,444 | 4,532,036 |

(In millions of Korean won)

|  | 2014        | 2013         |
|--|-------------|--------------|
| Financial guarantees                                     |             |              |
| Guarantees for Debenture-Issuing                         | 51,200      | 20,200       |
| Acceptances and guarantees for mortgage                  | 75,651      | 43,272       |
| Overseas debt guarantees                                 | 392,021     | 319,080      |
| International financing guarantees in foreign currencies | 35,949      | 41,896       |
| Other financial guarantees                               | 21,846      | -            |
|  | 576,667     | 424,448      |
|  | 5,736,159   | 6,188,053    |
| <b>Unconfirmed acceptances and guarantees</b>            |             |              |
| Guarantees of letter of credit                           | 2,825,919   | 3,265,906    |
| Refund guarantees  | 1,060,413   | 775,181      |
|  | 3,886,332   | 4,041,087    |
|  | ₩ 9,622,491 | ₩ 10,229,140 |

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Acceptances and guarantees by counter party as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                   | 2014                 |                        |             |                |
|-------------------|----------------------|------------------------|-------------|----------------|
|                   | Confirmed guarantees | Unconfirmed guarantees | Total       | Proportion (%) |
| Corporations      | ₩ 4,699,777          | ₩ 2,936,635            | ₩ 7,636,412 | ₩ 79.36        |
| Small companies   | 857,004              | 562,655                | 1,419,659   | 14.75          |
| Public and others | 179,378              | 387,042                | 566,420     | 5.89           |
|                   | ₩ 5,736,159          | ₩ 3,886,332            | ₩ 9,622,491 | ₩ 100.00       |

(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       |

Acceptances and guarantees by industry as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                        | 2014                 |           |                        |           |       |                |   |        |
|------------------------|----------------------|-----------|------------------------|-----------|-------|----------------|---|--------|
|                        | Confirmed guarantees |           | Unconfirmed guarantees |           | Total | Proportion (%) |   |        |
| Financial institutions | ₩                    | 229,086   | ₩                      | 3,573     | ₩     | 232,659        | ₩ | 2.42   |
| Manufacturing          |                      | 3,179,368 |                        | 2,410,472 |       | 5,589,840      |   | 58.09  |
| Service                |                      | 583,302   |                        | 114,645   |       | 697,947        |   | 7.25   |
| Whole sale & Retail    |                      | 932,283   |                        | 788,804   |       | 1,721,087      |   | 17.89  |
| Construction           |                      | 709,582   |                        | 215,382   |       | 924,964        |   | 9.61   |
| Public sector          |                      | 72,964    |                        | 336,484   |       | 409,448        |   | 4.26   |
| Others                 |                      | 29,574    |                        | 16,972    |       | 46,546         |   | 0.48   |
|                        | ₩                    | 5,736,159 | ₩                      | 3,886,332 | ₩     | 9,622,491      | ₩ | 100.00 |

(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 |

Commitments as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

| Commitments                           | 2014                       |             | 2013       |            |
|---------------------------------------|----------------------------|-------------|------------|------------|
|                                       | Corporate loan commitments | ₩           | 42,977,471 | ₩          |
| Retail loan commitments               |                            | 13,886,999  |            | 13,976,426 |
| Credit line on credit cards           |                            | 37,584,381  |            | 37,112,333 |
| Private placement commitments         |                            | 121,300     |            | 80,000     |
| Purchase of other security investment |                            | 1,746,430   |            | 1,806,908  |
|                                       |                            | 96,316,581  |            | 95,422,032 |
| <b>Financial Guarantees</b>           |                            |             |            |            |
| Credit line                           |                            | 3,809,478   |            | 2,572,424  |
| Purchase of security investment       |                            | 73,500      |            | 100,500    |
|                                       |                            | 3,882,978   |            | 2,672,924  |
|                                       | ₩                          | 100,199,559 | ₩          | 98,094,956 |

Other Matters (including litigation)

a) The Group has filed 122 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 834,440 million, and faces 374 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 523,099 million, which arose in the normal course of the business and are still pending as of December 31, 2014.

Meanwhile, certain customers of Kookmin Bank have filed lawsuits against Kookmin Bank in connection with fees paid for the registration of fixed collateral. The first and second trials are in progress as of December 31, 2014. The Court ruled in favor and partially in favor of Kookmin Bank in the first trial and ruled in favor of Kookmin Bank in the second and third trials. 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 which Kookmin Bank sold to general customers through tellers amounts to ₩ 26,487 million and ₩ 57,159 million as of December 31, 2014 and 2013, 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. The case was closed with a favorable final judgment by the Supreme Court in January 2015.

e) For 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), until the year ended December 31, 2014, paid ₩123,330 million, excluding local income tax, and recognized local income taxes amounting to ₩ 1,027 million as non-trade payables. Meanwhile, the Group has appealed to the tax tribunal over the ₩ 114,283 million in fines as of December 31, 2014.

f) While setting up a fraud detection system, a computer contractor employed by the personal credit ratings firm Korea Credit Bureau caused a widespread data breach in June 2013, resulting in the theft of cardholders' personal information. As a result of the leakage of customer personal information, the KB Kookmin Card received a notification from the Financial Services Commission that the KB Kookmin Card is subject to a temporary three-month operating suspension. In respect of the incident, the Group faces 101 legal claims filed as the defendant, with an aggregate claim of ₩ 52,421 million as of December 31, 2014. In addition, the Group may be subject to additional fines, penalties or judgments, reimbursement to affected clients. Meanwhile, the final outcome of the cases cannot be reasonably ascertained.

g) In relation to a tax credit for research and human resource development expenses, Kookmin Bank filed an administrative litigation (the aggregate amount in 2007 and 2008) and received a refund in the amount of ₩ 16,371 million from National Tax Service based on a recent Supreme Court precedent. However, the appeal to the tax tribunal (the aggregate amount in 2009 is ₩ 13,827 million) is currently pending as of December 31, 2014.

h) The Group entered into a purchase agreement to acquire 11,682,580 common shares of LIG Insurance Co., Ltd. (19.47% of outstanding shares with an expected price of ₩ 685,000 million) in June 2014. The Financial Services Commission approved LIG Insurance Co., Ltd. to be included as a subsidiary of the Group in December 2014.



## 41. Subsidiaries

The details of subsidiaries as of December 31, 2014, 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 Capital Co., Ltd.  | 52.02                  | Korea            | Dec. 31                       | Financial Leasing                                  |
|   | KB Savings Bank Co., Ltd.   | 100.00                 | Korea            | Dec. 31                       | Savings banking                                    |
|   | KB Real Estate Trust Co., Ltd.  | 100.00                 | Korea            | Dec. 31                       | Real estate trust management                       |
|   | KB Investment Co., Ltd.   | 100.00                 | Korea            | Dec. 31                       | Capital Investment                                 |
|   | 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         |
| <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 trust and 10 others <sup>1</sup>                                       | -                      | Korea            | Dec. 31                       | Trust  |
|   | KAMCO Value Recreation 3rd Securitization Specialty Co., Ltd. and 6 others <sup>2</sup> | -                      | Korea and others | Dec. 31                       | Asset-backed securitization and others             |
|   | Heungkuk Multi Private Securities H-19 and 37 others                                    | 100.00                 | Korea            | Dec. 31                       | Private equity fund                                |
| <b>Kookmin Bank &amp; KB Investment Co., Ltd.</b> | KB12-1 Venture Investment   | 100.00                 | Korea            | Dec. 31                       | Capital investment                                 |
|   | KB Start-up Creation Fund   | 62.50                  | Korea            | Dec. 31                       | Capital investment                                 |
| <b>KB Investment &amp; Securities</b>             | Ashley Investment First Co., Ltd. <sup>2</sup>  | -                      | Korea            | Dec. 31                       | Asset-backed securitization and others             |
|   | Growth Investment First Co., Ltd. <sup>2</sup>  | -                      | Korea            | Dec. 31                       | Asset-backed securitization and others             |
| <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>3</sup>                           | 47.97                  | Korea            | Dec. 31                       | Capital investment                                 |
|   | Boyoung construction <sup>4</sup>   | -                      | Korea            | Dec. 31                       | Construction                                       |

| Investor  | Investee  | Ownership interests(%) | Location | Date of financial information | Industry                    |
|---|---|------------------------|----------|-------------------------------|-----------------------------|
| <b>KB Investment Co., Ltd.</b>                    | 09-5 KB Venture Fund <sup>5</sup>   | 33.33                  | Korea    | Dec. 31                       | Capital investment          |
|   | KoFC-KB Pioneer Champ No.2010-8 Investment Partnership  | 50.00                  | Korea    | Dec. 31                       | Capital investment          |
|   | 2011 KIF-KB IT Venture Fund <sup>5</sup>  | 43.33                  | Korea    | Dec. 31                       | Capital investment          |
|   | KoFC-KB Young Pioneer 1st Fund <sup>5</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 |
|   | KB Kookmin Card Second Securitization Co., Ltd. <sup>2</sup>  | 0.50                   | 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 |
|   | Wise Mobile eighth Securitization Specialty <sup>2</sup>  | -                      | Korea    | Dec. 31                       | Asset-backed securitization |
|   | Wise Mobile ninth Securitization Specialty <sup>2</sup>   | -                      | Korea    | Dec. 31                       | Asset-backed securitization |
|   | Wise Mobile tenth Securitization Specialty <sup>2</sup>   | -                      | Korea    | Dec. 31                       | Asset-backed securitization |
| <b>Kookmin Bank &amp; KB Investment Co., Ltd.</b> | KB Haeoreum Private Securities Investment Trust 1st and 7 others  | 100.00                 | Korea    | Dec. 31                       | Private equity fund         |
|   | <b>Kookmin Bank, KB Life Insurance Co., Ltd., KB Investment &amp; Securities, 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>3</sup>  | 39.47                  | Korea    | Dec. 31                       | Capital investment          |
| <b>Kookmin Bank, KB Life Insurance Co., Ltd.</b>  | KB Hope Sharing BTL Private Special Asset <sup>3</sup>  | 40.00                  | Korea    | Dec. 31                       | Capital investment          |
| <b>Kookmin Bank</b>                               | KB Mezzanine Private Securities Fund 1st(Mixed) <sup>3</sup>  | 46.51                  | Korea    | Dec. 31                       | Capital investment          |

| Investor   | Investee   | Ownership interests(%) | Location | Date of financial information | Industry           |
|--|--|------------------------|----------|-------------------------------|--------------------|
| <b>Kookmin Bank, KB Life Insurance Co., Ltd.</b>         | KB Mezzanine Private Securities Fund 2nd(Mixed) <sup>3</sup>         | 40.74                  | Korea    | Dec. 31                       | Capital investment |
| <b>Kookmin Bank</b>                                      | K-star KTB ETF(Bond) <sup>3</sup>                                    | 47.63                  | Korea    | Dec. 31                       | Capital investment |
| <b>KB Wise Star Private Real Estate Feeder Fund 1st.</b> | KB Star Retail Private Master Real Estate 1 <sup>6</sup>             | 48.98                  | Korea    | Dec. 31                       | Capital investment |
| <b>KB Wise Star Private Real Estate Feeder Fund 1st.</b> | KB Star Office Private Real Estate Investment Trust 2nd <sup>6</sup> | 44.44                  | 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.

<sup>3</sup> Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by managing the fund; has significant percentage of ownership that is over 40%; is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect those performance through its power.

<sup>4</sup> Boyoung Construction is included in the consolidation scope, since KB Wellyan Private Equity Real Estate Fund No. 7 is included in the consolidation scope.

<sup>5</sup> Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by taking the role of an operating manager and it is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect those performance through its power.

<sup>6</sup> KB Star Retail Private Master Real Estate 1 and KB Star Office Private Real Estate Investment Trust 2nd are included in the consolidation scope, since KB Wise Star Private Real Estate Feeder Fund 1st is included in the consolidation scope.

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                       | Capital Investment                                 |
|                                | 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  |

| Investor  | Investee   | Ownership interests(%)                                      | Location | Date of financial information | Industry                               |
|---|--|---|----------|-------------------------------|--|
| <b>Kookmin Bank</b>   | 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>3</sup>                        | 47.97   | Korea    | Dec. 31                       | Capital investment                     |
| <b>KB Wellyan Private Equity Real Estate Fund No. 6, 7</b>  | Boyoung construction <sup>4</sup>  | -   | Korea    | Dec. 31                       | Construction                           |
| <b>KB Investment Co., Ltd.</b>  | NPS 07-5 KB Venture Fund <sup>5</sup>  | 20.00   | Korea    | Dec. 31                       | Capital investment                     |
|   | 09-5 KB Venture Fund <sup>5</sup>  | 33.33   | Korea    | Dec. 31                       | Capital investment                     |
|   | KoFC-KB Pioneer Champ No.2010-8 Investment Partnership                               | 50.00   | Korea    | Dec. 31                       | Capital investment                     |
|   | 2011 KIF-KB IT Venture Fund <sup>5</sup>   | 43.33   | Korea    | Dec. 31                       | Capital investment                     |
|   | KoFC-KB Young Pioneer 1st Fund <sup>5</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                                |
| 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 3rd(Mixed) and 5 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 1st <sup>3</sup>                             | 39.74   | Korea    | Dec. 31                       | Capital investment                     |
| <b>Kookmin Bank, KB life Insurance</b>  | KB Hope Sharing BTL Private Special Asset <sup>3</sup>                               | 40.00   | Korea    | Dec. 31                       | Capital investment                     |

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| Investor   | Investee   | Ownership interests(%) | Location | Date of financial information | Industry           |
|--|--|------------------------|----------|-------------------------------|--------------------|
| Kookmin Bank   | KB Mezzanine Private Securities Fund 1st(Mixed) <sup>3</sup> | 46.51                  | Korea    | Dec. 31                       | Capital investment |
|  | K Star KTB ETF(Bond) <sup>3</sup>                            | 48.20                  | Korea    | Dec. 31                       | Capital investment |
|  | Global Logistics Infra Private Fund 1 and 2 <sup>3</sup>     | 40.00                  | 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>6</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.

<sup>3</sup> Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by managing the fund; has significant percentage of ownership that is over 40%; is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect those performance through its power.

<sup>4</sup> Boyoung Construction is included in the consolidation scope, since KB Wellyan Private Equity Real Estate Fund No. 7 is included in the consolidation scope.

<sup>5</sup> Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by taking the role of an operating manager and it is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect those performance through its power.

<sup>6</sup> KB Star Retail Real Estate Feeder Fund 1st is included in the consolidation scope, since KB Wise Star Private Real Estate Feeder Fund 1st is included in the consolidation scope.

<sup>7</sup> Although the Group holds less than a majority of the investee's voting rights, the Group controls KB Private Real Estate Securities Fund1 (NPL) and Woori KA First Asset Securitization Specialty Co., Ltd. as it has power over relevant activities by taking the role of an operating manager; has significant percentage of ownership that is over 40%; is significantly exposed to variable returns which is affected by the performance of the investees; and has ability to affect those performance through its power.

In accordance with the Korean IFRS 1110, KB Private Real Estate Securities Fund1 (NPL) and Woori KA First Asset Securitization Specialty Co., Ltd. were included in the consolidation scope. However, KB Private Real Estate Securities Fund1 (NPL) and Woori KA First Asset Securitization Specialty Co., Ltd. have been excluded from the consolidation scope due to the loss of control from changes in terms of the contract as of December 31, 2013.

The condensed financial information of major subsidiaries as of December 31, 2014 and 2013, and for the years ended December 31, 2014 and 2013, is as follows:

(In millions of Korean won)

|   | 2014          |               |              |                            |   |  |  |
|---|---------------|---------------|--------------|----------------------------|---|--|--|
|   | Assets        | Liabilities   | Equity       | Operating income (revenue) | Profit attributable to Shareholders of the parent company | Total comprehensive income for the year attributable to Shareholders of the parent company |  |
| Kookmin Bank <sup>1</sup>                           | ₩ 275,453,664 | ₩ 253,513,191 | ₩ 21,940,473 | ₩ 16,283,978               | ₩ 1,029,041   | ₩ 1,152,233  |  |
| KB Kookmin Card Co., Ltd. <sup>1</sup>              | 15,886,769    | 12,406,314    | 3,480,455    | 2,864,957                  | 332,701   | 310,606  |  |
| KB Investment & Securities Co., Ltd. <sup>1,2</sup> | 4,131,568     | 3,554,828     | 576,740      | 578,345                    | 25,624  | 25,558   |  |
| KB Life Insurance Co., Ltd. <sup>1</sup>            | 7,680,184     | 7,096,459     | 583,725      | 1,453,057                  | 6,537   | 34,597   |  |
| KB Asset Management Co., Ltd. <sup>1</sup>          | 254,481       | 52,541        | 201,940      | 105,234                    | 49,560  | 50,368   |  |
| KB Capital Co., Ltd. <sup>2</sup>                   | 4,023,965     | 3,612,150     | 411,815      | 250,042                    | 29,990  | 26,859   |  |
| KB Savings Bank Co., Ltd.                           | 772,676       | 619,882       | 152,794      | 56,712                     | (15,079)  | (14,645)   |  |
| KB Real Estate Trust Co., Ltd.                      | 204,888       | 20,930        | 183,958      | 50,283                     | 14,818  | 14,913   |  |
| KB Investment Co., Ltd. <sup>1</sup>                | 225,353       | 90,569        | 134,784      | 33,371                     | 1,382   | 4,197  |  |
| KB Credit Information Co., Ltd.                     | 28,805        | 7,955         | 20,850       | 38,796                     | (1,605)   | (1,605)  |  |
| KB Data System Co., Ltd.                            | 31,397        | 16,874        | 14,523       | 59,129                     | 367   | (350)  |  |

(In millions of Korean won)

|   | 2013          |               |              |                            |   |  |  |
|---|---------------|---------------|--------------|----------------------------|---|--|--|
|   | Assets        | Liabilities   | Equity       | Operating income (revenue) | Profit attributable to Shareholders of the parent company | Total comprehensive income for the year attributable to Shareholders of the parent company |  |
| Kookmin Bank <sup>1</sup>                         | ₩ 265,588,385 | ₩ 244,641,628 | ₩ 20,946,757 | ₩ 17,461,406               | ₩ 830,628   | ₩ 894,093  |  |
| 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. <sup>2</sup> | 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)  |  |

<sup>1</sup> Financial information is based on its consolidated financial statements.

<sup>2</sup> The amount includes the fair value adjustments due to the merger.

#### 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 acceptances and guarantees obligation of ₩ 68,000 million to Ashley Investment First Co., Ltd. and Growth Investment First Co., Ltd., the Group's subsidiary, that had issued debentures.

The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and nine other subsidiaries. The unexecuted amount of the investment agreement is ₩ 478,741 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

KB Capital Co., Ltd., Ashley Investment First Co., Ltd., Growth Investment First Co., Ltd., KB Mezzanine Private Securities Fund 2nd, KB Star Office Private Real Estate Investment Trust No.2, KB Evergreen Private Securities 99(Bond) and 106 other private equity funds, KB Kookmin Card Second Securitization Co., Ltd. and Wise Mobile 8th ~12th Securitization were newly consolidated during the year ended December 31, 2014. KB Evergreen Private Securities 82(Bond) and 95 other private equity funds, Global Logistics Infra Private Fund 1st,2nd, KB Covered Bond 1st Trust, KH First Co., Ltd., KB Mortgage Loan First Securitization Specialty Co., Ltd., KB Covered Bond First Securitization Specialty Co., Ltd and KB07-5, KB06-1,KB08-1 Venture Partnership Fund have been excluded from consolidation due to their liquidation. Also, Yehansoul Savings Bank Co., Ltd. has been excluded from consolidation due to its merger with KB Savings Bank Co., Ltd.

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.

In accordance with the enactment of Korean IFRS 1110, the activities of KB-Glenwood Private Equity Fund, NPS KBIC Private Equity Fund No. 1 and KBIC Private Equity Fund No. 3 represent management and performance services and the terms of the contracts are the same as those in the ordinary service contracts between independent parties. These entities have been excluded from the consolidation scope since interests held are not material and therefore were considered as agents. In addition, Chungkang Co., Ltd. and Powernet Technologies Co., Ltd. have been excluded from the consolidation scope, since KB-Glenwood Private Equity Fund, the Parent Company, have been excluded from the consolidation scope.

For the year ended December 31, 2014, 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:

(In millions of Korean won)

|   | 2014        |
|---|-------------|
| <b>Non-controlling interests percentage (%)</b>         | 47.98%      |
| <b>Non-controlling interests</b>                        |             |
| Assets of subsidiaries                                  | ₩ 4,023,965 |
| Liabilities of subsidiaries                             | 3,612,150   |
| Equity of subsidiaries                                  | 411,815     |
| Non-controlling interests                               | 197,580     |
| <b>Profit attributable to non-controlling interests</b> |             |
| Operating profit of subsidiaries                        | 39,666      |
| Profit of subsidiaries                                  | 29,990      |
| Profit attributable to non-controlling interests        | 14,389      |
| <b>Cash flows of subsidiaries</b>                       |             |
| Cash flows from operating activities                    | 71,813      |
| Cash flows from investing activities                    | (6,742)     |
| Cash flows from financing activities                    | (33,312)    |
| Net increase in cash and cash equivalents               | ₩ 31,759    |

## 42. Unconsolidated Structured Entity

As of December 31, 2014, 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 Asset-backed 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<br>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                                   |   |

| Nature           | Purpose   | Activities  | Methods of Financing  |
|------------------|---|---|---|
| Trust            | Management of financial trusts;<br>- Development trust<br>- Mortgage trust<br>- Management trust<br>- Disposal trust<br>- Distribution and management trust<br>- Other trusts | Development, management, and disposal of trusted real estate assets | Distribution of trusted real estate assets and financing of trust company   |
|                  |   | Payment of trust fees and allocation of trust profits.              | Public auction of trusted real estate assets and financing of trust company |
| Investment funds | Investment in beneficiary certificates<br>Investment in PEF and partnerships  | Management of fund assets   | Sales of beneficiary certificate instruments                                |
|                  |   | Payment of fund fees and allocation of fund profits                 | Investment of managing partners and limited partners                        |

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As of December 31, 2014, 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    | ₩ 13,013,795                                       | ₩ 21,102,639   | ₩ 1,986,277  | ₩ 17,919,480                                | ₩ 6,484,363      | ₩ 60,506,554 |
| Carrying amount on financial statements             |  |  |  |   |                  |              |
| Assets  |  |  |  |   |                  |              |
| Loans   | 223,771  | 2,965,239  | -  | 1,609                                       | 252,195          | 3,442,814    |
| Financial investments                               | 716,462  | 93,505   | -  | 627,554                                     | 66,943           | 1,504,464    |
| Investment in associates                            | -  | -  | -  | 390,337                                     | -                | 390,337      |
| Other assets  | 47   | 27   | 92,678   | 8,324                                       | -                | 101,076      |
|   | ₩ 940,280  | ₩ 3,058,771  | ₩ 92,678   | ₩ 1,027,824                                 | ₩ 319,138        | ₩ 5,438,691  |
| Liabilities   |  |  |  |   |                  |              |
| Deposits  | ₩ 300,015  | ₩ 500,538  | ₩ -  | ₩ 6,067                                     | ₩ 32,986         | ₩ 839,606    |
| Other liabilities                                   | 12   | -  | -  | -   | -                | 12           |
|   | ₩ 300,027  | ₩ 500,538  | ₩ -  | ₩ 6,067                                     | ₩ 32,986         | ₩ 839,618    |
| Maximum exposure to loss <sup>1</sup>               | ₩ 5,338,975  | ₩ 5,403,409  | ₩ 206,911  | ₩ 3,203,351                                 | ₩ 590,257        | ₩ 14,742,903 |
| Methods of determining the maximum exposure to loss | Providing lines of credit and purchase commitments | Loan commitments / investment agreements / purchase commitments and acceptances and guarantees | Dividends by results trust: Total amount of trust exposure | Investments / loans and capital commitments | Loan commitments |              |

(In millions of Korean won)

|   | Dec. 31, 2013                                      |  |  |   |                  |              |
|---|--|--|--|---|------------------|--------------|
|   | 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 | Dividends by results trust: Total amount of trust exposure | 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

#### 43.1.1 The Group as finance lessee

The future minimum lease payments arising as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014     | 2013     |
|--|----------|----------|
| <b>Net carrying amount of finance lease assets</b> | ₩ 72,392 | ₩ 16,955 |
| <b>Minimum lease payment</b>                       |          |          |
| Within 1 year                                      | 18,765   | 1,927    |
| 1-5 years  | 5,472    | -        |
| Over 5 years                                       | 1,148    | -        |
|  | 25,385   | 1,927    |
| <b>Present value of minimum lease payment</b>      |          |          |
| Within 1 year                                      | 18,367   | 1,873    |
| 1-5 years  | 5,169    | -        |
| Over 5 years                                       | 996      | -        |
|  | 24,532   | 1,873    |

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#### 43.2.2 The Group as finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|               | 2014                   |  | 2013                   |  |
|---------------|------------------------|--|------------------------|--|
|               | Total lease investment | Present value of minimum lease payment | Total lease investment | Present value of minimum lease payment |
| Within 1 year | ₩ 348,579              | ₩ 294,643                              | ₩ -                    | ₩ -                                    |
| 1-5 years     | 577,998                | 525,590                                | -                      | -                                      |
|               | ₩ 926,577              | ₩ 820,233                              | ₩ -                    | ₩ -                                    |

Unearned interest income of finance lease as of December 31, 2014 and 2013, is as follows:

(In millions of Korean won)

|  | 2014      | 2013 |
|--|-----------|------|
| <b>Total lease investment</b>          | ₩ 926,577 | ₩ -  |
| <b>Net lease investment</b>            |           |      |
| Present value of minimum lease payment | 820,233   | -    |
| <b>Unearned interest income</b>        | ₩ 106,344 | ₩ -  |



## 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, 2014 and 2013, are as follows:

(In millions of Korean won)

|                                 | 2014 |         | 2013 |         |
|---------------------------------|------|---------|------|---------|
| <b>Minimum lease payment</b>    |      |         |      |         |
| Within 1 year                   | ₩    | 124,183 | ₩    | 121,446 |
| 1-5 years                       |      | 103,595 |      | 108,962 |
| Over 5 years                    |      | 34,439  |      | 67      |
|                                 | ₩    | 262,217 | ₩    | 230,475 |
| <b>Minimum sublease payment</b> | ₩    | (382)   | ₩    | (367)   |

The lease payment reflected in profit or loss for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 |         | 2013 |         |
|--|------|---------|------|---------|
| <b>Lease payment reflected in profit or loss</b> |      |         |      |         |
| Minimum lease payment                            | ₩    | 218,635 | ₩    | 204,164 |
| Sublease payment                                 |      | (156)   |      | (118)   |
|  | ₩    | 218,479 | ₩    | 204,046 |

### 43.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                               | 2014 |        | 2013 |        |
|-------------------------------|------|--------|------|--------|
| <b>Minimum lease receipts</b> |      |        |      |        |
| Within 1 year                 | ₩    | 27,613 | ₩    | 8,327  |
| 1-5 years                     |      | 52,621 |      | 22,280 |
|                               | ₩    | 80,234 | ₩    | 30,607 |

## 44. Related Party Transactions

Income and expenses arising from transactions with related parties for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|                               |                           | 2014 |       | 2013 |       |
|-------------------------------|---------------------------|------|-------|------|-------|
| <b>Associates</b>             |                           |      |       |      |       |
| Balhae Infrastructure Fund    | Fee and commission income | ₩    | 7,851 | ₩    | 7,908 |
| Korea Credit Bureau Co., Ltd. | Interest expense          |      | 66    |      | 139   |
|                               | Fee and commission income |      | 3     |      | 3     |

|   |  | 2014   |   | 2013   |        |
|---|--|--------|---|--------|--------|
| UAMCO., Ltd.  | Interest income  | -      | - | -      | 31     |
|   | Interest expense   | 12     | - | -      | -      |
|   | Fee and commission income  | 14     | - | -      | -      |
| Incheon Bridge Co., Ltd.                                | Other operating expense  | -      | - | -      | 7,626  |
|   | Interest income  | 13,226 | - | 13,226 | 14,592 |
|   | Interest expense   | 543    | - | 543    | 909    |
|   | Reversal for credit loss   | -      | - | -      | 2      |
| KB No.2 Special Purpose Acquisition Company             | Provision for credit loss  | 2      | - | 2      | -      |
|   | Interest income  | 27     | - | 27     | -      |
|   | Interest expense   | 1      | - | 1      | -      |
|   | Fee and commission income  | 518    | - | 518    | -      |
|   | Gains on financial assets/liabilities at fair value through profit or loss | 1,440  | - | 1,440  | -      |
| KB No.3 Special Purpose Acquisition Company             | Other non-operating income   | 20     | - | 20     | -      |
|   | Interest income  | 30     | - | 30     | -      |
|   | Interest expense   | 6      | - | 6      | -      |
|   | Fee and commission income  | 350    | - | 350    | -      |
|   | Gains on financial assets/liabilities at fair value through profit or loss | 1,462  | - | 1,462  | -      |
|   | Provision for credit loss  | 14     | - | 14     | -      |
| KB No.4 Special Purpose Acquisition Company             | Other non-operating income   | 10     | - | 10     | -      |
|   | Interest income  | 24     | - | 24     | -      |
|   | Interest expense   | 9      | - | 9      | -      |
|   | Fee and commission income  | 350    | - | 350    | -      |
|   | Gains on financial assets/liabilities at fair value through profit or loss | 1,751  | - | 1,751  | -      |
|   | Provision for credit loss  | 14     | - | 14     | -      |
|   | Other non-operating income   | 11     | - | 11     | -      |
| KB No.5 Special Purpose Acquisition Company             | Interest income  | 13     | - | 13     | -      |
|   | Interest expense   | 4      | - | 4      | -      |
|   | Fee and commission income  | 175    | - | 175    | -      |
|   | Gains on financial assets/liabilities at fair value through profit or loss | 1,780  | - | 1,780  | -      |
|   | Provision for credit loss  | 14     | - | 14     | -      |
| KB No.6 Special Purpose Acquisition Company             | Other non-operating income   | 5      | - | 5      | -      |
|   | Interest income  | 9      | - | 9      | -      |
|   | Interest expense   | 4      | - | 4      | -      |
|   | Fee and commission income  | 525    | - | 525    | -      |
|   | Gains on financial assets/liabilities at fair value through profit or loss | 1,556  | - | 1,556  | -      |
| United PF 1st Recovery Private Equity Fund <sup>1</sup> | Other non-operating income   | 39     | - | 39     | -      |
|   | Interest income  | -      | - | -      | 91     |
|   | Reversal for credit loss   | -      | - | -      | 83     |
| KBIC Private Equity Fund No. 3                          | Interest expense   | 38     | - | 38     | 91     |
|   | Fee and commission income  | 300    | - | 300    | 300    |
| NPS KBIC Private Equity Fund No. 1                      | Fee and commission income  | 236    | - | 236    | 474    |
|   | Provision for credit loss  | 133    | - | 133    | -      |

(In millions of Korean won)

|   |   | 2014  | 2013  |
|---|---|-------|-------|
| KoFC KBIC Frontier Champ 2010-5(PEF)                        | Fee and commission income   | 778   | 1,014 |
|   | Other operating expense   | 534   | -     |
| KoFC POSCO HANHWA KB Shared Growth Private Equity Fund      | Fee and commission income   | 634   | 569   |
|   | Other operating income  | 3     | -     |
| KB GwS Private Securities Investment Trust                  | Other operating expense   | 395   | -     |
|   | Fee and commission income   | 926   | 917   |
| KB Star Office Private Real Estate Investment Trust No.1    | Other operating income  | 2,006 | 1,934 |
|   | Interest income   | 562   | -     |
| Semiland Co., Ltd. <sup>1</sup>                             | Interest expense  | 50    | 75    |
|   | Fee and commission income   | 435   | 435   |
| Kores Co., Ltd. <sup>1</sup>                                | Interest income   | 8     | 14    |
|   | Reversal for credit loss  | 4     | -     |
| PyungJeon Industries Co.,LTD. <sup>1</sup>                  | Other non-operating expense   | 613   | -     |
|   | Interest income   | -     | 386   |
| Testian Co., Ltd. <sup>1</sup>                              | Reversal for credit loss  | -     | 36    |
|   | Reversal for credit loss  | -     | 1,055 |
| Sehwa Electronics Co., Ltd. <sup>1</sup>                    | Interest income   | -     | 10    |
|   | Fee and commission expense  | -     | 7     |
| Serit Platform Co., Ltd. <sup>1</sup>                       | Gains on financial assets/liabilities at fair value through profit or loss  | -     | 35    |
|   | Interest income   | -     | 58    |
| DS Plant Co., Ltd. <sup>1</sup>                             | Fee and commission income   | -     | 17    |
|   | Provision for credit loss   | -     | 74    |
| DaiYang Metal Co., Ltd. <sup>1</sup>                        | Interest income   | -     | 211   |
|   | Interest expense  | -     | 2     |
| Ssangyong Engineering & Construction Co., Ltd. <sup>1</sup> | Fee and commission income   | -     | 4     |
|   | Losses on financial assets/liabilities at fair value through profit or loss | -     | 26    |
| Sunoo Co., Ltd. <sup>1</sup>                                | Reversal for credit loss  | -     | 10    |
|   | Interest income   | -     | 3     |
| KB Global Star Game & Apps SPAC <sup>1</sup>                | Interest income   | -     | 2,007 |
|   | Reversal for credit loss  | -     | 7,550 |
| Other   | Interest expense  | -     | 1     |
|   | Interest income   | -     | 81    |
| Retirement pension  | Gains on financial assets/liabilities at fair value through profit or loss  | 1,215 | 1,210 |
|   | Losses on financial assets/liabilities at fair value through profit or loss | 691   | -     |
| Other   | Provision for credit loss   | -     | 4     |
|   | Other operating income  | -     | 7     |
| Retirement pension  | Fee and commission income   | 448   | 386   |
|   | Interest expense  | 788   | 1,971 |

The details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of December 31, 2014 and 2013, are as follows:

|   |  | (In millions of Korean won) |         |
|---|--|-----------------------------|---------|
|   |  | 2014                        | 2013    |
| <b>Associates</b>                           |  |                             |         |
| JSC Bank CenterCredit                       | Cash and due from financial institutions | ₩ 178                       | ₩ 353   |
| Balhae Infrastructure Fund                  | Other assets                             | 2,002                       | -       |
| Korea Credit Bureau Co., Ltd.               | Loans and receivables (Gross amount)     | 19                          | -       |
|   | Deposits                                 | 24,715                      | 20,200  |
| UAMCO., Ltd.                                | Other liabilities                        | 17                          | 64      |
|   | Loans and receivables (Gross amount)     | 2                           | -       |
| Semiland Co., Ltd. <sup>1</sup>             | Deposits                                 | 1,654                       | 5       |
|   | Provisions                               | -                           | 192     |
| Incheon Bridge Co., Ltd.                    | Loans and receivables (Gross amount)     | -                           | 19      |
|   | Deposits                                 | -                           | 1       |
| Terra Co., Ltd.                             | Provisions                               | -                           | 3       |
|   | Loans and receivables (Gross amount)     | 247,885                     | 249,362 |
| KB No.3 Special Purpose Acquisition Company | Allowances for loan losses               | 302                         | 300     |
|   | Other assets                             | 1,144                       | 1,343   |
| KB No.4 Special Purpose Acquisition Company | Deposits                                 | 35,421                      | 30,991  |
|   | Other liabilities                        | 249                         | 240     |
| KB No.5 Special Purpose Acquisition Company | Deposits                                 | 1                           | 1       |
|   | Derivative financial assets              | 1,793                       | -       |
| KB No.6 Special Purpose Acquisition Company | Loans and receivables (Gross amount)     | 1,465                       | -       |
|   | Deposits                                 | 832                         | -       |
| United PF 1st Recovery Private Equity Fund  | Other liabilities                        | 6                           | -       |
|   | Derivative financial assets              | 2,167                       | -       |
| KB-Glenwood Private Equity Fund             | Loans and receivables (Gross amount)     | 1,876                       | -       |
|   | Deposits                                 | 2,500                       | -       |
| KBIC Private Equity Fund No. 3              | Other liabilities                        | 1                           | -       |
|   | Derivative financial assets              | 2,143                       | -       |
| Other                                       | Loans and receivables (Gross amount)     | 1,816                       | -       |
|   | Deposits                                 | 2,389                       | -       |
| Other                                       | Other liabilities                        | 1                           | -       |
|   | Derivative financial assets              | 1,837                       | -       |
| Other                                       | Loans and receivables (Gross amount)     | 1,438                       | -       |
|   | Deposits                                 | 4,406                       | -       |
| Other                                       | Other liabilities                        | 3                           | -       |
|   | Provisions                               | -                           | 82      |
| Other                                       | Deposits                                 | -                           | 1       |
|   | Other assets                             | 151                         | 76      |
| Other                                       | Deposits                                 | 1,400                       | 1,400   |
|   | Other liabilities                        | 24                          | 25      |

<sup>1</sup> Not considered to be the Group's related party as at December 31, 2014.

(In millions of Korean won)

|   |                                      | 2014   | 2013   |
|---|--------------------------------------|--------|--------|
| NPS KBIC Private Equity Fund No. 1                          | Other assets                         | 9      | 65     |
|   | Other liabilities                    | -      | 42     |
| KoFC KBIC Frontier Champ 2010-5(PEF)                        | Other assets                         | 139    | 266    |
|   | Provisions                           | 534    | -      |
| KoFC POSCO HANHWA KB Shared Growth Private Equity Fund      | Other assets                         | 634    | 569    |
|   | Provisions                           | 128    | -      |
| KB GwS Private Securities Investment Trust                  | Other assets                         | 673    | -      |
| KB Star Office Private Real Estate Investment Trust No.1    | Loans and receivables (Gross amount) | 10,000 | -      |
|   | Other assets                         | 155    | -      |
|   | Deposits                             | 6,067  | 8,142  |
|   | Other liabilities                    | -      | 31     |
| Kores Co., Ltd. <sup>1</sup>                                | Loans and receivables (Gross amount) | -      | 7,854  |
|   | Allowances for loan losses           | -      | 3,836  |
|   | Other liabilities                    | -      | 2      |
|   | Provisions                           | -      | -      |
| Ssangyong Engineering & Construction Co., Ltd. <sup>1</sup> | Loans and receivables (Gross amount) | -      | 47,104 |
|   | Allowances for loan losses           | -      | 38,784 |
|   | Deposits                             | -      | 61     |
|   | Other liabilities                    | -      | 14     |
| <b>Key management</b>                                       | Loans and receivables (Gross amount) | 2,527  | 4,765  |
|   | Allowances for loan losses           | -      | 1      |
|   | Other assets                         | 3      | 6      |
|   | Deposits                             | 18,462 | 6,932  |
|   | Insurance contract liability         | 1,292  | 770    |
|   | Other liabilities                    | 173    | 111    |
|   | Provisions                           | -      | 2      |
| <b>Other</b>  | Retirement pension                   | 191    | 166    |
|   | Deposits                             | 41,412 | 48,840 |
|   | Other liabilities                    | 246    | 908    |

<sup>1</sup> Not considered to be the Group's related party as at December 31, 2014.

In accordance with Korean IFRS 1024, the Group includes parent, parent's subsidiaries, associates, associates of parent's subsidiaries, key management (including family members), and post-employment benefit plans of the Group and entities regarded as its related parties in the scope of its 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 executive directors (vice-presidents and above) of Kookmin Bank and companies where the directors and /or their close family members have control or joint control.

Significant loan transactions with related parties for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  | 2014 <sup>1</sup> |          |            |        |           |
|--|-------------------|----------|------------|--------|-----------|
|  | Beginning         | Loans    | Repayments | Others | Ending    |
| <b>Associates</b>  |                   |          |            |        |           |
| Incheon Bridge Co., Ltd.                                 | ₩ 249,362         | ₩ 12,375 | ₩ (13,852) | ₩ -    | ₩ 247,885 |
| KB Star Office Private Real Estate Investment Trust No.1 | -                 | 10,000   | -          | -      | 10,000    |
| KB No.2 Special Purpose Acquisition Company              | -                 | 1,085    | (1,085)    | -      | -         |
| KB No.3 Special Purpose Acquisition Company              | -                 | 1,780    | -          | (315)  | 1,465     |
| KB No.4 Special Purpose Acquisition Company              | -                 | 2,280    | -          | (404)  | 1,876     |
| KB No.5 Special Purpose Acquisition Company              | -                 | 2,180    | -          | (364)  | 1,816     |
| KB No.6 Special Purpose Acquisition Company              | -                 | 1,710    | -          | (272)  | 1,438     |
| Korea Credit Bureau Co., Ltd.                            | -                 | 19       | -          | -      | 19        |
| UAMCO., Ltd.   | -                 | 2        | -          | -      | 2         |

(In millions of Korean won)

|   | 2013 <sup>1</sup> |         |            |        |         |
|---|-------------------|---------|------------|--------|---------|
|   | Beginning         | Loans   | Repayments | Others | Ending  |
| <b>Associates</b>   |                   |         |            |        |         |
| United PF 1st Recovery Private Equity Fund                  | ₩ 2,805           | ₩ 1,913 | ₩ (4,718)  | ₩ -    | ₩ -     |
| UAMCO., Ltd.  | -                 | 47,181  | (47,181)   | (900)  | -       |
| Kores Co., Ltd. <sup>2</sup>                                | 7,854             | 900     | (22,495)   | -      | 7,854   |
| Incheon Bridge Co., Ltd.                                    | 263,080           | 8,777   | (36,014)   | -      | 249,362 |
| Ssangyong Engineering & Construction Co., Ltd. <sup>2</sup> | 46,275            | 36,843  | (67)       | -      | 47,104  |
| Semiland Co., Ltd. <sup>2</sup>                             | -                 | 86      | 2,180      | -      | 19      |

<sup>1</sup> Transactions and balances arising from operating activities between related parties, such as payments, are excluded.<sup>2</sup> Not considered to be the Group's related party as at December 31, 2014.

Unused commitments to related parties as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|  |                                 | 2014 |        | 2013 |         |
|--|---------------------------------|------|--------|------|---------|
| Balhae Infrastructure Fund                             | Purchase of security investment | ₩    | 21,744 | ₩    | 21,744  |
| UAMCO., Ltd.   | Loan commitments in Korean won  |      | -      |      | 127,800 |
|  | Purchase of security investment |      | 89,950 |      | 89,950  |
| United PF 1st Recovery Private Equity Fund             | Loan commitments in Korean won  |      | -      |      | 54,600  |
|  | Purchase of security investment |      | 49,383 |      | 49,383  |
| KoFC KBIC Frontier Champ 2010-(PEF)                    | Purchase of security investment |      | 2,150  |      | 2,200   |
| KoFC POSCO HANHWA KB Shared Growth Private Equity Fund | Purchase of security investment |      | 23,750 |      | 35,975  |
| Incheon Bridge Co., Ltd.                               | Loan commitments in Korean won  |      | 33,163 |      | 42,088  |
| KB GwS Private Securities Investment Trust and others  | Loan commitments                |      | 372    |      | 757     |
|  | Purchase of security investment |      | 1,119  |      | 1,119   |

Unused commitments received from related party entities as at December 31, 2014 and 2013, are as follows:

(In millions of Korean won)

|   |   | 2014 |   | 2013 |         |
|---|---|------|---|------|---------|
| <b>Associates</b>   |   |      |   |      |         |
| Ssangyong Engineering & Construction Co., Ltd. <sup>1</sup> | Acceptances and Guarantees Outstanding in Won | ₩    | - | ₩    | 293,500 |

<sup>1</sup> Deemed not to be related as of December 31, 2014; therefore, 2014 balances are not presented.

Compensation to key management for the years ended December 31, 2014 and 2013, consists of:

(In millions of Korean won)

|                                      | 2014                         |                          |                      |          |  |
|--------------------------------------|------------------------------|--------------------------|----------------------|----------|--|
|                                      | Short-term employee benefits | Post-employment benefits | Share-based payments | Total    |  |
| Registered directors (executive)     | ₩ 1,580                      | ₩ 136                    | ₩ (15)               | ₩ 1,701  |  |
| Registered directors (non-executive) | 1,203                        | -                        | (15)                 | 1,188    |  |
| Non-registered directors             | 7,517                        | 406                      | 5,678                | 13,601   |  |
|                                      | ₩ 10,300                     | ₩ 542                    | ₩ 5,648              | ₩ 16,490 |  |

(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 |

Collateral received from related party entities as of December 31, 2014 and 2013, follows:

(In millions of Korean won)

|  |   | 2014 |        | 2013 |        |
|--|---|------|--------|------|--------|
| <b>Associates</b>  |   |      |        |      |        |
| Kores Co., Ltd. <sup>1</sup>                             | Row house   | ₩    | -      | ₩    | 24     |
|  | Apartment   |      | -      |      | 24     |
|  | Factory/Forest land                                 |      | -      |      | 15,000 |
| Incheon Bridge Co., Ltd.                                 | Fund management account for Standby loan commitment |      | 65,000 |      | 65,000 |
| KB Star office Private real estate Investment Trust No.1 | Real estate   |      | 13,000 |      | -      |
| <b>Key management</b>                                    |   |      |        |      |        |
|  | Time deposits and others                            |      | 296    |      | 207    |
|  | Real estate   |      | 3,583  |      | 7,381  |

<sup>1</sup> Deemed not to be related as of December 31, 2014; therefore, 2014 balances are not presented.

As of December 31, 2014, Incheon Bridge Co., Ltd, a related party, provides fund management account, civil engineering completed risk insurance, shares and management rights as unsubordinated collaterals in respect to collateralized amount of ₩ 816,400 million to a financial syndicate consisting of the Group and four other institutions, and as subordinated collateral in respect to collateralized amount of ₩ 201,100 million to subordinated debt holders consisting of the Group and two other institutions.

## 45. Business Combination

The Group obtained control of Woori Financial Co., Ltd. from the Woori Financial Group Inc. for ₩ 279,870 million(11,180,630 shares, 52.02%) on March 20, 2014. Woori Financial Co., Ltd. operates rental of facilities, installment financial business, factoring business and others. Woori Financial Co., Ltd. has changed its name to KB Capital Co., Ltd.

The Group expects synergies from diversification of business portfolio through reinforcement of non-banking services, diversification of profit structure through expansion of customer range, vitalization of connected business between financial subsidiaries, reinforcement of retail banking business marketing, financing cheap money through the financial group and others.

The goodwill of business combination consists of expected synergies through business combination, the value of unrecognized assets and others.

The consideration transferred and the assets and liabilities arising from the M&A deal are as follows:

(In millions of Korean won)

|   | Amounts     |
|---|-------------|
| <b>Total consideration</b>  | ₩ 279,870   |
| <b>Recognized amounts of identifiable assets acquired and liabilities assumed</b> |             |
| Cash and due from financial institutions  | 17,572      |
| Available-for-sale financial assets   | 6,872       |
| Loans   | 3,888,468   |
| Equipment / intangible assets   | 16,828      |
| Other assets  | 59,055      |
| <b>Total assets</b>   | ₩ 3,988,795 |
| Debts   | 580,000     |
| Debentures  | 2,751,344   |
| Other liabilities   | 272,495     |
| <b>Total liabilities</b>  | 3,603,839   |
| <b>Total identifiable net assets</b>  | ₩ 384,956   |
| Ratio of shareholding acquired (%)  | 52.02       |
| Relevant amount of shares   | ₩ 200,261   |
| Goodwill  | 79,609      |
| Acquisition-related costs <sup>1</sup>  | 2,094       |

<sup>1</sup> Recorded as 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)

|  | Amounts     |
|--|-------------|
| <b>Fair value</b>  |             |
| Due from financial institutions  | ₩ 4,601     |
| Loans  | 3,893,069   |
| Others   | 25,321      |
|  | ₩ 3,922,991 |
| <b>Contractual cash flow</b>   |             |
| Due from financial institutions  | ₩ 4,601     |
| Loans  | 3,900,760   |
| Others   | 26,478      |
|  | ₩ 3,931,839 |
| <b>Estimate of the contractual cash flows not expected to be collected</b> |             |
| Loans  | ₩ 82,640    |
| Others   | 1,085       |
|  | ₩ 83,725    |

The Group measured non-controlling interests in KB Capital Co., Ltd.'s net asset fair value as of the date of acquisition. As a result, non-controlling interest amounting to ₩ 184,695 million is recognized as of the date of acquisition.

Due to the business combination, the net operating income and profit for the period from March 20, 2014 to December 31, 2014, included in the consolidated statement of comprehensive income were ₩ 39,666 million and ₩ 29,990 million (profit attributable to shareholders of the parent company is ₩ 15,601 million), respectively.

Assuming the date of acquisition is the beginning of the reporting period, the income from operations and net profit for the period would have increased by ₩ 6,137 million and ₩ 4,649 million, respectively. In calculating the pro forma information, the operating 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 upon acquisition.



## 46. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2014, was approved by the Board of Directors on February 5, 2015

## Company Directory

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## Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments; Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.

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