As filed with the Securities and Exchange Commission on April 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________.

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report ________.

Commission file number 000-53445

KB Financial Group Inc.

(Exact name of Registrant as specified in its charter)

KB Financial Group Inc.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

84, Namdaemoon-ro, Jung-gu, Seoul 04534, Korea

(Address of principal executive offices)

Peter BongJoong Kwon

84, Namdaemoon-ro, Jung-gu, Seoul 04534, Korea

Telephone No.: +82-2-2073-2844
Facsimile No.: +82-2-2073-2848

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one share of Common Stock	New York Stock Exchange
Common Stock, par value ₩5,000 per share	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

386,351,693 shares of Common Stock, par value ₩5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

☐ U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

* Not for trading, but only in connection with the registration of the American Depositary Shares.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS as issued by the IASB with respect to our consolidated financial statements as of December 31, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015 included in this annual report. Unless indicated otherwise, the financial information in this annual report as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 has been prepared in accordance with IFRS as issued by the IASB, which is not comparable to information prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

In this annual report:

- references to “we,” “us” or “KB Financial Group” are to KB Financial Group Inc. and, unless the context otherwise requires, its subsidiaries;
- references to “Korea” are to the Republic of Korea;
- references to the “government” are to the government of the Republic of Korea;
- references to “Won” or “₩” are to the currency of Korea; and
- references to “U.S. dollars,” “$” or “US$” are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be a result of rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2015, which was ₩1,169.3 = US$1.00.

FORWARD-LOOKING STATEMENTS

The U.S. Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report contains forward-looking statements.

Words and phrases such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "estimate," "expect," "future," "goal," "intend," "may," "objective," "plan," "positioned," "predict," "project," "risk," "seek to," "shall," "should," "will likely result," "will pursue," "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings "Item 3.D. Risk Factors," "Item 5. Operating and Financial Review and Prospects" and "Item 4.B. Business Overview" regarding our financial condition and other future events or prospects are 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.

In addition to the risks related to our business discussed under "Item 3.D. Risk Factors," other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- our ability to successfully implement our strategy;
- future levels of non-performing loans;
- our growth and expansion;
- the adequacy of allowances for credit and investment losses;
- technological changes;
- interest rates;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- our 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 our income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;
- the monetary and interest rate policies of Korea;
- inflation or deflation;

- unanticipated volatility in interest rates;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- the performance of the financial markets in Korea and globally;
- 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.

For further discussion of the factors that could cause actual results to differ, see the discussion under "Item 3.D. Risk Factors" contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. 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 us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this annual report.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

Item 3.A. *Selected Financial Data*

The selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 have been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 have been audited by independent registered public accounting firm Samil PricewaterhouseCoopers.

You should read the following data together with the more detailed information contained in "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements included elsewhere in this annual report. Historical results do not necessarily predict future results.

Consolidated statements of comprehensive income data

	Year Ended December 31,					
	2011	2012(1)	2013(1)	2014(1)	2015(1)	2015(2)
	(in billions of Won, except common share data)					(in millions of US$, except common share data)
Interest income	₩ 13,956	₩ 14,210	₩ 12,357	₩ 11,635	₩ 10,376	US$ 8,874
Interest expense	(6,852)	(7,172)	(5,834)	(5,219)	(4,173)	(3,569)
Net interest income	7,104	7,038	6,523	6,416	6,203	5,305
Fee and commission income	2,830	2,754	2,657	2,666	2,971	2,541
Fee and commission expense	(1,035)	(1,187)	(1,178)	(1,283)	(1,436)	(1,228)
Net fee and commission income	1,795	1,567	1,479	1,383	1,535	1,313
Net gains on financial assets and liabilities at fair value through profit or loss	1,036	812	757	439	360	308
Net other operating income (expenses)	(1,092)	(1,532)	(1,305)	(1,041)	(716)	(612)
General and administrative expenses	(3,887)	(3,846)	(3,984)	(4,010)	(4,524)	(3,869)
Operating profit before provision for credit losses	4,956	4,039	3,470	3,187	2,858	2,445
Provision for credit losses	(1,513)	(1,607)	(1,443)	(1,228)	(1,037)	(887)
Net operating profit	3,443	2,432	2,027	1,959	1,821	1,558
Share of profit (loss) of associates and joint ventures	5	(15)	(199)	13	203	174
Net other non-operating income (expense)	(142)	(118)	(12)	(71)	140	120
Net non-operating profit (loss)	(137)	(133)	(211)	(58)	343	294
Profit before income tax	3,306	2,299	1,816	1,901	2,164	1,852
Tax income (expense)	(565)	(520)	(541)	(486)	(437)	(374)
Profit for the year	₩ 2,741	₩ 1,779	₩ 1,275	₩ 1,415	₩ 1,727	US$ 1,478
Items that will not be reclassified to profit or loss:						
Remeasurements of net defined benefit	(32)	(30)	41	(100)	(23)	(20)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	6	(26)	(2)	17	45	39
Valuation gains (losses) on financial investments	(240)	246	(4)	249	(29)	(25)
Shares of other comprehensive income (loss) of associates and joint ventures	(1)	(44)	(10)	(32)	—	—
Cash flow hedges	(1)	(1)	2	(10)	1	1
Losses on hedges of a net investment in a foreign operation	—	—	—	—	(25)	(22)
Other comprehensive income (loss) for the year, net of tax	(268)	145	27	124	(31)	(27)
Total comprehensive income for the year	₩ 2,473	₩ 1,924	₩ 1,302	₩ 1,539	₩ 1,696	US$ 1,451
Profit attributable to:						
Shareholders of the parent company	₩ 2,686	₩ 1,770	₩ 1,272	₩ 1,401	₩ 1,698	US$ 1,452
Non-controlling interests	55	9	3	14	29	26
	₩ 2,741	₩ 1,779	₩ 1,275	₩ 1,415	₩ 1,727	US$ 1,478
Total comprehensive income attributable to:						
Shareholders of the parent company	₩ 2,414	₩ 1,904	₩ 1,313	₩ 1,526	₩ 1,667	US$ 1,426
Non-controlling interests	59	20	(11)	13	29	25
	₩ 2,473	₩ 1,924	₩ 1,302	₩ 1,539	₩ 1,696	US$ 1,451
Earnings per share						
Basic earnings per share	₩ 7,310	₩ 4,580	₩ 3,291	₩ 3,626	₩ 4,396	US$ 3.76
Diluted earnings per share	7,293	4,567	3,277	3,611	4,376	3.74

(1) Pursuant to the adoption of IFRS 10, *Consolidated Financial Statements*, which is effective beginning in 2013, our consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 include trust accounts for which we guarantee only the repayment of principal, as well as certain other entities, which were not previously subject to consolidation, while excluding certain other entities that were previously consolidated. Our consolidated financial statements as of and for the year ended December 31, 2012 have been restated to retroactively apply this change. Amounts for 2012 reflect such restatement, while amounts for 2011 have not been correspondingly restated.

(2) Won amounts are expressed in U.S. dollars at the rate of ₩1,169.3 to US$1.00, the noon buying rate in effect on December 31, 2015 as quoted by the Federal Reserve Bank of New York in the United States.

Consolidated statements of financial position data

	Year Ended December 31,					
	2011	2012(1)	2013(1)	2014(1)	2015(1)	2015(2)
	(in billions of Won)					(in millions of US$)
Assets						
Cash and due from financial institutions	₩ 9,178	₩ 10,593	₩ 14,793	₩ 15,424	₩ 16,316	US$ 13,954
Financial assets at fair value through profit or loss	6,326	9,560	9,329	10,758	11,174	9,557
Derivative financial assets	2,449	2,091	1,819	1,968	2,278	1,948
Loans	212,107	213,645	219,001	231,450	245,005	209,539
Financial investments	35,432	36,467	34,849	34,961	39,137	33,471
Investments in associates and joint ventures	892	935	755	670	1,738	1,486
Property and equipment	3,186	3,100	3,061	3,083	3,287	2,812
Investment property	52	53	166	378	212	181
Intangible assets	468	493	443	489	467	399
Current income tax assets	292	333	347	306	19	16
Deferred income tax assets	22	18	16	16	8	7
Assets held for sale	10	35	38	70	49	42
Other assets	7,467	8,747	7,551	8,783	9,375	8,019
Total assets	₩277,881	₩286,070	₩292,168	₩308,356	₩329,065	US$281,431
Liabilities						
Financial liabilities at fair value through profit or loss	₩ 1,388	₩ 1,851	₩ 1,115	₩ 1,819	₩ 2,975	US$ 2,544
Derivative financial liabilities	2,059	2,055	1,795	1,797	2,326	1,989
Deposits	190,337	197,346	200,882	211,549	224,268	191,804
Debts	16,824	15,965	14,101	15,865	16,241	13,890
Debentures	27,070	24,270	27,040	29,201	32,601	27,881
Provisions	798	670	678	614	607	520
Defined benefit liabilities	128	84	64	76	73	63
Current income tax liabilities	589	265	211	232	31	26
Deferred income tax liabilities	221	154	62	93	179	153
Other liabilities	15,087	18,328	20,237	19,597	20,862	17,842
Total liabilities	₩254,501	₩260,988	₩266,185	₩280,843	₩300,163	US$256,712

	Year Ended December 31,					
	2011	2012(1)	2013(1)	2014(1)	2015(1)	2015(2)
	(in billions of Won)					(in millions of US$)
Total Equity						
Capital stock	₩ 1,932	₩ 1,932	₩ 1,932	₩ 1,932	₩ 1,932	US$ 1,652
Capital surplus	15,842	15,840	15,855	15,855	15,855	13,559
Accumulated other comprehensive income	168	295	336	461	429	369
Retained earnings	5,256	6,820	7,860	9,067	10,464	8,949
Equity attributable to shareholders of the parent company	23,198	24,887	25,983	27,315	28,680	24,529
Non-controlling interests	182	195	—	198	222	190
Total equity	₩ 23,380	₩ 25,082	₩ 25,983	₩ 27,513	₩ 28,902	US$ 24,719
Total liabilities and equity	₩277,881	₩286,070	₩292,168	₩308,356	₩329,065	US$281,431

(1) Pursuant to the adoption of IFRS 10, *Consolidated Financial Statements*, which is effective beginning in 2013, our consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 include trust accounts for which we guarantee only the repayment of principal, as well as certain other entities, which were not previously subject to consolidation, while excluding certain other entities that were previously consolidated. Our consolidated financial statements as of and for the year ended December 31, 2012 have been restated to retroactively apply this change. Amounts as of December 31, 2012 reflect such restatement, while amounts as of December 31, 2011 have not been correspondingly restated.

(2) Won amounts are expressed in U.S. dollars at the rate of ₩1,169.3 to US$1.00, the noon buying rate in effect on December 31, 2015 as quoted by the Federal Reserve Bank of New York in the United States.

Profitability ratios and other data

	As of or for the year Ended December 31,				
	2011	2012	2013	2014	2015
	(Percentages)				
Profit (loss) attributable to stockholders as a percentage of:					
Average total assets(1)	0.99%	0.60%	0.44%	0.47%	0.54%
Average stockholders' equity(1)	11.47	7.13	5.00	5.30	6.05
Dividend payout ratio(2)	10.23	13.40	15.01	21.48	22.32
Net interest spread(3)	2.64	2.48	2.31	2.22	2.07
Net interest margin(4)	2.88	2.71	2.51	2.39	2.20
Efficiency ratio(5)	43.96	48.78	53.45	55.72	61.28
Cost-to-average assets ratio(6)	1.41	1.33	1.37	1.34	1.43
Won loans (gross) as a percentage of Won deposits	107.97	106.37	107.12	107.73	107.88
Total loans (gross) as a percentage of total deposits	113.25	109.92	110.44	110.57	110.40

(1) Average balances are based on daily balances for our banking, credit card and investment and securities operations and monthly or quarterly balances for our other operations.

(2) Represents the ratio of total dividends declared on common stock as a percentage of profit attributable to stockholders.

(3) Represents the difference between the yield on average interest earning assets and cost of average interest bearing liabilities.

(4) Represents the ratio of net interest income to average interest earning assets.

(5) Represents the ratio of general and administrative expenses to the sum of net interest income, net fee and commission income, net gain on financial assets and liabilities at fair value through profit or loss and net other operating income.

(6) Represents the ratio of general and administrative expenses to average total assets.

Capital ratios

	As of or for the year Ended December 31,		
	2013	2014	2015
	(Percentages)		
Consolidated capital adequacy ratio of KB Financial Group[1]	15.38%	15.53%	15.48%
Capital adequacy ratios of Kookmin Bank			
Tier I capital adequacy ratio[2]	12.61	13.38	13.74
Common equity Tier I capital adequacy ratio[2]	12.61	13.38	13.74
Tier II capital adequacy ratio[2]	2.81	2.59	2.27
Average stockholders' equity as a percentage of average total assets	8.87	8.83	8.87

(1) Under applicable guidelines of the Financial Services Commission, we, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio of 8%. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy."

(2) Kookmin Bank's capital adequacy ratios are computed in accordance with the guidelines issued by the Financial Services Commission. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Capital Adequacy."

Credit portfolio ratios and other data

	As of December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won, except percentages)				
Total loans[1]	₩215,555	₩216,914	₩221,862	₩233,902	₩247,587
Total non-performing loans[2]	1,180	1,606	1,421	1,068	922
Other impaired loans not included in non-performing loans	2,285	2,086	2,669	1,996	2,075
Total of non-performing loans and other impaired loans	3,465	3,692	4,090	3,064	2,997
Total allowances for loan losses	3,448	3,269	2,861	2,452	2,582
Non-performing loans as a percentage of total loans	0.55%	0.74%	0.64%	0.46%	0.37%
Non-performing loans as a percentage of total assets	0.42%	0.56%	0.49%	0.35%	0.28%
Total of non-performing loans and other impaired loans as a percentage of total loans	1.61%	1.70%	1.84%	1.31%	1.21%
Allowances for loan losses as a percentage of total loans	1.60%	1.51%	1.29%	1.05%	1.04%

(1) Before deduction of allowances for loan losses.

(2) Non-performing loans are defined as those loans, including corporate, retail and other loans, which are past due by 90 days or more.

Selected Statistical Information

Average Balance Sheets and Related Interest

The following table shows our average balances and interest rates for the past three years:

	Year Ended December 31,								
	2013			2014			2015		
	Average Balance [1]	Interest Income [2][3]	Average Yield	Average Balance [1]	Interest Income [2][3]	Average Yield	Average Balance [1]	Interest Income [2][3]	Average Yield
	(in billions of Won, except percentages)								
Assets									
Cash and interest earning deposits in other banks	₩ 5,905	₩ 146	2.47%	₩ 7,811	₩ 190	2.43%	₩ 8,980	₩ 152	1.69%
Financial investment (debt securities) [4]	33,339	1,269	3.81	31,530	1,120	3.55	32,423	989	3.05
Loans:									
Corporate	100,614	4,526	4.50	101,875	4,145	4.07	105,821	3,618	3.42
Mortgage	44,514	1,826	4.10	48,160	1,746	3.63	51,467	1,554	3.02
Home equity	30,275	1,287	4.25	32,030	1,216	3.80	33,572	1,047	3.12
Other consumer	30,536	1,974	6.46	32,981	2,019	6.12	35,351	1,843	5.21
Credit cards [5]	11,611	1,242	10.70	11,312	1,123	9.93	11,907	1,091	9.16
Foreign	2,851	87	3.05	2,631	76	2.89	2,794	82	2.93
Loans (total)	220,401	10,942	4.96	228,989	10,325	4.51	240,912	9,235	3.83
Total average interest earning assets	₩259,645	₩12,357	4.76%	₩268,330	₩11,635	4.34%	₩282,315	₩10,376	3.67%
Cash and due from banks	7,688	—	—	7,978	—	—	8,804	—	—
Financial assets at fair value through profit or loss:									
Debt securities [3]	8,091	—	—	8,631	—	—	9,321	—	—
Equity securities	1,280	—	—	847	—	—	689	—	—
Other	42	—	—	47	—	—	62	—	—
Financial assets at fair value through profit or loss (total)	9,413	—	—	9,525	—	—	10,072	—	—
Financial investment (equity securities)	2,671	—	—	2,999	—	—	3,177	—	—
Investment in associates	882	—	—	698	—	—	1,048	—	—
Derivative financial assets	1,760	—	—	1,791	—	—	2,121	—	—
Premises and equipment	3,191	—	—	3,197	—	—	3,230	—	—
Intangible assets	475	—	—	463	—	—	470	—	—
Allowances for loan losses	(4,108)	—	—	(3,556)	—	—	(2,922)	—	—
Other non-interest earning assets	8,555	—	—	7,570	—	—	7,748	—	—
Total average non-interest earning assets	30,527	—	—	30,665	—	—	33,748	—	—
Total average assets	₩290,172	₩12,357	4.26%	₩298,995	₩11,635	3.89%	₩316,063	₩10,376	3.28%

	Year Ended December 31,								
	2013			2014			2015		
	Average Balance (1)	Interest Expense	Average Cost	Average Balance (1)	Interest Expense	Average Cost	Average Balance (1)	Interest Expense	Average Cost
	(in billions of Won, except percentages)								
Liabilities									
Deposits:									
Demand deposits	₩ 60,894	₩ 285	0.47%	₩ 67,612	₩ 283	0.42%	₩ 82,614	₩ 291	0.35%
Time deposits	130,286	3,940	3.02	130,258	3,516	2.70	123,977	2,674	2.16
Certificates of deposit	1,780	54	3.03	1,689	46	2.72	3,645	70	1.92
Deposits (total)	192,960	4,279	2.22	199,559	3,845	1.93	210,236	3,035	1.44
Debts	20,173	365	1.81	19,085	342	1.79	19,649	271	1.38
Debentures	25,319	1,190	4.70	28,048	1,032	3.68	30,885	867	2.81
Total average interest bearing liabilities	₩238,452	₩5,834	2.45%	₩246,692	₩5,219	2.12%	₩260,770	₩4,173	1.60%
Non-interest bearing demand deposits	3,252	—	—	3,486	—	—	3,836	—	—
Derivative financial liabilities	1,789	—	—	1,669	—	—	2,046	—	—
Financial liabilities at fair value through profit or loss	1,697	—	—	1,497	—	—	2,453	—	—
Other non-interest bearing liabilities	19,157	—	—	18,778	—	—	18,705	—	—
Total average non-interest bearing liabilities	25,895	—	—	25,430	—	—	27,040	—	—
Total average liabilities	264,347	5,834	2.21	272,122	5,219	1.92	287,810	4,173	1.45
Total equity	25,825	—	—	26,873	—	—	28,253	—	—
Total average liabilities and equity	₩290,172	₩5,834	2.01%	₩298,995	₩5,219	1.75%	₩316,063	₩4,173	1.32%

(1) Average balances are based on daily balances for our banking, credit card and investment and securities operations and monthly or quarterly balances for our other operations.

(2) We do not invest in any tax-exempt securities.

(3) Excludes interest income from debt securities at fair value through profit or loss.

(4) Information related to investment securities classified as available-for-sale has been computed using amortized cost, and therefore does not give effect to changes in fair value that are reflected as a component of total equity.

(5) Interest income from credit cards includes principally cash advance fees of ₩353 billion, ₩276 billion and ₩236 billion and interest on credit card loans of ₩435 billion, ₩408 billion and ₩453 billion for the years ended December 31, 2013, 2014 and 2015, respectively, but does not include interchange fees.

The following table presents our net interest spread, net interest margin, and asset liability ratio for the past three years:

	Year Ended December 31,		
	2013	2014	2015
	(percentages)		
Net interest spread (1)	2.31%	2.22%	2.07%
Net interest margin (2)	2.51	2.39	2.20
Average asset liability ratio (3)	108.89	108.77	108.26

(1) The difference between the average rate of interest earned on interest earning assets and the average rate of interest paid on interest bearing liabilities.

(2) The ratio of net interest income to average interest earning assets.

(3) The ratio of average interest earning assets to average interest bearing liabilities.

Analysis of Changes in Net Interest Income—Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income based on changes in volume and changes in rate for 2013 compared to 2014 and 2014 compared to 2015. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2014 vs. 2013 Increase/(Decrease) Due to Change in			2015 vs. 2014 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
			(in billions of Won)			
Interest earning assets						
Cash and interest earning deposits in other banks	₩ 46	₩ (2)	₩ 44	₩ 26	₩ (64)	₩ (38)
Financial investment (debt securities)	(66)	(83)	(149)	31	(162)	(131)
Loans:						
Corporate	57	(438)	(381)	156	(683)	(527)
Mortgage	141	(221)	(80)	115	(307)	(192)
Home equity	71	(142)	(71)	57	(226)	(169)
Other consumer	152	(107)	45	138	(314)	(176)
Credit cards	(31)	(88)	(119)	57	(89)	(32)
Foreign	(7)	(4)	(11)	5	1	6
Total interest income	₩363	₩(1,085)	₩(722)	₩ 585	₩(1,844)	₩(1,259)

	2014 vs. 2013 Increase/(Decrease) Due to Change in			2015 vs. 2014 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
			(in billions of Won)			
Interest bearing liabilities						
Deposits:						
Demand deposits	₩ 30	₩ (32)	₩ (2)	₩ 59	₩ (51)	₩ 8
Time deposits	(1)	(423)	(424)	(164)	(678)	(842)
Certificates of deposit	(3)	(5)	(8)	41	(17)	24
Debts	(19)	(4)	(23)	10	(81)	(71)
Debentures	119	(277)	(158)	97	(262)	(165)
Total interest expense	126	(741)	(615)	43	(1,089)	(1,046)
Total net interest income	₩237	₩ (344)	₩(107)	₩ 542	₩ (755)	₩ (213)

Exchange Rates

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Won, expressed in Won per one U.S. dollar. The "noon buying rate" is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 31, 2015, which was ₩1,169.3 to US$1.00. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. On April 22, 2016, the noon buying rate was ₩1,147.9 = US$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	High	Average [1]	Period-End
2011	1,049.2	1,197.5	1,106.9	1,158.5
2012	1,063.2	1,185.0	1,126.2	1,063.2
2013	1,050.1	1,161.3	1,094.7	1,055.3
2014	1,008.9	1,117.7	1,052.3	1,090.9
2015	1,063.0	1,196.4	1,131.0	1,169.3
October	1,120.9	1,180.0	1,143.2	1,140.5
November	1,136.5	1,172.7	1,153.5	1,149.4
December	1,140.7	1,188.0	1,169.9	1,169.3
2016 (through April 22)	1,126.0	1,242.6	1,188.4	1,147.9
January	1,190.4	1,217.0	1,203.3	1,210.0
February	1,186.1	1,242.6	1,216.2	1,238.1
March	1,138.9	1,229.6	1,181.6	1,138.9
April (through April 22)	1,126.0	1,158.4	1,145.7	1,147.9

Source: Federal Reserve Bank of New York.

(1) The average of the daily noon buying rates of the Federal Reserve Bank in effect during the relevant period (or portion thereof).

Item 3.B. *Capitalization and Indebtedness*

Not applicable.

Item 3.C. *Reasons for the Offer and Use of Proceeds*

Not applicable.

Item 3.D. *Risk Factors*

Risks relating to our retail credit portfolio

Future changes in market conditions as well as other factors may lead to increases in delinquency levels of our retail loan portfolio.

In recent years, consumer debt has increased significantly in Korea. Our portfolio of retail loans, including mortgage and home equity loans, increased from ₩103,432 billion as of December 31, 2012 to ₩107,644 billion as of December 31, 2013, ₩119,249 billion as of December 31, 2014 and ₩124,194 billion as of December 31, 2015. As of December 31, 2015, our domestic retail loans represented 50.1% of our total lending. Within our retail loan portfolio, the outstanding balance of other consumer loans, which unlike mortgage or home equity loans are often unsecured and therefore tend to carry a higher credit risk, increased from ₩28,969 billion as of December 31, 2012 to ₩36,312 billion as of December 31, 2015; as a percentage of total outstanding retail loans, such balance increased from 28.0% as of December 31, 2012 to 29.2% as of December 31, 2015. The growth of our retail lending business, which generally offers higher margins than other lending activities, has contributed significantly to our interest income and profitability in recent years.

The growth of our retail loan portfolio, together with adverse economic conditions in Korea and globally in recent years, may lead to increases in delinquency levels and a deterioration in asset quality. The amount of our non-performing retail loans (defined as those that are past due by 90 days or more) decreased from ₩762 billion as of December 31, 2012 to ₩546 billion as of December 31, 2013, ₩395 billion as of December 31, 2014 and ₩329 billion as of December 31, 2015. However, higher delinquencies in our retail loan portfolio in the future will require us to increase our loan loss provisions and charge-offs, which in turn will adversely affect our financial condition and results of operations.

Our large exposure to consumer debt means that we are exposed to changes in economic conditions affecting Korean consumers. Accordingly, a rise in unemployment, an increase in interest rates, a deterioration of the real estate market or difficulties in the Korean economy may have an adverse effect on Korean consumers, which could result in reduced growth and further deterioration in the credit quality of our retail loan portfolio. See "Risks relating to Korea—Unfavorable financial and economic developments in Korea may have an adverse effect on us." In order to minimize our risk as a result of such exposure, we are continuing to strengthen our risk management processes, including further improving the retail lending process, upgrading our retail credit rating system, as well as strengthening the overall management of our portfolio. Despite our efforts, however, there is no assurance that we will be able to prevent significant credit quality deterioration in our retail loan portfolio.

In light of adverse conditions in the Korean economy affecting consumers, in March 2009, the Financial Services Commission requested Korean banks, including us, to establish a "pre-workout program," including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt defaults. Under the pre-workout program, which has been in operation since April 2009, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) who are in arrears on their payments for more than 30 days but less than 90 days or for retail borrowers with an annual income of ₩40 million or less who have been in arrears on their payments for 30 days or more on an aggregate basis for the 12 months prior to their application. In addition, in March 2015, in response to increasing levels of consumer debt and amid concerns over the debt-servicing capacity of retail borrowers if interest rates were to rise, the Korean government launched, and requested Korean banks to participate in, a mortgage loan refinancing program aimed at reducing the payment burden on and improving the asset quality of outstanding mortgage loans. Under such refinancing program, over 340,000 qualified retail borrowers converted their outstanding non-amortizing floating-rate mortgage loans from Korean commercial banks (including us) into amortizing fixed-rate mortgage loans with lower interest rates, amounting to an aggregate principal amount of ₩34 trillion for all commercial banks in 2015. Our participation in such refinancing program may lead to a decrease in our interest income on our outstanding mortgage loans, as well as in our overall net interest margin. Moreover, our participation in such government-led initiatives to provide financial support to retail borrowers may lead us to offer credit terms for such borrowers that we would not generally offer, which may have an adverse effect on our results of operations and financial condition.

Our credit card operations may generate losses in the future, which could hurt our financial condition and results of operations.

With respect to our credit card portfolio, our delinquency ratio (which represents the ratio of amounts that are overdue by 30 days or more to total outstanding balances) increased from 1.3% as of December 31, 2012 to 1.7% as of December 31, 2013 but decreased to 1.5% as of December 31, 2014 and 1.2% as of December 31, 2015. In line with industry practice, we have restructured a portion of delinquent credit card account balances (defined as balances overdue by 30 days or more) as loans. As of December 31, 2015, these restructured loans outstanding amounted to ₩36 billion. Because these loans are not treated as being delinquent at the time of conversion or for a period of time thereafter, our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding loans. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 1.4% of our credit card receivables (including credit card loans) as of December 31, 2015. Delinquencies may increase in 2016 and in the future as a result of, among other things, adverse economic conditions in Korea and the inability of Korean consumers to manage increased household debt.

Despite our continuing efforts to sustain and improve our credit card asset quality and performance, we may experience increased delinquencies or deterioration of the asset quality of our credit card portfolio, which would require us to increase our loan loss provisions and charge-offs and adversely affect our overall financial condition and results of operations.

In addition, in February 2014, the Financial Services Commission suspended the new credit card issuance and other related activities of our credit card subsidiary, KB Kookmin Card Co., Ltd., for three months from February to May 2014, in response to an incident involving the misappropriation of the personal information of a large number of its customers by an employee of an external credit information company in the first half of 2013. Specifically, during such suspension period, KB Kookmin Card was prohibited from engaging in the following activities:

- adding new subscribers for credit cards, prepaid cards and debit cards or issuing such types of cards (except as permitted by the chairman of the Financial Services Commission for public policy purposes);
- providing new or additional credit lines to credit card customers; and
- providing new services through mail order or telemarketing channels or related to travel or insurance products.

Furthermore, in connection with the misappropriation incident, a number of customers have filed lawsuits against KB Kookmin Card seeking damages, and it could become subject to additional litigation. See "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings." KB Kookmin Card has also incurred and may continue to incur significant costs relating to the issuance of replacement cards for customers and other associated costs. KB Kookmin Card may also incur costs relating to the compensation of customers for losses incurred as a result of the fraudulent use of the misappropriated personal information. Accordingly, the misappropriation incident and the resulting regulatory sanctions (including the three-month suspension of KB Kookmin Card's new business activities), customer claims and costs could have a material adverse effect on our business, reputation, results of operations and financial condition.

Risks relating to our small- and medium-sized enterprise loan portfolio

We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us.

One of our core businesses is lending to small- and medium-sized enterprises (as defined under "Item 4.B. Business Overview—Corporate Banking—Small- and Medium-sized Enterprise Banking"). Our loans to small- and medium-sized enterprises increased from ₩70,471 billion as of December 31, 2012 to ₩78,665 billion as of December 31, 2015. During that period, non-performing loans (defined as those loans that are past due by 90 days or more) to small- and medium-sized enterprises decreased from ₩680 billion as of December 31, 2012 to ₩309 billion as of December 31, 2015, and the non-performing loan ratio for such loans decreased from 1.0% as of December 31, 2012 to 0.4% as of December 31, 2015. However, our non-performing loans and non-performing loan ratio may increase in 2016. According to data compiled by the Financial Supervisory Service, the delinquency ratio for Won-currency loans by Korean commercial banks to small- and medium-sized enterprises was 0.7% as of December 31, 2015. The delinquency ratio for loans to small- and medium-sized enterprise is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are overdue by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such Won currency loans decreased from 1.1% as of December 31, 2012 to 0.5% as of December 31, 2015. However, our delinquency ratio for such Won currency loans may increase in 2016. In recent years, we have taken measures which sought to stem rising delinquencies in our loans to small- and medium-sized enterprises, including through strengthening the review of loan applications and closer monitoring of the post-loan performance of small- and medium-sized enterprise borrowers in industry sectors that are relatively more sensitive to downturns in the economy and have shown higher delinquency ratios, such as construction, lodging, retail and wholesale, restaurants and real estate. Despite such efforts, however, there is no assurance that delinquency levels for our loans to small- and medium-sized enterprises will not rise in the future. In particular, financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, adverse economic conditions in Korea and globally in recent years may lead to a deterioration in the asset quality of our loans to this segment. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which could have a material adverse impact on our financial condition and results of operations.

In addition, many small- and medium-sized enterprises have close business relationships with the largest Korean commercial conglomerates, known as "*chaebols*," primarily as suppliers. Any difficulties encountered by those *chaebols* would likely hurt the liquidity and financial condition of related small- and medium-sized enterprises, including those to which we have exposure, also resulting in an impairment of their ability to repay loans.

A substantial part of our small- and medium-sized enterprise lending comprises loans to "small office/home office" customers, or SOHOs. SOHOs, which we currently define to include sole proprietorships and individual business interests, are usually dependent on a limited number of suppliers or customers. SOHOs tend to be affected to a greater extent than larger corporate borrowers by fluctuations in the Korean economy. In addition, SOHOs often maintain less sophisticated financial records than other corporate borrowers. Although we continue to make efforts to improve our internally developed credit rating systems to rate potential borrowers, particularly with respect to SOHOs, and intend to manage our exposure to these borrowers closely in order to prevent any deterioration in the asset quality of our loans to this segment, we may not be able to do so as intended.

In light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea since the global financial crisis commencing in the second half of 2008, the Korean government introduced policies and initiatives intended to encourage Korean banks to provide financial support to small- and medium-sized enterprises. For example, in October 2008, the Financial Supervisory Service requested Korean banks, including us, to establish a "fast track" program to provide liquidity assistance to small- and medium-sized enterprises on an expedited basis. Under the fast track program we established, which has been extended until December 31, 2016, we provide liquidity assistance to qualified small- and medium-sized enterprise borrowers applying for such assistance, in the form of new loans or maturity extensions or interest rate adjustments with respect to existing loans, after expedited credit review and approval by us. The overall prospects for the Korean economy in 2016 and beyond remain uncertain, and the Korean government may extend or renew existing or past policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to small- and medium-sized enterprises. Our participation in such government-led initiatives may lead us to extend credit to small- and medium-sized enterprise borrowers that we would not otherwise extend, or offer terms for such credit that we would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of our small- and medium-sized enterprise borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in our exposure to small- and medium-sized enterprise borrowers resulting from such government-led initiatives may have a material adverse effect on our financial condition and results of operations.

We have exposure to Korean construction and shipbuilding companies, and financial difficulties of these companies may have an adverse impact on us.

As of December 31, 2015, we had loans outstanding to construction companies and shipbuilding companies (many of which are small- and medium-sized enterprises) in the amount of ₩3,482 billion and ₩974 billion, or 1.4% and 0.4% of our total loans, respectively. We also have other exposures to Korean construction and shipbuilding companies, including in the form of guarantees extended on behalf of such companies (which included ₩606 billion of confirmed guarantees for construction companies and ₩1,698 billion of confirmed guarantees for shipbuilding companies as of December 31, 2015) and debt and equity securities of such companies held by us. In the case of construction companies, such exposures include guarantees provided to us by general contractors with respect to financing extended by us for residential and commercial real estate development projects. In the case of shipbuilding companies, such exposures include refund guarantees extended by us on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts.

The construction industry in Korea has experienced an overall downturn in recent years, due to excessive investment in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, including as a result of the deterioration of the Korean economy. The shipbuilding industry in Korea has also experienced a severe downturn in recent years due to a significant decrease in ship orders, primarily due to adverse conditions in the global economy and the resulting slowdown in global trade. In response to the deteriorating financial condition and liquidity position of borrowers in the construction and shipbuilding industries, which were disproportionately impacted by adverse economic developments in Korea and globally, the Korean government implemented a program in 2009 to promote expedited restructuring of such borrowers by their Korean creditor financial institutions, under the supervision of major commercial banks. In accordance with such program, 24 construction companies and five shipbuilding companies became subject to workout in 2009, following review by their creditor financial institutions (including us) and the Korean government. Each year since 2009, the Financial Services Commission and the Financial Supervisory Service have announced the results of subsequent credit risk evaluations conducted by creditor financial institutions (including us) of companies in Korea with outstanding credit exposures of ₩50 billion or more, pursuant to which a number of companies were selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership. Most recently, in 2015, 54 companies with outstanding credit exposures of ₩50 billion or more (14 of which were construction companies and four of which were shipbuilding companies) were selected by such financial institutions for restructuring. However, there is no assurance that these measures will be successful in stabilizing the Korean construction and shipbuilding industries.

The allowances that we have established against our credit exposures to Korean construction and shipbuilding companies may not be sufficient to cover all future losses arising from these and other exposures. If the credit quality of our exposures to Korean construction and shipbuilding companies declines further, we may be required to take substantial additional provisions (including in connection with restructurings of such companies), which could adversely impact our results of operations and financial condition. Furthermore, although a portion of our credit exposures to construction and shipbuilding companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such credit exposures. See "—Other risks relating to our business—A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio."

We also have construction-related credit exposures under our project financing loans for real estate development projects in Korea. In light of the general deterioration in the asset quality of real estate project financing loans in Korea in recent years, Korean banks, including Kookmin Bank, implemented a uniform set of guidelines to apply more stringent criteria in evaluating the asset quality of real estate project financing loans. As a result, we may be required to establish additional allowances with respect to our outstanding real estate project financing loans, which could adversely affect our financial condition and results of operations.

Risks relating to our financial holding company structure and strategy

We may not succeed in implementing our strategy to take advantage of, or fail to realize the anticipated benefits of, our financial holding company structure.

One of our principal strategies is to take advantage of our financial holding company structure to become a comprehensive financial services provider capable of offering a full range of products and services to our large existing base of retail and corporate banking customers. The continued implementation of these plans may require additional investments of capital, infrastructure, human resources and management attention. This strategy entails certain risks, including the possibility that we may face significant competition from other financial holding companies and more specialized financial institutions in particular segments. If our strategy does not succeed, we may incur losses on our investments and our results of operations and financial condition may suffer.

Furthermore, our success under a financial holding company structure depends on our ability to realize the anticipated synergies, growth opportunities and cost savings from coordinating the businesses of our various subsidiaries. Although we have been integrating certain aspects of our subsidiaries' operations into our financial holding company structure, our subsidiaries will generally continue to operate as independent entities with separate management and staff and our ability to direct our subsidiaries' day-to-day operations may be limited.

In addition, one of the intended benefits of our financial holding company structure is that it enhances our ability to engage in mergers and acquisitions which we decide to pursue in the future as part of our strategy. For example, in March 2014, we acquired 52.02% of the outstanding shares of KB Capital Co., Ltd. (formerly named Woori Financial Co., Ltd.), a publicly listed Korean consumer finance company, from Woori Finance Holdings Co., Ltd. for ₩280 billion. Furthermore, in June 2015, we acquired 19.47% of the outstanding shares of KB Insurance Co., Ltd. (formerly named LIG Insurance Co., Ltd.), a publicly listed Korean property and casualty insurance company, from a group of individual shareholders for ₩651 billion, and in November 2015, further increased our shareholding in KB Insurance to 33.29% by acquiring its treasury shares for ₩231 billion. Most recently, in April 2016, we entered into a share purchase agreement to acquire 22.56% of the outstanding shares of Hyundai Securities Co., Ltd., a publicly listed Korean securities brokerage firm, from Hyundai Merchant Marine Co., Ltd. and other shareholders for ₩1,250 billion, which amount is subject to change pending closing. Pursuant to applicable Korean law, we will be required to increase our shareholding in Hyundai Securities to at least 30% within one year from the date of such acquisition. The completion of such acquisition is subject to regulatory approvals and other closing conditions. Following such acquisition, we may consider merging Hyundai Securities with KB Investment & Securities. See "Item 5.A. Operating Results—Overview—Acquisitions." We may also consider acquiring or merging with other financial institutions to achieve balanced growth and diversify our revenue base. The integration of our subsidiaries' or investees' separate businesses and operations, as well as those of any companies we may acquire or merge with in the future, under our financial holding company structure could require a significant amount of time, financial resources and management attention. Moreover, that process could disrupt our operations (including our risk management operations) or information technology systems, reduce employee morale, produce unintended inconsistencies in our standards, controls, procedures or policies, and affect our relationships with customers and our ability to retain key personnel. The realization of the anticipated benefits of our financial holding company structure and any mergers or acquisitions we decide to pursue may be blocked, delayed or reduced as a result of many factors, some of which may be outside our control. These factors include:

- difficulties in integrating the diverse activities and operations of our subsidiaries or investees or any companies we may merge with or acquire, including risk management operations and information technology systems, personnel, policies and procedures;
- difficulties in reorganizing or reducing overlapping personnel, branches, networks and administrative functions;
- restrictions under the Financial Holding Company Act and other regulations on transactions between a financial holding company and, or among, its subsidiaries;
- unforeseen contingent risks, including lack of required capital resources, increased tax liabilities or restrictions in our overseas operations, relating to our financial holding company structure;
- unexpected business disruptions;
- failure to attract, develop and retain personnel with necessary expertise;

- loss of customers; and
- labor unrest.

Accordingly, we may not be able to realize the anticipated benefits of our financial holding company structure, and our business, results of operations and financial condition may suffer as a result.

We depend on limited forms of funding to fund our operations at the holding company level.

We are a financial holding company with no significant assets other than the shares of our subsidiaries. Our primary sources of funding and liquidity are dividends from our subsidiaries, direct borrowings and issuances of equity or debt securities at the holding company level. In addition, as a financial holding company, we are required to meet certain minimum financial ratios under Korean law, including with respect to liquidity, leverage and capital adequacy. Our ability to meet our obligations to our direct creditors and employees and our other liquidity needs and regulatory requirements at the holding company level depends on timely and adequate distributions from our subsidiaries and our ability to sell our securities or obtain credit from our lenders.

The ability of our subsidiaries to pay dividends to us depends on their financial condition and operating results. In the future, our subsidiaries may enter into agreements, such as credit agreements with lenders or indentures relating to high-yield or subordinated debt instruments, that impose restrictions on their ability to make distributions to us, and the terms of future obligations and the operation of Korean law could prevent our subsidiaries from making sufficient distributions to us to allow us to make payments on our outstanding obligations. See "—As a financial holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock." Any delay in receipt of or shortfall in payments to us from our subsidiaries could result in our inability to meet our liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, and may disrupt our operations at the holding company level.

In addition, creditors of our subsidiaries will generally have claims that are prior to any claims of our creditors with respect to their assets. Furthermore, our inability to sell our securities or obtain funds from our lenders on favorable terms, or at all, could also result in our inability to meet our liquidity needs and regulatory requirements and may disrupt our operations at the holding company level.

As a financial holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock.

Since our principal assets at the holding company level are the shares of our subsidiaries, our ability to pay dividends on our common stock largely depends on dividend payments from those subsidiaries. Those dividend payments are subject to the Korean Commercial Code, the Bank Act and regulatory limitations, generally based on capital levels and retained earnings, imposed by the various regulatory agencies with authority over those entities. For example:

- under the Korean Commercial Code, dividends may only be paid out of distributable income, an amount which is calculated by subtracting the aggregate amount of a company's paid-in capital and certain mandatory legal reserves as well as certain unrealized profits from its net assets, in each case as of the end of the prior fiscal period;
- under the Bank Act, a bank also must credit at least 10% of its net profit to a legal reserve each time it pays dividends on distributable income until that reserve equals the amount of its total paid-in capital; and
- under the Bank Act and the requirements of the Financial Services Commission, if a bank fails to meet its required capital adequacy ratio or otherwise becomes subject to management improvement measures imposed by the Financial Services Commission, then the Financial Services Commission may restrict the declaration and payment of dividends by that bank.

Our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. If they fail to do so, they may stop paying or reduce the amount of the dividends they pay to us, which would have an adverse effect on our ability to pay dividends on our common stock.

Although increasing our fee income is an important part of our strategy, we may not be able to do so.

We have historically relied on interest income as our primary revenue source. While we have developed new sources of fee income as part of our business strategy, our ability to increase our fee income and thereby reduce our dependence on interest income will be affected by the extent to which our customers generally accept the concept of fee-based services. Historically, customers in Korea have generally been reluctant to pay fees in return for value-added financial services, and their continued reluctance to do so will adversely affect the implementation of our strategy to increase our fee income. Furthermore, the fees that we charge to customers are subject to regulation by Korean financial regulatory authorities, which may seek to implement regulations or measures that may also have an adverse impact on our ability to achieve this aspect of our strategy.

We may suffer customer attrition or our net interest margin may decrease as a result of our competition strategy.

We have been pursuing, and intend to continue to pursue, a strategy of maintaining or enhancing our margins where possible and avoid, to the extent possible, entering into price competition. In order to execute this strategy, we will need to maintain relatively low interest rates on our deposit products while charging relatively higher rates on loans. If other banks and financial institutions adopt a strategy of expanding market share through interest rate competition, we may suffer customer attrition due to rate sensitivity. In addition, we may in the future decide to compete to a greater extent based on interest rates, which could lead to a decrease in our net interest margins. Any future decline in our customer base or our net interest margins as a result of our future competition strategy could have an adverse effect on our results of operations and financial condition.

Risks relating to competition

Competition in the Korean financial industry is intense, and we may lose market share and experience declining margins as a result.

Competition in the Korean financial industry has been and is likely to remain intense. Some of the financial institutions that we compete with have longer operating histories as financial holding companies, greater financial resources or more specialized capabilities than us and our subsidiaries. In the retail and small- and medium-sized enterprise lending business, which has been our traditional core business, competition has increased significantly and is expected to increase further. Most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to generally increase their exposure to large corporate borrowers. In addition, the profitability of our retail and credit card operations may decline as a result of growing market saturation in the retail lending and credit card segments, increased interest rate competition, pressure to lower the fee rates applicable to our credit cards (particularly merchant fee rates) and higher marketing expenses. Intense and increasing competition has made and continues to make it more difficult for us to secure retail, credit card and small- and medium-sized customers with the credit quality and on credit terms necessary to achieve our business objectives in a commercially acceptable manner.

In addition, we believe that regulatory reforms and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. In the second half of 2015, the Korean government implemented measures to facilitate bank account portability of retail customers by requiring commercial banks to establish systems that allow retail customers to easily switch their bank accounts at one commercial bank to another and automatically transfer the automatic payment settings of their former accounts to the new ones. Such measures are expected to further intensify competition among financial institutions in Korea.

We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in February 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in September 2015. Moreover, as part of the Korean government's plans to privatize Woori Finance Holdings Co., Ltd. (the former financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings were sold to other financial institutions and Woori Finance Holdings itself was merged into Woori Bank in 2014. We expect that consolidation in the financial industry will continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability. Accordingly our results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

Risks relating to our large corporate loan portfolio

We have exposure to chaebols, and, as a result, financial difficulties of chaebols may have an adverse impact on us.

Of our 20 largest corporate exposures (including loans, debt and equity securities and guarantees and acceptances) as of December 31, 2015, 14 were to companies that were members of the 41 largest *chaebols* in Korea designated as such by the Financial Supervisory Service based on their outstanding exposures. As of that date, the total amount of our exposures to such 41 *chaebols* was ₩21,781 billion, or 7.1% of our total exposures. If the credit quality of our exposures to *chaebols* declines, we could require substantial additional loan loss provisions, which would hurt our results of operations and financial condition. See "Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Exposure to Chaebols."

We cannot assure you that the allowances we have established against these exposures will be sufficient to cover all future losses arising from these exposures. In addition, with respect to those companies that are in or in the future enter into workout or liquidation proceedings, we may not be able to make any recoveries against such companies. We may, therefore, experience future losses with respect to those loans.

We have exposure to companies that are currently or may in the future be put in restructuring, and we may suffer losses as a result of additional loan loss provisions required and/or the adoption of restructuring plans with which we do not agree.

As of December 31, 2015, our loans and guarantees to companies that were in workout, restructuring or rehabilitation amounted to ₩700 billion or 0.3% of our total loans and guarantees, most of which was classified as impaired. As of the same date, our allowances for credit losses on these loans and guarantees amounted to ₩371 billion, or 53.0% of these loans and guarantees. These allowances may not be sufficient to cover all future losses arising from our exposure to these companies. Furthermore, we have other exposure to such companies, in the form of debt and equity securities of such companies held by us (including equity securities we acquired as a result of debt-to-equity conversions). Our exposures as of December 31, 2015 with respect to such securities of companies in workout, restructuring or rehabilitation amounted to ₩52 billion, or less than 0.1% of our total debt securities and equity securities, but may increase in the future. In addition, in the case of borrowers that are or become subject to workout, we may be forced to restructure our credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of our credits to other creditors on unfavorable terms.

A large portion of our credit exposure is concentrated in a relatively small number of large corporate borrowers, which increases the risk of our corporate credit portfolio.

As of December 31, 2015, our loans and guarantees to our 20 largest borrowers totaled ₩9,340 billion and accounted for 3.6% of our total loans and guarantees. As of that date, our single largest corporate credit exposure was to KEB Hana Bank, to which we had outstanding loans and guarantees (the majority of which was in the form of loans in foreign currencies) of ₩845 billion, representing 0.3% of our total loans and guarantees, as well as additional credit exposure of ₩279 billion in the form of debt securities. Any further deterioration in the financial condition of our large corporate borrowers may require us to record substantial additional provisions and may have a material adverse impact on our results of operations and financial condition.

Other risks relating to our business

Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition.

The overall prospects for the Korean and global economy remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America;
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as the possibility of increases in policy rates by the U.S. Federal Reserve and other central banks; and
- political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Yemen, as well as in the Ukraine and Russia.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years. See "Item 3.A. Selected Financial Data—Exchange Rates." A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments accounted for under the equity method, including our noncontrolling equity stake in JSC Bank CenterCredit, a Kazakhstan bank, the initial stake in which we acquired in 2008. See "Item 4.B. Business Overview—Capital Markets Activities and International Banking—International Banking."

Our business may be materially and adversely affected by legal claims and regulatory actions against us.

We are subject to the risk of legal claims and regulatory actions in the ordinary course of our business, which may expose us to substantial monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against our management and employees and regulatory restrictions on our operations, as well as significant reputational harm.

In July 2012, the Korea Fair Trade Commission commenced an investigation into alleged collusion among domestic financial institutions, including banks and securities companies, in setting interest rates applicable to three-month certificates of deposit. Such rates were used as a benchmark for banks' lending rates until a new benchmark rate for bank lending was introduced in December 2012. In February 2016, the Korea Fair Trade Commission sent its formal written report of findings to six commercial banks, including Kookmin Bank, and the respondents submitted their response briefs in April 2016. It has been reported that the Korea Fair Trade Commission plans to hold a hearing as early as May 2016 and announce a final decision regarding its investigation thereafter. An adverse decision by the Korea Fair Trade Commission could subject Kookmin Bank to additional claims and actions, including by its lending customers. While Kookmin Bank plans to defend vigorously against the allegations and may seek a review by the Korean courts of any adverse decision by the Korea Fair Trade Commission, the ultimate outcome of such investigation and any subsequent court review remains uncertain and we cannot evaluate the probability of a favorable or unfavorable outcome or estimate the potential loss to us in the event of an unfavorable outcome.

In addition, in February 2014, the Financial Services Commission suspended the new credit card issuance and other related activities of KB Kookmin Card for three months from February to May 2014, in response to an incident involving the misappropriation of the personal information of a large number of its customers by an employee of the Korea Credit Bureau in the first half of 2013. In connection with the incident, a number of customers have filed lawsuits against KB Kookmin Card seeking damages, and it could become subject to additional litigation. See "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings."

We are unable to predict the outcome of these and other legal claims and regulatory actions in which we are involved, and the scope of the claims or actions or the total amount in dispute in such matters may increase. Furthermore, adverse final determinations, decisions or resolutions in such matters could encourage other parties to bring related claims and actions against us. Accordingly, the outcome of current and future legal claims and regulatory actions, particularly those for which it is difficult to assess the maximum potential exposure or the ultimate adverse impact with any degree of certainty, may materially and adversely impact our business, reputation, results of operations and financial condition.

Our risk management system may not be effective in mitigating risk and loss.

We seek to monitor and manage our risk exposure through a group-wide risk management platform, encompassing a multi-layered risk management governance structure, reporting and monitoring systems, early warning systems, credit risk management systems for our banking operations and other risk management infrastructure, using a variety of risk management strategies and techniques. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk." However, such risk management strategies and techniques employed by us and the judgments that accompany their application cannot anticipate the economic and financial outcome in all market environments, and many of our risk management strategies and techniques have a basis in historic market behavior that may limit the effectiveness of such strategies and techniques in times of significant market stress or other unforeseen circumstances. Furthermore, our risk management strategies may not be effective in a difficult or less liquid market environment, as other market participants may be attempting to use the same or similar strategies as us to deal with such market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants.

We are generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, we are subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio.

A substantial portion of our loans is secured by real estate, the values of which have fluctuated significantly in recent years. Although it is our general policy to lend up to 40% to 80% of the appraised value of collateral (except in areas of high speculation designated by the government where we generally limit our lending to between 40% to 60% of the appraised value of collateral) and to periodically re-appraise our collateral, the downturn in the real estate market in Korea in recent years has resulted in declines in the value of the collateral securing our mortgage and home equity loans. If collateral values decline further in the future, they may not be sufficient to cover uncollectible amounts in respect of our secured loans. Any future declines in the value of the real estate or other collateral securing our loans, or our inability to obtain additional collateral in the event of such declines, could result in a deterioration in our asset quality and may require us to take additional loan loss provisions.

In Korea, foreclosure on collateral generally requires a written petition to a court. An application, when made, may be subject to delays and administrative requirements that may result in a decrease in the value realized with respect to such collateral. We cannot guarantee that we will be able to realize the full value on our collateral as a result of, among other factors, delays in foreclosure proceedings and defects in the perfection of our security interest in collateral. Our failure to recover the expected value of collateral could expose us to losses.

The secondary market for corporate bonds in Korea is not fully developed, and, as a result, we may not be able to realize the full "marked-to-market" value of debt securities we hold at the time of any sale of such securities.

As of December 31, 2015, we held debt securities issued by Korean companies and financial institutions (other than those issued by Korea Housing Finance Corporation, the Bank of Korea, Korea Development Bank, Korea Land & Housing Corporation, Korea Deposit Insurance Corporation and Industrial Bank of Korea, which are government-owned or -controlled enterprises or financial institutions) with a total carrying amount of ₩15,791 billion in our trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require us to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on our statements of financial position is determined by references to suggested prices posted by Korean rating agencies or the Korea Securities Dealers Association. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full "marked-to-market" value at the time of any such sale of these securities and thus may incur losses.

We may be required to make transfers from our general banking operations to cover shortfalls in our guaranteed trust accounts, which could have an adverse effect on our results of operations.

We manage a number of money trust accounts through Kookmin Bank, our banking subsidiary. Under Korean law, trust account assets of a bank are required to be segregated from the assets of that bank's general banking operations. Those assets are not available to satisfy the claims of a bank's depositors or other creditors of its general banking operations. For some of the trust accounts we manage, we have guaranteed either the principal amount of the investor's investment or the principal and a fixed rate of interest.

If, at any time, the income from our guaranteed trust accounts is not sufficient to pay any guaranteed amount, we will have to cover the shortfall first from the special reserves maintained in these trust accounts, then from our fees from such trust accounts and finally from funds transferred from our general banking operations. As of December 31, 2015, we had ₩99 billion of special reserves in respect of trust accounts for which we provided guarantees of principal. There was no transfer from general banking operations to cover deficiencies in guaranteed trust accounts in 2013, 2014 and 2015. However, we may be required to make transfers from our general banking operations to cover shortfalls, if any, in our guaranteed trust accounts in the future. Such transfers may adversely impact our results of operations.

Our operations have been, and will continue to be, subject to increasing and continually evolving cybersecurity and other technological risks.

With the proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions, our operations as a large financial institution have been, and will continue to be, subject to an increasing risk of cyber incidents relating to these activities, the nature of which is continually evolving. Our computer systems, software and networks are subject to cyber incidents, such as disruptions, delays or other difficulties from our information technology system, computer viruses or other malicious codes, loss or destruction of data (including confidential client information), unauthorized access, account takeover attempts and cyber attacks. A significant portion of our daily operations relies on our information technology systems, including customer service, billing, the secure processing, storage and transmission of confidential and other information as well as the timely monitoring of a large number of complex transactions. Although we have made substantial and continuous investments to build systems and defenses to address cybersecurity and other technological risks, there is no guarantee that such measures or any other measures can provide adequate security. In addition, because methods used to cause cyber attacks change frequently or, in some cases, are not recognized until launched, we may be unable to implement effective preventive measures or proactively address these methods. Furthermore, these cyber threats may arise from human error, accidental technological failure and third parties with whom we do business. Although we maintain insurance coverage that may cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. If we were to be subject to a cyber incident, it could result in the disclosure of confidential client information, damage to our reputation with our customers and in the market, customer dissatisfaction, additional costs to us, regulatory penalties, exposure to litigation and other financial losses to both us and our customers, which could have an adverse effect on our business and results of operations.

Risks relating to liquidity and capital management

A considerable increase in interest rates could decrease the value of our debt securities portfolio and raise our funding costs while reducing loan demand and the repayment ability of our borrowers, which, as a result, could adversely affect us.

Interest rates in Korea have been subject to significant fluctuations in recent years. In an effort to stem inflation amid improved growth prospects, the Bank of Korea gradually increased its policy rate in 2010 and 2011 by a total of 125 basis points to 3.25%. However, the Bank of Korea reduced its policy rate to 2.00% through a series of reductions from 2012 to 2014 to support Korea's economy in light of the slowdown in Korea's growth and uncertain global economic prospects. In 2015, the Bank of Korea further reduced its policy rate to an unprecedented 1.50% amid deflationary concerns and interest rate cuts by central banks around the world. All else being equal, an increase in interest rates in the future could lead to a decline in the value of our portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise our funding costs, while reducing loan demand, especially among consumers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability.

In addition, rising interest rate levels may adversely affect the Korean economy and the financial condition of our corporate and retail borrowers, including holders of our credit cards, which in turn may lead to a deterioration in our credit portfolio. Since most of our retail and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rate levels will increase the interest costs of our retail and corporate borrowers and could adversely affect their ability to make payments on their outstanding loans.

Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations.

We meet a significant amount of our funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2015, approximately 94.4% of our deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of our customer deposits have been rolled over upon maturity. We cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of our short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, our liquidity position could be adversely affected. We may also be required to seek more expensive sources of short-term and long-term funding to finance our operations. See "Item 5.B. Liquidity and Capital Resources—Financial Condition—Liquidity."

We may be required to raise additional capital if our capital adequacy ratio deteriorates or the applicable capital requirements change in the future, but we may not be able to do so on favorable terms or at all.

Under the capital adequacy requirements of the Financial Services Commission, both we and Kookmin Bank, our banking subsidiary, are required to maintain a minimum common equity Tier I capital adequacy ratio of 4.5%, Tier I capital adequacy ratio of 6.0% and combined Tier I and Tier II capital adequacy ratio of 8.0%, on a consolidated basis from, January 1, 2015. As of December 31, 2015, our common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 13.47%, 13.59% and 15.48%, respectively, and Kookmin Bank's common equity Tier I capital, Tier I capital and combined Tier I and Tier II capital adequacy ratios were 13.74%, 13.74% and 16.01%, respectively, all of which exceeded the minimum levels required by the Financial Services Commission. However, our capital base and capital adequacy ratios may deteriorate in the future if our results of operations or financial condition deteriorates for any reason, including as a result of a deterioration in the asset quality of our retail loans (including credit card balances) and loans to small- and medium-sized enterprises, or if we are not able to deploy our funding into suitably low-risk assets.

The current capital adequacy requirements of the Financial Services Commission are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the Financial Services Commission promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital (which principally includes equity capital, capital surplus and retained earnings less reserve for credit losses) to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of five domestic systemically important banks for 2016 by the Financial Services Commission and may be subject to an additional capital requirement of 0.25% in 2016, if deemed necessary, with such potential requirement to increase in stages to 1.0% by 2019. The implementation of Basel III in Korea may have a significant effect on the capital requirements of

Korean financial institutions, including us. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy" and "—Principal Regulations Applicable to Banks—Capital Adequacy."

We may be required to obtain additional capital in the future in order to remain in compliance with more stringent capital adequacy and other regulatory requirements. However, we may not be able to obtain additional capital on favorable terms, or at all. Our ability to obtain additional capital at any time may be constrained to the extent that banks or other financial institutions in Korea or from other Asian countries are seeking to raise capital at the same time. To the extent that we fail to comply with applicable capital adequacy ratio or other regulatory requirements in the future, Korean regulatory authorities may impose penalties on us ranging from a warning to suspension or revocation of our banking license.

Risks relating to government regulation and policy

The Korean government may promote lending and financial support by the Korean financial industry to certain types of borrowers as a matter of policy, which financial institutions, including us, may decide to follow.

Through its policies and recommendations, the Korean government has promoted and, as a matter of policy, may continue to attempt to promote lending by the Korean financial industry to particular types of borrowers. For example, the Korean government has in the past provided and may continue to provide policy loans, which encourage lending to particular types of borrowers. It has generally done this by identifying sectors of the economy it wishes to promote and making low-interest funding available to financial institutions that may voluntarily choose to lend to these sectors. The government has in this manner provided policy loans intended to promote mortgage lending to low-income individuals and lending to small- and medium-sized enterprises. All loans or credits we choose to make pursuant to these policy loans would be subject to review in accordance with our credit approval procedures. However, the availability of policy loans may influence us to lend to certain sectors or in a manner in which we otherwise would not in the absence of such loans from the government.

In the past, the Korean government has also announced policies under which financial institutions in Korea are encouraged to provide financial support to particular sectors. For example, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008 and adverse conditions in the Korean economy affecting consumers, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise and retail borrowers. See "—Risks relating to our small- and medium-sized enterprise loan portfolio—We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us." and "—Risks relating to our retail credit portfolio—Future changes in market conditions as well as other factors may lead to increases in delinquency levels of our retail loan portfolio." The Korean government may in the future request financial institutions in Korea, including us, to make investments in or provide other forms of financial support to particular sectors of the Korean economy as a matter of policy, which financial institutions, including us, may decide to accept. We may incur costs or losses as a result of providing such financial support.

The Financial Services Commission may impose burdensome measures on us if it deems us or one of our subsidiaries to be financially unsound.

If the Financial Services Commission deems our financial condition or the financial condition of our subsidiaries to be unsound, or if we or our subsidiaries fail to meet applicable regulatory standards, such as minimum capital adequacy and liquidity ratios, the Financial Services Commission may order or recommend, among other things:

- capital increases or reductions;

- stock cancellations or consolidations;
- transfers of businesses;
- sales of assets;
- closures of subsidiaries or branch offices;
- mergers with other financial institutions; and
- suspensions of a part of our business operations.

If any of these measures are imposed on us by the Financial Services Commission, they could hurt our business, results of operations and financial condition. In addition, if the Financial Services Commission orders us to partially or completely reduce our capital, you may lose part or all of your investment.

Risks relating to Korea

Escalations in tensions with North Korea could have an adverse effect on us and the market price of our ADSs.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-eun, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- From time to time, North Korea has conducted ballistic missile tests. Most recently in February 2016, North Korea launched a long-range rocket in violation of its agreement with the United States as well as United Nations sanctions barring it from conducting launches that use ballistic missile technology. Despite international condemnation, North Korea released a statement that it intends to continue its rocket launch program.
- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed a series of resolutions that condemned North Korea for the nuclear tests and imposed expanded sanctions against North Korea. In January 2016, North Korea conducted a fourth nuclear test, claiming that the test involved its first hydrogen bomb, which claim has not been independently verified. In response to such test (as well as North Korea's long-range rocket launch in February 2016), the United Nations Security Council unanimously passed a resolution in March 2016 condemning North Korea's actions and significantly expanding the scope of the sanctions applicable to North Korea.
- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarized zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda program toward North Korea utilizing loudspeakers near the demilitarized zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.

- In March 2013, North Korea stated that it had entered "a state of war" with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Korean government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Korean government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may aggravate social and political pressures within North Korea. There can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on our business, financial condition and results of operations and the market value of our common stock and ADSs.

Unfavorable financial and economic developments in Korea may have an adverse effect on us.

We are incorporated in Korea, and substantially all of our operations are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the economy is subject to many factors beyond our control.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. See "Other risks relating to our business—Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition." The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has also fluctuated widely. See "Item 3.A. Selected Financial Data—Exchange Rates." Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies in recent years. Future declines in the Korea Composite Stock Price Index (known as the "KOSPI") and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could hurt Korea's economy in the future include:

- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere;

- further decreases in the market prices of Korean real estate;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail or small- and medium-sized enterprise borrowers;
- declines in consumer confidence and a slowdown in consumer spending;
- difficulties in the financial sector in Korea, including the savings bank sector;
- the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China's economy, which is Korea's most important export market;
- social and labor unrest;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of *chaebols*, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain *chaebols*;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- the economic impact of any pending or future free trade agreements;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- the occurrence of severe health epidemics in Korea or other parts of the world, including the recent Middle East Respiratory Syndrome outbreak in Korea;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or increase in the price of oil;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.

Labor unrest in Korea may adversely affect our operations.

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate increased from 3.1% in 2013 to 3.5% in 2014 and 3.6% in 2015. Future increases in unemployment and any resulting labor unrest in the future could adversely affect our operations, as well as the operations of many of our customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on our financial condition and results of operations.

Risks relating to our common stock and ADSs

We or our major stockholders may sell shares of our common stock or ADSs in the future, and these and other sales may adversely affect the market price of our common stock and ADSs and may dilute your investment and relative ownership in us.

We have no current plans for any public offerings of our common stock, ADSs or securities exchangeable for or convertible into such securities. However, it is possible that we may decide to offer or sell such securities in the future. In addition, our major stockholder, the Korean National Pension Service, held approximately 9.2% of our total issued common stock as of December 31, 2015, which it may sell at any time.

Any future offerings or sales by us of our common stock or ADSs or securities exchangeable for or convertible into such securities, significant sales of our common stock by a major stockholder, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of our common stock and ADSs. Furthermore, any offerings by us in the future of any such securities could have a dilutive impact on your investment and relative ownership interest in us.

Ownership of our common stock is restricted under Korean law.

Under the Financial Holding Company Act, a single stockholder, together with its affiliates, is generally prohibited from owning more than 10.0% of the issued and outstanding shares of voting stock of a bank holding company such as us that controls a nationwide bank, with the exception of certain stockholders that are non-financial business group companies, whose applicable limit has been reduced from 9.0% to 4.0% pursuant to an amendment of the Financial Holding Company Act which became effective from February 14, 2014. To the extent that the total number of shares of our common stock (including those represented by ADSs) that a holder and its affiliates own exceeds the applicable limits, that holder will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order that holder to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in an administrative fine of up to 0.03% of the book value of such shares per day until the date of disposal. Non-financial business group companies can no longer acquire more than 4.0% of the issued and outstanding shares of voting stock of a bank holding company pursuant to the amended Financial Holding Company Act, which grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4.0% of the shares thereof with the approval of the Financial Services Commission before the amendment. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Ownership of a Financial Holding Company."

A holder of our ADSs may not be able to exercise dissent and appraisal rights unless it has withdrawn the underlying shares of our common stock and become our direct stockholder.

In some limited circumstances, including the transfer of the whole or any significant part of our business and the merger or consolidation of us with another company, dissenting stockholders have the right to require us to purchase their shares under Korean law. However, holders of our ADSs will not be able to exercise such dissent and appraisal rights if the depositary refuses to do so on their behalf. Our deposit agreement does not require the depositary to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of our ADSs must withdraw the underlying common stock from the ADS facility (and incur charges relating to that withdrawal) and become our direct stockholder prior to the record date of the stockholders' meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

A holder of our ADSs may be limited in its ability to deposit or withdraw common stock.

Under the terms of our deposit agreement, holders of common stock may deposit such stock with the depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds the difference between:

(1) the aggregate number of common shares we have deposited or we have consented to allow to be deposited for the issuance of ADSs (including deposits in connection with offerings of ADSs and stock dividends or other distributions relating to ADSs); and

(2) the number of shares of common stock on deposit with the custodian for the benefit of the depositary at the time of such proposed deposit,

such common stock will not be accepted for deposit unless

(A) our consent with respect to such deposit has been obtained; or

(B) such consent is no longer required under Korean laws and regulations.

Under the terms of the deposit agreement, no consent is required if the shares of common stock are obtained through a dividend, free distribution, rights offering or reclassification of such stock. We have consented, under the terms of the deposit agreement, to any deposit to the extent that, after the deposit, the number of deposited shares does not exceed such number of shares as we determine from time to time (which number shall at no time be less than 100,000,000 shares), unless the deposit would be prohibited by applicable laws or ownership restrictions or violate our articles of incorporation. We might not consent to the deposit of any additional common stock. As a result, if a holder surrenders ADSs and withdraws common stock, it may not be able to deposit the stock again to obtain ADSs.

A holder of our ADSs will not have preemptive rights in some circumstances.

The Korean Commercial Code of 1962, as amended, and our articles of incorporation require us, with some exceptions, to offer stockholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, to the extent practicable, the depositary may make the rights available to holders of our ADSs or dispose of the rights on behalf of such holders and make the net proceeds available to such holders. The depositary, however, is not required to make available to holders any rights to purchase any additional shares of our common stock unless it timely receives evidence satisfactory to it from us that it may lawfully do so and:

- a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

Similarly, holders of our common stock located in the United States may not exercise any such rights they receive absent registration or an exemption from the registration requirements under the Securities Act.

We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, a holder of our ADSs may be unable to participate in our rights offerings and may experience dilution in its holdings. If a registration statement is required for a holder of our ADSs to exercise preemptive rights but is not filed by us or is not declared effective, the holder will not be able to exercise its preemptive rights for additional ADSs and it will suffer dilution of its equity interest in us. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or practicable, it will allow the rights to lapse, in which case the holder will receive no value for these rights.

Dividend payments and the amount a holder of our ADSs may realize upon a sale of its ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Won.

Our common stock is listed on the KRX KOSPI Market and quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the ADSs will be paid to the depositary in Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the amounts a holder of our ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that it would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

The market value of an investment in our ADSs may fluctuate due to the volatility of the Korean securities market.

Our common stock is listed on the KRX KOSPI Market, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the KRX KOSPI Market. The KRX KOSPI Market has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the KRX KOSPI Market has prescribed a fixed range in which share prices are permitted to move on a daily basis. The KOSPI declined from 1,897.1 on December 31, 2007 to 938.8 on October 24, 2008. The KOSPI was 2,015.5 on April 22, 2016. There is no guarantee that the stock prices of Korean companies will not decline again in the future. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

The Korean government has the potential ability to exert substantial influence over many aspects of the private sector business community, and in the past has exerted that influence from time to time. For example, the Korean government has promoted mergers to reduce what it considers excess capacity in a particular industry and has also encouraged private companies to publicly offer their securities. Similar actions in the future could have the effect of depressing or boosting the Korean securities market, whether or not intended to do so. Accordingly, actions by the government, or the perception that such actions are taking place, may take place or has ceased, may cause sudden movements in the market prices of the securities of Korean companies in the future, which may affect the market price and liquidity of our common stock and ADSs.

If the Korean government deems that emergency circumstances are likely to occur, it may restrict holders of our ADSs and the depositary from converting and remitting dividends and other amounts in U.S. dollars.

If the Korean government deems that certain emergency circumstances, including, but not limited to, severe and sudden changes in domestic or overseas economic circumstances, extreme difficulty in stabilizing the balance of payments or implementing currency exchange rate and other macroeconomic policies, have occurred or are likely to occur, it may impose certain restrictions provided for under the Foreign Exchange Transaction Act, including the suspension of payments or requiring prior approval from governmental authorities for any transaction. See “Item 10.D. Exchange Controls—General.”

A holder of our ADSs may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this document and substantially all of our assets are located in Korea. As a result, it may not be possible for holders of our ADSs to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Item 4. INFORMATION ON THE COMPANY

Item 4.A. *History and Development of the Company*

Overview

We were established as a new financial holding company on September 29, 2008 pursuant to a "comprehensive stock transfer" under Korean law, whereby holders of the common stock of Kookmin Bank and certain of its subsidiaries transferred all of their shares to us in return for shares of our common stock. We were established pursuant to the Financial Holding Company Act, which was enacted in October 2000 and which, together with associated regulations and a related Enforcement Decree, has enabled banks and other financial institutions, including insurance companies, investment trust companies, credit card companies and securities companies, to be organized and managed under the auspices of a single financial holding company.

Our legal and commercial name is KB Financial Group Inc. Our registered office and principal executive offices are located at 84, Namdaemoon-ro, Jung-gu, Seoul 04534, Korea. Our telephone number is 822-2073-7114. Our agent in the United States, Kookmin Bank, New York Branch, is located at 565 Fifth Avenue, 24th Floor, New York, NY 10017. Its telephone number is (212) 697-6100.

History of the Former Kookmin Bank

The former Kookmin Bank was established by the Korean government in 1963 under its original name of Citizens National Bank under the Citizens National Bank Act of Korea with majority government ownership. Under this Act, we were limited to providing banking services to the general public and to small- and medium-sized enterprises. In September 1994, we completed our initial public offering in Korea and listed our shares on the KRX KOSPI Market.

In January 1995, the Citizens National Bank Act of Korea was repealed and replaced by the Repeal Act of the Citizens National Bank Act. Our status was changed from a specialized bank to a nationwide commercial bank and in February 1995, we changed our name to Kookmin Bank. The Repeal Act allowed us to engage in lending to large businesses.

History of H&CB

H&CB was established by the Korean government in 1967 under the name Korea Housing Finance Corporation. In 1969, Korea Housing Finance Corporation became the Korea Housing Bank pursuant to the Korea Housing Bank Act. H&CB was originally established to provide low and middle income households with long-term, low-interest mortgages in order to help them purchase their own homes, and to promote the increase of housing supply in Korea by providing low-interest housing loans to construction companies. Under the Korea Housing Bank Act, up to 20% of H&CB's lending (excluding lending pursuant to government programs) could be non-mortgage lending. Until 1997 when the Korea Housing Bank Act was repealed, H&CB was the only entity in Korea allowed to provide mortgage loans with a term of longer than ten years. H&CB also had the exclusive ability to offer housing-related deposit accounts offering preferential rights to subscribe for newly-built apartments.

In July 1999, H&CB entered into an investment agreement with certain affiliates of the ING Groep N.V., a leading global financial services group. Through ING Insurance International B.V. and ING International Financial Holdings, ING Groep N.V. invested ₩332 billion to acquire 9,914,777 new common shares of H&CB representing 9.99999% of H&CB's outstanding common shares. As of December 31, 2012, ING Groep N.V. beneficially owned, through its consolidated subsidiary ING Bank N.V., 5.02% of our issued common stock. In February 2013, ING Bank N.V. sold all of its stake in our company in a block trade.

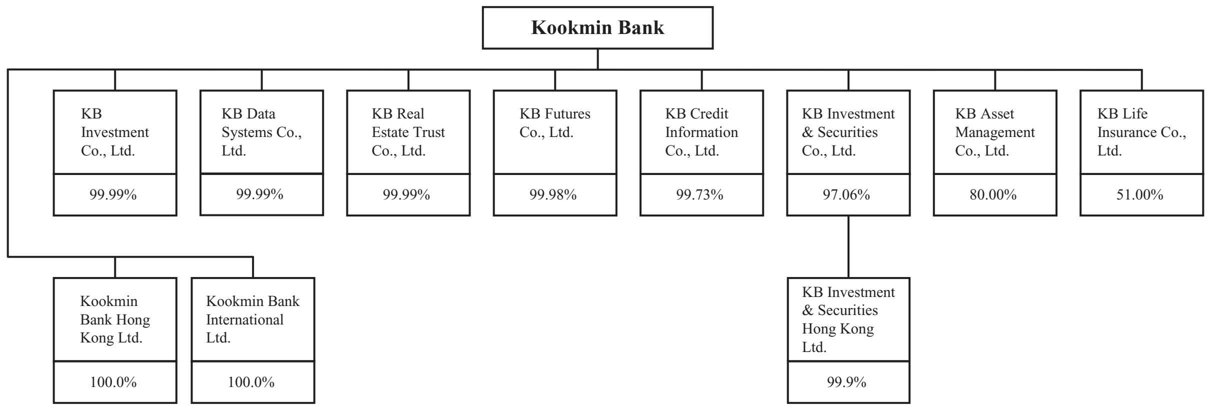
The Merger of the Former Kookmin Bank and H&CB

Effective November 1, 2001, the former Kookmin Bank and H&CB merged into a new entity named Kookmin Bank. This merger resulted in Kookmin Bank becoming the largest commercial bank in Korea. Kookmin Bank's ADSs were listed on the New York Stock Exchange on November 1, 2001 and its common shares were listed on the KRX KOSPI Market on November 9, 2001. As of October 31, 2001, H&CB's total assets were ₩67,399 billion, its total deposits were ₩51,456 billion, its total liabilities were ₩64,537 billion and it had stockholders' equity of ₩2,849 billion. As required by U.S. GAAP, we recognized H&CB's total assets and liabilities at their estimated fair values of ₩68,329 billion and ₩64,840 billion, respectively. These amounts reflect the recognition of ₩562 billion of negative goodwill, which was allocated to the fixed assets, core deposit intangible assets and credit card relationship intangible assets assumed.

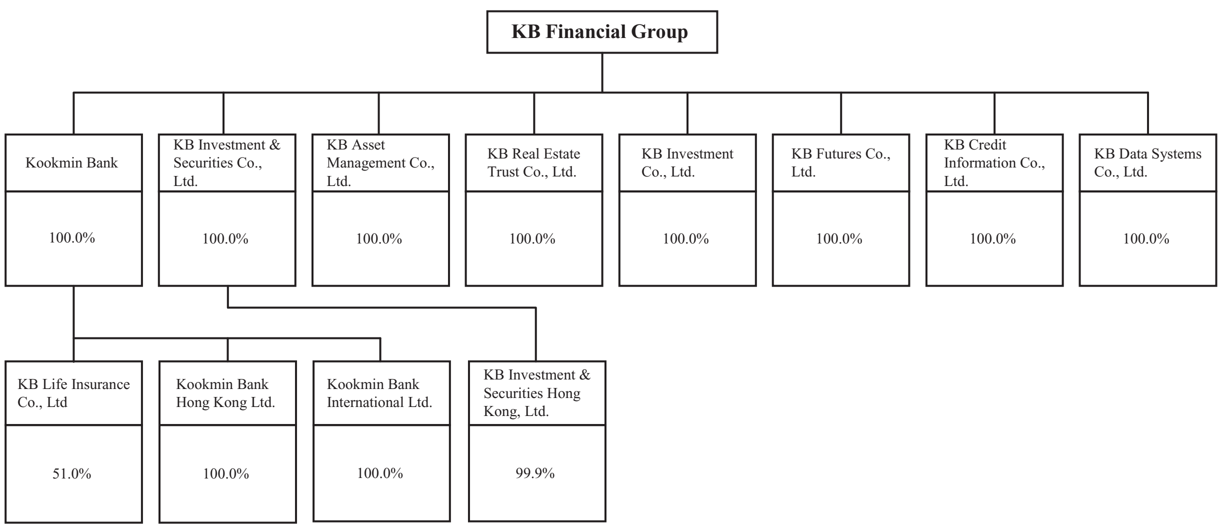
The Establishment of KB Financial Group

We were established on September 29, 2008 pursuant to a "comprehensive stock transfer" under Article 360-15 of the Korean Commercial Code, whereby holders of the common stock of Kookmin Bank and certain of its subsidiaries transferred all of their shares to us, a new financial holding company, and in return received shares of our common stock. In the stock transfer, each holder of one share of Kookmin Bank common stock received one share of our common stock, par value ₩5,000 per share. Holders of Kookmin Bank ADSs and global depositary shares, each of which represented one share of Kookmin Bank common stock, received one of our ADSs for every ADS or global depositary share they owned. In addition, holders of the common stock of 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., all of which were Kookmin Bank's subsidiaries, transferred all of their shares to us and, as consideration for such transferred shares, received shares of our common stock in accordance with the specified stock transfer ratio applicable to each such subsidiary. Following the completion of the stock transfer, 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. became our wholly-owned subsidiaries. The stock transfer was accounted for under U.S. GAAP as a transaction between entities under common control and, with respect to the transfer by noncontrolling stockholders of Kookmin Bank's subsidiaries included in the stock transfer, the acquisition by us of such noncontrolling interests of such subsidiaries was accounted for using the purchase method.

The following chart illustrates the organizational structure of Kookmin Bank prior to the completion of the stock transfer:



The following chart illustrates our organizational structure after the completion of the stock transfer:



The purpose of the stock transfer and our establishment as a financial holding company was to reorganize the different businesses of Kookmin Bank and its subsidiaries under a holding company structure, the adoption of which we believe will:

- assist us in creating an integrated system that facilitates the sharing of customer information and the development of integrated products and services by the different businesses within our subsidiaries;
- assist us in expanding our business scope to include new types of business with higher profit margins;
- enhance our ability to pursue strategic investments or reorganizations by way of mergers, acquisitions, spin-offs or other means;
- maximize our management efficiency; and
- further enhance our capacity to expand our overseas operations.

Following the stock transfer, our common stock was listed on the KRX KOSPI Market on October 10, 2008 and our ADSs were listed on the New York Stock Exchange on September 29, 2008.

In connection with the stock transfer, Kookmin Bank common stockholders who opposed the stock transfer were entitled to exercise appraisal rights and require Kookmin Bank to repurchase their shares in the event the stock transfer was completed. The purchase price for shares in respect of which appraisal rights were exercised was set at ₩63,293 per share. Kookmin Bank repurchased 38,263,249 shares of its common stock as a result of the exercise of appraisal rights by dissenting stockholders. In addition, prior to the stock transfer, Kookmin Bank executed a share buyback program, pursuant to which it repurchased 16,840,000 shares of its common stock. Accordingly, as a result of the transfer by Kookmin Bank of such treasury shares and the shares it held in its subsidiaries to us, Kookmin Bank received 73,607,601 shares of our common stock in the stock transfer, all of which it subsequently sold.

Item 4.B. *Business Overview*

Business

We are one of the largest financial holding companies in Korea, in terms of consolidated total assets, and our operations include Kookmin Bank, one of the leading commercial banks in Korea. Our subsidiaries collectively engage in a broad range of businesses, including commercial banking, credit cards, asset management, life insurance, capital markets activities and international banking. As of December 31, 2015, we had consolidated total assets of ₩329 trillion, consolidated total deposits of ₩224 trillion and consolidated stockholders' equity of ₩29 trillion.

We were established as a financial holding company in September 2008, pursuant to a "comprehensive stock transfer" under Korean law. See "Item 4.A. History and Development of the Company—The Establishment of KB Financial Group."

On the asset side, we provide credit and related financial services to individuals and small- and medium-sized enterprises and, to a lesser extent, to large corporate customers. On the deposit side, we provide a full range of deposit products and related services to both individuals and enterprises of all sizes. We provide these services predominantly through Kookmin Bank.

By their nature, our core consumer and small- and medium-sized enterprise operations place a high premium on customer access and convenience. Our combined banking network of 1,138 branches as of December 31, 2015, one of the most extensive in Korea, provides a solid foundation for our business and is a major source of our competitive strength. This network provides us with a large, stable and cost effective funding source, enables us to provide our customers convenient access and gives us the ability to provide the customer attention and service essential to conducting our business, particularly in an increasingly competitive environment. Our branch network is further enhanced by automated banking machines and fixed-line, mobile telephone and Internet banking. As of December 31, 2015, we had a customer base of approximately 30.5 million retail customers, which represented over one-half of the Korean population.

The following table sets forth the principal components of our lending business as of the dates indicated. As of December 31, 2015, retail loans and credit card loans and receivables accounted for 55.1% of our total loan portfolio:

	As of December 31,					
	2013		2014		2015	
	(in billions of Won, except percentages)					
Retail						
Mortgage and home equity [1]	₩ 77,969	35.1%	₩ 86,994	37.2%	₩ 87,882	35.5%
Other consumer [2]	29,675	13.4	32,255	13.8	36,312	14.6
Total retail	107,644	48.5	119,249	51.0	124,194	50.1
Credit card	11,784	5.3	11,632	5.0	12,136	4.9
Corporate	100,534	45.3	100,878	43.1	108,847	44.0
Foreign	1,900	0.9	2,143	0.9	2,410	1.0
Total loans	₩221,862	100.0%	₩233,902	100.0%	₩247,587	100.0%

(1) Includes ₩945 billion, ₩1,035 billion and ₩1,040 billion of overdraft loans secured by real estate in connection with home equity loans as of December 31, 2013, 2014 and 2015, respectively.

(2) Includes ₩7,181 billion, ₩6,941 billion and ₩7,546 billion of overdraft loans as of December 31, 2013, 2014 and 2015, respectively.

We provide a full range of personal lending products and retail banking services to individual customers, including mortgage loans. We are the largest private sector mortgage lender in Korea.

Lending to small- and medium-sized enterprises is the single largest component of our non-retail credit portfolio and represents a widely diversified exposure to a broad spectrum of the Korean corporate community, both by type of lending and type of customer, with one of the categories being collateralized loans to SOHO customers that are among the smallest of the small- and medium-sized enterprises. The volume of our loans to small- and medium-sized enterprises requires a customer-oriented approach that is facilitated by our large and geographically diverse branch network.

With respect to large corporate customers, we continue to seek to maintain and expand quality relationships by providing them with an increasing range of fee-related services.

Since the former Kookmin Bank initiated the issuance of domestic credit cards in 1980, we have seen our credit card business grow rapidly over the past decade as the nationwide trend towards credit card use accelerated. In March 2011, we effected a horizontal spin-off of the credit card business from Kookmin Bank. As a result, our credit card business is operated by a separate wholly-owned subsidiary, KB Kookmin Card Co., Ltd. As of December 31, 2015, we had approximately 18.5 million holders of check cards or credit cards issued by KB Kookmin Card.

Strategy

Our strategic focus is to become a world-class financial group that ranks among the leaders of the financial industry in Asia and globally. We plan to continue to solidify our market position as Korea's leading bank, enhance our ability to provide comprehensive financial services to our retail and corporate customers and strengthen our overseas operating platform and network. We believe our strong market position in the commercial banking area in Korea is an important competitive advantage, which will enable us to compete more effectively based on convenient delivery, product breadth and differentiation, and service quality while focusing on our profitability.

The key elements of our strategy are as follows:

Providing comprehensive financial services and maximizing synergies among our subsidiaries through our financial holding company structure

We believe the Korean financial services market has been undergoing and will continue to undergo significant change, resulting from, among other things, fluctuations in the Korean and global economy and the evolving social landscape in Korea, including the acceleration of population aging in Korea, the prevalence of smartphone usage, developments in digital and mobile technologies and the ensuing trend toward high-tech "smart banking" in the banking sector. In the context of such changes, we plan to become a comprehensive financial services provider capable of offering a full range of products and services to our large existing base of retail and corporate banking customers, as well as a global firm that can effectively compete with leading international financial institutions. To that end, we are continuing to implement specific initiatives including the enhancement of our group-wide integrated customer relationship management system to facilitate the sharing of customer information in accordance with applicable laws and the integration of various customer loyalty programs among our subsidiaries.

We believe our financial holding company structure gives us a competitive advantage over commercial banks and unaffiliated financial services providers by:

- allowing us to offer a more extensive range of financial products and services;
- enabling us to share customer information, which is not permitted outside a financial holding company structure, thereby enhancing our risk management capabilities;
- enhancing our ability to reduce costs in areas such as back-office processing and procurement; and
- enabling us to raise and manage capital on a centralized basis.

Identifying, targeting and marketing to attractive customer segments and providing superior customer value and service to such segments

In recent years, rather than focusing on developing products and services to satisfy the overall needs of the general population, we have increasingly targeted specific market segments in Korea that we expect to generate superior growth and profitability. We will continue to implement a targeted marketing approach that seeks to identify the most attractive customer segments and to develop strategies to build market share in those segments. In particular, we intend to increase our "wallet share" of superior existing customers by using our advanced customer relationship management technology to better identify and meet the needs of our most creditworthy and high net worth customers, on whom we intend to concentrate our marketing efforts. For example, as part of this strategy, we operate a "priority customer" program called KB Star Club through four of our subsidiaries: Kookmin Bank, KB Investment & Securities, KB Life Insurance and KB Kookmin Card. We select and classify KB Star Club customers based on their transaction history with the four subsidiaries and provide such customers with preferential treatment in various areas, including interest rates and transaction fees, depending upon how they are classified. We also provide private banking services, including personal wealth management services through our exclusive brand "Gold & Wise," to increase our share of the priority customer market and in turn increase our profitability and strengthen our position in retail banking.

We are also focusing on attracting and retaining creditworthy customers by offering more differentiated fee-based products and services that are tailored to meet their specific needs. The development and marketing of our products and services are, in part, driven by customer segmentation to ensure we meet the needs of each customer segment. For instance, we continue to develop hybrid financial products with enhanced features, including various deposit products and investment products, for which consumer demand has increased in recent years. We are also focusing on addressing the needs of our customers by providing the highest-quality products and services and developing an open-architecture strategy, which allows us to sell such products through one of the largest branch networks in Korea. In short, we aim to offer our customers a convenient one-stop financial services destination where they can meet their traditional retail and corporate banking requirements, as well as find a broad array of fee-based products and services tailored to address more specific financial needs, including in investment banking, insurance and wealth management. We believe such differentiated, comprehensive services and cross-selling will not only enhance customer loyalty but also increase profitability.

One of our key customer-related strategies continues to be creating greater value and better service for our customers. We intend to continue improving our customer service, including through:

- *Improved customer relationship management technology*. Management has devoted substantial resources toward development of our customer relationship management system, which is designed to provide our employees with the needed information to continually improve the level of service and incentives offered to our preferred customers. Our integrated customer relationship system allows for better customer management and streamlines our customer reward system. We have also developed state-of-the-art call centers and online Internet capabilities to provide shorter response times to customers seeking information or to execute transactions. Our goals are to continually focus on improving customer service to satisfy our customer's needs through continuing efforts to deliver new and improved services and to upgrade our customer relationship management system to provide the best possible service to our customers in the future.
- *Enhanced distribution channels*. We also believe we can improve customer retention and usage rates by increasing the range of products and services we offer and by developing a differentiated, multi-channel distribution network, including branches, ATMs, call centers, mobile-banking and Internet banking. We believe that our leading market position in the commercial banking area in Korea gives us a competitive advantage in developing and enhancing our distribution capabilities.

Focusing on expanding and improving credit quality in our corporate lending business and increasing market share in the corporate financial services market

We plan to focus on corporate lending as one of our core businesses through attracting top-tier corporate customers and providing customized and distinctive products and services to build our position as a leading service provider in the Korean corporate financial market. To increase our market share in providing financial services to the corporate market, we intend to:

- promote a more balanced and strengthened portfolio with respect to our corporate business by developing our large corporate customer base and utilizing our improved credit management operations to better evaluate new large corporate and small- and medium-sized enterprise customers;
- develop and sell more varied corporate financial products, consisting of transactional banking products which provide higher margin and less risk;
- generate more fee income from large corporate customers through business-to-business transactions, foreign exchange transactions and derivative and other investment products, as well as investment banking services;
- strengthen our marketing system based on our accumulated expertise in order to attract top-tier corporate customers;
- focus on enhancing our channel network in order to provide the best service by strengthening our corporate customer management; and
- further develop and train our core professionals with respect to this market, including through programs such as the "Career Development Path."

Strengthening internal risk management capabilities

We believe that ensuring strong asset quality through effective credit risk management is critical to maintaining stable growth and profitability and risk management will continue to be one of our key focus areas. One of our highest priorities is to improve our asset quality and more effectively price our lending products to take into account inherent credit risk in our portfolio. Our goal is to maintain the soundness of our credit portfolio, profitability and capital base. To this end, we intend to continue to strengthen our internal risk management capabilities by tightening our underwriting and management policies and improving our internal compliance policies. To accomplish this objective, we have undertaken the following initiatives:

- *Strengthening underwriting procedures with advanced credit scoring techniques.* We have centralized our credit management operations into our Credit Group. Through such centralization, we aim to enhance our credit management expertise and improve our system of checks-and-balances with respect to our credit portfolio. We have also improved our ability to evaluate the credit of our small- and medium-sized enterprise customers through assigning experienced credit officers to our regional credit offices. We also require the same officer to evaluate, review and monitor the outstanding loans and other credits with respect to a customer, which we believe enhances the expertise and improves the efficiency and accountability of such officer, while enabling us to maintain a consistent credit policy. We have also, as a general matter, implemented enhanced credit analysis and scoring techniques, which we believe will enable us to make better-informed decisions about the credit we extend and improve our ability to respond more quickly to incipient credit problems. We are also focusing on enhancing our asset quality through improvement of our early monitoring systems and collection procedures.

- *Improving our internal compliance policy and ensuring strict application in our daily operations.* We have improved our monitoring capabilities with respect to our internal compliance by providing training and educational programs to our management and employees. We have also implemented strict compliance policies to maintain the integrity of our risk management system.

Cultivating a performance-based, customer-oriented culture that emphasizes market best practices

We believe a strong and dedicated workforce is critical to our ability to offer our customers the highest quality financial services and is integral to our goal of maintaining our position as one of Korea’s leading financial services providers. In the past, we have dedicated significant resources to develop and train our core professionals, and we intend to continue to enhance the productivity of our employees, including by regularly sponsoring in-house training and educational programs. We have also been seeking to cultivate a performance-based culture to create a work environment where members of our staff are incentivized to maximize their potential and in which our employees are directly rewarded for superior performance. We intend to maintain a professional workforce whose high quality of customer service reflects our goal to achieve and maintain global best practice standards in all areas of operations.

Retail Banking

Due to Kookmin Bank’s history and development as a retail bank and the know-how and expertise we have acquired from our activities in that market, retail banking has been and will continue to remain one of our core businesses. Our retail banking activities consist primarily of lending and deposit-taking.

Lending Activities

We offer various loan products that target different segments of the population, with features tailored to each segment's financial profile and other characteristics. The following table sets forth the balances and the percentage of our total retail lending represented by the categories of our retail loans as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	(in billions of Won, except percentages)					
Retail:						
Mortgage and home equity loans	₩ 77,969	72.4%	₩ 86,994	73.0%	₩ 87,882	70.8%
Other consumer loans [(1)]	29,675	27.6	32,255	27.0	36,312	29.2
Total	₩107,644	100.0%	₩119,249	100.0%	₩124,194	100.0%

(1) Excludes credit card loans, but includes overdraft loans.

Our retail loans consist of:

- *Mortgage loans*, which are loans made to customers to finance home purchases, construction, improvements or rentals; and *home equity loans*, which are loans made to our customers secured by their homes to ensure loan repayment. We also provide overdraft loans in connection with our home equity loans.
- *Other consumer loans*, which are loans made to customers for any purpose (other than mortgage and home equity loans). These include overdraft loans, which are loans extended to customers to cover insufficient funds when they withdraw funds from their demand deposit accounts with us in excess of the amount in such accounts up to a limit established by us.

For secured loans, including mortgage and home equity loans, our policy is to lend up to 100% of the adjusted collateral value (except in areas of high speculation designated by the government where we generally limit our lending to between 40% to 60% of the appraised value of collateral) minus the value of any lien or other security interests that are prior to our security interest. In calculating the adjusted collateral value for real estate, we use the appraisal value of the collateral multiplied by a factor, generally between 40% to 80% (40% to 70% in the case of mortgage and home equity loans). This factor varies depending upon the location and use of the real estate and is established in part by taking into account court-supervised auction prices for nearby properties.

A borrower's eligibility for our mortgage loans depends on the value of the mortgage property, the appropriateness of the use of proceeds and the borrower's creditworthiness. A borrower's eligibility for home equity loans is determined by the borrower's credit and the value of the property, while the borrower's eligibility for other consumer loans is primarily determined by the borrower's credit. If the borrower's credit deteriorates, it may be difficult for us to recover the loan. As a result, we review the borrower's creditworthiness, collateral value, credit scoring and third party guarantees when evaluating a borrower. In addition, to reduce the interest rate of a loan or to qualify for a loan, a borrower may provide collateral, deposits or guarantees from third parties.

Mortgage and Home Equity Lending

The housing finance market in Korea is divided into public sector and private sector lending. In the public sector, two government entities, the National Housing Urban Fund and the National Agricultural Cooperative Federation, are responsible for most of the mortgage lending.

Private sector mortgage and home equity lending in Korea has expanded substantially in recent years. We provide customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans, and we offer interest rates on a commercial basis. The maximum term of mortgage loans is 35 years and the majority of our mortgage loans have long-term maturities, which may be renewed. Non-amortizing home equity loans have an initial maturity of one year, which may be extended on an annual basis for a maximum of five years. Home equity loans subject to amortization of principal may have a maximum term of up to 35 years. As of December 31, 2015, we had ₩29,810 billion of amortizing home equity loans, representing 87.4% of our total home equity loans, and ₩4,292 billion of non-amortizing home equity loans, representing 12.6% of our total home equity loans. Any customer is eligible for a mortgage or an individual home equity loan regardless of whether it participates in one of our housing related savings programs and so long as that customer is not barred by regulation from obtaining a loan because of bad credit history. However, customers with whom we frequently transact business and provide us with significant revenue receive preferential interest rates on loans.

As of December 31, 2015, 68.2% of our mortgage loans were secured by residential property which is the subject of the loan, 19.9% of our mortgage loans were guaranteed by the Housing Finance Credit Guarantee Fund, a government housing-related entity, and the remaining 11.9% of our mortgage loans, contrary to general practices in the United States, were unsecured (although the use of proceeds from these loans is restricted to financing of home purchases and some of these loans are guaranteed by a third party). One reason that a relatively high percentage of our mortgage loans are unsecured is that we, along with other Korean banks, provide advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage loans become secured by the new housing purchased by these borrowers. For the year ended December 31, 2015, the average initial loan-to-value ratio of our mortgage loans, which is a measure of the amount of loan exposure to the appraised value of the security collateralizing the loan, was approximately 51.9%. There are three reasons that our loan-to-value ratio is relatively lower (as is the case with other Korean banks) compared to similar ratios in other countries, such as the United States. The first reason is that housing prices are high in Korea relative to average income, so most people cannot afford to borrow an amount equal to the entire value of their collateral and make interest payments on such an amount. The second reason relates to the "*jeonsae*" system, through which people provide a key money deposit while residing in the property prior to its purchase. At the time of purchase, most people use the key money deposit as part of their payment and borrow the remaining amount from Korean banks, which results in a loan that will be for an amount smaller than the appraised value of the property for collateral and assessment purposes. The third reason is that Korean banks discount the appraised value of the borrower's property for collateral and assessment purposes so that a portion of the appraised value is reserved in order to provide recourse to a renter who lives at the borrower's property. This is in the event that the borrower's property is seized by a creditor, and the renter is no longer able to reside at that property. See "Item 3.D. Risk Factors—Other risks relating to our business—A decline in the value of the collateral securing our loans and our inability to realize full collateral value may adversely affect our credit portfolio."

The following table sets forth our unsecured and secured mortgage loans and home equity loans as of December 31, 2013, 2014 and 2015, based on their loan classification categories under IFRS and our internal credit ratings for loans (which are described in Note 4.2.4 of the notes to our consolidated financial statements):

	As of December 31, 2013									
	Non-impaired						Impaired			Total
	Not Past Due					Past Due				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Past Due Up to 89 Days	Past Due 90 Days to 179 Days	Past Due 180 Days or More	
	(in billions of Won)									
Mortgage:										
Secured[1]	₩37,642	₩4,171	₩361	₩116	₩ 78	₩ 808	₩ 74	₩ 44	₩ 76	₩43,370
Unsecured	2,131	531	74	24	11	119	9	28	188	3,115
Home Equity:										
Secured	27,512	2,767	356	98	89	541	63	26	32	31,484
Unsecured	—	—	—	—	—	—	—	—	—	—
Total	₩67,285	₩7,469	₩791	₩238	₩178	₩1,468	₩146	₩ 98	₩296	₩77,969

	As of December 31, 2014									
	Non-impaired						Impaired			Total
	Not Past Due					Past Due				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Past Due Up to 89 Days	Past Due 90 Days to 179 Days	Past Due 180 Days or More	
	(in billions of Won)									
Mortgage:										
Secured[1]	₩44,315	₩3,979	₩309	₩ 94	₩ 74	₩ 688	₩ 61	₩ 53	₩ 62	₩49,635
Unsecured	2,338	478	16	7	3	26	4	2	22	2,896
Home Equity:										
Secured	31,088	2,412	244	80	77	434	58	34	36	34,463
Unsecured	—	—	—	—	—	—	—	—	—	—
Total	₩77,741	₩6,869	₩569	₩181	₩154	₩1,148	₩123	₩ 89	₩120	₩86,994

	As of December 31, 2015									
	Non-impaired						Impaired			Total
	Not Past Due					Past Due				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Past Due Up to 89 Days	Past Due 90 Days to 179 Days	Past Due 180 Days or More	
	(in billions of Won)									
Mortgage:										
Secured[1]	₩45,284	₩4,935	₩498	₩123	₩ 91	₩ 519	₩ 50	₩ 43	₩ 64	₩51,607
Unsecured	1,719	370	37	3	3	31	1	1	8	2,173
Home Equity:										
Secured	30,882	2,255	387	90	70	317	45	26	30	34,102
Unsecured	—	—	—	—	—	—	—	—	—	—
Total	₩77,885	₩7,560	₩922	₩216	₩164	₩ 867	₩ 96	₩ 70	₩102	₩87,882

(1) Includes advance loans guaranteed by the Housing Finance Credit Guarantee Fund to borrowers for the down payment of new housing that is in the process of being built.

Our home equity loan portfolio includes loans that are in a second lien position. In addition to the underwriting procedures we perform when we issue home equity loans in general, we perform additional underwriting procedures with respect to home equity loans secured by a second lien to assess and confirm the value and status of any loans secured by security interests on the collateral which would be prior to our security interest under the second lien home equity loan. Under regulations implemented by the Financial Supervisory Service, our home equity loans are subject to maximum loan-to-value ratios (i.e., the ratio of the aggregate principal amount of loans, including first and second lien loans, secured by a particular item of collateral to the appraised value of such collateral) of between 40% and 70%. As such, for home equity loans, we do not lend more than an amount equal to the adjusted collateral value (i.e., the collateral value as discounted by the required loan-to-value ratio) minus the value of any loans secured by security interests on the collateral that are prior to our security interest. Accordingly, in order to ascertain the value of loans secured by security interests on the collateral which would be prior to our security interest and to confirm the status of such loans, we perform additional underwriting procedures including a review of the relevant title and security interest registration documents and bank documents and certificates regarding such loans. In addition, for purposes of calculating debt-to-income ratios applicable to loans secured by certain types of housing under regulations implemented by the Financial Supervisory Service (see "—Supervision and Regulation—Principal Regulations Applicable to Banks—Regulations Relating to Retail Household Loans"), which we apply on a nationwide basis for our home equity loans, we perform additional adjustments in our debt-to-income ratio calculations with respect to second lien home equity loans to account for the value of loans secured by security interests on the collateral that are prior to our security interest.

Following the issuance of a home equity loan, we make use of the Korea Federation of Bank's database of delinquent borrowers to generally monitor the compliance of our borrowers with their other loan obligations, including the compliance of our second lien borrowers with their first lien loans. If a borrower in Korea is past due on payments of interest or principal for more than three months on any of its outstanding loans to Korean financial institutions (including mortgage, home equity, other consumer and credit card loans), such borrower is registered on the Korea Federation of Banks' database of delinquent borrowers, which we monitor on a daily basis. The information disclosed by such database, which includes the outstanding loan amount which is past due, the identity of the delinquent borrower and the name of the applicable lending institution for such loan, provides an early warning about such borrower to our loan officers at the branch level, who then closely monitor our outstanding loans to such delinquent borrower and take appropriate preventive and remedial measures (including requiring such borrower to provide additional collateral) as necessary. Upon the occurrence of a default in the first lien position, we treat the second lien home equity loan as part of our potential problem loans or non-performing loans. More specifically, upon learning of the occurrence of a default in the first lien position, we examine our second lien home equity loan to determine whether the loan should be re-classified as "precautionary," "substandard" or "doubtful" according to the asset classification guidelines of the Financial Services Commission. Assuming that such second lien home equity loan is not delinquent, if the outstanding principal amount of the relevant first lien loan is less than ₩15 million, we classify the entire amount of the second lien home equity loan as "precautionary" and closely monitor it as a loan that may potentially become problematic. If the outstanding principal amount of the relevant first lien loan is ₩15 million or above or the borrower is undergoing, or preparing to undergo, foreclosure proceedings with respect to the underlying collateral, we classify the estimated recoverable amount of the second lien home equity loan as "substandard" and the rest of such loan amount as "doubtful."

Pricing. The interest rates on our retail mortgage loans are generally based on a periodic floating rate (which is based on a base rate determined for three-month, six-month or twelve-month periods using our Market Opportunity Rate system, which reflects our internal cost of funding, further adjusted to account for our expenses related to lending). Our interest rates also incorporate a margin based among other things on the type of security, the credit score of the borrower and the estimated loss on the security. We can adjust the price to reflect the borrower's current and/or expected future contribution to us. The applicable interest rate is determined at the time of the loan. If a loan is terminated prior to its maturity, the borrower is obligated to pay us an early termination fee of approximately 0.7% to 1.4% of the loan amount in addition to the accrued interest.

The interest rates on our home equity loans are determined on the same basis as our retail mortgage loans.

As of December 31, 2015, our three-month, six-month and twelve-month base rates were 1.67%, 1.68% and 1.72%, respectively.

As of December 31, 2015, 71.1% of our outstanding mortgage and home equity loans were priced based on a floating rate.

Other Consumer Loans

Other consumer loans are primarily unsecured. However, such loans may be secured by real estate, deposits or securities. As of December 31, 2015, approximately ₩18,891 billion, or 52.0% of our consumer loans (other than mortgage and home equity loans) were unsecured loans (although some of these loans were guaranteed by a third party). Overdraft loans are also classified as other consumer loans, are primarily unsecured and generally have an initial maturity of one year, which is typically extended automatically on an annual basis and may be extended up to a maximum of five years. The amount of overdraft loans as of December 31, 2015 was approximately ₩7,546 billion.

Pricing. The interest rates on our other consumer loans (including overdraft loans) are determined on the same basis as on our mortgage and home equity loans, except that, for unsecured loans, the borrower's credit score as determined during our loan approval process is also taken into account. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Credit Risk Management."

As of December 31, 2015, 97.4% of our other consumer loans had interest rates that were not fixed but were variable in reference to our base rate, which is based on the Market Opportunity Rate.

Deposit-taking Activities

Due to our extensive nationwide network of branches, together with our long history of development and our resulting know-how and expertise, as of December 31, 2015, we had the largest number of retail customers and retail deposits among Korean commercial banks. The balance of our deposits from retail customers was ₩132,733 billion, ₩138,246 billion and ₩146,630 billion as of December 31, 2013, 2014 and 2015, respectively, which constituted 66.1%, 65.3% and 65.4%, respectively, of the balance of our total deposits.

We offer many deposit products that target different segments of our retail customer base, with features tailored to each segment's financial profile, characteristics and needs, including:

- *Demand deposits*, which either do not accrue interest or accrue interest at a lower rate than time deposits. Demand deposits allow the customer to deposit and withdraw funds at any time and, if they are interest bearing, accrue interest at a variable rate depending on the amount of deposit. Retail and corporate demand deposits constituted 39.7% of our total deposits as of December 31, 2015 and paid average interest of 0.35% for 2015.
- *Time deposits*, which generally require the customer to maintain a deposit for a fixed term, during which the deposit accrues interest at a fixed rate or a variable rate based on the KOSPI, or to deposit specified amounts on an installment basis. If the amount of the deposit is withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered. The term for time deposits typically ranges from one month to five years, and the term for installment savings deposits ranges from six months to ten years. Retail and corporate time deposits constituted 52.4% of our total deposits as of December 31, 2015 and paid average interest of 2.16% for 2015. Most installment savings deposits offer fixed interest rates.
- *Certificates of deposit*, the maturities of which typically range from 30 days to 730 days with a required minimum deposit of ₩10 million. Interest rates on certificates of deposit are determined based on the length of the deposit and prevailing market rates. Our certificates of deposit are sold at a discount to their face value, reflecting the interest payable on the certificates of deposit.
- *Foreign currency deposits* are available to Korean and foreign residents, non-residents and overseas immigrants. We offer foreign currency demand deposits and time deposits as well as checking accounts in 11 currencies. *Foreign currency demand deposits*, which accrue interest at a variable rate, allow customers to deposit and withdraw funds at any time. *Foreign currency time deposits*, generally require customers to maintain the deposit for a fixed term, during which the deposit accrues interest at a fixed rate. If the funds in a foreign currency time deposit are withdrawn prior to the end of the fixed term, the customer will be paid a lower interest rate than that originally offered.

We offer varying interest rates on our deposit products depending upon average funding costs, the rate of return on our interest earning assets and the interest rates offered by other commercial banks.

We also offer comprehensive savings deposits for housing subscription, which are monthly installment savings deposits that provide the holder with preferential rights to subscribe for both public and private housing under the Housing Act. This law is the basic law setting forth various measures supporting the purchase of houses and the supply of such houses by construction companies. These deposits require monthly installments of ₩20,000 to ₩500,000 and accrue interest at variable rates depending on the term. An eligible account holder with ₩70 million or less in annual income may also claim a tax deduction for up to 40% of its annual installment amounts, subject to a maximum deductible amount, in its income tax return for the year under the Restriction of Special Taxation Act.

In 2002, after significant research and planning, we launched private banking operations at Kookmin Bank's headquarters. Shortly thereafter, we launched a comprehensive strategy with respect to customers with higher net worth, which included staffing appropriate representatives, marketing aggressively, establishing IT systems, selecting appropriate branch locations and readying such branches with the necessary facilities to service such customers. As of December 31, 2015, we operated 22 private banking centers through Kookmin Bank.

The Monetary Policy Committee of the Bank of Korea (the "Monetary Policy Committee") imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See "—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity."

The Depositor Protection Act provides for a deposit insurance system where the Korea Deposit Insurance Corporation guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of ₩50 million per depositor per bank. See "—Supervision and Regulation—Principal Regulations Applicable to Banks—Deposit Insurance System." We paid ₩344 billion of premium for 2015.

Credit Cards

Credit cards are another of our core retail products. We issue most of our credit cards under the "KB Kookmin Card" brand. In March 2011, we effected a horizontal spin-off of the credit card business from Kookmin Bank. As a result, our credit card business is operated by a separate wholly-owned subsidiary, KB Kookmin Card Co., Ltd.

The following table sets forth certain data relating to our credit card operations, on a non-consolidated basis, as of the dates and for the periods indicated:

	As of and for the Year Ended December 31,		
	2013	2014	2015
	(in billions of Won, except number of holders, accounts and percentages)		
Number of credit cardholders (at year end) (thousands)			
General accounts	8,987	8,487	8,797
Corporate accounts	435	416	436
Total	9,422	8,903	9,233
Number of merchants (at year end) (thousands)	2,058	2,178	2,279
Active ratio (at year end) (1)	88.6%	87.7%	87.2%
Credit card fees			
Merchant fees (2)	₩ 1,480	₩ 1,503	₩ 1,589
Installment and cash advance fees	578	475	405
Annual membership fees	68	63	86
Other fees	539	493	604
Total	₩ 2,665	₩ 2,534	₩ 2,684
Charge volume (3)			
General purchase	₩46,735	₩45,295	₩47,894
Installment purchase	10,852	10,861	11,778
Cash advance	10,516	9,535	8,777
Card loan (4)	4,688	4,227	5,201
Total	₩72,791	₩69,918	₩73,650
Outstanding balance (at year end)			
General purchase	₩ 4,716	₩ 4,496	₩ 4,556
Installment purchase	2,600	2,786	2,865
Cash advance	1,525	1,323	1,210
Card loan (4)	2,959	3,046	3,528
Total	₩11,800	₩11,651	₩12,159
Average outstanding balances			
General purchase	₩ 4,601	₩ 4,533	₩ 4,565
Installment purchase	2,474	2,528	2,802
Cash advance	1,717	1,390	1,226
Card loan (4)	2,829	2,869	3,323
Total	₩11,621	₩11,320	₩11,916
Delinquency ratios (at year end) (5)			
From 1 month to 3 months	0.81%	0.64%	0.61%
From 3 months to 6 months	0.83	0.77	0.47
Over 6 months	0.07	0.08	0.07
Total	1.71%	1.48%	1.15%
Non-performing loan ratio	0.91%	0.85%	0.58%
Write-offs (gross)	₩ 404	₩ 427	₩ 377
Recoveries (6)	141	131	138
Net write-offs	₩ 263	₩ 296	₩ 239
Gross write-off ratio (7)	2.93%	3.77%	3.16%
Net write-off ratio (8)	1.91%	2.61%	2.00%

(1) The active ratio represents the ratio of accounts used at least once within the last six months to total accounts as of year end.

(2) Merchant fees consist of maintenance fees and costs associated with prepayment by us (on behalf of customers) of sales proceeds to merchants, processing fees relating to sales and membership applications, costs relating to the management of delinquencies and

recoveries, provision for loan losses, general variable expenses and other fixed costs that are charged to our member merchants. We typically charge our member merchants fees that range from 1.5% to 2.7%.

(3) Represents the aggregate cumulative amount charged during the year.

(4) Card loans consist of loans that are provided on an unsecured basis to cardholders upon prior agreement. Payment on such a loan can be due either in one payment or in installments after a fixed period, in the case of principal payments, and will be due in installments, in the case of interest payments.

(5) Represents ratio of credit card balances overdue by one month or more to outstanding balance. In line with industry practice, we have restructured a portion of delinquent credit card account balances as loans. As of December 31, 2015, these restructured loans amounted to ₩36 billion. Because these restructured loans are not treated as being delinquent at the time of conversion or for a period of time thereafter, our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances.

(6) Does not include proceeds that we received from sales of our non-performing loans that were written off.

(7) Represents the ratio of gross write-offs for the year to average outstanding balance for the year. Our charge-off policy is generally to write off balances which have been overdue for four payment cycles or more or which have been classified as expected loss.

(8) Represents the ratio of net write-offs for the year to average outstanding balances for the year. Our charge-off policy is generally to write off balances which have been overdue for four payment cycles or more or which have been classified as expected loss.

In contrast to the system in the United States and many other countries, where most credit cards are revolving cards that allow outstanding amounts to be rolled over from month to month so long as a required minimum percentage is repaid, credit cardholders in Korea are generally required to pay for their purchases within approximately 14 to 44 days of purchase depending on their payment cycle. However, we also offer revolving payment plans to individuals that allow outstanding amounts to be rolled over to subsequent payment periods. Delinquent accounts (defined as amounts overdue for one day or more) are charged penalty interest and closely monitored. For installment purchases, we charge interest on unpaid installments at rates that vary according to the individual cardholder's membership level, which is based on, among others, transaction history, the length of the cardholder's relationship with us and contribution to our profitability.

We are committed to continuing to enhance our credit card business by strengthening our risk management and maximizing our operational efficiency. In addition, we believe that our extensive branch network, brand recognition and overall size will enable us to cross-sell products such as credit cards to our existing and new customers.

To promote our credit card business, we offer services targeted to various financial profiles and customer requirements and are concentrating on:

- strengthening cross-sales to existing customers and offering integrated financial services;
- offering cards that provide additional benefits such as frequent flyer miles and reward program points that can be redeemed by the customer for complementary services, prizes and cash;
- offering platinum cards, VVIP cards and other prime members' cards, which have a higher credit limit and provide additional services in return for a higher fee;
- acquiring new customers through strategic alliances and cross-marketing with retailers;
- encouraging increased use of credit cards by existing customers through special offers for frequent users;
- introducing new features such as travel services and insurance through alliance partners; and
- developing fraud detection and security systems to prevent the misuse of credit cards.

As of December 31, 2015, we had approximately 9.2 million credit cardholders. Of the credit cards outstanding, approximately 87.2% were active, meaning that they had been used at least once during the previous six months.

Our card revenues consist principally of cash advance fees, merchant fees, credit card installment fees, interest income from credit card loans, annual fees paid by cardholders, interest and fees on late payments and, with respect to revolving payment plans we offer, interest and fees relating to revolving balances. Cardholders are generally required to pay for their purchases within 14 to 44 days after the date of purchase, depending on their payment cycle. Except in the case of installment purchases, accounts which remain unpaid after this period are deemed to be delinquent.

We generate other fees through a processing charge on merchants, which typically ranges from 1.5% to 2.7%.

Under non-exclusive license agreements with overseas financial services corporations, we also issue MasterCard, Visa, American Express, JCB and China UnionPay credit cards.

We issue debit cards and charge merchants commissions that range from 1.0% to 2.0% of the amounts purchased using a debit card. We also issue "check cards," which are similar to debit cards except that "check cards" are accepted by all merchants that accept credit cards, and charge merchants commissions that range from 1.0% to 1.7%. Much like debit cards, check card purchases are also debited directly from customers' accounts with us.

In the second half of 2012, we (through KB Kookmin Card) commenced accounts receivable factoring activities in partnership with SK Telecom Co., Ltd., a leading Korean mobile telecommunications company, pursuant to which we purchase accounts receivable arising from SK Telecom's installment sale of mobile handsets to its customers. The outstanding balance of factored receivables amounted to ₩2,707 billion as of December 31, 2015.

In February 2014, the Financial Services Commission suspended the new credit card issuance and other related activities of KB Kookmin Card for three months from February to May 2014, in response to an incident involving the misappropriation of the personal information of a large number of its customers by an employee of an external credit information company in the first half of 2013. See "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings."

Corporate Banking

We lend to and take deposits from small- and medium-sized enterprises and, to a lesser extent, large corporate customers. We had over 220,000 small- and medium-sized enterprise borrowers as of December 31, 2013 and 2014 and over 240,000 small- and medium-sized enterprise borrowers as of December 31, 2015, for Won-currency loans. As of December 31, 2013, 2014 and 2015, we had 1,654, 1,784 and 1,824 large corporate borrowers, respectively, for Won-currency loans. For 2013, 2014 and 2015, we received fee revenue from cash management services offered to corporate customers, which include "firm-banking" services such as inter-account transfers, transfers of funds from various branches and agencies of a company (such as insurance premium payments) to the account of the headquarters of such company and transfers of funds from various customers of a company to the main account of such company, in the amount of ₩117 billion, ₩119 billion and ₩123 billion, respectively. Of our branch network as of December 31, 2015, we had eight branches that primarily handled large corporate banking.

The following table sets forth the balances and the percentage of our total corporate lending represented by our small- and medium-sized enterprise business loans and our large corporate business loans as of the dates indicated, estimated based on our internal classifications of corporate borrowers:

	As of December 31,					
	2013		2014		2015	
	(in billions of Won, except percentages)					
Corporate:						
Small- and medium-sized enterprise loans	₩ 71,045	70.7%	₩ 71,960	71.3%	₩ 78,665	72.3%
Large corporate loans	29,489	29.3	28,918	28.7	30,182	27.7
Total	₩100,534	100.0%	₩100,878	100.0%	₩108,847	100.0%

On the deposit-taking side, we currently offer our corporate customers several types of corporate deposits. Our corporate deposit products can be divided into two general categories: (1) demand deposits that have no restrictions on deposits or withdrawals, but which offer a relatively low interest rate; and (2) deposits from which withdrawals are restricted for a period of time, but offer higher interest rates. We also offer installment savings deposits, certificates of deposit and repurchase instruments. We offer varying interest rates on deposit products depending upon the rate of return on our income-earning assets, average funding costs and interest rates offered by other nationwide commercial banks.

The total amount of deposits from our corporate customers amounted to ₩71,907 billion as of December 31, 2015, or 32.1% of our total deposits.

Small- and Medium-sized Enterprise Banking

Our small- and medium-sized enterprise banking business has traditionally been and will remain one of our core businesses because of both our historical development and our accumulated expertise. We believe that we possess the necessary elements to succeed in the small- and medium-sized enterprise market, including our extensive branch network, our credit rating system for credit approval, our marketing capabilities (which we believe have provided us with significant brand loyalty) and our ability to take advantage of economies of scale.

We use the term “small- and medium-sized enterprises” as defined in the Small and Medium Industry Basic Act and related regulations. Under the amended Small and Medium Industry Basic Act, which became effective on February 3, 2015, and related regulations, an enterprise must meet each of the following criteria in order to meet the definition of a small- and medium-sized enterprise: (i) total assets at the end of the immediately preceding fiscal year must be less than ₩500 billion, (ii) the average or annual sales revenue standards as prescribed by the Enforcement Decree of the Small and Medium Industry Basic Act that are applicable to the enterprise’s primary business must be met and (iii) the standards of management independence as prescribed by the Enforcement Decree of the Small and Medium Industry Basic Act must be met. However, even if an enterprise that qualified as a small- and medium-sized enterprise under the Small and Medium Industry Basic Act prior to the amendment thereof no longer meets the definition due to such amendments, such enterprise will continue to be deemed a small- and medium-sized enterprise until March 31, 2018. Further, certified social enterprises (as defined in the Social Enterprise Promotion Act of Korea), as well as cooperatives or federations of cooperatives (as defined in the Framework Act on Cooperatives) that satisfy the requirements prescribed by the Small and Medium Industry Basic Act, may also qualify as small- and medium-sized enterprises.

Industry-wide delinquency ratios for Won-denominated loans to small- and medium-sized enterprises decreased from 2013 to 2015. However, our delinquency ratio for loans to small- and medium-sized enterprises may increase in the future as a result of, among other things, adverse economic conditions in Korea and globally. See “Item 3.D. Risk Factors—Other risks relating to our business—Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition.” In addition, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea, the Korean government has in recent years introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See “Item 3.D. Risk Factors—Risks relating to our small- and medium-sized enterprise loan portfolio—We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us.”

Lending Activities

Our principal loan products for our small- and medium-sized enterprise customers are working capital loans and facilities loans. Working capital loans are provided to finance working capital requirements and include notes discounted and trade financing. Facilities loans are provided to finance the purchase of equipment and the establishment of manufacturing assembly plants. As of December 31, 2015, working capital loans and facilities loans accounted for 53.0% and 47.0%, respectively, of our total small- and medium-sized enterprise loans. As of December 31, 2015, we had over 240,000 small- and medium-sized enterprise customers on the lending side.

Loans to small- and medium-sized enterprises may be secured by real estate or deposits or may be unsecured. As of December 31, 2015, secured loans and guaranteed loans accounted for, in the aggregate, 87.4% of our small- and medium-sized enterprise loans. Among the secured loans, 96.1% were secured by real estate and 3.9% were secured by deposits or securities. Working capital loans generally have a maturity of one year, but may be extended for additional terms of up to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

When evaluating the extension of working capital loans, we review the corporate customer's creditworthiness and capability to generate cash. Furthermore, we take credit guaranty letters from other financial institutions and use time deposits that the borrower has with us as collateral, and may require additional collateral.

The value of any collateral is defined using a formula that takes into account the appraised value of the property, any prior liens or other claims against the property and an adjustment factor based on a number of considerations including, with respect to property, the value of any nearby property sold in a court-supervised auction during the previous five years. We revalue any collateral on a periodic basis (generally every year) or if a trigger event occurs with respect to the loan in question.

We also offer mortgage loans to home builders or developers who build or sell single- or multi-family housing units, principally apartment buildings. Many of these builders and developers are categorized as small- and medium-sized enterprises. We offer a variety of such mortgage loans, including loans to purchase property or finance the construction of housing units and loans to contractors used for working capital purposes. Such mortgage loans subject us to the risk that the housing units will not be sold. As a result, we review the probability of the sale of the housing unit when evaluating the extension of a loan. We also review the borrower's creditworthiness and the adequacy of the intended use of proceeds. Furthermore, we take a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, we also take a guarantee from the Housing Finance Credit Guarantee Fund as security.

A substantial number of our small- and medium-sized enterprise customers are SOHOs, which we currently define to include sole proprietorships and individual business interests. With respect to SOHOs, we apply credit risk evaluation models, which not only use quantitative analysis related to a customer's accounts, personal credit and financial information and due amounts but also require our credit officers to perform a qualitative analysis of each potential SOHO customer. With respect to SOHO loans in excess of ₩1 billion, our credit risk evaluation model also includes a quantitative analysis of the financial statements of the underlying business. We generally lend to SOHOs on a secured basis, although a small portion of our SOHO exposures are unsecured.

Pricing

We establish the price for our corporate loan products based principally on transaction risk, our cost of funding and market considerations. Transaction risk is measured by such factors as the credit rating assigned to a particular borrower, the size of the borrower and the value and type of collateral. Our loans are priced based on the Market Opportunity Rate system, which is a periodic floating rate system that takes into account the current market interest rate. As of December 31, 2015, the Market Opportunity Rate was 1.67% for three months, 1.68% for six months and 1.72% for one year.

While we generally utilize the Market Opportunity Rate system, depending on the price and other terms set by competing banks for similar borrowers, we may adjust the interest rate we charge to compete more effectively with other banks.

Large Corporate Banking

Large corporate customers include all companies that are not small- and medium-sized enterprise customers. Kookmin Bank's articles of incorporation provide that financial services to large corporate customers must be no more than 40% of the total amount of our Won-denominated loans. Our business focus with respect to large corporate banking is to selectively increase the proportion of high quality large corporate customers. Specifically, we are carrying out various initiatives to improve our customer relationship with large corporate customers and have been seeking to expand our service offerings to this segment.

Lending Activities

Our principal loan products for our large corporate customers are working capital loans and facilities loans. As of December 31, 2015, working capital loans and facilities loans accounted for 76.5% and 23.5%, respectively, of our total large corporate loans. We also offer mortgage loans to large corporate clients who build or sell single- or multi-family housing units, as described above under "—Small- and Medium-sized Enterprise Banking—Lending Activities."

As of December 31, 2015, secured loans and guaranteed loans accounted for, in the aggregate, 17.3% of our large corporate loans. Among the secured loans, 80.1% were secured by real estate and 19.9% were secured by deposits or securities. Working capital loans generally have a maturity of one year, but may be extended for additional terms ranging from three months to one year in length for an aggregate term of five years. Facilities loans have a maximum maturity of 15 years.

In our unsecured lending to large corporate customers, a critical consideration in our policy regarding the extension of such unsecured loans is the borrower's creditworthiness. We assign each borrower a credit rating based on the judgment of our experts or scores calculated using the appropriate credit rating system, taking into account both financial factors and non-financial factors (such as our perception of a borrower's reliability, management and operational risk and risk relating to the borrower's industry). The credit ratings, along with such factors, are key determinants in our lending to large corporate customers. Large corporate customers generally have higher credit ratings due to their higher repayment capability compared to other types of borrowers, such as small- and medium-sized enterprise borrowers. In addition, large corporate borrowers generally are affected to a lesser extent than small- and medium-sized enterprise borrowers by fluctuations in the Korean economy and also maintain more sophisticated financial records. As of December 31, 2015, 81.2% of our large corporate customers had credit ratings or BBB- or above according to the internal credit rating system of Kookmin Bank, compared to 55.0% of our small- and medium-sized enterprise customers. A credit rating of BBB- is assigned to customers whose ability to repay the principal and interest on their outstanding loans is determined by us to be generally satisfactory but nonetheless subject to adverse effects under unfavorable economic conditions or during downturns in the business environment. Based on our internal analysis of historical data, we believe that the probability of default for loans extended to large corporate customers with a credit rating of BBB- or above is between 0.00% and 2.26%.

We monitor the credit status of large corporate borrowers and collect information to adjust our ratings appropriately. We also manage and monitor our large corporate customers through a dedicated Corporate Banking Branch and Kookmin Bank's Large Corporate Business Department. In addition, Kookmin Bank's Credit Risk Department manages the exposures to each large corporate customer and conducts in-depth analysis of various economic and industry-related risks that are relevant to large corporate customers.

As of December 31, 2015, in terms of our outstanding loan balance, 34.8% was extended to borrowers in the manufacturing industry, 25.4% of our large corporate loans was extended to borrowers in the financial institutions industry, and 20.7% was extended to borrowers in the service industry.

Pricing

We determine pricing of our large corporate loans in the same way as we determine the pricing of our small- and medium-sized enterprise loans. See "—Small- and Medium-sized Enterprise Banking—Pricing" above. As of December 31, 2015, the Market Opportunity Rate, which is utilized in pricing loans offered by us, was the same for our large corporate loans as for our small- and medium-sized enterprise loans.

Capital Markets Activities and International Banking

Through our capital markets operations, we invest and trade in debt and equity securities and, to a lesser extent, engage in derivatives and asset securitization transactions and make call loans. We also provide investment banking services to corporate customers.

Securities Investment and Trading

We invest in and trade securities for our own account in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2013, 2014 and 2015, our investment portfolio, which consists primarily of held-to-maturity financial assets and available-for-sale financial assets, and our trading portfolio had a combined total carrying amount of ₩44,933 billion, ₩46,389 billion and ₩52,049 billion and represented 15.4%, 15.0% and 15.8% of our total assets, respectively.

Our trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Korean government agencies, local governments or certain government-invested enterprises and debt securities issued by financial institutions. As of December 31, 2013, 2014 and 2015, we held debt securities with a total carrying amount of ₩39,776 billion, ₩41,642 billion and ₩45,230 billion, respectively, of which:

- held-to-maturity debt securities accounted for ₩13,017 billion, ₩12,569 billion and ₩14,150 billion, or 32.7%, 30.2% and 31.3%, respectively;
- available-for-sale debt securities accounted for ₩18,933 billion, ₩19,360 billion and ₩21,611 billion, or 47.6%, 46.5% and 47.8%, respectively; and
- debt securities at fair value through profit or loss accounted for ₩7,826 billion, ₩9,713 billion and ₩9,469 billion, or 19.7%, 23.3% and 20.9%, respectively.

Of these amounts, debt securities issued by the Korean government and government agencies as of December 31, 2013, 2014 and 2015 amounted to:

- ₩4,357 billion, ₩3,557 billion and ₩2,592 billion, or 33.5%, 28.3% and 18.3%, respectively, of our held-to-maturity debt securities;
- ₩6,926 billion, ₩4,702 billion and ₩3,757 billion, or 36.6%, 24.3% and 17.4%, respectively, of our available-for-sale debt securities; and
- ₩2,085 billion, ₩3,067 billion and ₩2,510 billion, or 26.6%, 31.6% and 26.5%, respectively, of our debt securities at fair value through profit or loss.

From time to time we also purchase equity securities for our securities portfolios. Our equity securities consist primarily of marketable beneficiary certificates and equities listed on the KRX KOSPI Market, the KRX KOSDAQ Market or the KRX KONEX Market. As of December 31, 2013, 2014 and 2015:

- equity securities in our available-for-sale portfolio had a carrying amount of ₩2,899 billion, ₩3,032 billion and ₩3,377 billion, or 13.3%, 13.5% and 13.5% of our available-for-sale portfolio, respectively; and
- equity securities in our trading portfolio had a carrying amount of ₩1,217 billion, ₩492 billion and ₩838 billion, or 13.0%, 4.6% and 7.5% of our debt and equity trading portfolio, respectively.

Our trading portfolio also includes derivative-linked securities, the underlying assets of which were linked to, among other things, interest rates, exchange rates, stock price indices or credit risks. As of December 31, 2013, 2014 and 2015, derivative-linked securities in our trading portfolio had a carrying amount of ₩246 billion, ₩502 billion and ₩798 billion, or 2.6%, 4.7% and 7.1% of our trading portfolio, respectively. See "—Derivatives Trading."

The following tables show, as of the dates indicated, the gross unrealized gains and losses on available-for-sale and held-to-maturity financial assets within our investment portfolio, and the amortized cost and fair value of the portfolio by type of financial asset:

	As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury securities and government agencies	₩ 6,910	₩ 30	₩ 14	₩ 6,926
Financial institutions (1)	5,771	15	4	5,782
Corporate (2)	4,948	57	7	4,998
Asset-backed securities (3)	1,208	2	2	1,208
Others	19	—	—	19
Subtotal	18,856	104	27	18,933
Equity securities	2,092	823	16	2,899
Total available-for-sale financial assets	₩20,948	₩927	₩ 43	₩21,832
Held-to-maturity financial assets:				
Korean treasury securities and government agencies	₩ 4,357	₩180	₩—	₩ 4,537
Financial institutions (4)	893	9	—	902
Corporate (5)	7,400	180	—	7,580
Asset-backed securities (6)	367	1	—	368
Total held-to-maturity financial assets	₩13,017	₩370	₩—	₩13,387

	As of December 31, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury securities and government agencies	₩ 4,651	₩ 54	₩ 3	₩ 4,702
Financial institutions [(1)]	6,944	38	1	6,981
Corporate [(2)]	6,031	90	1	6,120
Asset-backed securities [(3)]	1,210	4	3	1,211
Others	342	4	—	346
Subtotal	19,178	190	8	19,360
Equity securities	1,561	1,471	—	3,032
Total available-for-sale financial assets	₩20,739	₩1,661	₩ 8	₩22,392
Held-to-maturity financial assets:				
Korean treasury securities and government agencies	₩ 3,557	₩ 215	₩—	₩ 3,772
Financial institutions [(4)]	1,262	18	—	1,280
Corporate [(5)]	7,278	247	—	7,525
Asset-backed securities [(6)]	472	2	—	474
Total held-to-maturity financial assets	₩12,569	₩ 482	₩—	₩13,051

	As of December 31, 2015			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale financial assets:				
Debt securities				
Korean treasury securities and government agencies	₩ 3,728	₩ 34	₩ 5	₩ 3,757
Financial institutions [(1)]	7,211	34	4	7,241
Corporate [(2)]	4,918	65	3	4,980
Asset-backed securities [(3)]	5,201	21	6	5,216
Others	416	2	1	417
Subtotal	21,474	156	19	21,611
Equity securities	1,992	1,401	16	3,377
Total available-for-sale financial assets	₩23,466	₩1,557	₩ 35	₩24,988
Held-to-maturity financial assets:				
Korean treasury securities and government agencies	₩ 2,592	₩ 115	₩—	₩ 2,707
Financial institutions [(4)]	1,864	21	—	1,885
Corporate [(5)]	5,530	176	—	5,706
Asset-backed securities [(6)]	4,164	44	—	4,208
Total held-to-maturity financial assets	₩14,150	₩ 356	₩—	₩14,506

(1) Includes debt securities issued by the Bank of Korea, Korea Development Bank and Industrial Bank of Korea in the aggregate amount of ₩4,000 billion as of December 31, 2013, ₩4,340 billion as of December 31, 2014 and ₩4,516 billion as of December 31, 2015. These financial institutions are owned or controlled by the Korean government.

(2) Includes debt securities issued by Korea Housing Finance Corporation, Korea Land & Housing Corporation and Korea Deposit Insurance Corporation in the aggregate amount of ₩1,616 billion as of December 31, 2013, ₩2,104 billion as of December 31, 2014 and ₩1,208 billion as of December 31, 2015. These entities are owned or controlled by the Korean government.

(3) Includes mortgage-backed securities issued by Korea Housing Finance Corporation, which have residential mortgage loans as underlying assets, in the amount of ₩1,193 billion as of December 31, 2013, ₩1,198 billion as of December 31, 2014 and ₩5,181 billion as of December 31, 2015. Korea Housing Finance Corporation is controlled by the Korean government.

(4) Includes debt securities issued by the Bank of Korea, Korea Development Bank and Industrial Bank of Korea in the aggregate amount of ₩319 billion as of December 31, 2013, ₩794 billion as of December 31, 2014 and ₩1,057 billion as of December 31, 2015. These financial institutions are owned or controlled by the Korean government.

(5) Includes debt securities issued by Korea Housing Finance Corporation, Korea Land & Housing Corporation and Korea Deposit Insurance Corporation in the aggregate amount of ₩2,786 billion as of December 31, 2013, ₩2,989 billion as of December 31, 2014 and ₩1,770 billion as of December 31, 2015. These entities are owned or controlled by the Korean government.

(6) Includes mortgage-backed securities issued by Korea Housing Finance Corporation, which have residential mortgage loans as underlying assets, in the amount of ₩367 billion as of December 31, 2013, ₩472 billion as of December 31, 2014 and ₩4,144 billion as of December 31, 2015. Korea Housing Finance Corporation is controlled by the Korean government.

Derivatives Trading

We engage in derivatives trading, including on behalf of our customers. Our trading volume amounted to ₩194,307 billion in 2013, decreased to ₩154,872 billion in 2014 and increased to ₩163,030 billion in 2015. Our net trading revenue (expense) from derivatives for the year ended December 31, 2013, 2014 and 2015 was ₩544 billion, ₩98 billion and ₩(11) billion, respectively.

We provide and trade a range of derivatives products, including:

- Won interest rate swaps, relating to Won interest rate risks;
- cross-currency swaps, forwards and options relating to foreign exchange risks; and
- stock price index options linked to the KOSPI index.

Our derivatives operations focus on addressing the needs of our corporate clients to hedge their risk exposure and the need to hedge our risk exposure that results from such client contracts. We also engage in derivatives trading activities to hedge the interest rate and foreign currency risk exposures that arise from our own assets and liabilities. In addition, we engage in proprietary trading of derivatives within our regulated open position limits.

The following shows the estimated fair value of our derivatives as of December 31, 2013, 2014 and 2015:

	As of December 31,					
	2013		2014		2015	
	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Estimated Fair Value Assets	Estimated Fair Value Liabilities
	(in billions of Won)					
Foreign exchange derivatives (1)	₩ 938	₩ 996	₩ 762	₩ 668	₩1,131	₩1,103
Interest rate derivatives (1)	766	731	1,120	1,103	1,076	1,061
Equity derivatives	47	50	62	15	46	140
Credit derivatives	—	—	—	—	13	13
Commodity derivatives	—	—	—	—	1	—
Others (1)	68	18	24	11	11	9
Total	₩1,819	₩1,795	₩1,968	₩1,797	₩2,278	₩2,326

(1) Includes those for trading purposes and hedging purposes.

The following table shows certain information related to our derivatives designated as fair value hedges for the years ended December 31, 2013, 2014 and 2015:

	Year Ended December 31,								
	2013			2014			2015		
	Derivatives	Hedged Items	Hedge Ineffectiveness	Derivatives	Hedged Items	Hedge Ineffectiveness	Derivatives	Hedged Items	Hedge Ineffectiveness
	(in billions of Won)								
Foreign exchange derivatives	₩(11)	₩36	₩ 25	₩(29)	₩46	₩ 17	₩ (8)	₩ 8	₩—
Interest rate derivatives	(29)	37	8	(4)	13	9	(42)	43	1
Other derivatives	(8)	8	—	7	(7)	—	3	(3)	—
Total	₩(48)	₩81	₩ 33	₩(26)	₩52	₩ 26	₩(47)	₩48	₩ 1

The following table shows certain information related to our derivatives designated as cash flow hedges for the years ended December 31, 2013, 2014 and 2015:

	Year Ended December 31,								
	2013			2014			2015		
	Derivatives	Effective Portion	Ineffective Portion	Derivatives	Effective Portion	Ineffective Portion	Derivatives	Effective Portion	Ineffective Portion
	(in billions of Won)								
Foreign exchange derivatives	₩(5)	₩(5)	₩—	₩ 3	₩ 4	₩ (1)	₩21	₩21	₩—
Interest rate derivatives	2	2	—	(11)	(11)	—	3	2	1
Total	₩(3)	₩(3)	₩—	₩ (8)	₩ (7)	₩ (1)	₩24	₩23	₩ 1

Asset Securitization Transactions

We are active in the Korean asset-backed securities market. Based on our diverse experience with respect to product development and management capabilities relating to asset securitization, we offer customers a wide range of financial products and participate in various asset securitization transactions, including through our subsidiary KB Investment & Securities, to reinforce our position as a leading financial services provider with respect to the asset securitization market. We were involved in asset securitization transactions with an initial aggregate issue amount of ₩7,296 billion in 2013, ₩8,208 billion in 2014 and ₩10,711 billion in 2015, most of which were public offerings of asset-backed securities. Most of these securities were sold to institutional investors through Korean securities houses.

Call Loans

We make call loans and borrow call money in the short-term money market. Call loans are defined as short-term lending among banks and financial institutions either in Won or in foreign currencies with maturities of 90 days or less. Typically, call loans have maturities of one day. As of December 31, 2015, we had made call loans of ₩2,620 billion and borrowed call money of ₩2,091 billion, compared to ₩2,032 billion and ₩2,882 billion, respectively, as of December 31, 2014 and ₩3,206 billion and ₩2,648 billion, respectively, as of December 31, 2013.

Investment Banking

We have focused on selectively expanding our investment banking activities in order to increase our fee income and diversify our revenue base. The main focus of our investment banking operations is project finance and financial advisory services. Our principal investment banking services include:

- project finance and financial advisory services for social overhead capital projects such as highway, port, power, water and sewage projects;
- financing and financial advisory services for real estate development projects;
- structured finance; and
- financing for mergers and acquisitions.

In 2015, we generated investment banking revenue of ₩221 billion, consisting of ₩38 billion of interest income and ₩183 billion of fee income.

Securities Brokerage

We provide securities brokerage services through KB Investment & Securities. Our activities include brokerage services relating to stocks, futures, options and debt instruments. In 2015, KB Investment & Securities generated fee income of ₩54 billion through its securities brokerage activities. In April 2016, we entered into a share purchase agreement to acquire 22.56% of the outstanding shares of Hyundai Securities Co., Ltd., a publicly listed Korean securities brokerage firm, and will be required under applicable Korean law to increase our shareholding in Hyundai Securities to at least 30% within one year from the date of such acquisition. The completion of such acquisition is subject to regulatory approvals and other closing conditions. We expect to strengthen our securities brokerage operations, particularly for retail customers, through the acquisition of Hyundai Securities, which we believe will enable us to become one of the leading securities brokerage firms in Korea.

International Banking

We engage in various international banking activities, including foreign exchange services and derivatives dealing, import and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to our domestic customers and overseas subsidiaries and affiliates of Korean corporations. We also raise foreign currency funds through our international banking operations.

The table below sets forth certain information regarding our foreign currency assets and borrowings:

	As of December 31,		
	2013	**2014**	**2015**
	(in millions of US$)		
Total foreign currency assets	US$14,989	US$15,171	US$18,249
Foreign currency borrowings:			
Debts	6,637	6,531	6,101
Debentures	3,123	2,949	3,535
Total borrowings	US$9,760	US$9,480	US$9,636

The table below sets forth our overseas subsidiaries, branches and representative offices in operation as of December 31, 2015:

Business Unit [(1)]	Location
Subsidiaries	
Kookmin Bank Cambodia PLC	Cambodia
Kookmin Bank (China) Ltd.	China
Kookmin Bank Hong Kong Ltd.	Hong Kong
Kookmin Bank International Ltd.	United Kingdom
Branches	
Kookmin Bank (China) Ltd., Beijing Branch	China
Kookmin Bank (China) Ltd., Guangzhou Branch	China
Kookmin Bank (China) Ltd., Harbin Branch	China
Kookmin Bank (China) Ltd., Shanghai Branch	China
Kookmin Bank (China) Ltd., Suzhou Branch	China
Kookmin Bank, Osaka Branch	Japan
Kookmin Bank, Tokyo Branch	Japan
Kookmin Bank, Auckland Branch	New Zealand
Kookmin Bank, New York Branch	United States
Kookmin Bank, Ho Chi Minh City Branch	Vietnam
Kookmin Bank Cambodia PLC, Toul Kork Branch	Cambodia
Representative Offices	
Kookmin Bank, Mumbai Representative Office	India
Kookmin Bank, Yangon Representative Office	Myanmar
Kookmin Bank, Hanoi Representative Office	Vietnam

(1) Does not include subsidiaries and branches in liquidation or dissolution.

Our overseas branches and subsidiaries principally provide Korean companies and nationals in overseas markets with trade financing, local currency funding and foreign exchange services, in conjunction with the operations of our headquarters.

In March 2008, we entered into agreements to acquire shares of JSC Bank CenterCredit, a Kazakhstan bank, and acquired an initial equity stake of 29,972,840 common shares (equal to 23.0% of the then-outstanding voting shares) for approximately ₩528 billion in August 2008. Pursuant to the terms of such agreements, we acquired an aggregate of 14,163,836 additional common shares of JSC Bank CenterCredit in November and December 2008. In addition, in September 2009, we entered into agreements with International Finance Corporation and certain shareholders of JSC Bank CenterCredit pursuant to which we acquired 3,886,574 additional common shares and 36,561,465 non-voting convertible preferred shares of JSC Bank CenterCredit in January and February 2010. As of December 31, 2015, we held 29.6% of the outstanding common shares of JSC Bank CenterCredit. Our investment in JSC Bank CenterCredit is accounted for under the equity method from the initial acquisition date and we applied the purchase method to account for each acquisition.

In May 2009, we acquired 132,600 common shares of Khmer Union Bank, a Cambodian bank, for approximately ₩10 billion. As a result, we acquired 51% of the voting rights in Khmer Union Bank, which was renamed Kookmin Bank Cambodia PLC. In December 2010, July 2012 and June 2013, we acquired additional 37,602 common shares, 125,592 common shares and 24,206 common shares of Kookmin Bank Cambodia PLC, respectively. As of December 31, 2015, we held 100.0% of the outstanding common shares of Kookmin Bank Cambodia PLC. We applied the purchase method to account for the initial acquisition of Kookmin Bank Cambodia PLC in May 2009. The subsequent acquisitions in December 2010, July 2012 and June 2013 were accounted for as equity transactions.

Trustee and Custodian Services Relating to Investment Trusts and Other Functions

We act as a trustee for 67 financial investment companies with a collective investment license, which invest in investment assets using funds raised by the sale of beneficiary certificates of investment trusts to investors. We also act as custodian for 146 financial institutions and as fund administrator for 44 financial institutions with respect to various investments, as well as acting as settlement agent in connection with such services. We receive a fee for acting in these capacities and generally perform the following functions:

- holding assets for the benefit of the investment trusts or institutional investors;
- receiving and making payments in respect of such investments;
- acting as settlement agent in respect of such investments on behalf of the investment trust or institutional investors, in the domestic and overseas markets;
- providing reports on assets held in custody;
- providing certain foreign exchange services for overseas investment and foreign investors; and
- providing fund-related administration and accounting services.

For the year ended December 31, 2015, our fee income from our trustee and custodian services was ₩24 billion and revenue collected as a result of administration of the underlying investments was ₩7 billion.

Other Businesses

Trust Account Management Services

Money Trust Management Services

We provide trust account management services for both specified money trusts and unspecified money trusts. We receive fees for our trust account management services consisting of basic fees that are based upon a percentage of either the net asset value of the assets or the principal under management and, for certain types of trust account operations, performance fees that are based upon the performance of the trust account operations. In 2015, our basic fees ranged from 0.1% to 2.0% of total assets under management depending on the type of trust account. We also charge performance fees with respect to certain types of trust account products. We receive penalty payments when customers terminate their trust accounts prior to the original contract maturity.

We currently provide trust account management services for 20 types of money trusts. The money trusts we manage are generally trusts with a fixed maturity. Approximately 5.2% of our money trusts also provide periodic payments of dividends which are added to the assets held in such trusts and not distributed.

Under Korean law, the assets of our trust accounts are segregated from our banking account assets and are not available to satisfy the claims of any of our potential creditors. We are, however, permitted to deposit surplus funds generated by trust assets into our banking accounts in certain circumstances as set forth under the Trust Act of Korea.

As of December 31, 2015, the total balance of our money trusts was ₩34,823 billion (as calculated in accordance with Statement of Korea Accounting Standard No. 5004, *Trust Accounts*, and the Enforcement Regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act, which we refer to as an "SKAS basis"). As for unspecified money trust accounts, we have investment discretion over all money trusts, which are pooled and managed jointly for each type of trust account. Specified money trust accounts are established on behalf of individual customers who direct our investment of trust assets.

The following table shows the balances of our money trusts by type as of the dates indicated. Under IFRS, we consolidate trust accounts for which we guarantee both the repayment of the principal amount and a fixed rate of interest as well as trust accounts for which we guarantee only the repayment of the principal amount.

	As of December 31,		
	2013	2014	2015
	(in billions of Won)		
Principal and interest guaranteed trusts (1)	₩ 0.2	₩ 0.2	₩ 0.2
Principal guaranteed trusts (1)	3,070	3,187	3,324
Performance trusts (1)(2)	20,842	25,854	31,499
Total	₩23,912	₩29,041	₩34,823

(1) Calculated on an SKAS basis.

(2) Trusts which are primarily non-guaranteed.

The balance of our money trusts increased 45.6% between December 31, 2013 and December 31, 2015. As of December 31, 2015, the trust assets we managed consisted principally of securities investments and loans from the trust accounts. As of December 31, 2015, on an SKAS basis, our trust accounts had invested in securities in the aggregate amount of ₩20,590 billion, of which ₩17,672 billion was debt securities and derivative-linked securities. Securities investments consist of government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities, derivative-linked securities and other securities. Loans made by our trust account operations are similar in type to the loans made by our bank account operations. As of December 31, 2015, on an SKAS basis, our trust accounts had made loans in the principal amount of ₩144 billion (excluding loans from the trust accounts to our banking accounts of ₩970 billion), which accounted for 0.4% of our money trust assets. Loans by our money trusts are subject to the same credit approval process as loans from our banking accounts. As of December 31, 2015, substantially all loans from our money trust accounts were collateralized or guaranteed.

Our money trust accounts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by financial investment companies with a collective investment license. On an SKAS basis, as of December 31, 2015, equity securities in our money trust accounts amounted to ₩2,918 billion, which accounted for 8.4% of our total money trust assets. Of this amount, ₩2,872 billion was from specified money trusts and ₩46 billion was from unspecified money trusts.

We continue to offer pension-type money trusts that provide a guarantee of the principal amount of the investment. On an SKAS basis, as of December 31, 2015, the balance of the money trusts for which we guaranteed the principal was ₩3,311 billion.

If the income from a money trust for which we provide a guarantee is less than the amount of the payments we have guaranteed, we will need to pay the amount of the shortfall with funds from special reserves maintained with respect to trust accounts followed by basic fees from that money trust and funds from our general banking operations. In 2013, 2014 and 2015, we made no payment from our banking accounts to cover shortfalls in our guaranteed trusts. On an SKAS basis, we derived trust fees with regard to trust account management services (including those fees related to property trust management services) of ₩131 billion in 2013, ₩198 billion in 2014 and ₩235 billion in 2015.

Property Trust Management Services

We also offer property trust management services, where we manage non-cash assets in return for a fee. Non-cash assets include mostly securities, but can also include other liquid receivables and real estate. Under these arrangements, we render custodial services for the property in question and collect fee income in return.

In 2015, our property trust fees ranged from 0.001% to 0.3% of total assets under management depending on the type of trust accounts. On an SKAS basis, as of December 31, 2015, the aggregate balance of our property trusts increased to ₩2,344 billion, compared to ₩1,879 billion as of December 31, 2014 and ₩1,377 billion as of December 2013.

Under IFRS, the property trusts are not consolidated within our financial statements.

Investment Trust Management

Through KB Asset Management, we offer investment trust products to customers and manage the funds invested by them in investment trusts. As of December 31, 2015, KB Asset Management had ₩35,495 billion of assets under management.

Management of the National Housing Urban Fund

The National Housing Urban Fund is a government fund that provides financial support to low-income households in Korea by providing mortgage financing and construction loans for projects to build small-sized housing. The operations of the National Housing Urban Fund include providing and managing National Housing Urban Fund loans, issuing National Housing Urban Fund bonds and collecting subscription savings deposits.

In February 2013, the Ministry of Land, Infrastructure and Transport (formerly the Ministry of Land, Transport and Maritime Affairs) designated us as one of the managers of the National Housing Urban Fund. During the five years preceding such designation, we chose not to participate in the bidding process to become a designated manager of the National Housing Urban Fund and only managed pre-existing Fund accounts. In return for managing such pre-existing Fund accounts, we received quarterly fund management fees, calculated based on activity levels for the relevant quarter. In 2015, we received total fees of ₩29 billion for managing the National Housing Urban Fund, compared to ₩23 billion in 2014 and ₩28 billion in 2013.

The financial accounting for the National Housing Urban Fund is entirely separate from our financial accounting, and the non-performing loans and loan losses of the National Housing Urban Fund, in general, do not impact our financial condition. Regulations and guidelines for managing the National Housing Urban Fund are issued by the Minister of Land, Infrastructure and Transport pursuant to the Housing Act.

Bancassurance

The Korean government's liberalization of the bancassurance market in Korea has allowed us to offer insurance products of other institutions since September 2003. We currently market a wide range of bancassurance products and hope to develop additional fee-based revenues by expanding our offering of these products.

Currently, our bancassurance business has alliances with 17 life insurance companies (including our subsidiary, KB Life Insurance) and nine non-life insurance companies (including our affiliate, KB Insurance) and offers 70 different products through our branch network. These products are composed of 49 types of life insurance policies such as annuities, savings insurance and variable life insurance, and 21 types of non-life insurance products. In 2015, our commission income from our bancassurance business amounted to ₩101 billion.

Insurance

Through KB Life Insurance Co., Ltd., we offer a variety of individual and group life insurance products, including annuities, savings insurance, variable life insurance, whole life insurance and term life insurance as well as health insurance. KB Life Insurance utilizes its multi-channel distribution platform to market these products, which includes sales through agents, financial consultants, telemarketers and bancassurance arrangements with commercial banks and other financial institutions.

In June 2015, we acquired a 19.47% stake in KB Insurance Co., Ltd. (formerly named LIG Insurance Co., Ltd.), a publicly listed Korean property and casualty insurance company, and in November 2015, further increased our shareholding in KB Insurance to 33.29%. KB Insurance is accounted for as an equity method investee in our consolidated financial statements. KB Insurance provides non-life insurance products, including automobile insurance, property insurance, marine insurance, fire insurance, accident insurance and casualty insurance, as well as long-term care insurance. We expect to achieve synergies between KB Life Insurance and KB Insurance through cross-selling our life and non-life insurance products and expanding our customer base.

Consumer Finance

We provide consumer finance services through KB Capital Co., Ltd. We acquired 52.02% of the outstanding shares of KB Capital (formerly known as Woori Financial Co., Ltd.) in March 2014. KB Capital provides leasing services and installment finance services for various products, including automobiles, heavy machineries and medical equipment, as well as microlending services. We expect KB Capital to continue to expand our customer base by providing a variety of non-banking financial services to retail customers, as well as synergies through coordinated business operations with our other subsidiaries, including Kookmin Bank.

Distribution Channels

Banking Branch Network

As of December 31, 2015, Kookmin Bank operated a network of 1,138 branches and sub-branches in Korea, which was one of the largest branch networks among Korean commercial banks. An extensive branch network is important to attracting and maintaining retail customers, who use branches extensively and value convenience. We believe that our extensive branch network in Korea and retail customer base provide us with a source of stable and relatively low cost funding. Approximately 36.2% of our branches and sub-branches are located in Seoul, and approximately 23.5% of our branches are located in the six next largest cities. The following table presents the geographical distribution of our branch network in Korea as of December 31, 2015:

Area	Number of Branches	Percentage
Seoul	412	36.2%
Six largest cities (other than Seoul)	267	23.5
Other	459	40.3
Total	1,138	100.0%

In addition, we have continued to implement the specialization of our branch functions. Of our branch network as of December 31, 2015, we had eight branches that primarily handled large corporate banking.

In order to support our branch network, we have established an extensive network of ATMs, which are located in branches and in unmanned outlets known as "autobanks." As of December 31, 2015, we had 9,079 ATMs.

We have actively promoted the use of these distribution outlets in order to provide convenient service to customers, as well as to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The aggregate number of transactions conducted using our ATMs amounted to approximately 606 million in 2013, 573 million in 2014 and 548 million in 2015.

Other Distribution Channels

The following table sets forth information, for the periods indicated, on the number of users and transactions of the other distribution channels for our retail and corporate banking customers, which are discussed below:

	For the Year Ended December 31,		
	2013	2014	2015
Internet banking:			
Number of users [(1)]	15,634,113	16,767,588	17,930,962
Number of transactions (thousands) [(2)]	5,024,132	4,569,185	4,755,832
Phone banking:			
Number of users [(3)]	4,870,204	4,914,616	4,955,278
Number of transactions (thousands) [(2)]	183,434	165,130	152,404
Smartphone banking:			
Number of users [(4)]	8,002,176	9,484,234	10,862,526
Number of transactions (thousands) [(2)]	6,554,649	7,504,638	8,116,853

(1) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through our branch offices to use our Internet banking services.

(2) Number of transactions includes balance and transaction inquiries, fund transfers and other transactions.

(3) Number of users is defined as the total cumulative number of retail and corporate customers who have registered through our branch offices to use our phone banking services.

(4) Number of users is defined as the total cumulative number of retail customers who have registered through our branch offices, or the customers' smartphones, to use our smartphone banking services.

Internet Banking

Our goal is to consolidate our position as a market leader in on-line banking. Our Internet banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, pre-set automatic transfers, product inquiries, on-line bill payments and foreign exchange services;
- investment services, including opening deposit accounts and investing in funds;
- processing of loan applications;
- electronic certification services, which permit our Internet banking service users to authenticate transactions on a confidential basis through digital signatures; and
- wealth management and advisory services, including financial planning and real estate information services.

Phone Banking

We offer a variety of phone banking services, including inter-account fund transfers, balance and transaction inquiries, customer service inquiries and bill payments. We also have call centers, which we primarily use to:

- advise clients with respect to deposits, loans and credit cards and to provide our customers a way to report any emergencies with respect to their accounts;
- allow our customers to conduct transactions with respect to their accounts, such as balance and transfer inquiries, transfers or payments and opening accounts; and
- conduct telemarketing to our customers or potential customers to advertise products or services.

Smartphone Banking

"KB Star Banking," our mobile banking application for smartphones, allows our customers the flexibility to conduct a variety of financial transactions, including balance and transaction inquiries, fund transfers and asset management, anywhere at any time. Our smartphone banking services currently include:

- basic banking services, including fund transfers, balance and transaction inquiries, bill payments and foreign exchange services;
- investment services, including investing in savings deposits that are designed specifically for and offered to smartphone banking customers; and
- processing of loan applications and bancassurance services.

Other Channels

We provide cash management services, which include automatic transfers, connection services to other financial institutions, real-time firm banking, automatic fund concentration and transmittal of trading information.

Competition

We compete principally with other financial institutions in Korea, including other financial holding companies and nationwide commercial banks, as well as regional banks, development banks, specialized banks and branches of foreign banks operating in Korea and installment finance corporations for mortgage loan products. We also compete for customer funds with other types of financial service institutions, including savings institutions (such as mutual savings and finance companies and credit unions and credit cooperatives), investment institutions (such as merchant banking corporations), life insurance companies and financial investment companies. Competition in the domestic banking industry is generally based on the types and quality of the products and services offered, including the size and location of retail networks, the level of automation and interest rates charged and paid.

Competition has increased significantly in our traditional core businesses, retail banking, small- and medium-sized enterprise banking and credit card lending, contributing to some extent to the asset quality deterioration in retail and small- and medium-sized loans. As a result, our margins on lending activities may decrease in the future.

In addition, general regulatory reforms in the Korean financial industry have increased competition among banks and financial institutions in Korea. As the reform of the financial sector continues, foreign financial institutions, some with greater resources than us, have entered, and may continue to enter, the Korean market either by themselves or in partnership with existing Korean financial institutions and compete with us in providing financial and related services.

In addition, the Korean financial industry is undergoing significant consolidation. The number of nationwide commercial banks in Korea has decreased from 16 as of December 31, 1997, to six banks and four financial holding companies as of December 31, 2015. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea in recent years, including Hana Financial Group's acquisition of a controlling interest in Korea Exchange Bank in February 2012 and the subsequent merger of Hana Bank into Korea Exchange Bank in September 2015. Moreover, as part of the Korean government's plans to privatize Woori Finance Holdings Co., Ltd. (the financial holding company of Woori Bank), certain subsidiaries of Woori Finance Holdings Co., Ltd. were sold to other financial institutions and Woori Finance Holdings Co., Ltd. itself was merged into Woori Bank in 2014. We expect that consolidation in the financial industry will continue. The financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. We intend to review potential acquisition opportunities as they arise. We cannot guarantee that we will not be involved in any future mergers or acquisitions.

For additional information, you should read the section entitled “Item 3.D. Risk Factors—Risks relating to competition.”

Information Technology

We regularly implement various IT system-related initiatives and upgrades at the group and subsidiary level. We believe that continuous improvement of our IT systems is crucial in supporting our operations and management and providing high-quality customer service. Accordingly, we continue to upgrade and improve our systems through various activities, including projects to develop next generation banking systems for Kookmin Bank, further strengthen system security and timely develop and implement various new IT systems and services (including group-wide software) that support our business operations and risk management activities.

Our mainframe-based banking and credit card IT systems are designed to ensure continuity of services even where there is a failure of the host data center due to a natural disaster or other accidents by utilizing backup systems in disaster recovery data centers. In addition, through the implementation of Parallel Sysplex, a “multi-CPU system,” our bank and credit card systems are designed and operated to be able to process transactions without material interruption in the event of CPU failure. In 2010, we launched a next-generation banking and credit card IT system that is designed to ensure greater reliability in financial transactions and allow more efficient development of new financial products. We also launched a new disaster recovery system to ensure continuity of operations. In addition, we implemented new technologies, including Multi Channel Integration and Enterprise Application Integration systems, to standardize our IT system and better manage IT system operational risk.

In 2011, we launched a mobile weblink to provide online banking services for smartphone users. In addition, we implemented virtual storage technology for our server systems to achieve a more flexible and cost-effective information storage capability.

The integrity of our IT systems, and their ability to withstand potential catastrophic events (such as natural calamities and internal system failures), are crucial to our continuing operations. We currently test our disaster recovery systems on a quarterly basis. For additional information, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Operational Risk Management.”

In 2015, we spent approximately ₩499 billion for our IT system implementation and operations, including expenses related to the construction of new IT systems, implementation of hardware and software technologies and other new systems, as well as related labor costs.

As of December 31, 2015, we employed a total of 1,103 full-time employees in our IT operations.

Assets and Liabilities

The tables below set out selected financial highlights regarding our banking operations and individual assets and liabilities. Except as otherwise indicated, amounts as of and for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 are presented on a consolidated basis under IFRS.

Loan Portfolio

As of December 31, 2015, our total loan portfolio was ₩247,587 billion compared to ₩233,902 billion as of December 31, 2014 and ₩221,862 billion as of December 31, 2013. As of December 31, 2015, 94.3% of our total loans were Won-denominated loans compared to 94.8% as of December 31, 2014 and 94.6% as of December 31, 2013.

Loan Types

The following table presents loans by type as of the dates indicated. Except where we specify otherwise, all loan amounts stated below are before deduction of allowances for loan losses. Total loans reflect our loan portfolio, including past due amounts.

	As of December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won)				
Domestic:					
Corporate					
Small- and medium-sized enterprise	₩ 68,730	₩ 70,471	₩ 71,045	₩ 71,960	₩ 78,665
Large corporate [1]	28,509	29,212	29,489	28,918	30,182
Retail					
Mortgage and home equity	75,580	74,463	77,969	86,994	87,882
Other consumer	28,275	28,969	29,675	32,255	36,312
Credit cards	12,421	11,874	11,784	11,632	12,136
Total domestic	213,515	214,989	219,962	231,759	245,177
Foreign	2,040	1,925	1,900	2,143	2,410
Total gross loans	₩215,555	₩216,914	₩221,862	₩233,902	₩247,587

(1) Large corporate loans include ₩35 billion, ₩33 billion, ₩132 billion, ₩191 billion and ₩248 billion of loans to the Korean government and government related agencies (including the Korea Deposit Insurance Corporation) as of December 31, 2011, 2012, 2013, 2014 and 2015, respectively.

Loan Concentrations

On a consolidated basis, our exposure to any single borrower or any single *chaebol* is limited by law to 20% and 25%, respectively, of our "net aggregate equity capital," as defined under the Enforcement Decree of the Financial Holding Company Act. See "—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Financial Exposure to Any Individual Customer and Major Shareholder." In addition, Kookmin Bank's exposure to any single borrower or any single *chaebol* is limited by the Bank Act to 20% and 25%, respectively, of its total Tier I and Tier II capital.

20 Largest Exposures by Borrower

As of December 31, 2015, our 20 largest exposures totaled ₩12,741 billion and accounted for 4.1% of our total exposures. The following table sets forth, as of December 31, 2015, our total exposures to these top 20 borrowers or issuers:

Company [(1)]	Loans		Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures	Amounts Classified as Impaired Loans
	Won Currency	Foreign Currency					
	(in billions of Won)						
KEB Hana Bank	₩ 30	₩ 815	₩—	₩ 279	₩ —	₩ 1,124	₩—
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	116	151	—	—	832	1,099	—
Hyundai Heavy Industries Co., Ltd.	92	256	—	—	608	956	—
Samsung Heavy Industries Co., Ltd.	—	68	—	—	857	925	—
Samsung Electronics Co., Ltd.	—	901	4	—	—	905	—
NongHyup Bank	15	—	—	762	—	777	—
Woori Bank	—	346	1	418	—	765	—
Hyundai Capital Services Inc.	350	—	—	280	—	630	—
Samsung C&T Corporation	41	21	1	102	452	617	—
Bank of Baroda	—	586	—	4	—	590	—
SK Holdings Co., Ltd.	20	—	421	82	—	523	—
Daewoo International Corporation	—	376	—	35	98	509	—
POSCO	1	18	312	153	—	484	—
National Agricultural Cooperative Federation	—	7	—	441	—	448	—
Hyundai Steel Company	250	110	—	24	32	416	—
Raiffeisenbank St. Gallen	—	410	—	—	—	410	—
Korean Airlines Co., Ltd.	—	145	—	13	251	409	—
LG Electronics Inc.	390	—	6	6	—	402	—
Hyundai Rotem Company	50	3	—	57	289	399	—
Shinsegae Inc.	1	—	—	—	352	353	—
Total	₩1,356	₩4,213	₩745	₩2,656	₩3,771	₩12,741	₩—

(1) Excludes exposures to government-owned or -controlled enterprises or financial institutions, including Bank of Korea, Korea Housing Finance Corporation, Korea Land & Housing Corporation, Korea Deposit Insurance Corporation and Korea Development Bank.

As of December 31, 2015, 14 of these top 20 borrowers or issuers were companies belonging to the 41 largest *chaebols* in Korea designated as such by the Financial Supervisory Service based on their outstanding exposures.

Exposure to Chaebols

As of December 31, 2015, 7.1% of our total exposure was to the 41 largest *chaebols* in Korea designated as such by the Financial Supervisory Service based on their outstanding exposures. The following table shows, as of December 31, 2015, our total exposures to the ten *chaebol* groups to which we have the largest exposure:

Chaebol	Loans: Won Currency	Loans: Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures	Amounts Classified as Impaired Loans
	(in billions of Won)						
Samsung [1]	₩ 311	₩1,305	₩124	₩ 420	₩1,489	₩ 3,649	₩—
Hyundai Motor [2]	841	583	2	803	650	2,879	—
SK [3]	152	430	423	358	212	1,575	—
Hyundai Heavy Industries [4]	133	318	33	—	999	1,483	—
POSCO [5]	207	432	346	208	131	1,324	—
Hanwha [6]	855	75	—	140	175	1,245	—
Daewoo Shipbuilding & Marine Engineering [7]	141	151	—	—	832	1,124	—
LG [8]	485	192	8	142	39	866	—
Lotte [9]	287	53	25	403	86	854	—
Shinsegae [10]	102	—	1	54	477	634	—
Total	₩3,514	₩3,539	₩962	₩2,528	₩5,090	₩15,633	₩—

(1) Includes principally Samsung Heavy Industries Co., Ltd., Samsung Electronics Co., Ltd. and Samsung C&T Corporation.
(2) Includes principally Hyundai Capital Services Inc., Hyundai Steel Company and Hyundai Rotem Company.
(3) Includes principally SK Holdings Co., Ltd., Apollo Shipholding S.A. and SK Energy Co., Ltd.
(4) Includes principally Hyundai Heavy Industries Co., Ltd., Hyundai Mipo Dockyard Co., Ltd. and Hyundai Samho Heavy Industries Co., Ltd.
(5) Includes principally Daewoo International Corporation, POSCO and POSCO Energy Co., Ltd.
(6) Includes principally Hanwha Corporation, Hanwha Engineering & Construction Corp. and Hanwha Techwin Co., Ltd.
(7) Includes principally Daewoo Shipbuilding & Marine Engineering Co., Ltd., Shinhan Heavy Industries Co., Ltd. (formerly, Shinhan Machinery Co., Ltd.) and DSEC Co., Ltd.
(8) Includes principally LG Electronics Inc., LG Chem, Ltd. and LG Display Co., Ltd.
(9) Includes principally Lotte Capital Co., Ltd., Lotte Card Co., Ltd. and Lotte Engineering & Construction Co., Ltd.
(10) Includes principally Shinsegae Inc., Shinsegae Simon Inc. and E-Mart Inc.

Loan Concentration by Industry

The following table presents the aggregate balance of our domestic and foreign corporate loans, by industry concentration, as of December 31, 2013, 2014 and 2015:

Industry	As of December 31, 2013 Amount	2013 %	2014 Amount	2014 %	2015 Amount	2015 %
	(in billions of Won, except percentages)					
Services	₩ 38,375	37.5%	₩ 39,385	38.2%	₩ 44,372	39.9%
Manufacturing	31,161	30.5	32,694	31.7	35,373	31.8
Wholesale and retail	13,874	13.6	13,287	12.9	13,704	12.3
Financial institutions	10,524	10.3	9,117	8.9	9,070	8.2
Construction	4,428	4.3	3,862	3.8	3,569	3.2
Public sector	655	0.6	755	0.7	812	0.7
Others	3,318	3.2	3,871	3.8	4,316	3.9
Total	₩102,335	100.0%	₩102,971	100.0%	₩111,216	100.0%

Maturity Analysis

We typically roll over our working capital loans and unsecured consumer loans (other than those payable in installments) after we conduct our normal loan review in accordance with our loan review procedures. Working capital loans may generally be extended on an annual basis for an aggregate term of five years and unsecured consumer loans may generally be extended for another term of up to 12 months for an aggregate term of 10 years.

The following table sets out the scheduled maturities (time remaining until maturity) of our loan portfolio as of December 31, 2015. The amounts disclosed are before deduction of allowances for loan losses:

	1 Year or Less	Over 1 Year But Not More Than 5 Years	Over 5 Years	Total
	(in billions of Won)			
Domestic:				
Corporate				
Small- and medium-sized enterprises	₩ 54,166	₩18,795	₩ 5,704	₩ 78,665
Large corporate	20,494	6,195	3,493	30,182
Total corporate	74,660	24,990	9,197	108,847
Retail				
Mortgage and home equity	7,380	6,583	73,919	87,882
Other consumer	21,200	11,464	3,648	36,312
Total retail	28,580	18,047	77,567	124,194
Credit cards	10,577	1,305	254	12,136
Total domestic	113,817	44,342	87,018	245,177
Foreign:	1,998	309	103	2,410
Total gross loans	₩115,815	₩44,651	₩87,121	₩247,587

Interest Rate Sensitivity

The following table shows, as of December 31, 2015, the total amount of loans due after one year, which have fixed interest rates and variable or adjustable interest rates:

	As of December 31, 2015
	(in billions of Won)
Fixed rate [(1)]	₩ 18,158
Variable or adjustable rates [(2)]	113,614
Total gross loans	₩131,772

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.

(2) Variable or adjustable rate loans are loans for which the interest rate is not fixed for the entire term.

For additional information regarding our management of interest rate risk, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market Risk Management—Market Risk Management for Non-Trading Activities."

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, seek to restore the borrower's financial stability and viability. Previously, workouts were regulated under a series of

Corporate Restructuring Promotion Acts, which last expired on December 31, 2015. In March 2016, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, which is scheduled to expire on June 30, 2018. Under the new Corporate Restructuring Promotion Act, creditors of a financially troubled borrower may participate in a creditors' committee, which is authorized to prohibit such creditors from exercising their rights against the borrower, commence workout procedures and approve or make revisions to a reorganization plan prepared by the lead creditor bank, the borrower and external experts. The composition of the creditors' committee is determined at the initial meeting of the committee by the approval of creditors holding not less than 75% of the borrower's total outstanding debt held by creditors who were notified of the initial meeting of the committee. Although creditors that are not financial institutions or hold less than 1% of the total outstanding debt of the borrower need not be notified of the initial meeting of the creditors' committee, if such creditors wish to participate, they may not be excluded. Any decision of the creditors' committee requires the approval of creditors holding not less than 75% of the total outstanding debt of the borrower. However, if a single creditor holds 75% or more of the borrower's total outstanding debt held by the creditors comprising the creditors' committee, any decision of the creditors' committee requires the approval of not less than 40% of the total number of creditors (including such single creditor) comprising the committee. An additional approval of creditors holding not less than 75% of the secured debt is required with respect to the borrower's debt restructuring. Once approved, any decision made by the creditors' committee is binding on all creditors of the borrower, with the exception of those creditors that were excluded by a resolution of the committee at its initial meeting and those who exercised their right to request that their claims be purchased. Creditors that voted against commencement of workout, approval or revision of the reorganization plan, debt restructuring, granting of new credit, extension of the joint management process or other resolutions of the committee have the right to request the creditors that voted in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditors that oppose a decision made by the coordination committee may request a court to change such decision.

Upon approval of the workout plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, we take the status of the borrower into account in valuing our loans to and collateral from that borrower for purposes of establishing our allowances for credit losses.

Korean law also provides for corporate rehabilitation proceedings, which are court-supervised procedures to rehabilitate an insolvent company. Under these procedures, a restructuring plan is adopted at a meeting of interested parties, including creditors of the company. Such restructuring plan is subject to court approval.

A portion of our loans to and debt securities of corporate customers are currently in workout, restructuring or rehabilitation. As of December 31, 2015, ₩616 billion or 0.2% of our total loans and debt securities were in workout, restructuring or rehabilitation. This included ₩203 billion of loans to and debt securities of large corporate borrowers and ₩413 billion of loans to and debt securities of small- and medium-sized enterprises.

The following table shows, as of December 31, 2015, our ten largest exposures that were in workout, restructuring or rehabilitation:

Company	Loans: Won Currency	Loans: Foreign Currency	Equity Securities	Debt Securities	Guarantees and Acceptances	Total Exposures	Amounts Classified as Impaired Loans
	(in billions of Won)						
Orient Shipyard Co., Ltd.	₩ 53	₩ 3	₩—	₩—	₩ 69	₩125	₩ 56
Dongmoon Construction Co., Ltd.	73	—	—	—	—	73	73
Samho International Co., Ltd.	41	—	14	5	—	60	41
Hongwon Paper Mfg. Co., Ltd.	10	7	—	—	1	18	17
Trans-Pacific Resources Ltd.	—	8	—	—	9	17	8
Hyundai Cement Co., Ltd.	—	—	15	—	—	15	—
Kukje Machinery Co., Ltd.	4	3	4	—	2	13	7
Shindongah Engineering & Construction Co., Ltd.	12	—	—	—	1	13	12
SolarPark Korea Co., Ltd.	12	—	—	—	—	12	12
Woojeon & Handan Co., Ltd.	—	12	—	—	—	12	12
Total	₩205	₩ 33	₩ 33	₩ 5	₩ 82	₩358	₩238

Provisioning Policy

We establish allowances for loan losses with respect to loans to absorb such losses. We assess individually significant loans on a case-by-case basis and other loans on a collective basis. In addition, if we determine that no objective evidence of impairment exists for a loan, we include such loan in a group of loans with similar credit risk characteristics and assess them collectively for impairment regardless of whether such loan is significant. For individually significant loans, allowances for loan losses are recorded if objective evidence of impairment exists as a result of one or more events that occurred after initial recognition. For collectively assessed loans, we base the level of allowances for loan losses on our evaluation of the risk characteristics of such loans, taking into account such factors as historical loss experience, the financial condition of the borrowers and current economic conditions. If additions or changes to the allowances for loan losses are required, then we record a provision for loan losses, which is included in impairment losses on credit loss and treated as a charge against current income. Credit exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously charged-off amounts, are charged directly against the allowances for loan losses. See "Item 5.A. Operating Results—Critical Accounting Policies—Impairment of Loans and Allowances for Loan Losses."

We generally consider the following loans to be impaired loans:

- loans that are past due by 90 days or more;
- loans that are subject to legal proceedings related to collection;
- loans to a borrower that has received a warning from the Korea Federation of Banks indicating that such borrower has exhibited difficulties in making timely payments of principal and interest;
- loans to corporate borrowers that are rated C or D according to Kookmin Bank's internal credit ratings for large companies or small-and medium-sized enterprises;
- loans for which account-specific provisions have been made resulting from a significant perceived decline in credit quality; and
- loans with respect to which the amount of principal and interest payable has been materially decreased due to restructuring.

The actual amount of incurred loan losses may vary from loss estimates due to changing economic conditions or changes in industry or geographic concentrations. We have procedures in place to monitor differences between estimated and actual incurred loan losses, which include detailed periodic assessments by senior management of both individual loans and loan portfolios and the use of models to estimate incurred loan losses in those portfolios.

We regularly evaluate the adequacy of the overall allowances for loan losses and we believe that the allowances for loan losses reflect our best estimate of probable loan losses as of each balance sheet date.

Loan Aging Schedule

The following table shows our loan aging schedule (excluding accrued interest) as of the dates indicated:

As of December 31,	Normal Amount	%	Amount Past Due 1-3 Months	%	Amount Past Due 3-6 Months	%	Amount Past Due 6 Months or More	%	Total Amount
	(in billions of Won, except percentages)								
2011	₩213,515	99.0%	₩860	0.4%	₩327	0.2%	₩ 853	0.4%	₩215,555
2012	214,489	98.9	819	0.4	532	0.2	1,074	0.5	216,914
2013	219,777	99.1	664	0.3	426	0.2	995	0.4	221,862
2014	232,159	99.2	675	0.3	385	0.2	683	0.3	233,902
2015	246,116	99.5	549	0.2	359	0.1	563	0.2	247,587

Non-Accrual Loans and Past Due Accruing Loans

We generally consider impaired loans to be non-accrual loans. However, we exclude from non-accrual status and continue to accrue interest on loans that are fully secured by cash on deposit or on which there are financial guarantees from the government, Korea Deposit Insurance Corporation or certain financial institutions.

We no longer recognize interest on non-accrual loans from the date the loan is placed on non-accrual status. We reclassify loans as accruing when interest and principal payments are up-to-date and future payments of principal and interest are reasonably assured. We generally do not recognize interest income on non-accrual loans unless collected.

Interest foregone is the interest due on non-accrual loans that has not been accrued in our books of account. For the year ended December 31, 2015, we would have recorded gross interest income of ₩220 billion compared to ₩275 billion for the year ended December 31, 2014, ₩332 billion for the year ended December 31, 2013, ₩309 billion for the year ended December 31, 2012 and ₩336 billion for the year ended December 31, 2011 on loans accounted for on a non-accrual basis throughout the year, or since origination for loans held for part of the year, had we not foregone interest on those loans. The amount of interest income on those loans that was included in our profit for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 was ₩192 billion, ₩187 billion, ₩206 billion, ₩175 billion and ₩151 billion, respectively.

The following table shows, as of the dates indicated, the amount of loans that were placed on a non-accrual basis and accruing loans which were past due 90 days or more. The category "accruing but past due 90 days" includes loans which are still accruing interest but on which principal or interest payments are contractually past due 90 days or more.

	As of December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won)				
Loans accounted for on a non-accrual basis					
Corporate	₩2,021	₩1,851	₩2,220	₩1,673	₩1,607
Consumer	1,200	1,290	1,253	1,022	763
Sub-total	3,221	3,141	3,473	2,695	2,370
Accruing loans which are contractually past due 90 days or more as to principal or interest					
Corporate	4	84	98	39	47
Consumer	45	97	116	72	88
Sub-total	49	181	214	111	135
Total	₩3,270	₩3,322	₩3,687	₩2,806	₩2,505

Troubled Debt Restructurings

The following table presents, as of the dates indicated, our loans that are "troubled debt restructurings" for which we, for economic or legal reasons relating to the debtor's financial difficulties, grant a concession to the debtor that we would not otherwise consider. These loans consist principally of corporate loans that have been restructured (through the process of workout, court receivership or composition) and which are accruing interest at rates lower than the original contractual terms as a result of a variation of terms upon restructuring.

	As of December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won)				
Loans classified as "troubled debt restructurings"	₩412	₩465	₩269	₩256	₩228

For 2015, interest income that would have been recorded under the original contract terms of restructured loans amounted to ₩20 billion, out of which ₩14 billion was reflected as interest income during 2015.

Potential Problem Loans

We classify potential problem loans as loans that are designated as "early warning loans" and reported to the Financial Services Commission. "Early warning loans" are loans extended to borrowers that have been (i) identified by our early warning system as exhibiting signs of credit risk based on the relevant borrower's financial data, credit information and/or transactions with banks and, following such identification and (ii) designated by our loan officers as potential problem borrowers based on their evaluation of known information about such borrowers' possible credit problems. Such loans are required to be reported on a quarterly basis to the Financial Services Commission. If a borrower's loans are designated as "early warning loans" pursuant to the process described above and included in our quarterly report to the Financial Services Commission, we consider such borrowers to have serious doubt as to their ability to comply with repayment terms in the near future.

As of December 31, 2015, we had ₩2,718 billion of potential problem loans.

Other Problematic Interest Earning Assets

We have certain other interest earning assets received in connection with troubled debt restructurings that, if they were loans, would be required to be disclosed as part of the non-accrual, past due or restructuring or potential problem loan disclosures provided above. As of December 31, 2011, 2012, 2013, 2014 and 2015, we did not have any debt securities received in connection with troubled debt restructurings on which interest was past due.

Non-Performing Loans

Non-performing loans are defined as loans that are past due by 90 days or more. These loans are generally classified as "substandard" or below. For further information on the classification of non-performing loans under Korean regulatory requirements, see "—Regulatory Reserve for Credit Losses" below.

The following table shows, as of the dates indicated, certain details of our total non-performing loan portfolio:

	As of December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won, except percentages)				
Total non-performing loans	₩1,180	₩1,606	₩1,421	₩1,068	₩922
As a percentage of total loans	0.5%	0.7%	0.6%	0.5%	0.4%

Analysis of Non-Performing Loans

The following table sets forth, as of the dates indicated, our total non-performing loans by type of borrower:

	As of December 31,									
	2011		2012		2013		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
Domestic:										
Corporate										
Small- and medium sized enterprise	₩ 373	31.6%	₩ 680	42.4%	₩ 568	40.0%	₩ 373	34.9%	₩309	33.5%
Large corporate	84	7.1	97	6.0	158	11.1	137	12.8	187	20.3
Total corporate	457	38.7	777	48.4	726	51.1	510	47.7	496	53.8
Retail										
Mortgage and home equity	510	43.2	625	38.9	394	27.7	209	19.6	172	18.7
Other consumer	132	11.2	137	8.5	152	10.7	186	17.4	157	17.0
Total retail	642	54.4	762	47.4	546	38.4	395	37.0	329	35.7
Credit cards	62	5.3	47	2.9	107	7.5	99	9.3	70	7.6
Total domestic	1,161	98.4	1,586	98.7	1,379	97.0	1,004	94.0	895	97.1
Foreign:	19	1.6	20	1.3	42	3.0	64	6.0	27	2.9
Total non-performing loans	₩1,180	100.0%	₩1,606	100.0%	₩1,421	100.0%	₩1,068	100.0%	₩922	100.0%

Top 20 Non-Performing Loans

As of December 31, 2015, our 20 largest non-performing loans accounted for 30.9% of our total non-performing loan portfolio. The following table shows, as of December 31, 2015, certain information regarding our 20 largest non-performing loans:

	Industry	Gross Principal Outstanding	Allowances for Loan Losses (1)
		(in billions of Won)	
Borrower A	Manufacturing	₩ 55	₩ 55
Borrower B	Services	53	6
Borrower C	Construction	37	22
Borrower D	Manufacturing	22	2
Borrower E	Others	20	12
Borrower F	Construction	17	7
Borrower G	Wholesale and retail	11	10
Borrower H	Manufacturing	10	10
Borrower I	Others	9	—
Borrower J	Services	8	—
Borrower K	Services	8	1
Borrower L	Manufacturing	7	2
Borrower M	Manufacturing	5	4
Borrower N	Manufacturing	4	4
Borrower O	Financial institutions	4	2
Borrower P	Manufacturing	3	1
Borrower Q	Manufacturing	3	1
Borrower R	Construction	3	1
Borrower S	Manufacturing	3	2
Borrower T	Manufacturing	3	—
Total		₩285	₩142

(1) If the estimated recovery value of collateral for a non-performing loan is sufficient compared to the outstanding loan balance, we record no allowances for loan losses for such non-performing loan.

Non-Performing Loan Strategy

One of our primary objectives is to prevent our loans from becoming non-performing. Through our corporate credit rating systems, we believe that we have reduced our risks relating to future non-performing loans. Our credit rating systems are designed to prevent our loan officers from extending new loans to borrowers with high credit risks based on the borrower's credit rating. Our early warning system is designed to bring any sudden increase in a borrower's credit risk to the attention of our loan officers, who then closely monitor such loans. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Credit Risk Management—Credit Review and Monitoring."

Notwithstanding the above, if a loan becomes non-performing, an officer at the branch level responsible for monitoring non-performing loans will commence a due diligence review of the borrower's assets, send a notice either demanding payment or stating that we will take legal action and prepare for legal action.

At the same time, we also initiate our non-performing loan management process, which begins with:

- identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;
- identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and

- on a limited basis, identifying corporate loans subject to normalization efforts based on the cash-flow situation of the borrower.

Once the details of a non-performing loan are identified, we pursue early solutions for recovery. While the overall process is the responsibility of Kookmin Bank's Credit Division, actual recovery efforts on non-performing loans are handled at the operating branch level.

In addition, we use the services of our wholly-owned loan collection subsidiary, KB Credit Information Co., Ltd., which receives payments from recoveries made on charged-off loans and certain loans that are overdue for over three months (28 days on average in the case of credit card loans). KB Credit Information has over 140 employees, including legal experts and management employees. The fees that it receives are based on the amounts of non-performing and charged off loans that are recovered. In 2013, 2014 and 2015, the amount recovered was ₩473 billion, ₩443 billion and ₩395 billion, respectively.

Methods for resolving non-performing loans include the following:

- non-performing loans are managed by the operating branches of Kookmin Bank until such loans are charged off;
- a demand note is dispatched by mail if payment is generally one month past due;
- calls and visits are made by Kookmin Bank's operating branches to customers encouraging them to make payments;
- borrowers who are past due on payments of interest and principal are registered on the Korea Federation of Banks' database of non-performing loans;
- for unsecured loans other than credit card loans, the loans are transferred to KB Credit Information for collection on a case-by-case basis;
- for secured loans, actions to enforce or protect the security interests (including foreclosure and auction of the collateral) are commenced within four months of such loans becoming past due; and
- charged off loans are given to KB Credit Information for collection, except for loans where the cost of collection exceeds the possible recovery or where the statute of limitations for collection has expired.

In addition, credit card loans that are in arrears for over 28 days on average are transferred to KB Credit Information for collection.

If a loan becomes non-performing, it is managed by an operating branch of Kookmin Bank until such loan is charged off. However, in order to promote speedy recovery on loans subject to foreclosures and litigation, our policy is to permit the branch responsible for handling these loans to request one of Kookmin Bank's regional head offices for assistance with litigation proceedings and proceedings related to foreclosure and auction of the collateral.

In addition to making efforts to collect on these non-performing loans, we also undertake measures to reduce the level of our non-performing loans, which include:

- selling our non-performing loans to third parties, including the Korea Asset Management Corporation; and
- entering into asset securitization transactions with respect to our non-performing loans.

We generally expect to suffer a partial loss on loans that we sell or securitize, to the extent such sales and securitizations are recognized under IFRS as sale transactions.

Pursuant to a memorandum of understanding among the Financial Supervisory Service and seven banks, including Kookmin Bank, a private equity fund was established in June 2011 to acquire approximately ₩1.2 trillion of non-performing bank loans to construction companies in workout, restructuring or rehabilitation. The general partner of the fund is United Asset Management Corp. and the limited partners consist of the seven banks and other investors. The fund purchases non-performing bank loans at market price and the funds required to purchase such loans are contributed or lent by the same banks that sell such loans to the fund. In June 2011, we agreed to make a capital commitment of ₩148 billion and provide a ₩109 billion revolving loan facility to the fund. From June to December 2011, we contributed the entire amount of our capital commitment to the fund in connection with its purchase of ₩148 billion of non-performing loans from us. In September 2012, we agreed to increase our capital commitment to ₩241 billion. From September to December 2012, we contributed ₩44 billion to the fund. Our revolving loan facility to the fund was decreased to ₩55 billion in 2013 and terminated in 2014. We have made no additional capital commitments to the fund in 2014 or 2015.

Allocation and Analysis of Allowances for Loan Losses

The following table presents, as of the dates indicated, the allocation of our allowances for loan losses by loan type. The ratio represents the percentage of allowances for loan losses in each category to total allowances for loan losses.

	As of December 31,									
	2011		2012		2013		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
Domestic:										
Corporate										
Small- and medium sized enterprise	₩1,533	44.4%	₩1,234	37.7%	₩1,023	35.8%	₩ 819	33.4%	₩ 775	30.0%
Large corporate	910	26.4	999	30.6	785	27.4	656	26.8	875	33.9
Total corporate	2,443	70.8	2,233	68.3	1,808	63.2	1,475	60.2	1,650	63.9
Retail										
Mortgage and home equity	111	3.2	123	3.8	93	3.3	48	2.0	37	1.4
Other consumer	524	15.2	565	17.2	486	17.0	488	19.9	454	17.6
Total retail	635	18.4	688	21.0	579	20.3	536	21.9	491	19.0
Credit cards	350	10.2	329	10.1	410	14.3	390	15.9	398	15.4
Total domestic	3,428	99.4	3,250	99.4	2,797	97.8	2,401	97.9	2,539	98.3
Foreign: [1]	20	0.6	19	0.6	64	2.2	51	2.1	43	1.7
Total allowances for loan losses	₩3,448	100.0%	₩3,269	100.0%	₩2,861	100.0%	₩2,452	100.0%	₩2,582	100.0%

(1) Consists primarily of loans to corporations.

The following table analyzes our allowances for loan losses and loan loss experience for each of the years indicated:

	Year Ended December 31,				
	2011	2012	2013	2014	2015
	(in billions of Won, except percentages)				
Balance at the beginning of the period	₩ 3,756	₩ 3,448	₩ 3,269	₩ 2,861	₩ 2,452
Amounts charged against income	1,645	1,653	1,427	1,211	1,100
Sale	(240)	(105)	(84)	(72)	(50)
Gross charge-offs:					
Domestic:					
Corporate					
Small- and medium-sized enterprise	1,274	943	691	746	412
Large corporate	204	260	454	326	275
Retail					
Mortgage and home equity	20	62	134	149	16
Other consumer	267	391	447	425	338
Credit cards	413	541	404	427	377
Foreign:	3	—	2	18	1
Total gross charge-offs	(2,181)	(2,197)	(2,132)	(2,091)	(1,419)
Recoveries:					
Domestic:					
Corporate					
Small-and medium-sized enterprise	162	149	145	259	156
Large corporate	6	9	—	—	—
Retail					
Mortgage and home equity	13	7	22	31	63
Other consumer	104	97	105	109	132
Credit cards	204	185	141	131	138
Foreign:	1	3	2	1	4
Total recoveries	490	450	415	531	493
Net charge-offs	(1,691)	(1,747)	(1,717)	(1,560)	(926)
Other charges [(1)]	(22)	20	(34)	12	6
Balance at the end of the period	₩ 3,448	₩ 3,269	₩ 2,861	₩ 2,452	₩ 2,582
Ratio of net charge-offs during the period to average loans outstanding during the period	0.8%	0.8%	0.8%	0.7%	0.4%

(1) The amount for 2014 reflects an increase in allowances for loan losses of ₩83 billion attributable to the addition of KB Capital Co., Ltd. as a consolidated subsidiary in March 2014.

Regulatory Reserve for Credit Losses

If our allowances for credit losses are deemed insufficient for regulatory purposes, we are required to compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within our retained earnings. Regulatory reserve for credit losses are not available for distribution to shareholders as dividends. The level of regulatory reserve for credit losses required to be recorded is equal to the amount by which our allowances for credit losses under IFRS are less than the greater of (x) the amount of expected loss calculated using the internal ratings-based approach under Basel III and as approved by the Financial Supervisory Service and (y) the required amount of credit loss reserve calculated based on standards prescribed by the Financial Services Commission. As of December 31, 2015, our regulatory reserve for credit losses was ₩2,454 billion.

The following tables set forth the Financial Services Commission's guidelines for the classification of loans and the minimum percentages of the outstanding principal amount of the relevant loans or balances that the credit loss reserve must cover:

Loan Classification	Loan Characteristics
Normal	Loans extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the loans.
Precautionary	Loans extended to customers that (i) based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the loans, although showing no immediate default risk or (ii) are in arrears for one month or more but less than three months.
Substandard	(i) Loans extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or (ii) the portion that we expect to collect of total loans (a) extended to customers that have been in arrears for three months or more, (b) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings or closure of their businesses, or (c) extended to customers who have outstanding loans that are classified as "doubtful" or "estimated loss."
Doubtful	Loans exceeding the amount that we expect to collect of total loans to customers that: (i) based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or (ii) have been in arrears for three months or more but less than 12 months.
Estimated loss	Loans exceeding the amount that we expect to collect of total loans to customers that: (i) based on our consideration of their business, financial position and future cash flows, are judged to be accounted as a loss because the inability to repay became certain due to serious deterioration in their ability to repay; (ii) have been in arrears for 12 months or more; or (iii) have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Loan Classifications	Corporate [(1)]	Consumer	Credit Card Balances [(2)]	Credit Card Loans [(3)]
Normal	0.85% or above	1% or above	1.1% or above	2.5% or above
Precautionary	7% or above	10% or above	40% or above	50% or above
Substandard	20% or above	20% or above	60% or above	65% or above
Doubtful	50% or above	55% or above	75% or above	75% or above
Estimated loss	100%	100%	100%	100%

(1) Subject to certain exceptions pursuant to the Banking Industry Supervision Regulations of Korea.
(2) Applicable for credit card balances from general purchases.
(3) Applicable for cash advances, card loans and revolving credit card assets.

Loan Charge-Offs

Basic Principles

We attempt to minimize loans to be charged off by adhering to a sound credit approval process based on credit risk analysis prior to extending loans and a systematic management of outstanding loans. However, if charge-offs are necessary, we charge off loans subject to our charge-off policy at an early stage in order to maximize accounting transparency, to minimize any waste of resources in managing loans which have a low probability of being collected and to reduce our non-performing loan ratio.

Loans To Be Charged Off

Loans are charged off if they are deemed to be uncollectible by falling under any of the following categories:

- loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganization, dissolution or the shutting down of the business of the debtor;
- loans for which collection is not foreseeable due to the death or disappearance of the debtor;
- loans for which expenses of collection exceed the collectable amount;
- loans on which collection is not possible through legal or any other means;
- payments in arrears in respect of credit cards that have been overdue for a period of six months or more and have been classified as expected loss (excluding instances where there has been partial payment of the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations); and
- the portion of loans classified as "estimated loss," net of any recovery from collateral, which is deemed to be uncollectible.

Procedure for Charge-off Approval

In order to charge off corporate loans, an application for a charge-off must be submitted to Kookmin Bank's Credit Management Department promptly after the corporate loan is classified as estimated loss or deemed uncollectible. The Credit Management Department refers the charge-off application to Kookmin Bank's Branch Audit Department for their review to ensure compliance with our internal procedures for charge-offs. Then, the Credit Management Department, after reviewing the application to confirm that it meets relevant requirements, seeks an approval from the Financial Supervisory Service for our charge-offs, which is typically granted. Once we receive approval from the Financial Supervisory Service, we must also obtain approval from our senior management to charge off those loans. For accounting purposes, we recognize charge-offs of corporate loans under IFRS prior to approval from the Financial Supervisory Service.

With respect to credit card balances and unsecured retail loans, we follow a different process to determine which credit card balances and unsecured retail loans should be charged off, based on the length of time those loans or balances are past due. We charge off unsecured retail loans deemed to be uncollectible and credit card balances which have been overdue for a period of six months or more or which have been deemed to be uncollectible under IFRS.

Treatment of Loans Charged Off

Once loans are charged off, we classify them as charged-off loans and remove them from our balance sheet. These loans are managed based on a different set of procedures. We continue our collection efforts in respect of these loans, including through our subsidiary, KB Credit Information, although loans may be charged off before we begin collection efforts in some circumstances.

If a collateralized loan is overdue, we will, typically within one year from the time that such loan became overdue (or after a longer period in certain circumstances), petition a court to foreclose and sell the collateral through a court-supervised auction. If a debtor ultimately fails to repay and the court grants its approval for foreclosure, we will sell the collateral, net of expenses incurred from the auction.

Credit Rehabilitation Programs for Delinquent Consumer Borrowers

In light of the rapid increase in delinquencies in credit card and other consumer credit in recent years, and concerns regarding potential social issues posed by the growing number of individuals with bad credit, the Korean government has implemented a number of measures intended to support the rehabilitation of the credit of delinquent consumer borrowers. These measures may affect the amount and timing of our collections and recoveries on our delinquent consumer credits.

For example, in March 2009, the Financial Services Commission requested Korean banks, including us, to establish a "pre-workout program," including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt defaults. Under the pre-workout program, which has been in operation since April 2009, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of ₩1.5 billion or less (consisting of no more than ₩500 million of unsecured loans and ₩1 billion of secured loans) who are in arrears on their payments for more than 30 days but less than 90 days or for retail borrowers with an annual income of ₩40 million or less who have been in arrears on their payments for more than 30 days on an aggregate basis for the 12 months prior to their application.

Investment Portfolio

Investment Policy

We invest in and trade Won-denominated and, to a lesser extent, foreign currency-denominated securities for our own account to:

- maintain the stability and diversification of our assets;
- maintain adequate sources of back-up liquidity to match our funding requirements; and
- supplement income from our core lending activities.

In making securities investments, we take into account a number of factors, including macroeconomic trends, industry analysis and credit evaluation in determining whether to make particular investments in securities.

Our investments in securities are also subject to a number of guidelines, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, a bank holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company. In addition, Kookmin Bank must limit its investments in equity securities and bonds with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and national government bonds) to 100.0% of its total Tier I and Tier II capital amount (less any capital deductions). Generally, Kookmin Bank is also prohibited from acquiring more than 15.0% of the shares with voting rights issued by any other corporation subject to certain exceptions. Pursuant to the Bank Act, a bank and its trust accounts are prohibited from acquiring the shares of a major shareholder (for the definition of "major shareholder," see "—Supervision and Regulation—Principal Regulations Applicable to Banks—Financial Exposure to Any Individual Customer and Major Shareholders") of that bank in excess of an amount equal to 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in "—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Liquidity," "—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Shareholdings in Other Companies," "—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity" and "—Supervision and Regulation—Principal Regulations Applicable to Banks—Restrictions on Shareholdings in Other Companies."

The following table sets out the definitions of the four categories of securities we hold:

Category	Classification
Financial assets held for trading	Financial assets bought and held for trading.
Financial assets designated at fair value through profit or loss	Financial assets which were not bought and held for trading but are otherwise designated as at fair value through profit or loss.
Available-for-sale financial assets	Non-derivative financial assets not classified as held-to-maturity, at fair value through profit or loss or loans and receivables.
Held-to-maturity financial assets	Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity.

See "Item 5.A. Operating Results—Critical Accounting Policies—Valuation of Securities and Financial Instruments."

We also hold limited balances of venture capital securities, non-marketable and restricted equity securities and derivative instruments.

Carrying Amount and Market Value

The following table sets out the carrying amount and market value of securities in our securities portfolio as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	Carrying Amount	Market Value	Carrying Amount	Market Value	Carrying Amount	Market Value
	(in billions of Won)					
Available-for-sale financial assets:						
Equity securities	₩ 2,899	₩ 2,899	₩ 3,032	₩ 3,032	₩ 3,377	₩ 3,377
Debt securities						
Korean treasury securities and government agency securities	6,926	6,926	4,702	4,702	3,757	3,757
Debt securities issued by financial institutions	5,782	5,782	6,981	6,981	7,241	7,241
Corporate debt securities	4,998	4,998	6,120	6,120	4,980	4,980
Asset-backed securities	1,208	1,208	1,211	1,211	5,216	5,216
Others	19	19	346	346	417	417
Total available-for-sale	21,832	21,832	22,392	22,392	24,988	24,988
Held-to-maturity financial assets:						
Debt securities						
Korean treasury securities and government agency securities	4,357	4,537	3,557	3,772	2,592	2,707
Debt securities issued by financial institutions	893	902	1,262	1,280	1,864	1,885
Corporate debt securities	7,400	7,580	7,278	7,525	5,530	5,706
Asset-backed securities	367	368	472	474	4,164	4,208
Total held-to-maturity	13,017	13,387	12,569	13,051	14,150	14,506

	As of December 31,					
	2013		2014		2015	
	Carrying Amount	Market Value	Carrying Amount	Market Value	Carrying Amount	Market Value
	(in billions of Won)					
Financial assets at fair value through profit or loss:						
Financial assets held for trading						
Equity securities	1,101	1,101	358	358	642	642
Debt securities						
Korean treasury securities and government agency securities	2,085	2,085	3,067	3,067	2,510	2,510
Debt securities issued by financial institutions	3,266	3,266	4,049	4,049	3,973	3,973
Corporate debt securities	1,760	1,760	1,827	1,827	2,106	2,106
Asset-backed securities	510	510	319	319	316	316
Others	205	205	451	451	418	418
Others	40	40	51	51	69	69
Sub-total	8,967	8,967	10,122	10,122	10,034	10,034
Financial assets designated at fair value through profit or loss						
Equity securities	116	116	134	134	196	196
Debt securities	—	—	—	—	146	146
Derivative-linked securities	246	246	502	502	798	798
Sub-total	362	362	636	636	1,140	1,140
Total financial assets at fair value through profit or loss	9,329	9,329	10,758	10,758	11,174	11,174
Total securities	₩44,178	₩44,548	₩45,719	₩46,201	₩50,312	₩50,668

Maturity Analysis

The following table categorizes our debt securities by maturity and weighted average yield as of December 31, 2015:

	Within 1 Year	Weighted Average Yield (1)	Over 1 But within 5 Years	Weighted Average Yield (1)	Over 5 But within 10 Years	Weighted Average Yield (1)	Over 10 Years	Weighted Average Yield (1)	Total	Weighted Average Yield (1)
	(in billions of Won, except percentages)									
Available-for-sale financial assets:										
Korean treasury securities and government agencies	₩ 499	3.38%	₩ 2,990	2.26%	₩ 258	2.35%	₩ 10	4.29%	₩ 3,757	2.42%
Debt securities issued by financial institutions	3,768	2.16	3,184	2.56	289	3.15	—	—	7,241	2.37
Corporate debt securities	1,355	3.50	3,365	3.12	225	3.29	35	4.43	4,980	3.24
Asset-backed securities	1,419	1.84	3,001	1.88	451	2.53	345	2.70	5,216	1.98
Others	20	2.79	—	—	—	—	397	4.57	417	4.48
Total	₩7,061	2.44%	₩12,540	2.47%	₩1,223	2.78%	₩ 787	3.74%	₩21,611	2.53%
Held-to-maturity financial assets:										
Korean treasury securities and government agencies	₩ 492	3.94%	₩ 1,977	4.44%	₩ 11	2.00%	₩ 112	5.38%	₩ 2,592	4.37%
Debt securities issued by financial institutions	979	2.20	452	3.70	63	3.48	370	2.88	1,864	2.74
Corporate debt securities	2,053	4.04	2,649	4.31	314	3.71	514	4.48	5,530	4.19
Asset-backed securities	220	2.82	2,654	2.26	1,270	2.34	20	3.24	4,164	2.32
Total	₩3,744	3.47%	₩ 7,732	3.60%	₩1,658	2.64%	₩1,016	3.97%	₩14,150	3.48%
Financial assets at fair value through profit or loss:										
Financial assets held for trading:										
Korean treasury securities and government agency securities	₩ 540	3.30%	₩ 1,203	3.17%	₩ 511	3.01%	₩ 256	3.28%	₩ 2,510	3.18%
Debt securities issued by financial institutions	1,626	2.12	1,948	2.24	359	3.22	40	3.37	3,973	2.29
Corporate debt securities	900	3.14	1,019	2.87	187	3.47	—	—	2,106	3.04
Asset-backed securities	214	2.94	102	2.45	—	—	—	—	316	2.78
Others	418	1.71	—	—	—	—	—	—	418	1.71
Sub-total	₩3,698	2.54%	₩ 4,272	2.66%	₩1,057	3.16%	₩ 296	3.29%	₩ 9,323	2.69%
Financial assets designated at fair value through profit or loss										
Corporate debt securities	₩ 67	3.90%	₩ 79	3.80%	₩ —	—	₩ —	—	₩ 146	3.85%
Sub-total	₩ 67	3.90%	₩ 79	3.80%	₩ —	—	₩ —	—	₩ 146	3.85%
Total	₩3,765	2.56%	₩ 4,351	2.68%	₩1,057	3.16%	₩ 296	3.29%	₩ 9,469	2.71%

(1) The weighted average yield for the portfolio represents the yield to maturity for each individual security, weighted using its carrying amount (which is the amortized cost in the case of held-to-maturity financial assets and the fair value in the case of available-for-sale financial assets and financial assets at fair value through profit or loss).

Concentrations of Risk

As of December 31, 2015, we held the following securities of individual issuers where the aggregate carrying amount of those securities exceeded 10% of our stockholders' equity at such date. As of December 31, 2015, our stockholders' equity was ₩28,681 billion.

	Carrying Amount	Market Value
	(in billions of Won)	
Name of issuer:		
Korea Housing Finance Corporation	₩ 9,609	₩ 9,652
Korean government	7,754	7,906
Bank of Korea	3,669	3,669
Korea Development Bank	2,944	2,953
Total	₩23,976	₩24,180

The Korea Housing Finance Corporation is owned by the Korean government and the Bank of Korea. The Bank of Korea is controlled by the Korean government, whereas the Korea Development Bank is wholly-owned by the Korean government.

Funding

We obtain funding for our lending activities from a variety of sources, both domestic and foreign. Our principal source of funding is customer deposits. In addition, we acquire funding through long-term borrowings (comprising debentures and debts), short-term borrowings, including borrowings from the Bank of Korea, and call money.

Our primary funding strategy has been to achieve low-cost funding by increasing the average balances of low-cost retail deposits, in particular demand deposits and time deposits. We also have focused our marketing efforts on higher net worth individuals, who account for a significant portion of the assets in our retail deposit base. Customer deposits accounted for 83.0% of total funding as of December 31, 2013, 82.4% of total funding as of December 31, 2014 and 82.1% of total funding as of December 31, 2015.

Our borrowings consist of issuances of debentures and debt from financial institutions, the Korean government and government-affiliated funds. The majority of our debt is long-term, with maturities ranging from one year to 30 years.

Deposits

Although the majority of our deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, providing us with a stable source of funding.

The following table shows the average balances of our deposits and the average rates paid on our deposits for the periods indicated:

	2013		2014		2015	
	Average Balance [1]	Average Rate Paid	Average Balance [1]	Average Rate Paid	Average Balance [1]	Average Rate Paid
	(in billions of Won, except percentages)					
Demand deposits:						
Non-interest bearing	₩ 3,252	—	₩ 3,486	—	₩ 3,836	—
Interest bearing	60,894	0.47%	67,612	0.42%	82,614	0.35%
Time deposits	130,286	3.02	130,258	2.70	123,977	2.16
Certificates of deposit	1,780	3.03	1,689	2.72	3,645	1.92
Average total deposits	₩196,212	2.18%	₩203,045	1.89%	₩214,072	1.42%

(1) Average balances are based on daily balances for our banking, credit card and investment and securities operations and monthly or quarterly balances for our other operations.

For a description of our retail deposit products, see "—Business—Retail Banking—Lending Activities—Mortgage and Home Equity Lending" and "—Business—Retail Banking—Deposit-Taking Activities."

Time Deposits and Certificates of Deposit

The following table presents the remaining maturities of our time deposits and certificates of deposit which had a fixed maturity in excess of ₩100 million as of December 31, 2015:

	Time Deposits	Certificates of Deposit	Total
	(in billions of Won)		
Maturing within three months	₩22,555	₩1,639	₩24,194
After three but within six months	10,684	2,110	12,794
After six but within 12 months	23,079	830	23,909
After 12 months	3,915	—	3,915
Total	₩60,233	₩4,579	₩64,812

Long-term borrowings

The aggregate amount of contractual maturities of all long-term borrowings (comprising debentures and debt) as of December 31, 2015 was as follows:

	As of December 31, 2015
	(in billions of Won)
Due in 2016	₩12,792
Due in 2017	9,460
Due in 2018	5,837
Due in 2019	1,454
Due in 2020	4,053
Thereafter	4,510
Gross long-term borrowings	38,106
Fair value adjustments	30
Deferred financing costs	(1)
Discount	(26)
Total long-term borrowings, net	₩38,109

Short-term borrowings

The following table presents information regarding our short-term borrowings (borrowings with an original maturity of one year or less) for the periods indicated:

	As of and for the Year Ended December 31,		
	2013	2014	2015
	(in billions of Won, except percentages)		
Call money:			
Year-end balance	₩ 2,648	₩ 2,882	₩ 2,091
Average balance [1]	4,679	4,164	3,016
Maximum balance [2]	5,835	5,503	4,049
Average interest rate [3]	2.12%	1.87%	1.20%
Year-end interest rate	0.17-5.23%	0.10-3.61%	0.24-5.00%
Borrowings from the Bank of Korea: [4]			
Year-end balance	₩ 558	₩ 1,003	₩ 1,421
Average balance [1]	649	763	1,323
Maximum balance [2]	917	1,048	1,610
Average interest rate [3]	1.08%	0.92%	0.72%
Year-end interest rate	0.50-1.00%	0.50-1.00%	0.50-0.75%
Other short-term borrowings: [5]			
Year-end balance	₩ 4,963	₩ 9,025	₩ 7,220
Average balance [1]	6,166	7,460	7,989
Maximum balance [2]	7,064	9,164	8,766
Average interest rate [3]	1.25%	1.41%	1.18%
Year-end interest rate	0.00-4.81%	0.00-8.62%	0.00-8.62%

(1) Average balances are based on daily balances for our banking, credit card and investment and securities operations and monthly or quarterly balances for our other operations.
(2) Maximum balances are based on month-end balances.
(3) Average interest rates for the year are calculated by dividing the total interest expense by the average amount borrowed.
(4) Borrowings from the Bank of Korea generally mature within one month for borrowings in Won and six months for borrowings in foreign currencies. These short-term borrowings were secured by securities totaling ₩1,415 billion as of December 31, 2015.
(5) Other short-term borrowings include securities sold under repurchase agreement, bills sold, borrowings and debentures. Other short-term borrowings have maturities of one year or less. Securities sold under repurchase agreements were secured by securities totaling ₩1,967 billion as of December 31, 2015.

Supervision and Regulation

Principal Regulations Applicable to Financial Holding Companies

General

The Financial Holding Company Act, last amended on July 24, 2015, regulates Korean financial holding companies and their subsidiaries. The entities that regulate and supervise Korean financial holding companies and their subsidiaries are the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission exerts direct control over financial holding companies pursuant to the Financial Holding Company Act. Among other things, the Financial Services Commission approves the establishment of financial holding companies, issues regulations on the capital adequacy of financial holding companies and their subsidiaries, and drafts regulations relating to the supervision of financial holding companies.

Following the instructions and directives of the Financial Services Commission, the Financial Supervisory Service supervises and examines financial holding companies and their subsidiaries. In particular, the Financial Supervisory Service sets requirements relating to Korean financial holding companies' liquidity and capital adequacy ratios and establishes reporting requirements within the authority delegated under the Financial Services Commission regulations. Financial holding companies must submit quarterly reports to the Financial Supervisory Service discussing business performance, financial status and other matters identified in the Enforcement Decree of the Financial Holding Company Act.

Under the Financial Holding Company Act, a financial holding company is a company which primarily engages in controlling its subsidiaries by holding equity stakes in them equal in aggregate to at least 50% of the financial holding company's aggregate assets based on its balance sheet as of the end of the immediately preceding fiscal year. A company is required to obtain approval from the Financial Services Commission to become a financial holding company.

A financial holding company may engage only in controlling the management of its subsidiaries, as well as certain ancillary activities including:

- financially supporting its direct and indirect subsidiaries;
- raising capital necessary for investment in its subsidiaries or providing financial support to its direct and indirect subsidiaries;
- supporting the business of its direct and indirect subsidiaries, including the development and marketing of financial products;
- providing data processing, legal, accounting and other resources and services that have been commissioned by its direct and indirect subsidiaries so as to support their operations; and
- any other businesses exempted from authorization, permission or approval under the applicable laws and regulations.

The Financial Holding Company Act requires every financial holding company (other than a financial holding company that is controlled by another financial holding company) and its subsidiaries to obtain prior approval from the Financial Services Commission before acquiring control of another company or to file a report with the Financial Services Commission within 30 days thereafter in certain cases (including acquiring control of another company whose assets are less than ₩100 billion as of the end of the immediately preceding fiscal year). In addition, the Financial Services Commission must grant permission to liquidate or to merge with any other company before the liquidation or merger. A financial holding company must report to the Financial Services Commission when certain events, including the following, occur:

- when its officers or largest shareholder changes;
- in the case of a bank holding company, when a major shareholder changes;
- when the shareholding of the controlling shareholder (i.e., the "largest shareholder" or a "principal shareholder," each as defined in the Financial Holding Company Act) or a person who has a "special relationship" with such controlling shareholder (as defined in the Enforcement Decree of the Financial Holding Company Act) changes by 1% or more of the total issued and outstanding voting shares of the financial holding company;
- when it changes its corporate name;
- when there is a cause for its dissolution; and
- when it or its subsidiaries cease to control any of their respective direct or indirect subsidiaries by disposing of their shares of such direct or indirect subsidiary.

Capital Adequacy

The Financial Holding Company Act does not provide for a minimum paid-in capital requirement related to financial holding companies. However, all financial holding companies are required to maintain a specified level of solvency. In addition, with respect to the allocation of net profit earned in a fiscal term, a financial holding company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax 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.

A bank holding company, which is a financial holding company controlling banks or other financial institutions conducting banking business as prescribed in the Financial Holding Company Act, is required to maintain a minimum consolidated capital adequacy ratio of 8.0%. "Consolidated capital adequacy ratio" is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with the Financial Services Commission requirements that have been formulated based on Bank of International Settlements ("BIS") standards. "Equity capital," as applicable to bank holding companies, is defined as the sum of common equity Tier I capital, additional Tier I capital and Tier II capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. "Risk-weighted assets" is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

Pursuant to amended regulations promulgated by the Financial Services Commission commencing in 2013 to implement Basel III, Korean bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of five domestic systemically important banks for 2016 by the Financial Services Commission and may be subject to an additional capital requirement of 0.25% in 2016, if deemed necessary, with such potential requirement to increase in stages to 1.0% by 2019.

Liquidity

All financial holding companies are required to match the maturities of their assets and liabilities on a non-consolidated basis in accordance with the Financial Holding Company Act in order to ensure liquidity. Financial holding companies must:

- maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% on a non-consolidated basis;
- maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 80% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);
- maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days as a percentage of total foreign currency assets of not less than 0% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets);
- maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month as a percentage of total foreign currency assets of not less than negative 10% on a non-consolidated basis (except that such requirement is not applicable to a financial holding company whose foreign currency liabilities constitute less than 1% of its total assets); and
- make quarterly reports regarding their Won liquidity and foreign currency liquidity to the Financial Supervisory Service.

Financial Exposure to Any Individual Customer and Major Shareholder

Subject to certain exceptions, the aggregate credit (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a financial holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies (which we refer to as "Financial Holding Company Total Credit") to a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulations and Fair Trade Act will not be permitted to exceed 25% of net aggregate equity capital (as defined below).

"Net aggregate equity capital" is defined under the Enforcement Decree of the Financial Holding Company Act as the sum of:

(1) in case of a financial holding company, the capital amount as defined in Article 24-3(7), Item 2 of the Enforcement Decree of the Financial Holding Company Act;

(2) in case of a bank, the capital amount as defined in Article 2(1), Item 5 of the Bank Act;

(3) in case of a merchant bank, the capital amount as defined in Article 342(1) of the Financial Investment Services and Capital Markets Act; and

(4) in case of a financial investment company, the capital amount as defined in Article 37(3) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act;

(5) in case of an insurance company, the capital amount as defined in Article 2, Item 15 of the Insurance Business Act;

(6) in case of a savings bank, the capital amount as defined in Article 2, Item 4 of the Mutual Savings Bank Act; and

(7) in case of a specialized credit financial business company, the capital amount as defined in Article 2, Item 19 of the Specialized Credit Financial Business Act;

less the sum of:

(1) the amount of shares of direct and indirect subsidiaries held by the financial holding company;

(2) the amount of shares that are cross-held by each direct and indirect subsidiary that is a bank, merchant bank, financial investment company, insurance company, savings bank or specialized credit financial business company; and

(3) the amount of shares of a financial holding company held by such direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies.

The Financial Holding Company Total Credit to a single individual or judicial person may not exceed 20% of the net aggregate equity capital. In addition, the Financial Holding Company Total Credit to a shareholder holding (together with the persons who have a "special relationship" with the shareholder, as defined in the Enforcement Decree of the Financial Holding Company Act) in aggregate more than 10% of the total issued and outstanding voting shares of a financial holding company generally may not exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of the shareholder (together with the persons who have a special relationship with the shareholder).

Further, the total sum of credits (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank

Act and the Specialized Credit Financial Business Act, respectively) of a bank holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies as applicable ("Bank Holding Company Total Credit") extended to a "major shareholder" (as defined below) (together with the persons who have a special relationship with that major shareholder) will not be permitted to exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the bank holding company multiplied by the shareholding ratio of the major shareholder, except for certain cases.

"Major shareholder" is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder), in excess of 10% (or in the case of a bank holding company controlling regional banks only, 15%) in the aggregate of the bank holding company's total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with that shareholder), more than 4% in the aggregate of the total issued and outstanding voting shares of the bank holding company controlling nationwide banks, where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank holding company through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Financial Holding Company Act.

In addition, the total sum of the Bank Holding Company Total Credit granted to all of a bank holding company's major shareholders must not exceed 25% of the bank holding company's net aggregate equity capital. Furthermore, any bank holding company that, together with its direct and indirect subsidiaries, intends to extend credit to the bank holding company's major shareholder in an amount equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, in any single transaction, must obtain prior unanimous board resolutions and then, immediately after providing the credit, must file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Transactions Among Direct and Indirect Subsidiaries and Financial Holding Company

Generally, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to that financial holding company. In addition, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to other direct or indirect subsidiaries of the financial holding company in excess of 10% of its capital amount on an individual basis or to those subsidiaries in excess of 20% of its capital amount on an aggregate basis. The subsidiary extending the credit must also obtain an adequate level of collateral depending on the type of such collateral from the other subsidiaries unless the credit is otherwise approved by the Financial Services Commission. The adequate level of collateral for each type of collateral is as follows:

(1) for deposits and installment savings, obligations of the Korean government or the Bank of Korea, obligations guaranteed by the Korean government or the Bank of Korea, obligations secured by securities issued or guaranteed by the Korean government or the Bank of Korea, 100% of the credit extended;

(2) for obligations of municipal governments under the Local Autonomy Act, local public enterprise under the Local Public Enterprises Act and investment institutions and other quasi-investment institutions under the Basic Act on the Management of Government-Invested Institution or for obligations guaranteed by, or secured by the securities issued or guaranteed by, the aforementioned entities pursuant to the relevant regulations, 110% of the credit extended; and

(3) for any property other than those set forth in paragraphs (1) and (2) above, 130% of the credit extended.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by that direct or indirect subsidiary) under the common control of the financial holding company.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is also prohibited from owning the shares of the financial holding company controlling that direct or indirect subsidiary. The transfer of certain assets classified as precautionary or below between a financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for:

(1) transfers to a special purpose company, or entrustment with a trust company, for an asset-backed securitization transaction under the Asset-Backed Securitization Act;

(2) transfers to a mortgage-backed securities issuance company for a mortgage securitization transaction;

(3) transfers or in-kind contributions to a corporate restructuring vehicle under the Corporate Restructuring Investment Companies Act; and

(4) transfers to a corporate restructuring company under the Industry Promotion Act.

Disclosure of Management Performance

For the purpose of protecting the depositors and investors in the subsidiaries of financial holding companies, the Financial Services Commission requires financial holding companies to disclose certain material matters including:

(1) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries;

(2) fund-raising by the financial holding company and its direct and indirect subsidiaries and the appropriation of such funds;

(3) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Company Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

(4) occurrence of any non-performing assets or financial incident that may have a material adverse effect, or any other event as prescribed in the applicable regulations.

Restrictions on Shareholdings in Other Companies

Generally, a financial holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company.

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

Generally, a direct subsidiary of a financial holding company may not control any other company other than, as an indirect subsidiary of the financial holding company:

- financial institutions established in foreign jurisdictions;
- certain financial institutions which are engaged in any business that the direct subsidiary may conduct without any licenses or permits;
- certain financial institutions whose business is related to the business of the direct subsidiary as described by the Enforcement Decree of the Financial Holding Company Act (for example, a bank

subsidiary may control only credit information companies, credit card companies and financial investment companies with a dealing, brokerage, collective investment, investment advice, discretionary investment management and/or trust license);

- certain financial institutions whose business is related to the financial business as prescribed by the regulations of the Ministry of Strategy and Finance; and
- certain companies which are not financial institutions but whose business is related to the financial business of the financial holding company as prescribed by the Enforcement Decree of the Financial Holding Company Act (for example, a finance-related research company or a finance-related information technology company).

Acquisition of such indirect subsidiaries by direct subsidiaries of a financial holding company requires prior permission from the Financial Services Commission or the submission of a report to the Financial Services Commission, depending on the types of the indirect subsidiaries and the amount of total assets of the indirect subsidiaries.

Subject to certain exceptions, an indirect subsidiary of a financial holding company may not control any other company. If an indirect subsidiary of a financial holding company had control over another company at the time it became such an indirect subsidiary, the indirect subsidiary is required to dispose of its interest in the other company within two years from such time.

Restrictions on Transactions between a Bank Holding Company and its Major Shareholder

A bank holding company and its direct and indirect subsidiaries may not acquire (including through their respective trust accounts) shares issued by the bank holding company's major shareholder in excess of 1% of the net aggregate equity capital (as defined above). In addition, if those entities intend to acquire shares issued by that major shareholder in any single transaction equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, that entity must obtain prior unanimous board resolutions and then, immediately after the acquisition, file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restriction on Ownership of a Financial Holding Company

Under the Financial Holding Company Act, a financial institution generally may not control a financial holding company. In addition, any single shareholder and persons who have a special relationship with that shareholder may acquire beneficial ownership of up to 10% of the total issued and outstanding shares with voting rights of a bank holding company that controls nationwide banks or 15% of the total issued and outstanding shares with voting rights of a bank holding company that controls only regional banks, subject to certain exceptions. Among others, the Korean government and the Korea Deposit Insurance Corporation are not subject to this limit. "Non-financial business group companies" (as defined below), however, may not acquire the beneficial ownership of shares of a bank holding company controlling nationwide banks in excess of 4% of that bank holding company's outstanding voting shares unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit, in which case they may acquire beneficial ownership of up to 10%. Any other person (whether a Korean national or a foreign investor) may acquire no more than 10% of total voting shares issued and outstanding of a bank holding company controlling nationwide banks unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of a bank holding company controlling only regional banks), 25% or 33% of the total voting shares issued and outstanding of that bank holding company controlling nationwide banks.

Furthermore, in the case where a person (including Korean and foreign investors, but excluding certain persons prescribed under the Enforcement Decree of the Financial Holding Company Act) (i) acquires in excess of 4% of the total issued and outstanding voting shares of any bank holding company (other than a bank holding company controlling only regional banks), (ii) becomes the largest shareholder of such bank holding company in which such person has acquired in excess of 4% of the total issued and outstanding voting shares, (iii) changes its shareholding in such bank holding company, in which it has acquired in excess of 4% of the total issued and outstanding voting shares, by 1% or more of the total issued and outstanding voting shares of such bank holding company or (iv) is a private equity fund or an investment purpose company holding in excess of 4% of the total outstanding voting shares of a bank holding company and changes its members or shareholders, such person must file a report on such change with the Financial Services Commission (x) in case of (i) and (iii), within ten days after the end of the quarter in which such change occurred, or (y) in case of (ii) and (iv), within ten days after the end of the month in which such change occurred.

"Non-financial business group companies" as defined under the Financial Holding Company Act include:

(1) any same shareholder group where the aggregate net assets of all non-financial business companies belonging to that group equals or exceeds 25% of the aggregate net assets of all members of that group;

(2) any same shareholder group where the aggregate assets of all non-financial business companies belonging to that group equals or exceeds ₩2 trillion;

(3) any mutual fund where a same shareholder group identified in (1) or (2) above beneficially owns and/or exercises the voting rights of more than 4% of the total issued and outstanding voting shares of that mutual fund;

(4) any private equity fund (a) where a person falling under any of items (1) through (3) above is a limited partner holding not less than 10% of the total amount of contributions to the private equity fund, or (b) where a person falling under any of items (1) through (3) above is a general partner, or (c) where the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment is 30% or more of the total amount of contributions to the private equity fund; or

(5) the investment purpose company concerned, where a private equity fund falling under item (4) above acquires or holds stocks in excess of 4% of the stock or equity of such company or exercises *de facto* control over significant managerial matters of such company through appointment or dismissal of executives or in any other manner.

Sharing of Customer Information among Financial Holding Company and its Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer's credit information must be disclosed or otherwise used by financial institutions only to determine, establish or maintain existing commercial transactions with them and only after obtaining written consent to use that information. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act (such as credit risk management, internal control and customer analysis), without the customers' written consent, subject to the methods and procedures for provision of such information set forth therein. A subsidiary financial investment company with a dealing and/or brokerage license of a financial holding company may provide that financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company with a dealing and/or brokerage license has deposited, for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act, subject to the methods and procedures for provision of such information set forth therein. Recent amendments to the Financial Holding Company Act, which became effective on November 29, 2014, limit the scope of credit information that may be shared without the customers' prior consent and require certain procedures for provision of customer information as prescribed by the Financial Services Commission. Beginning in May 29, 2015, notice must be given to customers at least once a year regarding (i) the provider of customer information, (ii) the recipient of customer information, (iii) the purpose of providing the information and (iv) the categories of the information provided.

Principal Regulations Applicable to Banks

The banking system in Korea is governed by the Bank Act of 1950, as amended (the "Bank Act") and the Bank of Korea Act of 1950, as amended (the "Bank of Korea Act"). In addition, Korean banks are subject to the regulations and supervision of the Bank of Korea, the Monetary Policy Committee of the Bank of Korea, the Financial Services Commission and its executive body, the Financial Supervisory Service.

The Bank of Korea, established in June 1950 under the Bank of Korea Act, performs the customary functions of a central bank. It seeks to contribute to the sound development of the national economy by price stabilization through establishing and implementing efficient monetary and credit policies. The Bank of Korea acts under instructions of the Monetary Policy Committee, the supreme policy-making body of the Bank of Korea.

Under the Bank of Korea Act, the Monetary Policy Committee's primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the Bank of Korea.

The Financial Services Commission, established on April 1, 1998, regulates commercial banks pursuant to the Bank Act, including establishing guidelines on capital adequacy of commercial banks, and promulgates regulations relating to supervision of banks. Furthermore, pursuant to the Amendment to the Government Organization Act and the Bank Act on May 24, 1999, the Financial Services Commission, instead of the Ministry of Strategy and Finance, now regulates market entry into the banking business.

The Financial Supervisory Service, established on January 2, 1999, is subject to the instructions and directives of the Financial Services Commission and carries out supervision and examination of commercial banks. In particular, the Financial Supervisory Service sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the Financial Services Commission regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Bank Act, approval to commence a commercial banking business or a long-term financing business must be obtained from the Financial Services Commission. Commercial banking business is defined as the lending of funds acquired predominantly from the acceptance of demand deposits for a period not exceeding one year or subject to the limitation established by the Financial Services Commission, for a period between one year and three years. Long-term financing business is defined as the lending, for periods in excess of one year, of funds acquired predominantly from paid-in capital, reserves or other retained earnings, the acceptance of time deposits with maturities of at least one year, or the issuance of debentures or other bonds. A bank wishing to enter into any business other than commercial banking and long-term financing businesses, such as the trust business, must obtain approval from the Financial Services Commission. Approval to merge with any other banking institution, to liquidate, to spin off, to close a banking business or to transfer all or a part of a business must also be obtained from the Financial Services Commission.

If the Financial Services Commission deems a bank's financial condition to be unsound or if a bank fails to meet the applicable capital adequacy ratio set forth under Korean law, the Financial Services Commission may order:

- admonitions, warnings or reprimands with respect to its officers and employees;
- capital increases or reductions;
- assignments of contractual rights and obligations relating to financial transactions;
- a suspension of performance by its officers of their duties and the appointment of receivers;

- stock cancellations or consolidations;
- disposals of property holdings;
- closures of subsidiaries or branch offices or downsizing;
- mergers with other financial institutions;
- acquisition of such bank by a third party; or
- suspensions of a part or all of its business operations.

Capital Adequacy

The Bank Act requires nationwide banks, such as us, to maintain a minimum paid-in capital of ₩100 billion and regional banks to maintain a minimum paid-in capital of ₩25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Detailed Regulation on the Supervision of the Banking Business, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of (i) common equity Tier I capital, including paid-in capital, capital surplus and retained earnings related to common equity and accumulated other comprehensive gains and losses, and (ii) additional Tier I capital, including paid-in capital and capital surplus related to hybrid Tier I capital instruments that, among other things, qualify as contingent capital and are subordinated to subordinated debt. Tier II capital (supplementary capital) consists of, among other things, capital and capital surplus from the issuance of Tier II capital, allowances for loan losses on loans classified as "normal" or "precautionary," subordinated debt and other capital securities which meet the standards prescribed by the governor of the Financial Supervisory Service under Article 26(2) of the Regulation on the Supervision of the Banking Business.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with Financial Services Commission requirements that have been formulated based on BIS standards. These requirements were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the Financial Supervisory Service of Basel II. Under such requirements, all domestic banks and foreign bank branches must meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8%. Commencing in July 2013, the Financial Services Commission promulgated amended regulations implementing Basel III in Korea, pursuant to which Korean banks and bank holding companies were required to maintain a minimum ratio of common equity Tier I capital to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% starting in 2016, with such buffer to increase in stages to 2.5% by 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Furthermore, we were designated as one of five domestic systemically important banks for 2016 by the Financial Services Commission and may be subject to an additional capital requirement of 0.25% in 2016, if deemed necessary, with such potential requirement to increase in stages to 1.0% by 2019.

Under the Detailed Regulation on the Supervision of the Banking Business, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans:

(1) for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio of 35% (only in the case where the loan is fully secured by a first ranking mortgage) and, with respect to high-risk home mortgage loans, 50% or 70%; and

(2) for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Detailed Regulation on the Supervision of the Banking Business.

Liquidity

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Regulation on the Supervision of the Banking Business. Banks may not invest an amount exceeding 100% of their Tier I and Tier II capital (less any capital deductions) in equity securities and certain other securities with a redemption period of over three years. This stipulation does not apply to Korean government bonds, Monetary Stabilization Bonds issued by the Bank of Korea or debentures and stocks referred to in items 1 and 2, respectively, of paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry. The Financial Services Commission uses the liquidity coverage ratio (described below) as the principal liquidity risk management measure, and currently requires each Korean bank to:

- maintain a liquidity coverage ratio (defined as the ratio of highly liquid assets to total net cash outflows over a one-month period) of not less than 85%, from January 1, 2016 until December 31, 2016, with such minimum liquidity coverage ratio to increase in increments of 5% per annum to 100% by 2019;
- maintain a foreign currency liquidity ratio (defined as the ratio of foreign currency assets due within three months to foreign currency liabilities due within three months) of not less than 85%;
- maintain a ratio of foreign currency assets due within seven days less foreign currency liabilities due within seven days, divided by total foreign currency assets, of not less than negative 3%;
- maintain a ratio of foreign currency assets due within a month less foreign currency liabilities due within a month, divided by total foreign currency assets, of not less than negative 10%; and
- submit monthly reports with respect to the maintenance of these ratios.

The Monetary Policy Committee of the Bank of Korea is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratios are:

- 7% of average balances for Won currency demand deposits outstanding;
- 0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits, only if such deposits were made prior to February 28, 2013); and
- 2% of average balances for Won currency time deposits, installment savings deposits, mutual installments, housing installments and certificates of deposit outstanding.

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to other deposits. A 1% minimum reserve ratio applies to deposits in offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks.

Furthermore, pursuant to the Regulation on the Supervision of the Banking Business, foreign exchange agencies, including our subsidiary, Kookmin Bank, are required to hold "foreign currency safe assets" in an aggregate amount that is not less than the lower of (i) the product of (x) its total foreign currency-denominated debt maturing in one year or less multiplied by 2/12 and (y) an amount equal to one minus the "lowest rollover ratio" and (ii) 2% of its total foreign currency-denominated assets as shown in the balance sheet for the immediately preceding quarter. The "lowest rollover ratio" of a foreign exchange agency means the ratio of (A) its total debt with a maturity of one year or less (excluding overnight money) incurred in a particular month to (B) its total debt with maturity of one year or less (excluding overnight money) payable in that particular month, and is calculated by taking the lowest three month average from a period to be designated by the governor of the Financial Supervisory Service. Under the Regulation on the Supervision of the Banking Business, foreign currency-denominated debt maturing in one year or less includes financial bonds, borrowings, call monies and repurchase selling denominated in foreign currencies and such other similar debt instruments denominated in a foreign currency as designated by the governor of the Financial Supervisory Service. "Foreign currency safe assets" are defined as cash denominated in foreign currency, deposits denominated in foreign currency with a central bank or financial institutions rated A or above, bonds issued or guaranteed by a government or central bank rated A or above or corporate bonds issued or guaranteed by corporations rated A or above. Under the Regulation on the Supervision of the Banking Business, Kookmin Bank is also required to maintain a minimum "mid- to long-term foreign exchange funding ratio" of 100%. "Mid-to long term foreign exchange funding ratio" refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

Financial Exposure to Any Individual Customer and Major Shareholder

Under the Bank Act, subject to certain exceptions, the sum of large exposures by a bank—in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions)—generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, subject to certain exceptions, banks generally may not extend credit (including loans, guarantees, purchases of securities (only in the nature of a credit) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act imposes restrictions on the extension of credits by banks to a major shareholder. A "major shareholder" is defined as:

- a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10%; (or 15% in the case of regional banks) in the aggregate of the bank's total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with such shareholder) in excess of 4% in the aggregate of the bank's (excluding regional banks) total issued and outstanding voting shares of a bank (excluding shares subject to the shareholding restrictions on "non-financial business group companies" as described below), where such shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than ₩2 trillion in aggregate; or (iii) any mutual fund of which any single shareholding group identified in (i) or (ii) above, owns more than 4% of the total issued and outstanding shares.

Banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholders' shareholding ratio multiplied by the sum of the bank's Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank's Tier I and Tier II capital (less any capital deductions).

Interest Rates

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business and Protection of Finance Users, last amended on March 3, 2016, interest rates on loans made by registered banks in Korea may not exceed 27.9% per annum. Such restriction on interest rates is scheduled to expire on December 31, 2018. Historically, interest rates on deposits and lending were regulated by the Monetary Policy Committee. Controls on deposit interest rates in Korea have been gradually reduced and, in February 2004, the Korean government removed restrictions on all interest rates, except for the prohibition on interest payments on current account deposits. This deregulation process has increased competition for deposits based on interest rates offered and, therefore, may increase a bank's interest expense.

Lending to Small- and Medium-sized Enterprises

In order to obtain funding from the Bank of Korea at concessionary rates for their small- and medium-sized enterprise loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to small- and medium-sized enterprises. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the Bank of Korea may:

- require the bank to prepay all or a portion of funds provided to that bank in support of loans to small- and medium-sized enterprises; or
- lower the bank's credit limit.

Disclosure of Management Performance

For the purpose of protecting depositors and investors in commercial banks, the Financial Services Commission requires commercial banks to publicly disclose certain material matters, including:

- financial condition and profit and loss of the bank and its subsidiaries;
- fund raising by the bank and the appropriation of such funds;
- any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and
- except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the Financial Investment Services and Capital Markets Act, occurrence of any of the following events or any other event as prescribed by the applicable regulations:
  - (i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated pursuant to the criteria under the Detailed Regulation on the Supervision of the Banking Business), unless the loan exposure to that group is not more than ₩4 billion;

(ii) the occurrence of any financial incident involving embezzlement, malfeasance or misappropriation of funds with respect to which damages are expected to exceed ₩1 billion, unless the governor of the Financial Supervisory Service has made a public announcement after its investigation of the incident; and

(iii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than ₩1 billion.

Restrictions on Lending

Pursuant to the Bank Act, commercial banks may not provide:

- loans directly or indirectly secured by a pledge of a bank's own shares;
- loans directly or indirectly to enable a natural or juridical person to buy the bank's own shares;
- loans to any of the bank's officers or employees, other than *de minimis* loans of up to (i) ₩20 million in the case of a general loan, (ii) ₩50 million in the case of a general loan plus a housing loan or (iii) ₩60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;
- credit (including loans) secured by a pledge of shares of a subsidiary corporation of the bank or to enable a natural or juridical person to buy shares of a subsidiary corporation of the bank; or
- loans to any officers or employees of a subsidiary corporation of the bank, other than general loans of up to ₩20 million or general and housing loans of up to ₩50 million in the aggregate.

Regulations Relating to Retail Household Loans

The Financial Services Commission has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

- as to loans secured by a collateral of housing (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 60% (other than loans secured by collateral of housing (regardless of housing type or location) to be amortized over a period of ten years, for which the loan-to-value ratio should not exceed 70% as described below);
- as to loans secured by collateral of housing (including apartments) located in areas of excessive investment or housing (excluding apartments) located in areas of high speculation, in each case, as designated by the government, (i) the loan-to-value ratio for loans with a maturity of not more than three years should not exceed 50% and (ii) the loan-to-value ratio for loans with a maturity of more than three years should not exceed 60%;
- as to loans secured by apartments located in areas of high speculation as designated by the government, (i) the loan-to-value ratio for loans with a maturity of not more than ten years should not exceed 40%; and (ii) the loan-to-value ratio for loans with a maturity of more than ten years should not exceed (a) 40%, if the price of such apartment is over ₩600 million, and (b) 60%, if the price of such apartment is ₩600 million or lower;
- as to loans secured by collateral of housing (regardless of housing type or location) to be amortized over a period of ten years or more, further requirements relating to which are set forth in the Regulation on the Supervision of the Banking Business, the loan-to-value ratio should not exceed 70%;
- as to loans secured by apartments with appraisal value of more than ₩600 million in areas of high speculation as designated by the government or certain metropolitan areas designated as areas of

excessive investment by the government, the borrower's debt-to-income ratio (calculated as (i) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such apartment(s) and (y) the interest on other debts of the borrower over (ii) the borrower's annual income) should not exceed 40%;

- as to apartments located in areas of high speculation as designated by the government, a borrower is permitted to have only one new loan secured by such apartment;
- where a borrower has two or more loans secured by apartments located in areas of high speculation as designated by the government, the loan with the earliest maturity date must be repaid first and the number of loans must be eventually reduced to one; and
- in the case of a borrower (i) whose spouse already has a loan secured by housing or (ii) who is single and under 30 years old, the debt-to-income ratio of the borrower in respect of loans secured by apartment(s) located in areas of high speculation as designated by the government should not exceed 40%.

Restrictions on Investments in Property

A bank may not invest in securities set forth below in excess of 100% of the sum of the bank's Tier I and Tier II capital (less any capital deductions):

- debt securities (within the meaning of paragraph (3) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years, but excluding government bonds, monetary stabilization bonds issued by the Bank of Korea and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry;
- equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Act on the Improvement of the Structure of the Financial Industry;
- derivatives linked securities (within the meaning of paragraph (7) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years; and
- beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary for the conduct of its business. The aggregate value of such property may not exceed 60% of the sum of the bank's Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within one year.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of shares outstanding with voting rights of another corporation, except where, among other reasons:

- that corporation engages in a category of financial businesses set forth by the Financial Services Commission; or
- the acquisition of shares by the bank is necessary for the corporate restructuring of such corporation and is approved by the Financial Services Commission.
- In the above cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed (i) 15% of the sum of Tier I and Tier II capital (less any capital deductions) or (ii) 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the Financial Services Commission.

The Bank Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the shares issued by the major shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank's total issued and outstanding shares with voting rights and no more than 15% of a regional bank's total issued and outstanding shares with voting rights. The Korean government, the Korea Deposit Insurance Corporation and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. However, pursuant to an amendment to the Bank Act which became effective on February 14, 2014, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 4% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, unless they satisfy certain requirements set forth by the Enforcement Decree of the Banking Act, obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 4% limit (or the 15% limit in the case of a regional bank), in which case they may acquire beneficial ownership of up to 10% of a nationwide bank's outstanding voting shares. Such amendment grants an exception for non-financial business group companies which, at the time of the enactment of the amended provisions, held more than 4% of the shares of a bank.

In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank's outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% (or 15% in the case of a regional bank) of that bank's outstanding voting shares, and in excess of 10% (or 15% in the case of a regional bank), 25% or 33% of that bank's outstanding voting shares with the approval of the Financial Services Commission in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank's total voting shares issued and outstanding, unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the Financial Services Commission may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the Korea Deposit Insurance Corporation on a quarterly basis and the rate is determined under the Enforcement Decree to the Depositor Protection Act. If the Korea Deposit Insurance Corporation makes a payment on an insured amount, it will acquire the depositors' claims with respect to that payment amount. The Korea Deposit Insurance Corporation insures a maximum of ₩50 million per individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Strategy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Act of Korea. A bank must obtain the permission of the Financial Services Commission to enter the securities business, which is governed by regulations under the Financial Investment Services and Capital Markets Act. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business.

Trust Business

A bank must obtain approval from the Financial Services Commission to engage in trust businesses. The Trust Act and the Financial Investment Services and Capital Markets Act govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

- under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and
- depositors and other general creditors cannot obtain or assert claims against the assets comprising the trust accounts in the event the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees from each unspecified money trust account for which a bank guarantees the principal amount and a fixed rate of interest until the total reserve for that account equals 5% of the trust amount. Since January 1999, the Korean government has prohibited Korean banks from offering new guaranteed fixed rate trust account products whose principal and interest are guaranteed.

Under the Financial Investment Services and Capital Markets Act, which became effective in February 2009, a bank with a trust business license (such as Kookmin Bank) is permitted to offer both specified money trust account products and unspecified money trust account products. Previously, banks were not permitted to offer unspecified money trust account products pursuant to the Indirect Investment Asset Management Act, which is no longer in effect following the effectiveness of the Financial Investment Services and Capital Markets Act.

Credit Card Business

General

In order to enter the credit card business, a company must register with the Financial Services Commission. Credit card businesses are governed by the Specialized Credit Financial Business Act, enacted on August 28, 1997 and last amended on July 24, 2015, which sets forth specific requirements with respect to the credit card business as well as generally prohibiting unsound business practices relating to the credit card business which may infringe on the rights of credit card holders or negatively affect the soundness of the credit card industry. Credit card companies, including our wholly-owned subsidiary, KB Kookmin Card Co., Ltd., are regulated by the Financial Services Commission and the Financial Supervisory Service.

Disclosure and Reports

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company is required to disclose on a periodic and on-going basis certain material matters and events. In addition, a credit card company must submit its business reports with respect to its results of operations to the Governor of the Financial Supervisory Service within one month from the end of each quarter.

Restrictions on Funding

Under the Specialized Credit Financial Business Act and the regulations thereunder, a credit card company must ensure that its total assets do not exceed an amount equal to six times its equity capital. However, if a credit card company is unable to comply with such limit upon the occurrence of unavoidable events, such as drastic changes in the domestic and global financial markets, such limit may be adjusted through a resolution of the Financial Services Commission.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, a credit card company is liable for any loss arising from the unauthorized use of credit cards or debit cards after it has received notice from the holder of the loss or theft of the card. A credit card company is also responsible for any losses resulting from the use of forged or altered credit cards, debit cards and pre-paid cards. A credit card company may, however, transfer all or part of this latter risk of loss to holders of credit card in the event of willful misconduct or gross negligence by holders of credit card if the terms and conditions of the agreement entered between the credit card company and members of such cards specifically provide for that transfer.

For these purposes, disclosure of a customer's password that is made intentionally or through gross negligence, or the transfer of or giving as collateral of the credit card or debit card, is considered willful misconduct or gross negligence. However, a disclosure of a cardholder's password that is made under irresistible force or threat to cardholder or his/her relatives' life or health will not be deemed as willful misconduct or negligence of the cardholder.

Each credit card company must institute appropriate measures to fulfill these obligations, such as establishing provisions, purchasing insurance or joining a cooperative association.

Pursuant to the Enforcement Decree to Specialized Credit Financial Business Act, a credit card company will be liable for any losses arising from loss or theft of a credit card (which was not from the holder's willful misconduct or negligence) during the period beginning 60 days before the notice by the holder to the credit card company.

Pursuant to the Specialized Credit Financial Business Act, the Financial Services Commission may either restrict the limit or take other necessary measures against the credit card company with respect to such matters as the maximum limits on the amount per credit card, details of credit card terms and conditions, management of credit card merchants and collection of claims, including the following:

- maximum limits for cash advances on credit cards;
- use restrictions on debit cards with respect to per day or per transaction usage;
- aggregate issuance limits and maximum limits on the amount per card on pre-paid cards; and
- other matters prescribed by the Enforcement Decree to the Specialized Credit Financial Business Act.

Lending Ratio in Ancillary Business

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act, a credit card company must maintain an aggregate quarterly average outstanding lending balance to credit cardholders (including cash advances and credit card loans, but excluding restructured loans) no greater than the sum of (i) its aggregate quarterly average outstanding credit card balance arising from the purchase of goods and services and (ii) the aggregate quarterly debit card transaction volume.

Issuance of New Cards and Solicitation of New Cardholders

The Enforcement Decree to the Specialized Credit Financial Business Act establishes the conditions under which a credit card company may issue new cards and solicit new members. New credit cards may be issued only to the following persons:

- persons who are at least 19 years old when they apply for a credit card;
- persons whose capability to pay bills as they come due has been verified using standards established by the credit card company; and
- in the case of minors who are 18 years old, persons who submit documents evidencing employment as of the date of the credit card application, such as an employment certificate, or persons for whom the issuance of a credit card is necessitated by governmental policies, such as financial aid.

In addition, a credit card company may not solicit credit card members by:

- providing economic benefits or promising to provide economic benefits in excess of 10% of the annual credit card fee (in the case of credit cards with annual fees that are less than the average of the annual fees charged by the major credit cards in Korea, the annual fee will be deemed to be equal to such average annual fee) in connection with issuing a credit card;
- soliciting applicants on roads, public places or along corridors used by the general public;
- soliciting applicants through visits, except those visits made upon prior consent and visits to a business area;
- soliciting applicants through the Internet without verifying whether the applicant is who he or she purports to be, by means of a certified digital signature under the Digital Signature Act; and
- soliciting applicants through pyramid sales methods.

Compliance Rules on Collection of Receivable Claims

Pursuant to Supervisory Regulation on the Specialized Credit Financial Business, a credit card company may not:

- exert violence or threaten violence;
- inform a related party (a guarantor of the debtor, blood relative or fiancée of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor's obligations without just cause;
- provide false information relating to the debtor's obligation to the debtor or his or her related parties;
- threaten to sue or sue the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his/her capacity to make payment;
- visit or telephone the debtor during late evening hours (between the hours of 9:00 p.m. and 8:00 a.m.); and
- utilize other uncustomary methods to collect the receivables that interfere with the privacy or the peace in the workplace of the debtor or his or her related parties.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on May 28, 2013. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

- claims for damages caused by misleading information contained in a securities statement;
- claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;
- claims for damages caused by insider trading or market manipulation; and
- claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

Financial Investment Services and Capital Markets Act

On July 3, 2007, the National Assembly of Korea passed the Financial Investment Services and Capital Markets Act, a new law consolidating six laws regulating capital markets. The Financial Investment Services and Capital Markets Act became effective in February 2009.

The following is a summary of the major changes introduced under the Financial Investment Services and Capital Markets Act.

Consolidation of Capital Markets-Related Laws

Prior to the effectiveness of the Financial Investment Services and Capital Markets Act, there were separate laws regulating various types of financial institutions depending on the type of financial institution (for example, securities companies, futures companies, trust business companies and asset management companies) and subjecting financial institutions to different licensing and ongoing regulatory requirements (for example, the Korean Securities Exchange Act, the Futures Business Act and the Indirect Investment Asset Management Business Act). By applying one uniform set of rules to the same financial business having the same economic function, the Financial Investment Services and Capital Markets Act attempts to improve and address issues caused by the current regulatory system under which the same economic function relating to capital markets-related businesses are governed by multiple regulations. To this end, the Financial Investment Services and Capital Markets Act categorizes capital markets-related businesses into six different functions, as follows:

- dealing (trading and underwriting of “financial investment products” (as defined below)),
- brokerage (brokerage of financial investment products),
- collective investment (establishment of collective investment schemes and the management thereof),
- investment advice,
- discretionary investment management, and
- trusts (together with the five businesses set forth above, the “Financial Investment Businesses”).

Therefore, all financial businesses relating to financial investment products have been reclassified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Business(es), irrespective of the type of the financial institution (for example, in principle, derivative businesses conducted by former securities companies and futures companies are subject to the same regulations under the Financial Investment Services and Capital Markets Act).

The banking business and insurance business are not subject to the Financial Investment Services and Capital Markets Act and continue to be regulated under separate laws. However, they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license pursuant to the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term “financial investment products,” defined to mean all financial products with a risk of loss in the invested amount (in contrast to “deposits,” which are financial products for which the invested amount is protected or preserved). Financial investment products are classified into two major categories: (i) “securities” (relating to financial investment products where the risk of loss is limited to the invested amount) and (ii) “derivatives” (relating to financial investment products where the risk of loss may exceed the invested amount). As a result of the general and open-ended manner in which financial investment products are defined, any future financial product could potentially come within the scope of the definition of financial investment products, thereby enabling Financial Investment Companies (as defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, securities companies, asset management companies, futures companies and other entities engaging in any Financial Investment Business are classified as "Financial Investment Companies."

New License System and the Conversion of Existing Licenses

Under the Financial Investment Services and Capital Markets Act, Financial Investment Companies are able to choose what Financial Investment Business to engage in (via a "check the box" method set forth in the relevant license application), by specifying the desired (i) Financial Investment Business, (ii) financial investment product and (iii) target customers to which financial investment products may be sold or dealt to (i.e., general investors or professional investors). Licenses will be issued under the specific business sub-categories described in the foregoing sentence. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the Financial Investment Business of (i) dealing (ii) over the counter derivatives products (iii) only with sophisticated investors.

Financial institutions that engage in business activities constituting a Financial Investment Business are required to take certain steps, such as renewal of their license or registration, in order to continue engaging in such business activities. Financial institutions that are not licensed Financial Investment Companies are not permitted to engage in any Financial Investment Business, subject to the following exceptions: (i) banks and insurance companies are permitted to engage in certain categories of Financial Investment Business; and (ii) other financial institutions that engaged in any Financial Investment Business prior to the effective date of the Financial Investment Services and Capital Markets Act (whether in the form of a concurrent business or an incidental business) are permitted to continue such Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act.

Expanded Business Scope of Financial Investment Companies

Under the previous regulatory system in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, a financial institution licensed as a securities company generally was not permitted to engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current businesses involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to satisfying relevant regulations (for example, maintaining an adequate "Chinese Wall," to the extent required). As to incidental businesses (i.e., a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous positive-list system towards a more comprehensive system. In addition, a Financial Investment Company is permitted to outsource marketing activities by contracting "introducing brokers" that are individuals but not employees of the Financial Investment Company. Financial Investment Companies are permitted (i) to engage in foreign exchange businesses related to their Financial Investment Business and (ii) to participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act widens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is also imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act distinguishes general investors from sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and

Capital Markets Act expressly provides for a strict know-your-customer rule for general investors and imposes an obligation that Financial Investment Companies should market financial investment products suitable to each general investor, using written explanatory materials. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company could be liable if a general investor proves (i) damage or losses relating to such general investor's investment in financial investment products solicited by such Financial Investment Company and (ii) the absence of the requisite written explanatory materials, without having to prove fault or causation. With respect to conflicts of interest between Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Changes of Securities/Fund Regulations

The Financial Investment Services and Capital Markets Act also affected various securities regulations including those relating to public disclosure, insider trading and proxy contests, which were previously governed by the Korean Securities Exchange Act. For example, the 5% and 10% reporting obligations under the Korean Securities Exchange Act has become more stringent. The Indirect Investment and Asset Management Business Act strictly limited the kind of vehicles that could be utilized under a collective investment scheme, restricting the range of potential vehicles to trusts and corporations, and the type of funds that can be used for investments. However, under the Financial Investment Services and Capital Markets Act, these restrictions have been significantly liberalized, permitting all vehicles that may be created under Korean law, such as limited liability companies or partnerships, to be used for the purpose of collective investments and allowing investment funds to be much more flexible as to their investments.

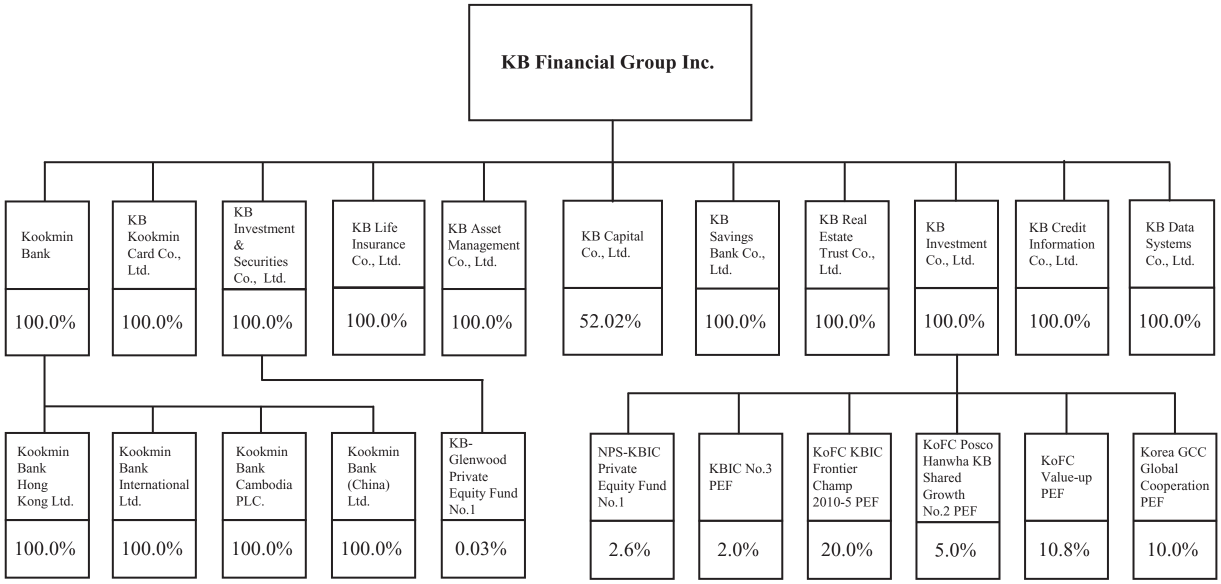
Environment

In 2015, our operations became subject to the Framework Act on Low Carbon, Green Growth, which was enacted in April 2010, and the Greenhouse Gas Emissions Trading System Act, which was enacted in May 2012. The Framework Act on Low Carbon, Green Growth and the regulations thereunder establish the greenhouse gas target management system, which requires companies to establish and achieve greenhouse gas emissions and energy consumption targets on an annual basis. The Greenhouse Gas Emissions Trading System Act and the regulations thereunder establish the Korean emissions trading scheme, under which companies are allocated a limited volume of emission allowances and are allowed to trade excess emission allowances.

We actively seek to engage in environmentally responsible management of our operations. We have developed a program for our operations to achieve energy efficiency objectives and reduce our greenhouse gas emissions to lessen our impact on the environment.

Item 4.C. *Organizational Structure*

The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:



Our largest subsidiary is Kookmin Bank, the assets of which represented approximately 88.2% of our total assets as of December 31, 2015. The following table provides summary information for our operating subsidiaries that are consolidated in our consolidated financial statements as of and for the year ended December 31, 2015, including their consolidated total assets, operating revenue, profit (loss) and total equity:

Subsidiaries	Total Assets	Operating Revenue	Profit (Loss)	Total Equity
		(in millions of Won)		
Kookmin Bank	₩290,277,907	₩16,367,176	₩1,107,238	₩22,747,211
KB Kookmin Card Co., Ltd.	16,141,810	2,994,808	355,020	3,833,983
KB Investment & Securities Co., Ltd.	6,118,251	921,883	47,118	622,966
KB Life Insurance Co., Ltd.	8,516,783	1,626,245	10,563	582,833
KB Asset Management Co., Ltd.	228,011	115,748	24,581	146,673
KB Capital Co., Ltd.	5,563,402	359,986	60,419	560,124
KB Savings Bank Co., Ltd.	856,516	67,629	20,644	172,312
KB Real Estate Trust Co., Ltd.	223,820	55,719	20,289	203,338
KB Investment Co., Ltd.	276,798	40,557	8,387	145,799
KB Credit Information Co., Ltd.	28,533	40,807	(578)	20,201
KB Data Systems Co., Ltd.	28,388	57,434	(140)	13,660

Further information regarding our subsidiaries is provided below:

- *Kookmin Bank* was established in Korea in 2001 as a result of the merger of the former Kookmin Bank (established in 1963) and H&CB (established in 1967). Kookmin Bank provides a wide range of banking and other financial services to individuals, small- and medium-sized enterprises and large corporations in Korea. As of December 31, 2015, Kookmin Bank was one of the largest commercial banks in Korea based upon total assets (including loans) and deposits. As of December 31, 2015, Kookmin Bank had approximately 29.3 million customers, with 1,138 branches nationwide.
- *KB Kookmin Card Co., Ltd.* was established in March 2011 as a separate entity upon the completion of a horizontal spin-off of Kookmin Bank's credit card business, to provide credit card services.

- *KB Investment & Securities Co., Ltd.* was established in Korea in 1995 to provide various investment banking services. KB Investment & Securities was formerly known as Hannuri Investment & Securities Co., Ltd. and was acquired by Kookmin Bank on March 11, 2008. In March 2011, KB Investment & Securities was merged with KB Futures Co., Ltd., with KB Investment & Securities as the surviving entity.
- *KB Life Insurance Co., Ltd.* was established in Korea in April 2004 to provide life insurance and wealth management products primarily through our branch network.
- *KB Asset Management Co., Ltd.* was established in Korea in April 1988 as a subsidiary of Citizens Investment Trust Company to provide investment advisory services.
- *KB Capital Co., Ltd.*, which provides leasing services and installment finance services, was formerly known as Woori Financial Co., Ltd. and was acquired by us in March 2014.
- *KB Savings Bank Co., Ltd.* was established in Korea in January 2012 to provide small-loan finance services. KB Savings Bank was established in connection with our purchase of assets and assumption of liabilities of Jeil Savings Bank in January 2012. We acquired Yehansoul Savings Bank, which provided small-loan finance services, in September 2013 and merged it with KB Savings Bank in January 2014, with KB Savings Bank as the surviving entity.
- *KB Real Estate Trust Co., Ltd.* was established in Korea in December 1996 to provide real estate development and brokerage services by managing trusts related to the real estate industry.
- *KB Investment Co., Ltd.* was established in Korea in March 1990 to invest in and finance small- and medium-sized enterprises.
- *KB Credit Information Co., Ltd.* was established in Korea in October 1999 to collect delinquent loans and to check credit history.
- *KB Data Systems Co., Ltd.* was established in Korea in September 1991 to provide software services to us and other financial institutions.

Item 4.D. *Property, Plants and Equipment*

Our registered office and corporate headquarters are located at 84, Namdaemoon-ro, Jung-gu, Seoul 04534, Korea. The following table presents information regarding certain of our properties in Korea:

Type of facility/building	Location	Area (square meters)
Registered office and corporate headquarters	84, Namdaemoon-ro, Jung-gu, Seoul 04534	1,749
Kookmin Bank headquarters building	26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul 07331	5,354
KB Kookmin Card headquarters building	Jongro-gu, Seoul	3,797
Kookmin Bank training institute	Ilsan	207,659
Kookmin Bank training institute	Daecheon	4,158
Kookmin Bank training institute	Sokcho	15,584
Kookmin Bank training institute	Cheonan	196,649
Kookmin Bank IT center	Gangseo-gu, Seoul	13,116
Kookmin Bank IT center	Yeouido, Seoul	5,928
Kookmin Bank IT center	Yeouido, Seoul	2,006
Kookmin Bank support center	Seongbuk-gu, Seoul	4,748

As of December 31, 2015, we had a countrywide network of 1,138 banking branches and sub-branches, as well as 131 branches and sub-branches and seven representative offices for our other operations including credit card, investment banking and insurance-related businesses. Approximately one-quarter of these facilities are housed in buildings owned by us, while the remaining branches are leased properties. Lease terms are generally from two to three years and seldom exceed five years. We also have subsidiaries in Cambodia, China, Hong Kong and the United Kingdom and branches of Kookmin Bank in Osaka and Tokyo in Japan, Auckland in New Zealand, New York in the United States and Ho Chi Minh City in Vietnam, as well as a branch of Kookmin Bank Cambodia PLC in Phnom Penh and branches of Kookmin Bank (China) Ltd. in Beijing, Guangzhou, Harbin, Shanghai and Suzhou in China. We also have representative offices of Kookmin Bank in Mumbai in India, Yangon in Myanmar and Hanoi in Vietnam. We do not own any material properties outside of Korea.

The net carrying amount of all the properties owned by us at December 31, 2015 was ₩3,017 billion.

Item 4A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the U.S. Securities and Exchange Commission staff regarding our periodic reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Item 5.A. *Operating Results*

Overview

The following discussion is based on our consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements include the accounts of subsidiaries over which substantive control is exercised through majority ownership of voting stock and/or other means. Investments in jointly controlled entities and associates (which are companies over which we have the ability to exercise significant influence) are accounted for by the equity method of accounting.

Trends in the Korean Economy

Our financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. In light of the difficult financial condition and liquidity position of small- and medium-sized enterprises in Korea since the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. Such measures contributed to an increase in our loans to small- and medium-sized enterprises, which increased from ₩70,471 billion as of December 31, 2012 to ₩78,665 billion as of December 31, 2015. Substantial growth in lending in Korea to small- and medium-sized enterprises in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in overall asset quality in the credit exposures of Korean banks to small- and medium-sized enterprises. In 2015, we recorded charge-offs of ₩412 billion in respect of our loans to small- and medium-sized enterprises, compared to charge-offs of ₩746 billion in 2014 and ₩691 billion in 2013. See "Item 3.D. Risk Factors—Risks relating to our small- and medium-sized enterprise loan portfolio—We have significant exposure to small- and medium-sized enterprises, and any financial difficulties experienced by these customers may result in a deterioration of our asset quality and have an adverse impact on us."

In recent years, commercial banks, consumer finance companies and other financial institutions in Korea have also made significant investments and engaged in aggressive marketing in retail lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. Furthermore, in 2014 and 2015, the Korean government announced several measures to encourage consumer spending and revive the housing market in Korea, including loosening regulations on mortgage lending, which contributed to an increase in our portfolio of retail loans from ₩107,644 billion as of December 31, 2013 to ₩119,249 billion as of December 31, 2014 and ₩124,194 billion as of December 31, 2015. The rapid growth in retail lending, together with adverse economic conditions in recent years, may lead to increasing delinquencies and a deterioration in asset quality. In 2015, we recorded charge-offs of ₩354 billion and provision for loan losses of ₩116 billion in respect of our retail loan portfolio, compared to charge-offs of ₩574 billion and provision for loan losses of ₩340 billion in 2014 and charge-offs of ₩581 billion and provision for loan losses of ₩361 billion in 2013. See "Item 3.D. Risk Factors—Risks relating to our retail credit portfolio."

The Korean economy is closely tied to, and is affected by developments in, the global economy. The overall prospects for the Korean and global economy remain uncertain. In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America;
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as the possibility of increases in policy rates by the U.S. Federal Reserve and other central banks; and
- political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Yemen, as well as in the Ukraine and Russia.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. The value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years. See "Item 3.A. Selected Financial Data—Exchange Rates." A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments accounted for under the equity method, including our noncontrolling equity stake in JSC Bank CenterCredit, a Kazakhstan bank, the initial stake in which we acquired in 2008. See "Item 4.B. Business Overview—Capital Markets Activities and International Banking—International Banking."

As a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, increased inflation volatility, potential tightening of fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2016 and for the foreseeable future remains uncertain.

Acquisitions

In June 2013, we purchased ING Insurance International II B.V.'s 49% interest in KB Life Insurance Co., Ltd. for ₩167 billion, as a result of which KB Life Insurance Co., Ltd. became our wholly-owned subsidiary.

In September 2013, we purchased 100% of the shares of Yehansoul Savings Bank from the Korea Deposit Insurance Corporation for ₩38 billion. In connection with such purchase, we recognized an acquisition of ₩470 billion of assets and an assumption of ₩439 billion of liabilities and also ₩7 billion of goodwill. In January 2014, KB Savings Bank merged with Yehansoul Savings Bank, with KB Savings Bank as the surviving entity.

In March 2014, we acquired 52.02% of the outstanding shares of Woori Financial Co., Ltd., a publicly listed Korean consumer finance company, from Woori Finance Holdings Co., Ltd. for ₩280 billion, and subsequently renamed the entity KB Capital Co., Ltd.

In June 2015, we acquired 19.47% of the outstanding shares of LIG Insurance Co., Ltd., a publicly listed Korean property and casualty insurance company, from a group of individual shareholders for ₩651 billion, and subsequently renamed the entity KB Insurance Co., Ltd. In November 2015, we increased our shareholding in KB Insurance to 33.29% by acquiring its treasury shares for ₩231 billion. KB Insurance is accounted for as an equity method investee in our consolidated financial statements. See Note 13 of the notes to our consolidated financial statements included elsewhere in this annual report. As of December 31, 2015, KB Insurance had total assets of ₩27,521 billion and total equity of ₩2,111 billion, and in 2015, its total revenues amounted to ₩11,110 billion and its profit for the year amounted to ₩159 billion.

In addition, in April 2016, we entered into a share purchase agreement to acquire 22.56% of the outstanding shares of Hyundai Securities Co., Ltd., a publicly listed Korean securities brokerage firm, from Hyundai Merchant Marine Co., Ltd. and other shareholders for ₩1,250 billion, which amount is subject to change pending closing. Pursuant to applicable Korean law, we will be required to increase our shareholding in Hyundai Securities to at least 30% within one year from the date of such acquisition. The completion of such acquisition is subject to regulatory approvals and other closing conditions. As of December 31, 2015, Hyundai Securities had total assets of ₩23,779 billion and total equity of ₩3,302 billion, and in 2015, its total revenues amounted to ₩4,267 billion and its profit for the year amounted to ₩280 billion.

Changes in Accounting Policies

Pursuant to the adoption of IFRS 10, *Consolidated Financial Statements*, which is effective beginning in 2013, our consolidated financial statements as of and for the years ended December 31, 2013, 2014 and 2015 include trust accounts for which we guarantee only the repayment of principal, as well as certain other entities, which were not previously subject to consolidation, while excluding certain other entities that were previously consolidated. We included in our scope of consolidation those entities with respect to which (i) we had existing rights that gave us the current ability to direct the relevant activities of such entities, (ii) we had exposure or rights to variable returns from our investment in such entities and (iii) we had the ability to use our power over such entities to affect the amount of our returns.

Since the adoption of IFRS 10, *Consolidated Financial Statements*, in 2013, we have applied the standard described above and consolidated, or excluded from consolidation, certain entities, including asset-backed securitization specialty companies and funds (including subsidiaries of a fund). For further information regarding changes in our consolidated subsidiaries, see Note 40 of the notes to our consolidated financial statements included elsewhere in this annual report.

For further information regarding changes to our accounting policies and their effect on our consolidated financial statements, see Note 2.1 of the notes to our consolidated financial statements included elsewhere in this annual report.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for our products and services, the value of and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

	June 30, 2011	Dec. 29, 2011	June 29, 2012	Dec. 31, 2012	June 28, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014	June 30, 2015	Dec. 31, 2015
KOSPI	2,100.69	1,825.74	1,854.01	1,997.05 (4)	1,863.32	2,011.34 (5)	2,002.21	1,915.59 (6)	2,074.20	1,691.31 (7)
₩/US$ exchange rates (1)	₩ 1,066.3	₩ 1,158.5	₩ 1,141.2	₩ 1,063.2	₩ 1,141.5	₩ 1,055.3	₩ 1,011.6	₩ 1,090.9	₩ 1,117.3	₩ 1,169.3
Corporate bond rates (2)	4.49%	4.22%	3.94%	3.44%	3.54%	3.64%	3.42%	2.87%	2.51%	2.64%
Treasury bond rates (3)	3.76%	3.34%	3.30%	2.82%	2.88%	2.86%	2.68%	2.10%	1.79%	1.66%

(1) Represents the noon buying rate on the dates indicated.
(2) Measured by the yield on three-year Korean corporate bonds rated as A+ by the Korean credit rating agencies.
(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Strategy and Finance of Korea.
(4) As of December 28, 2012, the last day of trading for the KRX KOSPI Market in 2012.
(5) As of December 30, 2013, the last day of trading for the KRX KOSPI Market in 2013.
(6) As of December 30, 2014, the last day of trading for the KRX KOSPI Market in 2014.
(7) As of December 30, 2015, the last day of trading for the KRX KOSPI Market in 2015.

Critical Accounting Policies

The notes to our consolidated financial statements contain a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. We discuss these critical accounting policies below

Impairment of Loans and Allowances for Loan Losses

We evaluate our loan portfolio for impairment on an ongoing basis. We have established allowances for loan losses, which are available to absorb probable losses that have been incurred in our loan portfolio as of the balance sheet date. If we believe that additions or changes to the allowances for loan losses are required, we record a provision for loan losses (as part of our provision for credit losses), which is treated as a charge against current income. Loan exposures that we deem to be uncollectible, including actual loan losses, net of recoveries of previously written-off amounts, are charged directly against the allowances for loan losses.

Our accounting policies for losses arising from the impairment of loans and allowances for loan losses are described in Note 3.6 of the notes to our consolidated financial statements. We base the level of our allowances for loan losses on an evaluation of the risk characteristics of our loan portfolio. The evaluation considers factors such as historical loss experience, the financial condition of our borrowers and current economic conditions.

Allowances represent our management's best estimate of losses incurred in the loan portfolio as of the balance sheet date. Our management is required to exercise judgment in making assumptions and estimates when calculating loan allowances on both individually and collectively assessed loans.

The determination of the allowances required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as economic conditions, the financial performance of the counterparty and the value of any collateral held for which there may not be a readily accessible market. Once we have identified loans as impaired, we generally value them either based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at a loan's observable market price or the fair value of the collateral if a loan is collateral dependent. The actual amount of the future cash flows and their timing may differ from the estimates used by our management and consequently may cause actual losses to differ from the reported allowances.

The allowances for portfolios of smaller-balance homogenous loans, such as those to individuals and small business customers, and for those loans which are individually significant but for which no objective evidence of impairment exists, are determined on a collective basis. The collective allowances are calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments. We perform a regular review of the models and underlying data and assumptions.

Our consolidated financial statements for the year ended December 31, 2015 included total allowances for loan losses of ₩2,582 billion as of that date. Our total loan charge-offs, net of recoveries, amounted to ₩926 billion and we recorded a provision for loan losses (which forms a part of the provision for credit losses, together with provisions for unused loan commitments, acceptances and guarantees, financial guarantee contracts and other financial assets) of ₩1,100 billion in 2015.

We believe that the accounting estimates related to our impairment of loans and allowances for loan losses are a "critical accounting policy" because: (1) they are highly susceptible to change from period to period because they require us to make assumptions about future default rates and losses relating to our loan portfolio; and (2) any significant difference between our estimated loan losses (as reflected in our allowances for loan losses) and actual loan losses could require us to take an additional provision which, if significant, could have a material impact on our profit. Our assumptions about estimated losses require significant judgment because actual losses have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Valuation of Financial Instruments

Our accounting policy for determining the fair value of financial instruments is described in Notes 3.3 and 6 of the notes to our consolidated financial statements.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and, as such, the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in Note 6.1 of the notes to our consolidated financial statements. The main assumptions and estimates which our management considers when applying a model with valuation techniques are:

- The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates.
- Selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk-free rate.
- Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective (for example, valuation of complex derivative products).

The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, our own assumptions are intended to reflect those that market participants would use in pricing the asset or liability at the measurement date.

For financial instruments traded in the over-the-counter market, we measure the fair value of such instruments as the arithmetic mean of prices obtained from Korea Asset Pricing (an affiliate of Fitch Ratings), KIS Pricing (an affiliate of Moody's Investors Service) and NICE Pricing and Information, all three of which are recognized as major qualified independent pricing services in Korea. There are extremely rare cases where we do not receive price quotes from all three of the pricing services described above. In such cases, we contact the pricing service which did not submit a price quote to discuss the reason why it cannot provide a price and, following such discussion, we use the arithmetic mean of only the prices obtained from the other pricing services so long as there is no reason to believe that the prices that have been submitted are inadequate. We generally do not adjust the prices we obtain from these independent pricing services, as the variance among such prices is insignificant in most cases (primarily because most of the financial instruments we hold consist of government bonds and highly-rated corporate bonds, there is a high volume of transactions in the over-the-counter market and actual transaction prices are monitored and referenced by the pricing services).

Our consolidated financial statements for the year ended December 31, 2015 included financial assets measured at fair value using a valuation technique of ₩27,674 billion, representing 72.0% of total financial assets measured at fair value, and financial liabilities measured at fair value using a valuation technique of ₩4,698 billion, representing 88.6% of total financial liabilities measured at fair value. As used herein, the fair value using a valuation technique means the fair value at Level 2 and Level 3 in the fair value hierarchy.

We believe that the accounting estimates related to the determination of the fair value of financial instruments are a "critical accounting policy" because: (1) they may be highly susceptible to change from period to period based on factors beyond our control; and (2) any significant difference between our estimate of the fair value of these financial instruments on any particular date and either their estimated fair value on a different date or the actual proceeds that we receive upon sale of these financial instruments could result in valuation losses or losses on disposal which may have a material impact on our profit. Our assumptions about the fair value of financial instruments we hold require significant judgment because actual valuations have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Deferred Income Tax Assets

Our accounting policy for the recognition of deferred income tax assets is described in Notes 3.22 and 16 of the notes to our consolidated financial statements. The recognition of deferred income tax assets 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.

We recognize deferred income tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred income tax assets are recognized only to the extent it is probable that sufficient taxable profit will be available against which those deductible temporary differences, unused tax losses or unused tax credits can be utilized. This assessment requires significant management judgment and assumptions. In determining the amount of deferred income tax assets, we use historical tax capacity and profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, available tax planning opportunities and other relevant considerations.

Our consolidated financial statements for the year ended December 31, 2015 included deferred income tax assets and liabilities of ₩8 billion and ₩179 billion, respectively, as of that date, after offsetting of ₩1,629 billion of deferred income tax liabilities and assets.

We believe that the estimates related to our recognition and measurement of deferred income tax assets are a "critical accounting policy" because: (1) they may be highly susceptible to change from period to period based on our assumptions regarding our future profitability; and (2) any significant difference between our estimates of future profits on any particular date and estimates of such future profits on a different date could result in an income tax expense or benefit which may have a material impact on our profit from period to period. Our assumptions about our future profitability require significant judgment and are inherently subjective.

Uncertain Tax Positions

Our accounting policy for the recognition of uncertain tax positions is described in Note 3.22 of the notes to our consolidated financial statements.

We recognize our uncertain tax positions in our financial statements based on the guidance in International Accounting Standards 12, or IAS 12, *Income Taxes*, which allows recognition of tax payments as current income tax assets to the extent it is probable that they will be recovered from the tax authorities.

We believe that the estimates related to our recognition and measurement of uncertain tax positions are a "critical accounting policy" because they are measured upon the facts and circumstances that exist as of each reporting period and involve significant management judgment. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition and measurement of uncertain tax positions.

Results of Operations

Net Interest Income

The following table shows, for the periods indicated, the principal components of our net interest income:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won, except percentages)			(%)	
Interest income					
Due from financial institutions [(1)]	₩ 146	₩ 190	₩ 152	30.1%	(20.0)%
Loans	10,942	10,325	9,235	(5.6)	(10.6)
Financial investments (debt securities) [(2)]	1,269	1,120	989	(11.7)	(11.7)
Total interest income	12,357	11,635	10,376	(5.8)	(10.8)
Interest expense					
Deposits	4,279	3,845	3,035	(10.1)	(21.1)
Debts	365	342	271	(6.3)	(20.8)
Debentures	1,190	1,032	867	(13.3)	(16.0)
Total interest expense	5,834	5,219	4,173	(10.5)	(20.0)
Net interest income	₩ 6,523	₩ 6,416	₩ 6,203	(1.6)	(3.3)
Net interest margin [(3)]	2.51%	2.39%	2.20%		

(1) Consists of cash and interest earning deposits in other banks.
(2) Consists of debt securities in our available-for-sale and held-to-maturity financial asset portfolios.
(3) The ratio of net interest income to average interest earning assets. See "Item 3.A. Selected Financial Data—Profitability ratios and other data."

Comparison of 2015 to 2014

Interest income. Interest income decreased 10.8% from ₩11,635 billion in 2014 to ₩10,376 billion in 2015, primarily as a result of a 10.6% decrease in interest on loans. Average yields on our interest earning assets decreased 67 basis points from 4.34% in 2014 to 3.67% in 2015, which reflected a decrease in the general level of interest rates in Korea in 2015 compared to 2014. The effect of this decrease was partially offset by a 5.2% increase in the average volume of our interest earnings assets from ₩268,330 billion in 2014 to ₩282,315 billion in 2015, principally due to growth in our loan portfolio.

The 10.6% decrease in interest on loans from ₩10,325 billion in 2014 to ₩9,235 billion in 2015 was primarily the result of:

- a 65 basis point decrease in the average yields on corporate loans from 4.07% in 2014 to 3.42% in 2015, which was partially offset by a 3.9% increase in the average volume of such loans from ₩101,875 billion in 2014 to ₩105,821 billion in 2015;
- a 61 basis point decrease in the average yields on mortgage loans from 3.63% in 2014 to 3.02% in 2015, which was partially offset by a 6.9% increase in the average volume of such loans from ₩48,160 billion in 2014 to ₩51,467 billion in 2015;
- a 91 basis point decrease in the average yields on other consumer loans from 6.12% in 2014 to 5.21% in 2015, which was partially offset by a 7.2% increase in the average volume of such loans from ₩32,981 billion in 2014 to ₩35,351 billion in 2015; and
- a 68 basis point decrease in the average yields on home equity loans from 3.80% in 2014 to 3.12% in 2015, which was partially offset by a 4.8% increase in the average volume of such loans from ₩32,030 billion in 2014 to ₩33,572 billion in 2015.

The average yields on corporate loans, mortgage loans, other consumer loans and home equity loans decreased mainly as a result of the decrease in the general level of interest rates in Korea applicable to such loans from 2014 to 2015. The increase in the average volume of corporate loans mainly reflected our increased marketing efforts as well as increased demand for such loans in Korea. The increase in the average volume of mortgage loans was primarily due to increased demand for such loans in Korea, following initiatives by the Korean government to revive the housing market in Korea by loosening regulations on mortgage lending. The increase in the average volume of other consumer loans mainly reflected higher demand for such loans in Korea. The increase in the average volume of home equity loans was principally due to increased demand for such loans in Korea, following the loosening of the maximum loan-to-value ratios, to which our home equity loans are subject, by the Korean government.

Overall, the average yields on our loans decreased by 68 basis points from 4.51% in 2014 to 3.83% in 2015, while the average volume of our loans increased 5.2% from ₩228,989 billion in 2014 to ₩240,912 billion in 2015.

Debt securities in our financial investments portfolio consist of available-for-sale debt securities and held-to-maturity debt securities, including debt securities issued by government-owned or -controlled enterprises or financial institutions and debt securities issued by Korean banks and other financial institutions. Interest on debt securities in our financial investments portfolio decreased 11.7% from ₩1,120 billion in 2014 to ₩989 billion in 2015, primarily as a result of a 50 basis point decrease in average yields on such debt securities from 3.55% in 2014 to 3.05% in 2015, which was partially offset by a 2.8% increase in the average volume of such debt securities from ₩31,530 billion in 2014 to ₩32,423 billion in 2015. The decrease in average yields on such debt securities was primarily due to a decrease in the general level of interest rates in Korea for debt securities from 2014 to 2015. The increase in the average volume of such debt securities primarily reflected an increase in our purchases of debt securities issued by Korean banks and other financial institutions.

Interest expense. Interest expense decreased 20.0% from ₩5,219 billion in 2014 to ₩4,173 billion in 2015 primarily due to a 21.1% decrease in interest expense on deposits, which was enhanced by a 16.0% decrease in interest expense on debentures. The average cost of interest bearing liabilities decreased by 52 basis points from 2.12% in 2014 to 1.60% in 2015, which was driven mainly by the lower interest rate environment in Korea in 2015. The effect of this decrease was offset in part by a 5.7% increase in the average volume of interest bearing liabilities from ₩246,692 billion in 2014 to ₩260,770 billion in 2015, which mainly reflected an increase in the average volume of debentures.

The 21.1% decrease in interest expense on deposits from ₩3,845 billion in 2014 to ₩3,035 billion in 2015 was primarily due to a 54 basis point decrease in the average cost of time deposits from 2.70% in 2014 to 2.16% in 2015, which was enhanced by a 4.8% decrease in the average volume of such deposits from ₩130,258 billion in 2014 to ₩123,977 billion in 2015. The decrease in the average cost of time deposits mainly reflected a decrease in the general level of interest rates in Korea from 2014 to 2015. The decrease in the average volume of time deposits was principally due to a decrease in time deposits for corporate customers. Overall, the average cost of our deposits decreased by 49 basis points from 1.93% in 2014 to 1.44% in 2015, while the average volume of our deposits increased 5.4% from ₩199,559 billion in 2014 to ₩210,236 billion in 2015.

The 16.0% decrease in interest expense on debentures from ₩1,032 billion in 2014 to ₩867 billion in 2015 was mainly due to an 87 basis point decrease in the average cost of debentures from 3.68% in 2014 to 2.81% in 2015, which was offset in part by a 10.1% increase in the average volume of debentures from ₩28,048 billion in 2014 to ₩30,885 billion in 2015. The decrease in the average cost of debentures mainly reflected the general decrease in market interest rates in Korea, including for long-term debentures, in 2015. The increase in the average volume of debentures was principally due to increased use of long-term debentures to meet our funding needs.

Net interest margin. Net interest margin represents the ratio of net interest income to average interest earning assets. Our overall net interest margin decreased from 2.39% in 2014 to 2.20% in 2015, as a 3.3% decrease in our net interest income from ₩6,416 billion in 2014 to ₩6,203 billion in 2015 was enhanced a 5.2% increase in the average volume of our interest earning assets from ₩268,330 billion in 2014 to ₩282,315 billion in 2015. The growth in average interest earning assets was outpaced by a 5.7% increase in average interest bearing liabilities from ₩246,692 billion in 2014 to ₩260,770 billion in 2015, while the decrease in interest income outpaced a decrease in interest expense, resulting in a decrease in net interest income. Our net interest spread, which represents the difference between the average yield on our interest earning assets and the average cost of our interest bearing liabilities, declined from 2.22% in 2014 to 2.07% in 2015. The decline in our net interest spread reflected a larger decrease in the average yield of our interest earning assets, relative to the decrease in the average cost of our interest bearing liabilities, primarily due to the earlier adjustment of interest rates on interest earning assets compared to interest rates on interest bearing liabilities in the context of the lower interest rate environment, as well as the continuing rate-based competition in the Korean banking industry for the marketing of both loan and deposit products.

Comparison of 2014 to 2013

Interest income. Interest income decreased 5.8% from ₩12,357 billion in 2013 to ₩11,635 billion in 2014, primarily as a result of a 5.6% decrease in interest on loans. Average yields on our interest earning assets decreased 42 basis points from 4.76% in 2013 to 4.34% in 2014, which reflected a decrease in the general level of interest rates in Korea in 2014 compared to 2013. The effect of this decrease was partially offset by a 3.3% increase in the average volume of our interest earning assets from ₩259,645 billion in 2013 to ₩268,330 billion in 2014, principally due to growth in our loan portfolio.

The 5.6% decrease in interest on loans from ₩10,942 billion in 2013 to ₩10,325 billion in 2014 was primarily the result of:

- a 43 basis point decrease in the average yields on corporate loans from 4.50% in 2013 to 4.07% in 2014, which was partially offset by a 1.3% increase in the average volume of such loans from ₩100,614 billion in 2013 to ₩101,875 billion in 2014;
- a 77 basis point decrease in the average yields on credit card receivables from 10.70% in 2013 to 9.93% in 2014, which was enhanced by a 2.6% decrease in the average volume of such receivables from ₩11,611 billion in 2013 to ₩11,312 billion in 2014;
- a 47 basis point decrease in the average yields on mortgage loans from 4.10% in 2013 to 3.63% in 2014, which was partially offset by an 8.2% increase in the average volume of such loans from ₩44,514 billion in 2013 to ₩48,160 billion in 2014; and
- a 45 basis point decrease in the average yields on home equity loans from 4.25% in 2013 to 3.80% in 2014, which was partially offset by a 5.8% increase in the average volume of such loans from ₩30,275 billion in 2013 to ₩32,030 billion in 2014.

The average yields on corporate loans, credit card receivables, mortgage loans and home equity loans decreased mainly as a result of the decrease in the general level of interest rates in Korea applicable to such loans and receivables from 2013 to 2014. The increase in the average volume of corporate loans mainly reflected our increased marketing efforts as well as increased demand for such loans in Korea. The decrease in the average volume of credit card loans was principally due to initiatives by the Korean government to encourage the use of debit cards instead of credit cards. The increase in the average volume of mortgage loans was mainly a result of initiatives by the Korean government to revive the housing market in Korea by loosening regulations on mortgage lending in 2014. The increase in the average volume of home equity loans mainly reflected the loosening of the maximum loan-to-value ratios, to which our home equity loans are subject, by the Korean government in 2014.

Overall, the average yields on our loans decreased by 45 basis points from 4.96% in 2013 to 4.51% in 2014, while the average volume of our loans increased 3.9% from ₩220,401 billion in 2013 to ₩228,989 billion in 2014.

Interest on debt securities in our financial investments portfolio decreased 11.7% from ₩1,269 billion in 2013 to ₩1,120 billion in 2014, primarily as a result of a 26 basis point decrease in average yields on such debt securities from 3.81% in 2013 to 3.55% in 2014, which was enhanced by a 5.4% decrease in the average volume of such debt securities from ₩33,339 billion in 2013 to ₩31,530 billion in 2014. The decrease in average yields on such debt securities was primarily due to a decrease in the general level of interest rates in Korea for debt securities from 2013 to 2014. The decrease in average volume of such debt securities primarily reflected our decreased purchases of such debt securities due to the lower interest rate environment in Korea in 2014.

Interest expense. Interest expense decreased 10.5% from ₩5,834 billion in 2013 to ₩5,219 billion in 2014 primarily due to a 10.1% decrease in interest expense on deposits, which was enhanced by a 13.3% decrease in interest expense on debentures. The average cost of interest bearing liabilities decreased by 33 basis points from 2.45% in 2013 to 2.12% in 2014, which was driven mainly by the lower interest rate environment in Korea in 2014. The effect of this decrease was offset in part by a 3.5% increase in the average volume of interest bearing liabilities from ₩238,452 billion in 2013 to ₩246,692 billion in 2014, which mainly reflected an increase in the average volume of debentures.

The 10.1% decrease in interest expense on deposits from ₩4,279 billion in 2013 to ₩3,845 billion in 2014 was primarily due to a 32 basis point decrease in the average cost of time deposits from 3.02% in 2013 to 2.70% in 2014. The decrease in the average cost of time deposits mainly reflected a decrease in the general level of interest rates in Korea from 2013 to 2014. Overall, the average cost of our deposits decreased by 29 basis points from 2.22% in 2013 to 1.93% in 2014, while the average volume of our deposits increased 3.4% from ₩192,960 billion in 2013 to ₩199,559 billion in 2014.

The 13.3% decrease in interest expense on debentures from ₩1,190 billion in 2013 to ₩1,032 billion in 2014 was mainly due to a 102 basis point decrease in the average cost of debentures from 4.70% in 2013 to 3.68% in 2014, which was offset in part by a 10.8% increase in the average volume of debentures from ₩25,319 billion in 2013 to ₩28,048 billion in 2014. The decrease in the average cost of debentures mainly reflected the general decrease in market interest rates in Korea, including for long-term debentures, in 2014. The increase in the average volume of debentures was principally due to the addition of KB Capital as a consolidated subsidiary in March 2014.

Net interest margin. Our overall net interest margin decreased from 2.51% in 2013 to 2.39% in 2014, as a 1.6% decrease in our net interest income from ₩6,523 billion in 2013 to ₩6,416 billion in 2014 was enhanced a 3.3% increase in the average volume of our interest earning assets from ₩259,645 billion in 2013 to ₩268,330 billion in 2014. The growth in average interest earning assets exceeded a 3.5% increase in average interest bearing liabilities from ₩238,452 billion in 2013 to ₩246,692 billion in 2014, while the decrease in interest income outpaced a decrease in interest expense, resulting in a decrease in net interest income. Our net interest spread declined from 2.31% in 2013 to 2.22% in 2014. The decline in our net interest spread reflected a larger decrease in the average yield of our interest earning assets, relative to the decrease in the average cost of our interest bearing liabilities, primarily due to the earlier adjustment of interest rates on interest earning assets compared to interest rates on interest bearing liabilities in the context of the lower interest rate environment, as well as the continuing rate-based competition in the Korean banking industry for the marketing of both loan and deposit products.

Provision for Credit Losses

Provision for credit losses includes provision for loan losses, provision for unused loan commitments, provision for acceptances and guarantees, provision for financial guarantee contracts and provision for other financial assets, in each case net of reversal of provisions. For a discussion of our loan loss provisioning policy, see "Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Provisioning Policy."

In accordance with the guidelines of the Financial Supervisory Service, if our provision for loan losses is deemed insufficient for regulatory purposes, we compensate for the difference by recording a regulatory reserve for credit losses, which is segregated within retained earnings. See "Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Regulatory Reserve for Credit Losses" and Note 26 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2015 to 2014

Our provision for credit losses decreased 15.6% from ₩1,228 billion in 2014 to ₩1,037 billion in 2015, primarily due to a decrease in provision for loan losses in respect of our retail loans. Such decrease resulted mainly from an improvement in the overall asset quality of our retail loan portfolio.

Our write-offs, net of recoveries, decreased 40.6% from ₩1,560 billion in 2014 to ₩926 billion in 2015, primarily due to decreases in write-offs of corporate loans and retail loans.

Our reversal of provision for acceptances and guarantees and unused loan commitments increased more than threefold from ₩21 billion in 2014 to ₩70 billion in 2015, due mainly to an increase in reversal of provision for acceptances and guarantees issued on behalf of shipbuilding companies.

Comparison of 2014 to 2013

Our provision for credit losses decreased 14.9% from ₩1,443 billion in 2013 to ₩1,228 billion in 2014, primarily due to a decrease in provision for loan losses in respect of our corporate loans and credit card receivables. Such decrease resulted mainly from an improvement in the overall asset quality of such loans and receivables reflecting a decrease in delinquency rates.

Our write-offs, net of recoveries, decreased 9.1% from ₩1,717 billion in 2013 to ₩1,560 billion in 2014, primarily due to an increase in recoveries from written-off corporate loans.

Our reversal of provision for acceptances and guarantees and unused loan commitments increased from ₩8 billion in 2013 to ₩21 billion in 2014, due mainly to an increase in reversal of provision for acceptances and guarantees issued on behalf of construction companies, as well as an increase in reversal of provision for unused loan commitments.

Allowances for Loan Losses

We establish allowances for loan losses with respect to loans to absorb such losses. We assess individually significant loans on a case-by-case basis and other loans on a collective basis. In addition, if we determine that no objective evidence of impairment exists for a loan, we include such loan in a group of loans with similar credit risk characteristics and assess them collectively for impairment regardless of whether such loan is significant. For further information on allowances for loan losses, see "—Critical Accounting Policies—Impairment of Loans and Allowances for Loan Losses" and "Item 4.B. Business Overview—Assets and Liabilities—Loan Portfolio—Allocation and Analysis of Allowances for Loan Losses."

Corporate Loans. The following table shows, for the periods indicated, certain information regarding our impaired corporate loans:

	As of December 31,		
	2013	2014	2015
Impaired corporate loans as a percentage of total corporate loans	2.8%	2.0%	1.9%
Allowances for loan losses for corporate loans as a percentage of total corporate loans	1.8	1.5	1.5
Allowances for loan losses for corporate loans as a percentage of impaired corporate loans	65.5	72.7	80.4
Net charge-offs of corporate loans as a percentage of total corporate loans	1.0	0.8	0.5

During 2015, impaired corporate loans as a percentage of total corporate loans decreased slightly as the rate of increase in the amount of our total corporate loans outpaced the rate of increase in our impaired corporate loans. Allowances for loan losses for corporate loans as a percentage of total corporate loans remained constant, while allowances for loan losses for corporate loans as a percentage of impaired corporate loans increased during 2015, reflecting an increase in allowances for loan losses in tandem with the growth in our corporate loan portfolio, which outpaced the increase in our impaired corporate loans.

During 2014, impaired corporate loans and allowances for loan losses for corporate loans, each as a percentage of total corporate loans, decreased primarily due to a decrease in our impaired corporate loans, which mainly reflected our efforts to improve the asset quality of our corporate loan portfolio. Such decrease in our impaired corporate loans outpaced a decrease in allowances for loan losses for corporate loans, which caused the level of allowances for loan losses for corporate loans as a percentage of impaired corporate loans to increase during 2014.

During 2013, impaired corporate loans as a percentage of total corporate loans increased due to a reclassification of impaired corporate loans to include all loans for which account-specific provisions have been made, while allowances for loan losses for corporate loans as a percentage of total corporate loans decreased primarily as a result of an improvement in the overall asset quality of our corporate loans, resulting in a decrease in allowances for loan losses for corporate loans as a percentage of impaired corporate loans.

Retail Loans. The following table shows, for the periods indicated, certain information regarding our impaired retail loans:

	As of December 31,		
	2013	2014	2015
Impaired retail loans as a percentage of total retail loans	1.0%	0.6%	0.5%
Allowances for loan losses for retail loans as a percentage of total retail loans	0.5	0.5	0.4
Allowances for loan losses for retail loans as a percentage of impaired retail loans	56.7	70.1	80.3
Net charge-offs of retail loans as a percentage of total retail loans	0.4	0.4	0.1

During 2015, both impaired retail loans and allowances for loan losses for retail loans, as a percentage of total retail loans, decreased slightly as the effect of decreases in our impaired retail loans and such allowances, which reflected an improvement in the asset quality of our retail loan portfolio, was enhanced by an increase in the amount of our total retail loans. Such decrease in our impaired retail loans outpaced the decrease in allowances for loan losses for retail loans, which caused the level of allowances for loan losses for retail loans as a percentage of impaired retail loans to increase during 2015.

During 2014, impaired retail loans as a percentage of total retail loans decreased as the effect of a decrease in our impaired retail loans, which reflected an improvement in the asset quality of our retail loan portfolio, was enhanced by an increase in the amount of our total retail loans. Such decrease in our impaired retail loans outpaced a decrease in allowances for loan losses for retail loans, which caused the level of allowances for loan losses for retail loans as a percentage of impaired retail loans to increase during 2014.

During 2013, impaired retail loans as a percentage of total retail loans remained relatively constant. However, an improvement in the asset quality of our existing impaired retail loans led to a better overall mix of impaired loans, which caused the level of allowances for loan losses as a percentage of both total retail loans and impaired retail loans to decrease.

Credit Card Balances. The following table shows, for the periods indicated, certain information regarding our impaired credit card balances:

	As of December 31,		
	2013	2014	2015
Impaired credit card balances as a percentage of total credit card balances	1.8%	1.7%	2.3%
Allowances for loan losses for credit card balances as a percentage of total credit card balances	3.5	3.4	3.3
Allowances for loan losses for credit card balances as a percentage of impaired credit card balances	196.4	195.3	143.2
Net charge-offs as a percentage of total credit card balances	2.2	2.5	2.0

During 2015, impaired credit card balances as a percentage of total credit card balances increased as the rate of increase in our impaired credit card balances outpaced the rate of increase in the amount of our total credit card balances. Allowances for loan losses for credit card balances as a percentage of both total credit card balances and impaired credit card balances decreased during 2015, primarily as a result of an improvement in the asset quality of our existing impaired credit card balances.

During 2014, impaired credit card balances as a percentage of total credit card balances decreased slightly as the rate of decrease in our impaired credit card balances outpaced the rate of decrease in the amount of our total credit card balances. Allowances for loan losses for credit card balances as a percentage of both total credit card balances and impaired credit card balances similarly decreased slightly during 2014, primarily as a result of an improvement in the asset quality of our existing impaired credit card balances.

During 2013, impaired credit card balances as a percentage of total credit card balances increased primarily due to an increase in impaired credit card balances, which mainly reflected a decrease in charge-off of such balances due to a change in our charge-off policy in 2013 which increased the delinquency period for credit card balances before charge-off from three months to six months. Allowances for loan losses for credit card balances as a percentage of total credit card balances increased during 2013 mainly as a result of an increase in impaired credit card balances. Allowances for loan losses for credit card balances as a percentage of impaired credit card balances decreased during 2013 as the increase in impaired credit card balances outpaced the increase in allowances for loans losses for credit card balances.

Net Fee and Commission Income

The following table shows, for the periods indicated, the components of our net fee and commission income:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Fee and commission income	₩ 2,657	₩ 2,666	₩ 2,971	0.3%	11.4%
Fee and commission expense	(1,178)	(1,283)	(1,436)	8.9	11.9
Net fee and commission income	₩ 1,479	₩ 1,383	₩ 1,535	(6.5)	11.0

Comparison of 2015 to 2014

Our net fee and commission income increased 11.0% from ₩1,383 billion in 2014 to ₩1,535 billion in 2015, primarily due to an 11.4% increase in fee and commission income from ₩2,666 billion in 2014 to ₩2,971 billion in 2015, which was offset in part by an 11.9% increase in fee and commission expense from ₩1,283 billion in 2014 to ₩1,436 billion in 2015.

The 11.4% increase in fee and commission income was mainly the result of increases in credit card related fees and commissions received, debit card related fees and commissions and trust and other fiduciary fees. Credit card related fees and commissions received increased 10.5% from ₩1,107 billion in 2014 to ₩1,223 billion in 2015 primarily due to increased use of credit cards by our customers in lieu of cash. Debit card related fees and commissions increased 16.8% from ₩292 billion in 2014 to ₩341 billion in 2015, which mainly reflected the impact of the government initiative to encourage the use of debit cards. Trust and other fiduciary fees increased 17.3% from ₩231 billion in 2014 to ₩271 billion in 2015, primarily due to an increase in sales of equity-linked securities.

The 11.9% increase in fee and commission expense was primarily due to an 11.6% increase in credit card related fees and commissions paid from ₩980 billion in 2014 to ₩1,094 billion in 2015. The increase in credit card related fees and commissions paid mainly reflected an increase in fees paid to value-added network providers, attributable primarily to increased use of credit cards by our customers.

Comparison of 2014 to 2013

Our net fee and commission income decreased 6.5% from ₩1,479 billion in 2013 to ₩1,383 billion in 2014, primarily due to an 8.9% increase in fee and commission expense from ₩1,178 billion in 2013 to ₩1,283 billion in 2014.

Our fee and commission income remained relatively constant at ₩2,666 billion in 2014 compared to ₩2,657 billion in 2013, as increases in trust and other fiduciary fees and debit card related fees and commissions were offset by decreases in agent activity fees and commissions from transfer agent services. Trust and other fiduciary fees increased 43.5% from ₩161 billion in 2013 to ₩231 billion in 2014 primarily due to an increase in sales of equity-linked securities. Debit card related fees and commissions increased 14.1% from ₩256 billion in 2013 to ₩292 billion in 2014, which mainly reflected the impact of the government initiative to encourage the use of debit cards instead of credit cards. Credit card related fees and commissions received decreased from ₩1,127 billion in 2013 to ₩1,107 billion in 2014. Agent activity fees decreased 23.7% from ₩207 billion in 2013 to ₩158 billion in 2014 principally as a result of reduced bancassurance activities, while commissions from transfer agent services decreased 16.3% from ₩178 billion in 2013 to ₩149 billion in 2014 primarily due to a decrease in sales of beneficiary certificates.

The 8.9% increase in fee and commission expense was primarily due to a 48.8% increase in other fees and commissions paid from ₩125 billion in 2013 to ₩186 billion in 2014 and a 4.9% increase in credit card and debit card related fees and commissions paid from ₩934 billion in 2013 to ₩980 billion in 2014. The increase in other fees and commissions paid resulted mainly from an increase in investment banking related fees and commissions. The increase in credit card and debit card related fees and commissions paid resulted primarily from an increase in debit card related fees and commissions, including fees paid to value-added network providers, reflecting the increased use of debit cards.

For further information regarding our net fee and commission income, see Note 28 of the notes to our consolidated financial statements included elsewhere in this annual report.

Net Gain on Financial Assets and Liabilities at Fair Value through Profit or Loss

The following table shows, for the periods indicated, the components of our net gain on financial assets and liabilities at fair value through profit or loss:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Net gain on financial assets held-for-trading	₩250	₩414	₩328	65.6%	(20.8)%
Net gain (loss) on derivatives held-for-trading	544	98	(11)	(82.0)	N/M (1)
Net loss on financial liabilities held-for-trading	(15)	(62)	(61)	313.3	(1.6)
Net gain (loss) on financial instruments designated at fair value through profit or loss	(22)	(11)	104	(50.0)	N/M (1)
Net gain on financial assets and liabilities at fair value through profit or loss	₩757	₩439	₩360	(42.0)	(18.0)

(1) "N/M" means not meaningful.

Comparison of 2015 to 2014

Our net gain on financial assets and liabilities at fair value through profit or loss decreased 18.0% from ₩439 billion in 2014 to ₩360 billion in 2015. This decrease was primarily attributable to a change in net gain (loss) on derivatives held-for-trading and a 20.8% decrease in net gain on financial assets held-for-trading, the effect of which was offset in part by a change in net gain (loss) on financial instruments designated at fair value through profit or loss.

- Our net gain (loss) on derivatives held-for-trading changed from a net gain of ₩98 billion in 2014 to a net loss of ₩11 billion in 2015, principally due to a change in net gain (loss) on stock or stock index derivatives held-for-trading from a net gain of ₩53 billion in 2014 to a net loss of ₩90 billion in 2015.
- Our net gain on financial assets held-for-trading decreased 20.8% from ₩414 billion in 2014 to ₩328 billion in 2015, which mainly reflected a 28.0% decrease in net gain on debt securities held-for-trading from ₩432 billion in 2014 to ₩311 billion in 2015.

- Our net gain (loss) on financial instruments designated at fair value through profit or loss changed from a net loss of ₩11 billion in 2014 to a net gain of ₩104 billion in 2015, mainly as a result of a change in net gain (loss) on financial liabilities designated at fair value through profit or loss from a net loss of ₩17 billion in 2014 to a net gain of ₩101 billion in 2015.

Comparison of 2014 to 2013

Our net gain on financial assets and liabilities at fair value through profit or loss decreased 42.0% from ₩757 billion in 2013 to ₩439 billion in 2014, primarily as a result of an 82.0% decrease in net gain on derivatives held-for-trading from ₩544 billion in 2013 to ₩98 billion in 2014, which was offset in part by a 65.6% increase in net gain on financial assets held-for-trading from ₩250 billion in 2013 to ₩414 billion in 2014. The decrease in net gain on derivatives held-for-trading was principally due to a 76.2% decrease in net gain on currency derivatives held-for-trading from ₩517 billion in 2013 to ₩123 billion in 2014. The increase in net gain on financial assets held-for-trading mainly reflected a 94.6% increase net gain on debt securities held-for-trading from ₩222 billion in 2013 to ₩432 billion in 2014.

For further information regarding our net gain on financial assets and liabilities at fair value through profit or loss, see Note 29 of the notes to our consolidated financial statements included elsewhere in this annual report.

General and Administrative Expenses

The following table shows, for the periods indicated, the components of our general and administrative expenses:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Employee compensation and benefits	₩2,534	₩2,593	₩3,126	2.3%	20.6%
Depreciation and amortization	287	261	257	(9.1)	(1.5)
Other general and administrative expenses	1,163	1,155	1,141	(0.7)	(1.2)
General and administrative expenses	₩3,984	₩4,010	₩4,524	0.7	12.8

Comparison of 2015 to 2014

Our general and administrative expenses increased 12.8% from ₩4,010 billion in 2014 to ₩4,524 billion in 2015, primarily as a result of a 20.6% increase in employee compensation and benefits from ₩2,593 billion in 2014 to ₩3,126 billion in 2015. The increase in employee compensation and benefits was principally due to a significant increase in termination benefits from ₩1 billion in 2014 to ₩392 billion in 2015, which resulted mainly from a voluntary early retirement program implemented by Kookmin Bank in 2015.

Comparison of 2014 to 2013

Our general and administrative expenses increased 0.7% from ₩3,984 billion in 2013 to ₩4,010 billion in 2014, primarily as a result of a 2.3% increase in employee compensation and benefits from ₩2,534 billion in 2013 to ₩2,593 billion in 2014, which was offset in part by a 9.1% decrease in depreciation and amortization from ₩287 billion in 2013 to ₩261 billion in 2014. The increase in employee compensation and benefits was principally due to a 3.6% increase in salaries and short-term employee benefits from ₩1,641 billion in 2013 to ₩1,700 billion in 2014, which mainly reflected an increase in the average wage of our employees. The 9.1% decrease in depreciation and amortization was principally due to a decrease in the depreciation and amortization of software.

Net Other Operating Expenses

The following table shows, for the periods indicated, the components of our net other operating expenses:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Other operating income	₩ 3,137	₩ 3,100	₩ 4,598	(1.2)%	48.3%
Other operating expenses	(4,442)	(4,141)	(5,314)	(6.8)	28.3
Net other operating expenses	₩(1,305)	₩(1,041)	₩ (716)	(20.2)	(31.2)

Comparison of 2015 to 2014

Our net other operating expenses decreased 31.2% from ₩1,041 billion in 2014 to ₩716 billion in 2015 as a 48.3% increase in other operating income from ₩3,100 billion in 2014 to ₩4,598 billion in 2015 outpaced a 28.3% increase in other operating expenses from ₩4,141 billion in 2014 to ₩5,314 billion in 2015.

Other operating income includes principally gain on foreign exchange transactions, income related to insurance, gain on sale of available-for-sale financial assets and other income. The 48.3% increase in other operating income was attributable mainly to a 65.3% increase in gain on foreign exchange transactions from ₩1,491 billion in 2014 to ₩2,465 billion in 2015 and a more than fourfold increase in gain on sale of available-for-sale financial assets from ₩92 billion in 2014 to ₩404 billion in 2015. The increase in gain on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was offset in part by an increase in loss on foreign exchange transactions, which is recorded as part of other operating expenses. On a net basis, our net gain on foreign exchange transactions increased 70.6% from ₩34 billion in 2014 to ₩58 billion in 2015. The increase in gain on sale of available-for-sale financial assets was principally due to gains realized in 2015 from sales of shares of Korea Housing & Urban Guarantee Corporation, SK Holdings Co., Ltd. and Kumho Industrial Co., Ltd., as well as sales of debt securities, held by us.

Other operating expenses include principally loss on foreign exchange transactions, expenses related to insurance, impairment on available-for-sale financial assets, loss on sale of available-for-sale financial assets and other expenses. The 28.3% increase in other operating expenses was primarily the result of a 65.2% increase in loss on foreign exchange transactions from ₩1,457 billion in 2014 to ₩2,407 billion in 2015. The increase in loss on foreign exchange transactions, which was mainly due to an increase in the volume of our foreign currency transactions, was more than offset by an increase gain on foreign exchange transactions, which is recorded as part of other operating income as discussed above.

Comparison of 2014 to 2013

Our net other operating expenses decreased 20.2% from ₩1,305 billion in 2013 to ₩1,041 billion in 2014 as a 6.8% decrease in other operating expenses from ₩4,442 billion in 2013 to ₩4,141 billion in 2014 outpaced a 1.2% decrease in other operating income from ₩3,137 billion in 2013 to ₩3,100 billion in 2014.

The 1.2% decrease in other operating income was attributable mainly to a 51.3% decrease in gain on sale of available-for-sale financial assets from ₩189 billion in 2013 to ₩92 billion in 2014 and a 15.3% decrease in other income from ₩262 billion in 2013 to ₩222 billion in 2014, the effect of which was partially offset by a 7.5% increase in gain on foreign exchange transactions from ₩1,387 billion in 2013 to ₩1,491 billion in 2014. The decrease in gain on sale of available-for-sale financial assets was principally due to gains realized in 2013 from sales of shares of Hyundai Merchant Co., Ltd. and Kumho Petrochemical Co., Ltd. held by us, which were not repeated in 2014. The decrease in other income was mainly due to a decrease in gain on sales of loans. The increase in gain on foreign exchange transactions, which was mainly the result of increased exchange rate volatility, was enhanced by a decrease in loss on foreign exchange transactions, which is recorded as part of other operating expenses. On a net basis, we recognized a net gain on foreign exchange transactions of ₩34 billion in 2014 compared to a net loss on foreign exchange transactions of ₩280 billion in 2013.

The 6.8% decrease in other operating expenses was primarily the result of a 12.6% decrease in loss on foreign exchange transactions from ₩1,667 billion in 2013 to ₩1,457 billion in 2014. The decrease in loss on foreign exchange transactions, which was mainly due to a decrease in the volume of our foreign currency transactions, was enhanced by an increase in gain on foreign exchange transactions, which is recorded as part of other operating income as discussed above.

For further information regarding our net other operating expenses, see Note 30 of the notes to our consolidated financial statements included elsewhere in this annual report.

Income Tax Expense (Benefit)

Our income tax expense is calculated by adding or subtracting changes in deferred income tax liabilities and assets to income tax amounts payable for the period. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits, while deferred income tax liabilities are recognized for taxable temporary differences. Temporary differences are those between the carrying values of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income tax assets, including unused tax losses and credits, are recognized only to the extent it is probable that sufficient taxable profit will be available against which such deferred income tax assets can be utilized. See "—Critical Accounting Policies—Deferred Income Tax Assets."

Effective January 1, 2015, pursuant to an amendment to the Corporate Income Tax Law, large corporations with net equity in excess of ₩50 billion, including us, have become subject to a 10% additional levy on corporate income if a certain portion of taxable income is not used for investments, wage increases or dividend payments. See Note 2.4.1. of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2015 to 2014

Income tax expense decreased 10.1% from ₩486 billion in 2014 to ₩437 billion in 2015, although our pre-tax earnings increased in 2015 compared to 2014, primarily due to a 33.3% decrease in current tax expense from ₩513 billion in 2014 to ₩342 billion in 2015, attributable mainly to an increase in non-taxable income. Such decrease in current tax expense was offset in part by a change in income tax expense (benefit) recognized directly in equity relating to the value of available-for-sale financial assets from an income tax benefit of ₩79 billion in 2014 to an income tax expense of ₩5 billion in 2015. The statutory tax rate was 24.2% in 2014 and 2015. Our effective tax rate was 20.2% in 2015 compared to 25.6% in 2014.

Comparison of 2014 to 2013

Income tax expense decreased by 10.2% from ₩541 billion in 2013 to ₩486 billion in 2014, primarily due to a decrease in adjustments recognized in 2014 for current tax of prior years, as well as a change in income tax expense (benefit) recognized directly in equity relating to the value of available-for-sale financial assets from an income tax expense of ₩8 billion in 2013 to an income tax benefit of ₩79 billion in 2014. The statutory tax rate was 24.2% in 2013 and 2014. Our effective tax rate was 25.6% in 2014 compared to 29.8% in 2013.

See Note 33 of the notes to our consolidated financial statements included elsewhere in this annual report.

Profit for the Year

As a result of the above, our profit for the year was ₩1,727 billion in 2015, compared to ₩1,415 billion in 2014 and ₩1,275 billion in 2013.

Results by Principal Business Segment

We compile and analyze financial information for our business segments based upon segment information used by our management for the purposes of resource allocation and performance evaluation. We are organized into six major business segments: retail banking operations, corporate banking operations, other banking operations, credit card operations, investment and securities operations and life insurance operations.

The following table shows, for the periods indicated, our results of operations by segment:

	Profit (1) for the Year Ended December 31,			Total Operating Revenue (2) for the Year Ended December 31,		
	2013	2014	2015	2013	2014	2015
	(in billions of Won)					
Retail banking operations	₩ 178	₩ 110	₩ 23	₩2,454	₩2,212	₩2,116
Corporate banking operations	157	383	119	1,732	1,710	1,668
Other banking operations	496	536	965	1,486	1,481	1,615
Credit card operations	384	333	355	1,421	1,281	1,310
Investment and securities operations	12	26	47	115	141	185
Life insurance operations	9	7	11	102	105	143
Other	61	115	354	144	266	345
Total (3)	₩1,297	₩1,510	₩1,874	₩7,454	₩7,196	₩7,382

(1) After deduction of income tax allocated to each segment.
(2) Represents operating revenue from external customers. See Note 5 of the notes to our consolidated financial statements.
(3) Prior to adjustments for consolidation, inter-segment transactions and certain differences in classification under our management reporting system.

Retail Banking Operations

This segment consists of retail banking services provided by Kookmin Bank. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 4,786	₩ 4,433	₩ 3,858	(7.4)%	(13.0)%
Interest expense	(2,773)	(2,353)	(1,756)	(15.1)	(25.4)
Net fee and commission income	612	525	570	(14.2)	8.6
Net loss from financial assets and liabilities at fair value through profit or loss	(2)	(20)	—	900.0	(100.0)
Net other operating expense	(261)	(421)	(556)	61.3	32.1
General and administrative expenses	(1,740)	(1,696)	(2,006)	(2.5)	18.3
Provision for credit losses	(358)	(304)	(80)	(15.1)	(73.7)
Profit before income tax	264	164	30	(37.9)	(81.7)
Tax expense	(86)	(54)	(7)	(37.2)	(87.0)
Profit for the year	₩ 178	₩ 110	₩ 23	(38.2)	(79.1)

Comparison of 2015 to 2014

Our profit before income tax for this segment decreased 81.7% from ₩164 billion in 2014 to ₩30 billion in 2015.

Interest income from our retail banking operations decreased 13.0% from ₩4,433 billion in 2014 to ₩3,858 billion in 2015. This decrease was principally due to decreases in the average yields on mortgage, home equity and other consumer loans, mainly reflecting a decrease in the general level of interest rates in Korea from 2014 to 2015, which were offset in part by increases in the average volume of such loans from 2014 to 2015.

Our largest and most important funding source is deposits from retail customers, which represent more than half of our total deposits. Interest expense for this segment decreased 25.4% from ₩2,353 billion in 2014 to ₩1,756 billion in 2015. This decrease was primarily due to a decrease in the average cost of time deposits held by retail customers, mainly reflecting a decrease in the general level of interest rates in Korea from 2014 to 2015, which was enhanced by an increase in the average volume of such deposits.

Net fee and commission income attributable to this segment increased 8.6% from ₩525 billion in 2014 to ₩570 billion in 2015, mainly due to increases in fee and commission income from sales of beneficiary certificates as agents and guarantee fees received in Won.

Net loss from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased from ₩20 billion in 2014 to nil in 2015, which primarily reflected the recognition of valuation loss on derivatives in 2014 from the liquidation of certain mortgage loan-related special purpose vehicles, which was not repeated in 2015.

Net other operating expense attributable to this segment increased 32.1% from ₩421 billion in 2014 to ₩556 billion in 2015, mainly as a result of an increase in expenses related to intersegment borrowings.

General and administrative expenses attributable to this segment increased 18.3% from ₩1,696 billion in 2014 to ₩2,006 billion in 2015, primarily due to an increase in salary expenses attributable mainly to a voluntary early retirement program implemented by Kookmin Bank in 2015.

Provision for credit losses decreased 73.7% from ₩304 billion in 2014 to ₩80 billion in 2015, mainly due to an improvement in the asset quality of retail loans, reflecting a decrease in delinquency rates.

Comparison of 2014 to 2013

Our profit before income tax for this segment decreased 37.9% from ₩264 billion in 2013 to ₩164 billion in 2014.

Interest income from our retail banking operations decreased 7.4% from ₩4,786 billion in 2013 to ₩4,433 billion in 2014. This decrease was principally due to decreases in the average yields on mortgage, home equity and other consumer loans, mainly reflecting a decrease in the general level of interest rates in Korea from 2013 to 2014, which were partially offset by increases in the average volume of such loans from 2013 to 2014.

Interest expense for this segment decreased 15.1% from ₩2,773 billion in 2013 to ₩2,353 billion in 2014. This decrease was primarily due to a decrease in the average cost of time deposits held by retail customers, which mainly reflected a decrease in the general level of interest rates in Korea from 2013 to 2014.

Net fee and commission income attributable to this segment decreased 14.2% from ₩612 billion in 2013 to ₩525 billion in 2014, mainly due to decreases in fee and commission income from bancassurance operations and sales of beneficiary certificates as agents.

Net loss from financial assets and liabilities at fair value through profit or loss attributable to this segment increased tenfold from ₩2 billion in 2013 to ₩20 billion in 2014, principally as a result of an increase in valuation loss on derivatives.

Net other operating expense attributable to this segment increased 61.3% from ₩261 billion in 2013 to ₩421 billion in 2014, mainly as a result of an increase in expenses related to inter-segment borrowings.

General and administrative expenses attributable to this segment decreased 2.5% from ₩1,740 billion in 2013 to ₩1,696 billion in 2014, primarily due to a decrease in education taxes, reflecting a decrease in interest income. Education taxes are levied on revenues of financial institutions.

Provision for credit losses decreased 15.1% from ₩358 billion in 2013 to ₩304 billion in 2014, mainly due to an improvement in the asset quality of retail loans, reflecting a decrease in delinquency rates.

Corporate Banking Operations

This segment consists of corporate banking services provided by Kookmin Bank. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 4,391	₩ 4,009	₩ 3,514	(8.7)%	(12.3)%
Interest expense	(1,840)	(1,560)	(1,193)	(15.2)	(23.5)
Net fee and commission income	241	237	233	(1.7)	(1.7)
Net other operating expense	(1,055)	(906)	(834)	(14.1)	(7.9)
General and administrative expenses	(822)	(711)	(847)	(13.5)	19.1
Provision for credit losses	(706)	(567)	(716)	(19.7)	26.3
Net other non-operating revenue	1	2	1	100.0	(50.0)
Profit before income tax	210	504	158	140.0	(68.7)
Tax expense	(53)	(121)	(39)	128.3	(67.8)
Profit for the year	₩ 157	₩ 383	₩ 119	143.9	(68.9)

Comparison of 2015 to 2014

Our profit before income tax for this segment decreased 68.7% from ₩504 billion in 2014 to ₩158 billion in 2015.

Interest income from our corporate banking operations decreased 12.3% from ₩4,009 billion in 2014 to ₩3,514 billion in 2015. This decrease was principally due to a decrease in the average yields on corporate loans, mainly reflecting the lower interest rate environment in Korea in 2015, which was offset in part by an increase in the average volume of such loans.

Interest expense for this segment decreased 23.5% from ₩1,560 billion in 2014 to ₩1,193 billion in 2015. This decrease was principally due to a decrease in the average cost of time deposits held by corporate customers, which mainly reflected a decrease in the general level of interest rates in Korea from 2014 to 2015.

Net fee and commission income attributable to this segment decreased 1.7% from ₩237 billion in 2014 to ₩233 billion in 2015, primarily due to an increase in miscellaneous commission expenses paid in Won, which was offset in part by an increase in trust related commission income.

Net other operating expense attributable to this segment decreased 7.9% from ₩906 billion in 2014 to ₩834 billion in 2015, mainly as a result of a decrease in expenses related to inter-segment borrowings.

General and administrative expenses attributable to this segment increased 19.1% from ₩711 billion in 2014 to ₩847 billion in 2015, principally due to an increase in salary expense attributable mainly to a voluntary early retirement program implemented by Kookmin Bank in 2015.

Provision for credit losses increased 26.3% from ₩567 billion in 2014 to ₩716 billion in 2015, due mainly to an increase in the outstanding volume of our corporate loans.

Net other non-operating revenue attributable to this segment decreased 50.0% from ₩2 billion in 2014 to ₩1 billion in 2015.

Comparison of 2014 to 2013

Our profit before income tax for this segment increased 140.0% from ₩210 billion in 2013 to ₩504 billion in 2014.

Interest income from our corporate banking operations decreased 8.7% from ₩4,391 billion in 2013 to ₩4,009 billion in 2014. This decrease was principally due to a decrease in average yields on corporate loans, mainly reflecting the lower interest rate environment in Korea in 2014, which was offset in part by an increase in the average volume of such loans.

Interest expense for this segment decreased 15.2% from ₩1,840 billion in 2013 to ₩1,560 billion in 2014. This decrease was principally due to a decrease in the average cost of time deposits held by corporate customers, which mainly reflected a decrease in the general level of interest rates in Korea from 2013 to 2014.

Net fee and commission income attributable to this segment decreased 1.7% from ₩241 billion in 2013 to ₩237 billion in 2014, primarily due to decreases in foreign currency related fees and guarantee fees.

Net other operating expense attributable to this segment decreased 14.1% from ₩1,055 in 2013 to ₩906 billion in 2014, mainly as a result of a decrease in expenses related to inter-segment borrowings.

General and administrative expenses attributable to this segment decreased 13.5% from ₩822 billion in 2013 to ₩711 billion in 2014, principally due to a decrease in labor expenses allocated to this segment based on the relative volume of loans attributable to this segment.

Provision for credit losses decreased 19.7% from ₩706 billion in 2013 to ₩567 billion in 2014, due mainly to an overall improvement in the asset quality of corporate loans, reflecting a decrease in delinquency rates.

Net other non-operating revenue attributable to this segment increased from ₩1 billion in 2013 to ₩2 billion in 2014.

Other Banking Operations

This segment primarily consists of Kookmin Bank's banking operations other than retail and corporate banking operations, including treasury activities and Kookmin Bank's "back office" administrative operations. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩1,418	₩1,261	₩1,016	(11.1)%	(19.4)%
Interest expense	(822)	(819)	(727)	(0.4)	(11.2)
Net fee and commission income	252	316	354	25.4	12.0
Net gain from financial assets and liabilities at fair value through profit or loss	693	376	287	(45.7)	(23.7)
Net other operating income	261	558	968	113.8	73.5
General and administrative expenses	(835)	(966)	(960)	15.7	(0.6)
Provision (reversal of provision) for credit losses	(1)	(17)	55	1,600.0	N/M [1]
Share of profit (loss) of associates	(203)	18	8	N/M [1]	(55.6)
Net other non-operating revenue (expense)	(25)	(35)	192	40.0	N/M [1]
Profit before income tax	738	692	1,193	(6.2)	72.4
Tax expense	(242)	(156)	(228)	(35.5)	46.2
Profit for the year	₩ 496	₩ 536	₩ 965	8.1	80.0

(1) "N/M" means not meaningful.

Comparison of 2015 to 2014

Our profit before income tax for this segment increased 72.4% from ₩692 billion in 2014 to ₩1,193 billion in 2015.

Interest income from our other banking operations decreased 19.4% from ₩1,261 billion in 2014 to ₩1,016 billion in 2015. This decrease was attributable primarily to a decrease in the average yields on debt securities in Kookmin Bank's financial investments portfolio, mainly reflecting the lower interest rate environment in Korea in 2015, which was offset in part by an increase in the average volume of such debt securities.

Interest expense for this segment decreased 11.2% from ₩819 billion in 2014 to ₩727 billion in 2015. This decrease was principally due to a decrease in the average cost of debentures, mainly reflecting the lower interest rate environment in Korea in 2015, which was offset in part by an increase in the average volume of debentures.

Net fee and commission income attributable to this segment increased 12.0% from ₩316 billion in 2014 to ₩354 billion in 2015, mainly due to an increase in fee and commission income from providing agency services to affiliates.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 23.7% from ₩376 billion in 2014 to ₩287 billion in 2015, principally as a result of a decrease in net gain on financial instruments held-for-trading.

Net other operating income attributable to this segment increased 73.5% from ₩558 billion in 2014 to ₩968 billion in 2015, mainly as a result of an increase in income from inter-segment lending.

General and administrative expenses attributable to this segment remained relatively constant at ₩960 billion in 2015 compared to ₩966 billion in 2014.

Provision (reversal of provision) for credit losses attributable to this segment changed from a provision of ₩17 billion in 2014 to a reversal of provision of ₩55 billion in 2015, principally due to a decrease in provision for receivables from derivative transactions.

Share of profit of associates attributable to this segment decreased 55.6% from ₩18 billion in 2014 to ₩8 billion in 2015, principally as a result of an increase in loss on equity method investments from Kookmin Bank's investment in JSC Bank CenterCredit.

Net other non-operating revenue (expense) attributable to this segment changed from an expense of ₩35 billion in 2014 to a revenue of ₩192 billion in 2015, primarily due to a decrease in other non-operating expense, including a decrease in impairment losses on assets held for sale and a decrease in expense related to satisfaction of judgments in legal proceedings.

Comparison of 2014 to 2013

Our profit before income tax for this segment decreased 6.2% from ₩738 billion in 2013 to ₩692 billion in 2014.

Interest income from our other banking operations decreased 11.1% from ₩1,418 billion in 2013 to ₩1,261 billion in 2014. This decrease was attributable primarily to a decrease in the average yields on debt securities in Kookmin Bank's financial investments portfolio, due mainly to the lower interest rate environment in Korea in 2014, as well as a decrease in the average volume of such debt securities.

Interest expense for this segment remained relatively constant at ₩819 billion in 2014 compared to ₩822 billion in 2013.

Net fee and commission income attributable to this segment increased 25.4% from ₩252 billion in 2013 to ₩316 billion in 2014, mainly due an increase other fees and commissions received, as well as an increase in fee and commission income from providing agency services to affiliates.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 45.7% from ₩693 billion in 2013 to ₩376 billion in 2014, principally as a result of a decrease in net gain on derivatives held-for-trading.

Net other operating income increased 113.8% from ₩261 billion in 2013 to ₩558 billion in 2014, mainly as a result of an increase in income from inter-segment lending.

General and administrative expenses attributable to this segment increased 15.7% from ₩835 billion in 2013 to ₩966 billion in 2014, principally due to an increase in salary expense.

Provision for credit losses increased seventeen-fold from ₩1 billion in 2013 to ₩17 billion in 2014, mainly reflecting an increase in provision for receivables from derivatives transactions.

Share of profit (loss) of associates attributable to this segment changed from a loss of ₩203 billion in 2013 to a profit of ₩18 billion in 2014, principally as a result of a decrease in loss on equity method investments from Kookmin Bank's investment in JSC Bank CenterCredit.

Net other non-operating expense attributable to this segment increased 40.0% from ₩25 billion in 2013 to ₩35 billion in 2014, primarily due to an increase other non-operating expense related to satisfaction of judgments in legal proceedings with respect to which the actual payments made were greater than the litigation allowances established.

Credit Card Operations

This segment consists of credit card activities conducted by KB Kookmin Card. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩1,436	₩1,354	₩1,306	(5.7)%	(3.5)%
Interest expense	(379)	(360)	(326)	(5.0)	(9.4)
Net fee and commission income	185	95	109	(48.6)	14.7
Net other operating expense	(39)	(32)	(36)	(17.9)	12.5
General and administrative expenses	(354)	(341)	(333)	(3.7)	(2.3)
Provision for credit losses	(345)	(278)	(246)	(19.4)	(11.5)
Net other non-operating expense	(2)	(5)	(12)	150.0	140.0
Profit before income tax	502	433	462	(13.7)	6.7
Tax expense	(118)	(100)	(107)	(15.3)	7.0
Profit for the year	₩ 384	₩ 333	₩ 355	(13.3)	6.6

Comparison of 2015 to 2014

Our profit before income tax for this segment increased 6.7% from ₩433 billion in 2014 to ₩462 billion in 2015.

Interest income from our credit card operations decreased 3.5% from ₩1,354 billion in 2014 to ₩1,306 billion in 2015. This decrease was primarily due to a decrease in average yields on credit card receivables, mainly reflecting the lower interest rate environment in Korea in 2015, which was offset in part by an increase in the average volume of such receivables.

Interest expense for this segment decreased 9.4% from ₩360 billion in 2014 to ₩326 billion in 2015. This decrease was primarily due to decreased funding costs for this segment in light of the lower interest rate environment in Korea in 2015.

Net fee and commission income attributable to this segment increased 14.7% from ₩95 billion in 2014 to ₩109 billion in 2015, which resulted mainly from increases in check card related fee and commission income and other credit card related fee and commission income. The increase in check card related fee and commission income mainly reflected to the increased use of check cards by our customers in lieu of cash. The increase in other credit card related fee and commission income was primarily due to increased use of credit cards by our customers to pay taxes and dues. In 2015, the Korean government removed the upper limit on the amount of taxes that may be paid by credit card.

Net other operating expense attributable to this segment increased 12.5% from ₩32 billion in 2014 to ₩36 billion in 2015, primarily due to an increase in accumulated reward points that are recognized as other operating expense, which mainly reflected the increased use of check cards and credit cards.

General and administrative expenses attributable to this segment decreased 2.3% from ₩341 billion in 2014 to ₩333 billion in 2015, mainly due to decreases in other general and administrative expenses, including taxes and dues, as well as advertising expenses.

Provision for credit losses decreased 11.5% from ₩278 billion in 2014 to ₩246 billion in 2015, mainly due to an improvement in the overall asset quality of our credit card receivables, reflecting a decrease in delinquency rates.

Net other non-operating expense attributable to this segment increased 140.0% from ₩5 billion in 2014 to ₩12 billion in 2015, primarily due to an increase in other non-operating expense, mainly reflecting an increase in provision for litigation relating to the misappropriation of personal information of the customers of KB Kookmin Card by a third party in 2014.

Comparison of 2014 to 2013

Our profit before income tax for this segment decreased 13.7% from ₩502 billion in 2013 to ₩433 billion in 2014.

Interest income from our credit card operations decrease 5.7% from ₩1,436 billion in 2013 to ₩1,354 billion in 2014. This decrease was primarily due to a decrease in average yields on credit card receivables, mainly reflecting the lower interest rate environment in Korea in 2014, which was enhanced by a decrease in the average volume of such receivables.

Interest expense for this segment decreased 5.0% from ₩379 billion in 2013 to ₩360 billion in 2014. This decrease was primarily due to decreased funding costs for this segment in light of the lower interest rate environment in Korea in 2014.

Net fee and commission income attributable to this segment decreased 48.6% from ₩185 billion in 2013 to ₩95 billion in 2014, which resulted mainly from an increase in credit card and debit card related fee and commission expenses. Such increase was principally due to an increase in debit card related fee and commission expenses, including fees paid to value-added network providers, reflecting the increased use of debit cards.

Net other operating expense attributable to this segment decreased 17.9% from ₩39 billion in 2013 to ₩32 billion in 2014, primarily due to a decrease in accumulated reward points that are recognized as other operating expense, reflecting a change in our rewards program in 2014.

General and administrative expenses attributable to this segment decreased 3.7% from ₩354 billion in 2013 to ₩341 billion in 2014, mainly due to a decrease in other general and administrative expenses, including communication expenses and supplies expenses.

Provision for credit losses decreased 19.4% from ₩345 billion in 2013 to ₩278 billion in 2014, mainly due to an improvement in the overall asset quality of our credit card receivables, reflecting a decrease in delinquency rates.

Net other non-operating expense attributable to this segment increased 150.0% from ₩2 billion in 2013 to ₩5 billion in 2014, primarily due to an increase in miscellaneous other non-operating expense, which resulted mainly from an increase in expenses related to management of credit card receivables, as well as an increase in charitable donations by KB Kookmin Card.

Investment and Securities Operations

This segment consists primarily of securities brokerage, investment banking, securities investment and trading and other capital markets services conducted by KB Investment & Securities. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 41	₩ 45	₩ 50	9.8%	11.1%
Interest expense	(17)	(27)	(25)	58.8	(7.4)
Net fee and commission income	76	76	98	—	28.9
Net gain from financial assets and liabilities at fair value through profit or loss	19	47	51	147.4	8.5
Net other operating income	1	5	14	400.0	180.0
General and administrative expenses	(96)	(103)	(120)	7.3	16.5
Provision for credit losses	(5)	(4)	(5)	(20.0)	25.0
Net other non-operating expense	(2)	—	—	(100.0)	—
Profit before income tax	17	39	63	129.4	61.5
Tax expense [1]	(5)	(13)	(16)	160.0	23.1
Profit for the year	₩ 12	₩ 26	₩ 47	116.7	80.8

(1) Represents income tax attributable to KB Investment & Securities.

Comparison of 2015 to 2014

Our profit before income tax for this segment increased 61.5% from ₩39 billion in 2014 to ₩63 billion in 2015.

Interest income from our investment and securities operations increased 11.1% from ₩45 billion in 2014 to ₩50 billion in 2015. This increase was primarily due to an increase in the average volume of loans secured by securities.

Interest expense for this segment decreased 7.4% from ₩27 billion in 2014 to ₩25 billion in 2015, which mainly reflected a general decrease in the average cost of our debts in light of the lower interest rate environment in Korea, which was enhanced by a decrease in the average volume of call money and bonds sold under repurchase agreements.

Net fee and commission income attributable to this segment increased 28.9% from ₩76 billion in 2014 to ₩98 billion in 2015, primarily due to an increase in commissions relating to securities underwriting activities, which was enhanced by an increase in brokerage commissions.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment increased 8.5% from ₩47 billion in 2014 to ₩51 billion in 2015, principally as a result of an increase in net gain on financial assets held-for-trading and derivatives held-for-trading.

Net other operating income attributable to this segment increased 180.0% from ₩5 billion in 2014 to ₩14 billion in 2015, principally as a result of an increase in net gain on foreign currency translation.

General and administrative expenses attributable to this segment increased 16.5% from ₩103 billion in 2014 to ₩120 billion in 2015, principally due to increases in salary expense and commission expense.

Provision for credit losses increased 25.0% from ₩4 billion in 2014 to ₩5 billion in 2015.

Net other non-operating expense attributable to this segment remained constant at nil in 2014 and 2015.

Comparison of 2014 to 2013

Our profit before income tax for this segment increased 129.4% from ₩17 billion in 2013 to ₩39 billion in 2014.

Interest income from this segment increased 9.8% from ₩41 billion in 2013 to ₩45 billion in 2014. This increase was primarily due to an increase in the average volume of loans secured by securities.

Interest expense for this segment increased 58.8% from ₩17 billion in 2013 to ₩27 billion in 2014, which mainly reflected an increase in the average volume of repurchase agreements.

Net fee and commission income attributable to this segment remained constant at ₩76 billion in 2013 and 2014.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment increased 147.4% from ₩19 billion in 2013 to ₩47 billion in 2014, principally as a result of an increase in net gain on financial assets held-for-trading and derivatives held-for-trading.

Net other operating income attributable to this segment increased five-fold from ₩1 billion in 2013 to ₩5 billion in 2014, principally as a result of an increase in net gain on foreign currency translation.

General and administrative expenses attributable to this segment increased 7.3% from ₩96 billion in 2013 to ₩103 billion in 2014, principally due to an increase in performance-based salary expense.

Provision for credit losses decreased 20.0% from ₩5 billion in 2013 to ₩4 billion in 2014.

Net other non-operating expense attributable to this segment decreased from ₩2 billion in 2013 to nil in 2014.

Life Insurance Operations

This segment consists of life insurance and wealth management services provided by KB Life Insurance. The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31, (in billions of Won)			Percentage Change (%)	
	2013	2014	2015	2014/2013	2015/2014
Income statement data					
Interest income	₩ 200	₩ 227	₩ 236	13.5%	4.0%
Interest expense	—	—	—	—	—
Net gain from financial assets and liabilities at fair value through profit or loss	18	10	8	(44.4)	(20.0)
Net other operating expense	(154)	(163)	(136)	5.8	(16.6)
General and administrative expenses	(51)	(60)	(79)	17.6	31.7
Provision for credit losses	(1)	(1)	(10)	—	N/M [(1)]
Net other non-operating expense	—	(1)	—	N/M [(1)]	(100.0)
Profit before income tax	12	12	19	—	58.3
Tax expense [(2)]	(3)	(5)	(8)	66.7	60.0
Profit for the year	₩ 9	₩ 7	₩ 11	(22.2)	57.1

(1) "N/M" means not meaningful.
(2) Represents income tax attributable to KB Life Insurance.

Comparison of 2015 to 2014

Our profit before income tax for this segment increased 58.3% from ₩12 billion in 2014 to ₩19 billion in 2015.

Interest income from our life insurance operations increased 4.0% from ₩227 billion in 2014 to ₩236 billion in 2015, primarily due to an increase in the average volume of special bonds in the held-to-maturity financial debt securities portfolio held by KB Life Insurance, as well as increases in the average volumes of mortgage loans and other consumer loans. Special bonds generally have a greater yield-to-maturity than government bonds, and special bonds comprised a relatively larger portion of the held-to-maturity financial debt securities portfolio held by KB Insurance in 2015 compared to 2014.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 20.0% from ₩10 billion in 2014 to ₩8 billion in 2015, which mainly reflected a decrease in gains on sales of beneficiary certificates.

Net other operating expense attributable to this segment decreased 16.6% from ₩163 billion in 2014 to ₩136 billion in 2015, principally due to an increase in other operating income, mainly reflecting an increase in premium income from single-premium immediate annuities. The effect of this increase was enhanced by a decrease in provisions for policy reserve as the number of insurance policies cancelled increased, primarily reflecting a downturn in the economy.

General and administrative expenses attributable to this segment increased 31.7% from ₩60 billion in 2014 to ₩79 billion in 2015, primarily due to increases in commissions expense, sales promotion and advertising expense and taxes and dues.

Provision for credit losses increased tenfold from ₩1 billion in 2014 to ₩10 billion in 2015, mainly due to an increase in provision for credit losses relating to life insurance policy loans.

Net other non-operating expense attributable to this segment decreased from ₩1 billion in 2014 to nil in 2015.

Comparison of 2014 to 2013

Our profit before income tax for this segment remained constant at ₩12 billion in 2013 and 2014.

Interest income from this segment increased 13.5% from ₩200 billion in 2013 to ₩227 billion in 2014, primarily due to an increase in the average volume of held-to-maturity debt securities held by KB Life Insurance, particularly government agency debt securities.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 44.4% from ₩18 billion in 2013 to ₩10 billion in 2014, which mainly reflected a decrease in gains on sales of beneficiary certificates.

Net other operating expense attributable to this segment increased 5.8% from ₩154 billion in 2013 to ₩163 billion in 2014, principally due to a decrease in income related to insurance as the number of insurance policies cancelled or partially withdrawn increased, mainly reflecting a downturn in the economy.

General and administrative expenses attributable to this segment increased 17.6% from ₩51 billion in 2013 to ₩60 billion in 2014, primarily due to increases in rental expense and salary expense.

Provision for credit losses remained constant at ₩1 billion in 2013 and 2014.

Net other non-operating expense attributable to this segment increased from nil in 2013 to ₩1 billion in 2014.

Other

"Other" includes the operations of our holding company and all of our subsidiaries that were consolidated under IFRS as issued by the IASB as of December 31, 2015 except Kookmin Bank, KB Kookmin Card, KB Investment & Securities and KB Life Insurance, including principally KB Asset Management, KB Real Estate Trust, KB Investment, KB Credit Information, KB Data System, KB Savings Bank and KB Capital (commencing in 2014). See "—Overview—Acquisitions." The following table shows, for the periods indicated, our income statement data for this segment:

	Year Ended December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Income statement data					
Interest income	₩ 106	₩ 326	₩ 414	207.5%	27.0%
Interest expense	(25)	(123)	(163)	392.0	32.5
Net fee and commission income	118	134	169	13.6	26.1
Net gain from financial assets and liabilities at fair value through profit or loss	29	26	15	(10.3)	(42.3)
Net other operating income	40	70	59	75.0	(15.7)
General and administrative expenses	(142)	(189)	(227)	33.1	20.1
Provision for credit losses	(28)	(57)	(35)	103.6	(38.6)
Share of profit (loss) of associates	(38)	(14)	195	(63.2)	N/M [1]
Net other non-operating revenue (expense)	31	(25)	(35)	N/M [1]	40.0
Profit before income tax	91	148	391	62.6	164.2
Tax expense [2]	(30)	(33)	(37)	10.0	12.1
Profit for the year	₩ 61	₩ 115	₩ 354	88.5	207.8

(1) "N/M" means not meaningful.

(2) Represents income tax attributable to our holding company and all of our subsidiaries that were consolidated under IFRS as issued by the IASB except Kookmin Bank, KB Kookmin Card, KB Investment & Securities and KB Life Insurance.

Comparison of 2015 to 2014

Our profit before income tax for this segment increased 164.2% from ₩148 billion in 2014 to ₩391 billion in 2015.

Interest income attributable to this segment increased 27.0% from ₩326 billion in 2014 to ₩414 billion in 2015. This increase was primarily due to an increase in interest on loans of KB Capital.

Interest expense attributable to this segment increased 32.5% from ₩123 billion in 2014 to ₩163 billion in 2015, principally reflecting an increase in interest expense on debentures of KB Capital.

Net fee and commission income attributable to this segment increased 26.1% from ₩134 billion in 2014 to ₩169 billion in 2015, mainly due to an increase in rental fees and lease fees received by KB Capital as well as an increase in trust and other fiduciary fees received by KB Asset Management.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 42.3% from ₩26 billion in 2014 to ₩15 billion in 2015, principally due to a decrease in net gain on valuation of derivatives held by KB Mezzanine Private Securities Fund I.

Net other operating income attributable to this segment decreased 15.7% from ₩70 billion in 2014 to ₩59 billion in 2015, primarily as a result of a decrease in other operating income from sales of non-performing loans held by KB Capital and KB Savings Bank, as well as a decrease in gain on disposal of available-for-sale equity securities held by KB Investment & Securities.

General and administrative expenses attributable to this segment increased 20.1% from ₩189 billion in 2014 to ₩227 billion in 2015, which mainly reflected an increase in salary expense for KB Capital, KB Asset Management and KB Real Estate Trust, as well as increases in commission expense and other general and administrative expenses attributable to KB Capital.

Provision for credit losses decreased 38.6% from ₩57 billion in 2014 to ₩35 billion in 2015, principally due to a decrease in KB Capital's provision for credit losses and an increase in KB Savings Bank's reversal of provision for credit losses, reflecting an overall improvement in the asset quality of loans held by KB Capital and KB Savings Bank.

Share of profit (loss) of associates attributable to this segment changed from a loss of ₩14 billion in 2014 to a profit of ₩195 billion in 2015, mainly reflecting the addition of KB Insurance Co., Ltd. as an associate in 2015.

Net other non-operating expense attributable to this segment increased 40.0% from ₩25 billion in 2014 to ₩35 billion in 2015, primarily due to an increase in KB Asset Management's provision for litigation, which was offset in part by a decrease in impairment losses on goodwill recognized by KB Savings Bank.

Comparison of 2014 to 2013

Our profit before income tax for this segment increased 62.6% from ₩91 billion in 2013 to ₩148 billion in 2014.

Interest income attributable to this segment increased 207.5% from ₩106 billion in 2013 to ₩326 billion in 2014. This increase was primarily due to an increase in interest on loans, mainly reflecting the addition of KB Capital to this segment from 2014.

Interest expense attributable to this segment increased 392.0% from ₩25 billion in 2013 to ₩123 billion in 2014, principally reflecting the addition of KB Capital to this segment from 2014.

Net fee and commission income attributable to this segment increased 13.6% from ₩118 billion in 2013 to ₩134 billion in 2014, mainly as the result of increases in rental fees and lease fees, mainly reflecting the addition of KB Capital to this segment from 2014.

Net gain from financial assets and liabilities at fair value through profit or loss attributable to this segment decreased 10.3% from ₩29 billion in 2013 to ₩26 billion in 2014, principally due to a decrease in net gain on valuation of derivatives held by KB Mezzanine Private Securities Fund I, which was partially offset by an increase in net gain on valuation of financial assets held for trading by KStar KTB ETF (Bond).

Net other operating income attributable to this segment increased 75.0% from ₩40 billion in 2013 to ₩70 billion in 2014, primarily as a result of an increase in other operating income from sales of non-performing loans held by KB Capital and KB Savings Bank.

General and administrative expenses attributable to this segment increased 33.1% from ₩142 billion in 2013 to ₩189 billion in 2014, which mainly reflected the addition of KB Capital to this segment from 2014.

Provision for credit losses increased 103.6% from ₩28 billion in 2013 to ₩57 billion in 2014, principally reflecting the addition of KB Capital to this segment from 2014.

Share of loss of associates attributable to this segment decreased 63.2% from ₩38 billion in 2013 to ₩14 billion in 2014, primarily due to a decrease in impairment losses attributable to this segment.

Net other non-operating revenue (expense) attributable to this segment changed from a revenue of ₩31 billion in 2013 to an expense of ₩25 billion in 2014, primarily due to a decrease in other non-operating revenue from KB Asset Management, which was enhanced by an increase in impairment losses on goodwill recognized by KB Savings Bank.

Item 5.B. *Liquidity and Capital Resources*

Financial Condition

Assets

The following table sets forth, as of the dates indicated, the principal components of our assets:

	As of December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Cash and due from financial institutions	₩ 14,793	₩ 15,424	₩ 16,316	4.3%	5.8%
Financial assets at fair value through profit or loss	9,329	10,758	11,174	15.3	3.9
Derivative financial assets	1,819	1,968	2,278	8.2	15.8
Financial investments	34,849	34,961	39,137	0.3	11.9
Loans:					
Loans to banks	6,335	6,208	6,780	(2.0)	9.2
Loans to customers other than banks:					
Loans in Won	189,516	200,345	212,777	5.7	6.2
Loans in foreign currencies	3,055	2,624	2,702	(14.1)	3.0
Domestic import usance bills	2,978	3,694	3,445	24.0	(6.7)
Off-shore funding loans	670	665	585	(0.7)	(12.0)
Call loans	697	292	198	(58.1)	(32.2)
Bills bought in Won	14	7	5	(50.0)	(28.6)
Bills bought in foreign currencies	1,588	1,958	2,812	23.3	43.6
Guarantee payments under payment guarantee	38	13	26	(65.8)	100.0
Credit card receivables in Won	11,782	11,629	12,132	(1.3)	4.3
Credit card receivables in foreign currencies	2	3	4	50.0	33.3
Bonds purchased under repurchase agreements	1,683	1,082	228	(35.7)	(78.9)
Privately placed bonds	732	743	822	1.5	10.6
Factored receivables	2,772	2,793	2,708	0.8	(3.0)
Lease receivables	—	860	1,210	N/M [1]	40.7
Loans for installment credit	—	985	1,153	N/M [1]	17.1
Total loans to customers other than banks	215,527	227,693	240,807	5.6	5.8
Less:					
Allowances for loan losses	(2,861)	(2,451)	(2,582)	(14.3)	5.3
Total loans, net	219,001	231,450	245,005	5.7	5.9
Property and equipment	3,061	3,083	3,287	0.7	6.6
Other assets [2]	9,316	10,712	11,868	15.0	10.8
Total assets	₩292,168	₩308,356	₩329,065	5.5	6.7

(1) "N/M" means not meaningful.

(2) Includes investments in associates and joint ventures, investment properties, intangible assets, current income tax assets, deferred income tax assets, assets held for sale and other assets.

For further information on our assets, see "Item 4.B. Business Overview—Assets and Liabilities."

Comparison of 2015 to 2014

Our total assets increased 6.7% from ₩308,356 billion as of December 31, 2014 to ₩329,065 billion as of December 31, 2015, principally due to a 6.2% increase in loans in Won from ₩200,345 billion as of December 31, 2014 to ₩212,777 billion as of December 31, 2015, as well as an 11.9% increase in financial investments from ₩34,961 billion as of December 31, 2014 to ₩39,137 billion as of December 31, 2015.

Comparison of 2014 to 2013

Our total assets increased 5.5% from ₩292,168 billion as of December 31, 2013 to ₩308,356 billion as of December 31, 2014, principally due to a 5.7% increase in loans from ₩219,001 billion as of December 31, 2013 to ₩231,450 billion as of December 31, 2014. This increase in loans was mainly the result of a 5.7% increase in loans in Won from ₩189,516 billion as of December 31, 2013 to ₩200,345 billion as of December 31, 2014, which was offset in part by a 35.7% decrease in bonds purchased under repurchase from ₩1,683 billion as of December 31, 2013 to ₩1,082 billion as of December 31, 2014, a 14.1% decrease in loans in foreign currencies from ₩3,055 billion as of December 31, 2013 to ₩2,624 billion as of December 31, 2014 and a 58.1% decrease in call loans from ₩697 billion as of December 31, 2013 to ₩292 billion as of December 31, 2014.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities and our equity:

	As of December 31,			Percentage Change	
	2013	2014	2015	2014/2013	2015/2014
	(in billions of Won)			(%)	
Liabilities:					
Financial liabilities at fair value through profit or loss	₩ 1,115	₩ 1,819	₩ 2,975	63.1%	63.6%
Deposits	200,882	211,549	224,268	5.3	6.0
Debts	14,101	15,865	16,241	12.5	2.4
Debentures	27,040	29,201	32,601	8.0	11.6
Provisions	678	614	607	(9.4)	(1.1)
Other liabilities (1)	22,369	21,795	23,471	(2.6)	7.7
Total liabilities	266,185	280,843	300,163	5.5	6.9
Equity:					
Capital stock	1,932	1,932	1,932	—	—
Capital surplus	15,855	15,855	15,855	—	—
Accumulated other comprehensive income	336	461	429	37.2	(6.9)
Retained earnings	7,860	9,067	10,464	15.4	15.4
Equity attributable to stockholders	25,983	27,315	28,680	5.1	5.0
Non-controlling interests	—	198	222	N/M (2)	12.1
Total equity	25,983	27,513	28,902	5.9	5.0
Total liabilities and equity	₩292,168	₩308,356	₩329,065	5.5	6.7

(1) Includes derivative financial liabilities, current income tax liabilities, deferred income tax liabilities, defined benefit liabilities and other liabilities.

(2) "N/M" means not meaningful.

Comparison of 2015 to 2014

Our total liabilities increased 6.9% from ₩280,843 billion as of December 31, 2014 to ₩300,163 billion as of December 31, 2015. The increase was primarily due to a 6.0% increase in deposits from ₩211,549 billion as of December 31, 2014 to ₩224,268 billion as of December 31, 2015. Our deposits increased mainly as a result of an increase in demand deposits.

Our total equity increased 5.0% from ₩27,513 billion as of December 31, 2014 to ₩28,902 billion as of December 31, 2015. This increase resulted principally from an increase in our retained earnings, which was attributable to the profit we generated in 2015.

Comparison of 2014 to 2013

Our total liabilities increased 5.5% from ₩266,185 billion as of December 31, 2013 to ₩280,843 billion as of December 31, 2014. The increase was primarily due to a 5.3% increase in deposits from ₩200,882 billion as of December 31, 2013 to ₩211,549 billion as of December 31, 2014. Our deposits increased mainly as a result of an increase in demand deposits.

Our total equity increased 5.9% from ₩25,983 billion as of December 31, 2013 to ₩27,513 billion as of December 31, 2014. This increase resulted principally from an increase in our retained earnings, which was attributable to the profit we generated in 2014.

Liquidity

Our primary source of funding has historically been and continues to be deposits. Deposits amounted to ₩200,882 billion, ₩211,549 billion and ₩224,268 billion as of December 31, 2013, 2014 and 2015, which represented approximately 83.0%, 82.4% and 82.1% of our total funding, respectively. We have been able to use customer deposits to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See "Item 3.D. Risk Factors—Risks relating to liquidity and capital management—Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations." In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in financial assets and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through debentures and debts to meet our liquidity needs. Debentures represented 11.2%, 11.4% and 11.9% of our total funding as of December 31, 2013, 2014 and 2015, respectively. Debts represented 5.8%, 6.2% and 5.9% of our total funding as of December 31, 2013, 2014 and 2015, respectively. For further information on our sources of funding, see "Item 4.B. Business Overview—Assets and Liabilities—Funding."

The Financial Services Commission of Korea requires each financial holding company in Korea to maintain specific Won and foreign currency liquidity ratios and each bank in Korea to maintain a liquidity coverage ratio and a foreign currency liquidity ratio. These ratios require us and Kookmin Bank to keep the ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Liquidity" and "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Liquidity."

We are exposed to liquidity risk arising from withdrawals of deposits and maturities of our debentures and debts, as well as the need to fund our lending, trading and investment activities and the management of our trading positions. The goal of liquidity management is for us to be able, even under adverse conditions, to meet all of our liability repayments on time and fund all investment opportunities. For an explanation of how we manage our liquidity risk, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Liquidity Risk Management."

We are a financial holding company, and substantially all of our operations are in our subsidiaries. Accordingly, we rely on distributions from our subsidiaries, direct borrowings and issuances of debt and equity securities to fund our liquidity obligations. We received aggregate dividends of ₩282 billion, ₩509 billion and ₩316 billion from our subsidiaries in 2013, 2014 and 2015, respectively. See "Item 3.D. Risk Factors—Risks relating to our financial holding company structure and strategy."

Asset Encumbrance

Part of our future funding and collateral needs are supported by assets readily available and unrestricted. The following table sets forth our assets that are available and those that are encumbered and not available to support our future funding and collateral needs as of December 31, 2015.

	December 31, 2015			
			Unencumbered Assets	
	Assets	Encumbered Asset (1)	Readily Available (2)	Other (3)
	(in billions of Won)			
On-balance sheet				
Cash and due from financial institutions	₩ 16,316	₩ 848	₩15,217	₩ 251
Financial assets at fair value through profit or loss	11,174	2,685	3,271	5,218
Derivative financial assets	2,277	—	—	2,277
Loans	245,005	3,949	—	241,056
Financial investments	39,137	4,491	25,357	9,289
Investments in associates and joint ventures	1,738	—	—	1,738
Property and equipment	3,287	—	—	3,287
Investment property	212	—	—	212
Intangible assets	467	—	—	467
Current income tax assets	19	—	—	19
Deferred income tax assets	8	—	—	8
Assets held for sale	49	15	—	34
Other assets	9,376	1,224	—	8,152
Total on-balance sheet	₩329,065	₩13,212	₩43,845	₩272,008
Off-balance sheet				
Fair value of securities accepted as collateral	₩ 2,046	₩ —	₩ 2,046	₩ —
Total off-balance sheet	₩ 2,046	₩ —	₩ 2,046	₩ —

(1) Represent assets that have been pledged as collateral against an existing liability or are otherwise restricted in their use to secure funding.
(2) Represent those on- and off-balance sheet assets that are not otherwise encumbered, and which are in freely transferable form.
(3) Pursuant to the European Banking Authorities' guidelines on disclosure of encumbered and unencumbered assets published on June 27, 2014, we have excluded asset encumbrances arising from activities within insurance entities and categorized the assets of KB Life Insurance, our insurance entity, as "Unencumbered Assets—Other."

Contractual Cash Obligations

The following table sets forth our contractual cash obligations (excluding short-term borrowings) as of December 31, 2015.

	Payments Due by Period				
	Total	1 Year or Less	1-3 Years	3-5 Years	More Than 5 Years
	(in billions of Won)				
Long-term borrowing obligations [1][2]	₩ 40,555	₩ 13,677	₩16,204	₩5,943	₩4,731
Operating lease obligations [3]	271	126	89	21	35
Capital lease obligations	7	3	2	2	—
Pension obligations	191	191	—	—	—
Deposits [2][4]	132,304	118,179	7,943	3,023	3,159
Total	₩173,328	₩132,176	₩24,238	₩8,989	₩7,925

(1) Includes debt and debentures with original maturities of one year or more.

(2) Includes estimated future interest payments, which have been estimated using contractual interest rates and scheduled contractual maturities of the outstanding debt obligations and borrowings as of December 31, 2015. In order to calculate future interest payments on debt with floating rates, we used contractual interest rates as of December 31, 2015.

(3) This line item is not included within our consolidated statements of financial position.

(4) Excluding demand deposits.

Commitments and Guarantees

The following table sets forth our commitments and guarantees as of December 31, 2015. These commitments and guarantees are not included within our consolidated statements of financial position.

	Payments Due by Period				
	Total	1 Year or Less	1-3 Years	3-5 Years	More Than 5 Years
	(in billions of Won)				
Financial guarantees [1]	₩ 4,021	₩ 1,579	₩2,286	₩ 84	₩ 72
Confirmed acceptances and guarantees	5,770	3,270	1,887	613	—
Commitments	97,603	95,343	1,541	476	243
Total	₩107,394	₩100,192	₩5,714	₩1,173	₩315

(1) Includes ₩3,548 billion of irrevocable commitments to provide contingent liquidity credit lines to special purpose entities for which we serve as the administrator. See Note 40 of the notes to our consolidated financial statements.

Capital Adequacy

Kookmin Bank is subject to capital adequacy requirements of the Financial Services Commission applicable to Korean banks. The requirements applicable prior to December 2013 were formulated based on Basel II, which was first published by the Basel Committee on Banking Supervision, Bank for International Settlements in 2004. The requirements applicable commencing in December 2013 pursuant to amended Financial Services Commission regulations promulgated in July 2013 were formulated based on Basel III, which was first introduced by the Basel Committee on Banking Supervision, Bank for International Settlements in December 2009. Under the amended Financial Services Commission regulations, all banks in Korea are required to maintain certain minimum ratios of common equity Tier I capital, total Tier I capital and total Tier I and Tier II capital to risk-weighted assets. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Capital Adequacy."

As of December 31, 2015, Kookmin Bank's total Tier I and Tier II capital adequacy ratio was 16.01%.

The following table sets forth a summary of Kookmin Bank's capital and capital adequacy ratios as of December 31, 2013, 2014 and 2015 based on Basel III.

	As of December 31,		
	2013	2014	2015
	(in billions of Won, except percentages)		
Tier I capital:	₩ 18,502	₩ 19,621	₩ 20,332
Common equity Tier I capital	18,502	19,621	20,332
Paid-in capital	2,022	2,022	2,022
Capital reserves	5,220	5,220	5,220
Retained earnings	11,237	12,260	13,170
Non-controlling interests in consolidated subsidiaries	—	—	—
Others	23	119	(79)
Additional Tier I capital	—	—	—
Tier II capital:	4,122	3,801	3,354
Revaluation reserves	—	—	—
Allowances for credit losses(1)	843	886	803
Hybrid debt	43	31	22
Subordinated debt	3,236	2,884	2,529
Valuation gain on investment securities	—	—	—
Others	—	—	—
Total core and supplementary capital	22,624	23,422	23,686
Risk-weighted assets	146,743	146,690	147,973
Credit risk:			
On-balance sheet	125,044	124,325	124,251
Off-balance sheet	6,787	8,128	9,138
Market risk	4,012	3,445	4,189
Operational risk	10,900	10,792	10,394
Total Tier I and Tier II capital adequacy ratio	15.42%	15.97%	16.01%
Tier I capital adequacy ratio	12.61%	13.38%	13.74%
Common equity Tier I capital adequacy ratio	12.61%	13.38%	13.74%
Tier II capital adequacy ratio	2.81%	2.59%	2.27%

(1) Under the standardized approach, allowances for credit losses in respect of credits classified as normal or precautionary are used to calculate Tier II capital only to the extent they represent up to 1.25% of credit risk-weighted assets. Under the internal ratings-based approach, allowances for credit losses, less estimated losses, are used to calculate Tier II capital only to the extent they represent up to 0.6% of credit risk-weighted assets.

In addition, we, as a bank holding company, are required to maintain certain minimum capital adequacy ratios pursuant to applicable regulations of the Financial Services Commission. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Capital Adequacy."

The following table sets forth a summary of our consolidated capital adequacy ratio as of December 31, 2013, 2014 and 2015, based on IFRS and applicable regulatory reporting standards:

	As of December 31,		
	2013	2014	2015
	(in billions of Won)		
Tier I capital			
Common equity Tier I capital	₩ 22,694	₩ 24,062	₩ 25,352
Additional Tier I capital	—	186	234
Total Tier I capital	₩ 22,694	₩ 24,248	₩ 25,586
Tier II capital	4,603	4,099	3,554
Risk-weighted assets	₩177,514	₩182,486	₩188,213
Total Tier I and Tier II capital adequacy ratio	15.38%	15.53%	15.48%
Tier I capital adequacy ratio	12.78%	13.29%	13.59%
Common equity Tier I capital adequacy ratio	12.78%	13.19%	13.47%
Tier II capital adequacy ratio	2.60%	2.24%	1.89%

Recent Accounting Pronouncements

See Note 2 of the notes to our consolidated financial statements included elsewhere in this annual report for a description of recent accounting pronouncements under IFRS as issued by the IASB that have been issued but are not yet effective.

Item 5.C. *Research and Development, Patents and Licenses, etc.*

Not applicable.

Item 5.D. *Trend Information*

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

Item 5.E. *Off -Balance Sheet Arrangements*

See "Item 5B. Liquidity and Capital Resources—Financial Condition—Contractual Cash Obligations" and "Item 5B. Liquidity and Capital Resources—Financial Condition—Commitments and Guarantees."

Item 5.F. *Tabular Disclosure of Contractual Obligations*

See "Item 5B. Liquidity and Capital Resources—Financial Condition—Contractual Cash Obligations."

Item 5.G. *Safe Harbor*

See "Forward-Looking Statements."

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6.A. *Directors and Senior Management*

Board of Directors

Our board of directors, currently consisting of one executive director, one non-standing director and six non-executive directors, has the ultimate responsibility for the management of our affairs.

Our articles of incorporation provide that:

- we may have no more than 30 directors;
- the number of executive directors must be less than 50% of the total number of directors; and
- we have five or more non-executive directors.

The term of office for each director is renewable and is subject to the Korean Commercial Code, the Financial Holding Company Act and related regulations.

Our board of directors meets on a regular basis to discuss and resolve material corporate matters. Additional extraordinary meetings may also be convened at the request of any director or any committee that serves under the board of directors.

The names and positions of our directors are set forth below. The business address of all of the directors is our registered office at 84, Namdaemoon-ro, Jung-gu, Seoul 04534, Korea.

Executive Director

The table below identifies our executive director as of the date of this annual report:

Name	Date of Birth	Position	Director Since	End of Term
Jong Kyoo Yoon	October 13, 1955	Chairman and Chief Executive Officer	November 21, 2014	November 20, 2017

Our executive director does not have any significant activities outside KB Financial Group.

Jong Kyoo Yoon is our chairman and chief executive officer. He has been an executive director since November 2014. Mr. Yoon also serves as the president and chief executive officer of Kookmin Bank. He previously served as our deputy president, chief financial officer and chief risk officer, a senior advisor of Kim & Chang, a senior executive vice president, chief financial officer and chief strategic officer of Kookmin Bank and a senior partner of Samil PricewaterhouseCoopers Korea. Mr. Yoon received a B.A. in business administration from Sungkyunkwan University, an M.B.A. from Seoul National University and a Ph.D. in business administration from Sungkyunkwan University.

Non-standing Director

The table below identifies our non-standing director as of the date of this annual report:

Name	Date of Birth	Position	Director Since	End of Term
Hong Lee	April 7, 1958	Non-standing director; Deputy President of Kookmin Bank	March 27, 2015	March 26, 2017

Hong Lee has been a non-standing director since March 2015. He currently serves as a deputy president and the head of the strategy and financial planning group at Kookmin Bank. Mr. Lee previously served as a deputy president and the head of the sales group at Kookmin Bank and as a senior executive vice president of the corporate banking division at Kookmin Bank. Mr. Lee received a B.A. in linguistics from Seoul National University and an M.B.A. from Helsinki School of Economics.

Non-executive Directors

Our non-executive directors are selected based on the candidates' knowledge and experience in diverse areas, such as financial services, accounting, finance, law and regulation, risk management and human resources management. All six non-executive directors below were nominated by our Non-executive Director Nominating Committee and approved by our shareholders.

The table below identifies our non-executive directors as of the date of this annual report:

Name	Date of Birth	Position	Director Since	Date Term Ends [1]
Young Hwi Choi	October 28, 1945	Non-executive Director	March 27, 2015	March 24, 2017
Suk Ryul Yoo	April 21, 1950	Non-executive Director	March 27, 2015	March 24, 2017
Michael Byungnam Lee . . .	September 24, 1954	Non-executive Director	March 27, 2015	March 24, 2017
Jae Ha Park	November 25, 1957	Non-executive Director	March 27, 2015	March 24, 2017
Eunice Kyonghee Kim	March 29, 1959	Non-executive Director	March 27, 2015	March 24, 2017
Jong Soo Han	October 16, 1960	Non-executive Director	March 27, 2015	March 24, 2017

(1) The date on which each term will end will be the date of the general stockholders' meeting in the relevant year unless otherwise specified.

Young Hwi Choi has been a non-executive director since March 2015. He previously served as the president and chief executive officer of Shinhan Financial Group Co., Ltd., a deputy president of Shinhan Bank and a deputy director at the former Ministry of Finance. Mr. Choi received a B.A. in economics from Sungkyunkwan University.

Suk Ryul Yoo has been a non-executive director since March 2015. He currently serves as an advisor to Samsung Electronics Co., Ltd. Mr. Yoo previously served as the chairman of the Credit Finance Association and the president and chief executive officer of Samsung Total Petrochemicals Co., Ltd., Samsung Card Co., Ltd., Samsung Life Insurance Co., Ltd., Samsung Securities Co., Ltd. and Samsung Capital Co., Ltd. He received a B.A. in business administration from Seoul National University and an M.S. in industrial engineering from Korea Advanced Institute of Science and Technology.

Michael Byungnam Lee has been a non-executive director since March 2015. He currently serves as an advisor to LG Academy. Mr. Lee previously served as the president and chief executive officer of LG Academy, an executive vice president of human resources at LG Corporation, a vice president of LG Academy and an assistant professor at Georgia State University and California State University. He received a B.A. in economics from Sogang University, an M.L.H.R. from Ohio Statement University and a Ph.D. in industrial relations from the University of Minnesota.

Jae Ha Park has been a non-executive director since March 2015. He is currently a senior research fellow at the Korea Institute of Finance. Mr. Park previously served as a deputy dean of the Asian Development Bank Institute, a vice president of the Korea Institute of Finance, a vice chairman of the Korea Money and Finance Association and a senior counselor to the Minister of the former Ministry of Finance and Economy. He has also served as a non-executive director of Shinhan Bank, Daewoo Securities Co., Ltd. and Jeonbuk Bank. Mr. Park received a B.A. in economics from Seoul National University and a Ph.D. in economics from Pennsylvania State University.

Eunice Kyonghee Kim has been a non-executive director since March 2015. She is currently a professor at Ewha Law School. Ms. Kim previously served as the deputy chief executive officer and chief compliance officer of Hana Financial Group Inc., a managing director and chief compliance officer of Citibank Japan Inc., an executive vice president and chief legal officer of Citibank Korea Inc. and a vice-chairperson of the International Association of Korean Lawyers. She received a B.A. in Chinese studies and administrative science from Yale University and a J.D. from Yale Law School.

Jongsoo Han has been a non-executive director since March 2015. He is currently a professor at Ewha Womans University and also serves as a vice president of Korea Accounting Association as well as a member of the IFRS Interpretations Committee and the Korea Accounting Standards Board. Mr. Han previously served as a member of the Korea Accounting Deliberating Council of the Financial Services Commission. Mr. Han received a B.A. in business administration and an M.B.A. from Yonsei University and a Ph.D. in accounting from Joseph M. Katz Graduate School of Business, University of Pittsburgh.

Any director having an interest in a transaction that is subject to approval by the board of directors may not vote at the meeting during which the board approves the transaction.

Executive Officers

The table below identifies our senior executive officers who are not executive directors as of the date of this annual report:

Name	Date of Birth	Position
Ok Chan Kim	July 12, 1956	President and Chief Operating Officer
Ki Heon Kim	October 17, 1955	Deputy President; IT Planning Department
Jungsoo Huh	August 5, 1960	Senior Managing Director; Financial Planning Department and Investor Relations Department; Chief Financial Officer
Dong Cheol Lee	October 4, 1961	Senior Managing Director; Strategic Planning Department and Synergy Management Department
Young-Tae Park	December 24, 1961	Senior Managing Director; Information Security Department and Data Analytics Department
Jae Hong Park	April 10, 1967	Senior Managing Director; Global Business Department
Kyung Yup Cho	September 9, 1961	Senior Managing Director; KB Research
Dae Myeong Kang	September 16, 1963	Managing Director, Future Finance Department
Ki Hwan Kim	March 20, 1963	Managing Director; Risk Management Department and Model Validation Unit
Hong Seob Shin	September 1, 1962	Managing Director; Public Relations Department
Young Hyuk Jo	April 22, 1963	Managing Director, Enforcement Officer of the Internal Audit Department and Head of the Audit Department
Pil Kyu Im	March 20, 1964	Managing Director, Chief Compliance Officer and Head of the Compliance Supporting Department

None of the executive officers has any significant activities outside KB Financial Group.

Ok Chan Kim is our president and chief operating officer. He previously served as the president and chief executive officer of Seoul Guarantee Insurance Company Ltd. and as the acting president and chief executive officer of Kookmin Bank. Mr. Kim received a B.A. in law from Yonsei University and an M.B.A. from Helsinki School of Economics.

Ki Heon Kim is a deputy president and oversees the IT Planning Department. He also serves as a deputy president of Kookmin Bank and heads its information technology group. Mr. Kim previously served as an expert for the financial services division of Samsung SDS Co., Ltd. and the head of branch offices of Peace Bank of Korea. He received a B.A. in accounting from Hanyang University.

Jungsoo Huh is a senior managing director and our chief financial officer. He oversees the Financial Planning Department and Investor Relations Department. Mr. Huh previously served as a deputy president and chief financial officer of KB Insurance Co., Ltd. and the head of Kookmin Bank's financial group. Mr. Huh received a B.A. and an M.A. in economics from Dongguk University and an M.B.A. from Helsinki School of Economics.

Dong Cheol Lee is a senior managing director and oversees the Strategic Planning Department and Synergy Management Department. He also serves as a non-standing director of KB Kookmin Card. Mr. Lee previously served as a deputy president and the head of the business management department at KB Life Insurance and a managing director and the head of our Strategic Planning Department. He received a B.A. in law from Korea University and an L.L.M. from Tulane University Law School.

Young -Tae Park is a senior managing director and heads the Information Security Department, Data Analytics Department and Future Finance Department. He previously served as the head of Kookmin Bank's marketing department and the head of several branch offices of Kookmin Bank. Mr. Park received a B.A. and an M.S. in economics from Korea University.

Jae Hong Park is a senior managing director and oversees the Global Business Department. He also serves as a senior managing director of Kookmin Bank's global business division. Mr. Park previously served as the head of the future strategy department at Hanwha Life Insurance Co., Ltd., the head of the global business department at Samsung Fire & Marine Insurance Co., Ltd. and a partner at McKinsey & Company. He received a B.A. in economics from Seoul National University and a Ph.D. in economics from Princeton University.

Kyung Yup Cho is a senior managing director and heads KB Research. He previously served as a senior editor at MaeKyung Media Group and the head of financial news, political news, social affairs and international news at Maeil Business Newspaper. Mr. Cho received a B.A. in business administration and a Ph.D. in business administration from Yonsei University.

Dae Myeong Kang is a managing director and heads the Future Finance Department. He also serves as the head of Kookmin Bank's future channel group. Mr. Kang previously served as the branch manager of Kookmin Bank's Apgujeong-seo branch. He received a B.S. in statistics from Kangwon National University.

Ki Hwan Kim is a managing director and heads the Risk Management Department and Model Validation Unit. He also serves as a managing director of Kookmin Bank's risk management group. Mr. Kim previously served as a managing director of Kookmin Bank's consumer protection group. He received a B.A. in economics from Seoul National University.

Hong Seob Shin is a managing director and heads the Public Relations Department. He also serves as a managing director of Kookmin Bank and heads its consumer brand strategy group. Mr. Shin previously served as the head of Kookmin Bank's eastern regional group. He received a B.A. in Spanish from Hankuk University of Foreign Studies.

Young Hyuk Jo is a managing director, enforcement officer of the Internal Audit Department and heads the Audit Department. He previously served as the head of Kookmin Bank's Ansan financial center. Mr. Jo received a B.A. in economics from Dong-A University.

Pil Kyu Im is a managing director and chief compliance officer and heads the Compliance Supporting Department. He previously served as the branch manager of Kookmin Bank's Gwanghwamoon branch and Star Tower branch. Mr. Im received a B.A. in agricultural economics from Korea University.

Item 6.B. *Compensation*

The aggregate remuneration paid and benefits-in-kind granted, excluding stock grants, by us and our subsidiaries to our chairman and chief executive officer, our other executive and non-standing directors, our non-executive directors and our executive officers for the year ended December 31, 2015 was ₩5,650 million. For the year ended December 31, 2015, we set aside ₩93 million for allowances for severance and retirement benefits for our chairman and chief executive officer, the other executive directors and our executive officers.

Pursuant to a resolution of our board of directors, effective January 11, 2016, each of Ki-Bum Lee, our former senior managing director, and Kyu Sul Choi, our former managing director, was appointed a business management advisor for a term of one year. We do not have service contracts with any of our other directors or officers providing for benefits upon termination of their employment with us.

Kookmin Bank granted stock options to its president and chief executive officer, other directors and executive officers, as well as employees. In connection with the comprehensive stock transfer in September 2008 pursuant to which we were established, such stock options were converted into stock options with respect to our common stock. See "Item 6.E. Share Ownership—Stock Options." For all of the options granted, upon their exercise, we were required to pay in cash the difference between the exercise price and the market price of our common stock at the date of exercise. Generally, upon vesting, options could be exercised from after three years from the grant date up to eight years after such date, once restrictions on the exercise of options, including continued employment for at least two years from the grant date, lapse.

In 2015, we did not recognize any compensation expense for the stock options granted under our stock option plan. For additional information regarding our compensation expense in connection with our stock option plan, see Note 31 to our consolidated financial statements included elsewhere in this annual report.

In 2008, we also established a stock grant plan. Pursuant to this plan, we have entered into performance share agreements with certain of our and our subsidiaries' directors, executive officers and other senior management, whereby we may grant shares of our common stock (or the equivalent monetary amount based on the market value of such shares) within specified periods as long-term incentive performance shares in accordance with pre-determined performance targets. See "Item 6.E. Share Ownership—Performance Share Agreements." In 2015, we incurred ₩17,429 million of compensation costs relating to stock grants under such agreements. See Note 31.2.2 of the notes to our consolidated financial statements included elsewhere in this annual report.

Item 6.C. *Board Practices*

See "Item 6.A. Directors and Senior Management" above for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

Committees of the Board of Directors

We currently have the following committees that serve under the board:

- the Audit Committee;
- the Corporate Governance Committee;
- the Risk Management Committee;
- the Evaluation & Compensation Committee;
- the Non-executive Director Nominating Committee; and
- the Audit Committee Member Nominating Committee.

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of stockholders.

Audit Committee

The committee currently consists of three non-executive directors, Young Hwi Choi, Eunice Kyonghee Kim and Jongsoo Han. The chairperson of the Audit Committee is Jongsoo Han. The committee oversees our financial reporting and approves the appointment of our independent registered public accounting firm. The committee also reviews our financial information, auditor's examinations, key financial statement issues, the plans and evaluation of internal control and the administration of our financial affairs by the board of directors. In connection with the general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of stockholders. The committee holds regular meetings every quarter.

Corporate Governance Committee

The committee currently consists of one non-standing director, Hong Lee, and three non-executive directors, Young Hwi Choi, Michael Byungnam Lee and Jae Ha Park, together with our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the Corporate Governance Committee is Jong Kyoo Yoon. The committee is responsible for establishing and monitoring procedures for our chairman candidate cultivation and succession program, as well as for candidate cultivation and succession programs for chief executive officers of our subsidiaries. The committee holds regular meetings annually.

Risk Management Committee

The committee currently consists of one non-standing director, Hong Lee, and three non-executive directors, Suk Ryul Yoo, Jae Ha Park and Eunice Kyonghee Kim. The chairperson of the committee is Jae Ha Park. The Risk Management Committee oversees and makes determinations on all issues relating to our comprehensive risk management function. In order to ensure our stable financial condition and to maximize our profits, the committee monitors our overall risk exposure and reviews our compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions and reviews risk-based capital allocations. The committee holds regular meetings every quarter.

Evaluation & Compensation Committee

The committee currently consists of four non-executive directors, Michael Byungnam Lee, Suk Ryul Yoo, Jae Ha Park and Jongsoo Han. The chairperson of the committee is Michael Byungnam Lee. The Evaluation and Compensation Committee reviews compensation schemes and compensation levels of us and our subsidiaries. The committee is also responsible for deliberating and deciding the compensation of directors, evaluating management's performance and implementing management training programs, as well as deciding and supervising the performance-based annual salary of the president and the executive officers of us and our subsidiaries. The committee holds regular meetings semi-annually.

Non-executive Director Nominating Committee

The committee currently consists of three non-executive directors, Young Hwi Choi, Suk Ryul Yoo and Michael Byungnam Lee, together with our chairman and chief executive officer, Jong Kyoo Yoon. The chairperson of the committee is Suk Ryul Yoo. The committee is responsible for the management and evaluation of a pool of non-executive director candidates and recommendation of the non-executive director candidates to be nominated at the annual general meeting of shareholders. The committee holds regular meetings semi-annually.

Audit Committee Member Nominating Committee

The committee currently has no members. The last meeting of the committee was on February 26, 2016 to nominate new Audit Committee members. The committee oversees the selection of Audit Committee member candidates and recommends them annually sometime prior to the general stockholders meeting. The term of office of its members is from the first meeting of the committee held to nominate the Audit Committee members until the Audit Committee members are appointed.

Item 6.D. *Employees*

As of December 31, 2015, we had a total of 181 full-time employees, excluding 10 executive officers, at our financial holding company.

The following table sets forth information regarding our employees at both our financial holding company and our subsidiaries as of the dates indicated:

		As of December 31,		
		2013	2014	2015
KB Financial Group	Full-time employees [1]	151	168	181
	Contractual employees	—	—	—
	Managerial employees	116	131	144
	Members of Korea Financial Industry Union	—	—	—
Kookmin Bank	Full-time employees [1]	16,617	20,758	19,855
	Contractual employees	5,136	903	1,044
	Managerial employees	11,539	11,561	11,034
	Members of Korea Financial Industry Union	17,123	16,977	16,548
Other subsidiaries	Full-time employees [1]	2,786	3,186	6,658
	Contractual employees	137	355	887
	Managerial employees	1,554	1,765	3,286
	Members of Korea Financial Industry Union	1,509	1,324	4,523

(1) Excluding executive officers.

We consider our relations with our employees to be satisfactory. We and our subsidiaries each have a joint labor-management council which serves as a forum for ongoing discussions between our management and employees. At five of our subsidiaries, Kookmin Bank, KB Kookmin Card, KB Capital, KB Real Estate Trust and KB Credit Information, our employees have a labor union. Every year, the unions at Kookmin Bank, KB Kookmin Card, KB Capital, KB Real Estate Trust and KB Credit Information and their respective managements negotiate and enter into new collective bargaining agreements and negotiate annual wage adjustments.

Our compensation packages consist of base salary and base bonuses. We also provide performance-based compensation to employees and management officers, including those of our subsidiaries, depending on level of responsibility of the employee or officer and business of the relevant subsidiary. Typically, executive officers, heads of regional headquarters and employees in positions that require professional skills, such as fund managers and dealers, are compensated depending on their individual annual performance evaluation. Also, Kookmin Bank has implemented a profit-sharing system in order to enhance the performance of Kookmin Bank's employees. Under this system, Kookmin Bank pays bonuses to its employees, in addition to the base salary and depending on Kookmin Bank's annual performance.

We provide a wide range of benefits to our employees, including our executive directors. Specific benefits provided may vary for each of our subsidiaries but generally include medical insurance, employment insurance, workers compensation, employee and spouse life insurance, free medical examinations, child tuition and fee reimbursement, disabled child financial assistance and reimbursement for medical expenses, and other benefits may be provided depending on the subsidiary.

In accordance with the National Pension Act, we contribute an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, into each employee's personal pension account. In addition, in accordance with the Guarantee of Worker's Retirement Benefits Act, we have adopted a retirement pension plan for our employees. Contributions under the retirement pension plan are deposited annually into a financial institution, and an employee may elect to receive a monthly pension or a lump-sum amount upon retirement. Our retirement pension plans are provided in the form of a defined benefit plan and a defined contribution plan. The defined benefit plan guarantees a certain payout at retirement, according to a fixed formula based on the employee's average salary and the number of years for which the employee has been a plan member. The defined contribution plan, in which the employer's contribution is determined in advance based on one twelfth of an employee's total annual pay, is managed directly by the employees. Under Korean law, we may not terminate the employment of full-time employees except under certain limited circumstances.

In June 2009, we established an employee stock ownership plan. All of our employees are eligible to participate in this plan. We are not required to, and do not, make cash contributions to this plan. Members of our employee stock ownership association have pre-emptive rights to acquire up to 20% of our shares issued in public offerings by us pursuant to the Financial Investment Services and Capital Markets Act. In August 2009, we offered to members of our employee stock ownership association 6,000,000 of the 30,000,000 new shares of common stock to be issued in our rights offering to our existing shareholders, and the entire amount was subscribed by members of our employee stock ownership association. The employee stock ownership association held 2,123,752 shares of our common stock as of December 31, 2015.

Employees of Kookmin Bank have been eligible to participate in its employee stock ownership plan, which will be terminated once all of our common stock held by the plan (which the plan received following the transfer of Kookmin Bank shares held by it as a result of the comprehensive stock transfer pursuant to which we were established) have been distributed to the relevant Kookmin Bank employees at the requests of such employees following the expiration of the required holding periods. As of December 31, 2015, Kookmin Bank's employee stock ownership association held 724,146 shares of our common stock.

In order to develop our next generation of leaders and enhance the operational capability of our employees at each of our subsidiaries, we operate various employee training programs. These programs, which are aimed at cultivating financial specialists with higher levels of management and business skills, developing regional experts for increased global capabilities and enhancing employee loyalty, comprise a number of customized programs such as training courses for employees of different positions, domestic and foreign MBA courses and intensive human resources development programs for high performers to cultivate future leaders. For example, Kookmin Bank offers training programs at its employees' worksites to facilitate access to training, as well as a foreign regional expert training program and a global language training course. We also provide financial and other support for our employees to develop their finance-related knowledge and skills by enrolling in training courses or engaging in self-study programs. The broad spectrum of training programs, combined with the state-of-the-art technologies such as cyber training, satellite broadcasting and mobile-learning, maximizes the level of exposure of the trainees to the contents of the programs. We also believe that our training scheme based on classified training courses and a development evaluation system has facilitated systemic development of employee skills and a spontaneous learning environment.

Item 6.E. ***Share Ownership***

Common Stock

As of March 31, 2016, the persons who are currently our directors or executive officers, as a group, held an aggregate of 19,784 shares of our common stock, representing approximately 0.005% of the issued shares of our common stock as of such date. None of these persons individually held more than 1% of the outstanding shares of our common stock as of such date. The following table presents information regarding our directors and executive officers who beneficially owned our shares as of March 31, 2016.

Name of Executive Officer or Director	Number of Shares of Common Stock
Jong Kyoo Yoon	10,000
Michael Byungnam Lee	1,020
Hong Lee	459
Ok Chan Kim	4,674
Jungsoo Huh	579
Young-Tae Park	450
Kyung Yup Cho	800
Ki Hwan Kim	321
Hong Seob Shin	580
Young Hyuk Jo	1
Dae Myeong Kang	455
Pil Kyu Im	445
Total	19,784

Stock Options

We have not, following our establishment pursuant to a comprehensive stock transfer in September 2008, granted any stock options with respect to our capital stock to our directors, executive officers and employees. Prior to our establishment, Kookmin Bank granted stock options with respect to its common stock to its directors, executive officers and employees. In connection with the comprehensive stock transfer, in September 2008, such stock options with respect to Kookmin Bank common stock were converted into stock options with respect to our common stock. As of March 31, 2016, all of such stock options granted to Kookmin Bank's directors, executive officers and employees have been exercised and there are no stock options outstanding as of such date. For all of such options granted, upon their exercise, we were required to pay in cash the difference between the exercise price and the market price of our common stock at the date of exercise.

Performance Share Agreements

Pursuant to a stock grant plan we established in 2008, we have entered into performance share agreements with certain of our and our subsidiaries' directors, executive officers and senior management, pursuant to which we may grant shares of our common stock (or the equivalent monetary amount based on the market value of such shares) within specified periods as long-term incentive performance shares in accordance with pre-determined performance targets. Since January 2010, in accordance with the best practice guidelines for outside directors of banking institutions announced by the Korea Federation of Banks, which have been replaced with the Financial Corporate Governance Code issued by the Financial Services Commission in December 2014, we have not entered into any performance share agreements with our non-executive directors.

Actual disbursements under the performance share agreements with our and our subsidiaries' directors, executive officers and senior management have generally been in the form of cash disbursements of equivalent monetary amounts based on the market value of our shares.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7.A. *Major Shareholders*

The following table presents information regarding the beneficial ownership of our shares at December 31, 2015 by each person or entity known to us to own beneficially more than 5% of our issued and outstanding shares.

Except as otherwise indicated, each stockholder identified by name has:

- sole voting and investment power with respect to its shares; and
- record and beneficial ownership with respect to its shares.

Beneficial Owner	Number of Shares of Common Stock	Percentage of Total Outstanding Shares of Common Stock (%)[1]
Korean National Pension Service	35,534,667	9.20%
JPMorgan Chase Bank, N.A.[2]	31,167,755	8.07%

(1) Calculated based on 386,351,693 shares of our common stock outstanding as of December 31, 2015.
(2) As depositary bank.

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or separately, owned 5.0% or more of the issued shares of our common stock or exercised control or could exercise control over us as of December 31, 2015. None of our major stockholders has different voting rights from our other stockholders.

Item 7.B. *Related Party Transactions*

As of December 31, 2015, we had an aggregate of ₩2,308 million in loans outstanding to our executive officers and directors and Kookmin Bank's executive officers and directors. In addition, as of such date, we had loans outstanding to various companies whose directors or executive officers were serving concurrently as our directors or executive officers. See Note 43 of the notes to our consolidated financial statements included elsewhere in this annual report. All of these loans were made in the ordinary course of business, on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

None of our directors or officers have or had any interest in any transactions effected by us that are or were unusual in their nature or conditions or significant to our business which were effected during the current or immediately preceding year or were effected during an earlier year and remain in any respect outstanding or unperformed.

Item 7.C. *Interests of Experts and Counsel*

Not applicable.

Item 8. FINANCIAL INFORMATION

Item 8.A. *Consolidated Statements and Other Financial Information*

See "Item 18. Financial Statements" and pages F-1 through F-172.

Legal Proceedings

Excluding the legal proceedings discussed below, we and our subsidiaries are not a party to any legal or administrative proceedings and no proceedings are known by any of us or our subsidiaries to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our consolidated financial condition or results of operations.

In January 2008, the Korea Fair Trade Commission instituted certain amendments to standard loan policy conditions for mortgage loan agreements to require banks to be responsible for the payment of mortgage registration expenses when issuing mortgage loans. Subsequently, the Korea Federation of Banks and 16 banks, including Kookmin Bank, filed a lawsuit against the Korea Fair Trade Commission to prevent the implementation of such amendments. In August 2010, the Supreme Court ruled in favor of the Korea Fair Trade Commission. Since such ruling in August 2010, certain of Kookmin Bank's customers have filed 133 lawsuits against Kookmin Bank as of March 7, 2016, alleging that it should return the mortgage registration expenses paid by such customers under mortgage loan agreements that did not reflect the amendments instituted by the Korea Fair Trade Commission in January 2008. As of March 7, 2016, 132 such lawsuits had been concluded and one lawsuit was appealed and pending in the appellate court. The aggregate amount of claimed damages in the one remaining lawsuit, as of March 7, 2016, was approximately ₩0.4 billion. Additional lawsuits may be filed against Kookmin Bank with respect to its mortgage loans, and the final outcome of such litigation remains uncertain.

In July 2010, Fairfield Sentry Limited, or Fairfield, which is currently in liquidation and whose assets were directly or indirectly invested with Bernard L. Madoff Investment Securities LLC, or BLMIS, filed a lawsuit in the Supreme Court of the State of New York against Kookmin Bank, which acted as a trustee bank for its clients who invested in Fairfield. Fairfield seeks restitution of approximately US$42 million paid to Kookmin Bank in connection with share redemptions on the ground that such payments were made by mistake, based on inflated values resulting from BLMIS' fraud. The case is currently pending at such court. Fairfield has filed similar actions against numerous other fund investors to seek recovery of redemption payments.

In May 2012, the trustee appointed for the liquidation of BLMIS filed a lawsuit against Kookmin Bank in the United States Bankruptcy Court for the Southern District of New York. The trustee seeks recovery of approximately US$42 million, which amount is alleged to be equal to the amount of funds that were redeemed from Fairfield between June 2004 and January 2006 by Kookmin Bank. The trustee alleges that Fairfield was a "feeder fund" that invested in BLMIS and redemptions from such BLMIS feeder fund are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The case is currently pending at such court. The trustee has filed similar clawback actions against numerous other institutions.

In June 2012, Korea Lottery Services Co., Ltd., a lottery system operator in connection with Kookmin Bank's former lottery operations, filed a lawsuit against Kookmin Bank in the Seoul Central District Court seeking ₩1 billion in damages it allegedly suffered because Kookmin Bank entered into a seven-year service contract with Korea Lottery Services when Kookmin Bank had a five-year lottery operations contract with the Korean government. Kookmin Bank terminated the service contract with Korea Lottery Services upon the expiration of its lottery operations contract with the Korean government, which did not reappoint Kookmin Bank as a lottery operator. In March 2015, Korea Lottery Services increased the amount of damages claimed to ₩108 billion. The Seoul Central District Court dismissed the case in June 2015 and Korea Lottery Services appealed the case to the Seoul High Court, which dismissed the case in February 2016. Korea Lottery Services appealed the case to the Supreme Court of Korea in March 2016, where it is currently pending.

In July 2012, the Korea Fair Trade Commission commenced an investigation into alleged collusion among domestic financial institutions, including banks and securities companies, in setting interest rates applicable to three-month certificates of deposit. Such rates were used as a benchmark for banks' lending rates until a new benchmark rate for bank lending was introduced in December 2012. In February 2016, the Korea Fair Trade

Commission sent its formal written report of findings to six commercial banks, including Kookmin Bank, and the respondents submitted their response briefs in April 2016. It has been reported that the Korea Fair Trade Commission plans to hold a hearing as early as May 2016 and announce a final decision regarding its investigation thereafter. An adverse decision by the Korea Fair Trade Commission could subject Kookmin Bank to additional claims and actions, including by its lending customers. While Kookmin Bank plans to defend vigorously against the allegations and may seek a review by the Korean courts of any adverse decision by the Korea Fair Trade Commission, the ultimate outcome of such investigation and any subsequent court review remains uncertain and we cannot evaluate the probability of a favorable or unfavorable outcome or estimate the potential loss to us in the event of an unfavorable outcome.

In November 2012, Kookmin Bank filed a lawsuit against the Export-Import Bank of Korea and other creditor financial institutions comprising the creditors' committee of a Korean shipbuilding company which is a borrower of Kookmin Bank and is currently in workout. Kookmin Bank voted against extending new credit to such borrower and exercised its appraisal rights. Kookmin Bank is seeking ₩103 billion as compensation for damages and payment of the purchase price of debt held by Kookmin Bank. In November 2012, the Export-Import Bank of Korea and other creditor financial institutions of the borrower filed a counter lawsuit against Kookmin Bank seeking ₩46 billion in damages in connection with the borrower's debt restructuring plan. In August 2014, the Seoul Central District Court ruled partially in favor of Kookmin Bank in its lawsuit against the Export-Import Bank of Korea and other creditor financial institutions of the borrower, but ruled against Kookmin Bank in the counter lawsuit brought against Kookmin Bank. Both cases were appealed to the Seoul High Court, which dismissed the appeals in February 2016. Both cases have been appealed to the Supreme Court of Korea in February 2016, where they are currently pending.

In February 2014, the Financial Services Commission suspended the new credit card issuance and other related activities of KB Kookmin Card for three months from February to May 2014, in response to an incident involving the misappropriation of the personal information of a large number of its customers by an employee of the Korea Credit Bureau in the first half of 2013. Specifically, during such suspension period, KB Kookmin Card was prohibited from engaging in the following activities:

- adding new subscribers for credit cards, prepaid cards and debit cards or issuing such types of cards (except as permitted by the chairman of the Financial Services Commission for public policy purposes);
- providing new or additional credit lines to credit card customers; and
- providing new services through mail order or telemarketing channels or related to travel or insurance products.

In connection with the misappropriation incident, as of December 31, 2015, certain of KB Kookmin Card's customers had filed a total of 102 lawsuits against KB Kookmin Card with the aggregate amount of claimed damages amounting to approximately ₩52 billion. The final outcome of such lawsuits remains uncertain. In addition, KB Kookmin Card could become subject to additional litigation and may incur significant costs relating to the compensation of customers for losses incurred as a result of the fraudulent use of the misappropriated personal information.

Dividends

Dividends must be approved by the stockholders at the annual general meeting of stockholders. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves. See "Item 10.B. Memorandum and Articles of Association—Description of Capital Stock—Dividends and Other Distributions."

The table below sets forth, for the periods indicated, the dividend per share of common stock and the total amount of dividends declared and paid by us in respect of the years ended December 31, 2013, 2014 and 2015. The dividends set out for each of the years below were paid within 30 days after our annual stockholders meeting, which is held no later than March of the following year.

Fiscal Year	Dividends per Common Share [1]		Dividends per Preferred Share		Total Amount of Cash Dividends Paid
					(in millions of Won)
2013 [2]	₩500	US$0.47	—	—	₩193,176
2014 [3]	780	0.72	—	—	301,354
2015 [4]	980	0.84	—	—	378,625

(1) Won amounts are expressed in U.S. dollars at the noon buying rate in effect at the end of the relevant periods as quoted by the Federal Reserve Bank of New York in the United States.

(2) On February 7, 2014, our board of directors passed a board resolution recommending a cash dividend of ₩500 per common share (before dividend tax), representing 10.0% of the par value of each share, for the fiscal year ended December 31, 2013. This resolution was approved and ratified by our stockholders on March 28, 2014.

(3) On February 5, 2015, our board of directors passed a board resolution recommending a cash dividend of ₩780 per common share (before dividend tax), representing 15.6% of the par value of each share, for the fiscal year ended December 31, 2014. This resolution was approved and ratified by our stockholders on March 27, 2015.

(4) On February 4, 2016, our board of directors passed a board resolution recommending a cash dividend of ₩980 per common share (before dividend tax), representing 19.6% of the par value of each share, for the fiscal year ended December 31, 2015. This resolution was approved and ratified by our stockholders on March 25, 2016.

Future dividends will depend upon our revenues, cash flow, financial condition and other factors. As an owner of ADSs, you will be entitled to receive dividends payable in respect of the shares of common stock represented by such ADSs.

For a description of the tax consequences of dividends paid to our stockholders, see “Item 10.E. Taxation—United States Taxation” and “—Korean Taxation—Taxation of Dividends.”

Item 8.B. *Significant Changes*

Not applicable.

Item 9. THE OFFER AND LISTING

Item 9.A. *Offering and Listing Details*

Market Price Information

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock has been listed on the KRX KOSPI Market since October 10, 2008, and the ADSs have been listed on the New York Stock Exchange under the symbol “KB” since September 29, 2008. The ADSs are identified by the CUSIP number 48241A105.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock, and the high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs.

	KRX KOSPI Market [1]			New York Stock Exchange [2]		
	Closing Price Per Common Stock		Average Daily Trading Volume (in thousands of shares)	Closing Price Per ADS		Average Daily Trading Volume (in thousands of shares)
	High	Low		High	Low	
2011	₩62,100	₩34,600	2,385.3	US$55.00	US$29.64	202.3
2012	45,000	33,000	1,342.3	40.63	28.84	150.1
2013	43,950	32,600	1,236.0	41.26	28.85	144.3
2014	43,000	34,200	1,068.9	42.00	32.34	118.2
First Quarter	42,100	35,900	1,215.4	39.33	32.34	143.7
Second Quarter	37,800	34,200	997.0	36.33	33.42	91.8
Third Quarter	43,000	34,650	1,191.1	42.00	34.63	93.1
Fourth Quarter	43,000	36,150	872.1	40.63	32.62	144.9
2015	41,900	33,150	935.9	38.91	27.87	131.8
First Quarter	40,000	35,000	927.1	35.97	31.22	128.1
Second Quarter	41,900	36,150	954.8	38.91	32.64	99.2
Third Quarter	37,850	34,150	997.2	32.81	27.99	154.8
Fourth Quarter	36,950	33,150	864.3	32.70	27.87	148.2
October	36,850	34,250	849.7	32.70	29.51	171.3
November	36,950	34,600	676.7	32.39	29.44	121.7
December	35,600	33,150	1,066.5	30.71	27.87	152.2
2016 (through April 22)	35,900	28,300	1,145.6	31.24	23.23	162.2
First Quarter	32,800	28,300	1,143.2	28.16	23.23	165.2
January	32,650	28,300	899.3	27.28	23.31	203.1
February	31,300	28,400	1,618.8	25.68	23.23	160.8
March	32,800	30,200	975.7	28.16	24.78	136.5
April (through April 22)	35,900	32,150	1,155.3	31.24	27.55	150.5

Source: Global Stock Information Financial Network and KRX KOSPI Market

(1) Trading of our common shares on the KRX KOSPI Market commenced on October 10, 2008.

(2) Trading of our ADSs on the New York Stock Exchange commenced on September 29, 2008. Each ADS represents the right to receive one share.

Item 9.B. *Plan of Distribution*

Not applicable.

Item 9.C. *Markets*

The KRX KOSPI Market

The KRX KOSPI Market (formerly known as the Stock Market Division of the Korea Exchange) began its operations in 1956. It has a single trading floor located in Seoul. The KRX KOSPI Market is a membership organization consisting of most of the Korean financial investment companies with a dealing and/or brokerage license and some Korean branches of foreign financial investment companies with such license.

As of December 31, 2015, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately ₩1,243 trillion. The average daily trading volume of equity securities for 2015 was approximately 455 million shares and the average daily transaction value was ₩5,352 billion.

The KRX KOSPI Market has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Listing Regulation of the KRX KOSPI Market. The KRX KOSPI Market also restricts share price movements. All listed companies are required to file accounting reports annually, semiannually and quarterly and to release immediately all information that may affect trading in a security.

The KRX KOSPI Market publishes the KOSPI, which is an index of all equity securities listed on the KRX KOSPI Market, every ten seconds. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table sets out movements in KOSPI:

Year	Opening	High	Low	Closing
1985	139.53	163.37	131.40	163.37
1986	161.40	279.67	153.85	272.61
1987	264.82	525.11	264.82	525.11
1988	532.04	922.56	527.89	907.20
1989	919.61	1,007.77	844.75	909.72
1990	908.59	928.82	566.27	696.11
1991	679.75	763.10	586.51	610.92
1992	624.23	691.48	459.07	678.44
1993	697.41	874.10	605.93	866.18
1994	879.32	1,138.75	855.37	1,027.37
1995	1,013.57	1,016.77	847.09	882.94
1996	888.85	986.84	651.22	651.22
1997	653.79	792.29	350.68	376.31
1998	385.49	579.86	280.00	562.46
1999	587.57	1,028.07	498.42	1,028.07
2000	1,059.04	1,059.04	500.60	504.62
2001	520.95	704.50	468.76	693.70
2002	724.95	937.61	584.04	627.55
2003	635.17	822.16	515.24	810.71
2004	821.26	936.06	719.59	895.92
2005	893.71	1,379.37	870.84	1,379.37
2006	1,389.27	1,464.70	1,203.86	1,434.46
2007	1,435.26	2,064.85	1,355.79	1,897.13
2008	1,853.45	1,888.88	938.75	1,124.47
2009	1,157.40	1,723.17	992.69	1,682.77
2010	1,696.14	2,052.97	1,548.78	2,051.00
2011	2,070.08	2,228.96	1,652.71	1,825.74

Year	Opening	High	Low	Closing
2012	1,826.37	2,049.28	1,769.31	1,997.05
2013	2,031.10	2,059.58	1,780.63	2,011.34
2014	1,967.19	2,082.61	1,886.85	1,915.59
2015	1,926.44	2,173.41	1,829.81	1,961.31
2016 (through April 22)	1,918.76	2,022.10	1,835.28	2,015.49

Source: The KRX KOSPI Market

Shares are quoted "ex-dividend" on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted "ex-dividend" and "ex-rights," permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the KRX KOSPI Market to 30% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (₩)	Rounded Down to ₩
Less than 1,000	1
1,000 to less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to the deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the KRX KOSPI Market by the financial investment companies with a brokerage license. In addition, a securities transaction tax will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. An agriculture and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See "Item 10.E. Taxation—Korean Taxation."

The following table sets forth the number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods:

		Market Capitalization on the Last Day of Each Period		Average Daily Trading Volume, Value		
Year	**Number of Listed Companies**	**(Billions of Won)**	**(Millions of US$) (1)**	**Thousands of Shares**	**(Millions of Won)**	**(Thousands of US$) (1)**
1985	342	₩ 6,570	US$ 7,921	18,925	₩ 12,315	US$ 14,846
1986	355	11,994	13,439	31,755	32,870	36,830
1987	389	26,172	30,250	20,353	70,185	81,120
1988	502	64,544	81,177	10,367	198,364	249,483
1989	626	95,477	138,997	11,757	280,967	409,037
1990	669	79,020	115,610	10,866	183,692	268,753
1991	686	73,118	101,623	14,022	214,263	297,795
1992	688	84,712	110,691	24,028	308,246	402,779
1993	693	112,665	142,668	35,130	574,048	726,919
1994	699	151,217	185,657	36,862	776,257	953,047
1995	721	141,151	178,266	26,130	487,762	616,016
1996	760	117,370	151,289	26,571	486,834	627,525
1997	776	70,989	82,786	41,525	555,759	648,115
1998	748	137,799	81,297	97,716	660,429	389,634
1999	725	349,504	294,319	278,551	3,481,620	2,931,891
2000	704	188,042	166,703	306,163	2,602,211	2,306,925
2001	689	255,850	200,039	473,241	1,997,420	1,561,705
2002	683	258,681	217,379	857,245	3,041,598	2,308,789
2003	684	355,363	298,123	542,010	2,216,636	1,859,594
2004	683	412,588	398,597	372,895	2,232,108	2,156,418
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,621	279,096	3,435,180	3,693,742
2007	745	951,900	1,017,205	363,732	5,539,588	5,919,628
2008	763	592,635	469,600	355,205	5,189,643	4,112,238
2009	770	887,935	763,027	485,657	5,795,426	4,980,172
2010	777	1,141,885	1,009,981	380,859	5,619,768	4,970,607
2011	791	1,041,999	899,438	353,759	6,863,146	5,924,166
2012	784	1,154,294	1,085,638	486,480	4,823,643	4,536,739
2013	777	1,185,974	1,123,879	328,325	3,993,422	3,784,337
2014	773	1,192,253	1,092,918	278,082	3,983,580	3,651,679
2015	770	1,242,832	1,062,922	455,256	5,351,734	4,577,026
2016 (through April 22)	769	1,276,836	1,112,372	361,995	4,586,928	3,996,104

Source: The KRX KOSPI Market

(1) Converted at the noon buying rate of the Federal Reserve Bank of New York in effect on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act, which replaced the Korean Securities Exchange Act in February 2009. The Financial Investment Services and Capital Markets Act imposes restrictions on insider trading, price manipulation and deceptive action (including unfair trading), requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for stockholders holding substantial interests.

Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the KRX KOSPI Market, and that financial investment company places a sell order with another financial investment company with a brokerage license, which is a member of the KRX KOSPI Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the KRX KOSPI Market is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license which is a member of the KRX KOSPI Market breaches its obligation in connection with a buy order, the KRX KOSPI Market is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from such financial investment company if a bankruptcy or reorganization procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors an amount equal to the full amount of cash deposited with a financial investment company with a brokerage license prior to August 1, 1998 in case of such financial investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. However, this indemnification was available only until the end of 2000. From 2001, the maximum amount to be paid to each customer is limited to ₩50 million. Pursuant to the Financial Investment Services and Capital Markets Act, financial investment companies with a dealing and/or brokerage license are required to deposit the cash received from its customers to the extent the amount is not covered by the insurance with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by such financial investment companies is prohibited. The premiums related to this insurance are paid by such financial investment companies.

Reporting Requirements for Holders of Substantial Interests

Any person whose direct or beneficial ownership of our common stock with voting rights, whether in the form of shares of common stock or ADSs, certificates representing the rights to subscribe for shares or equity-related debt securities including convertible bonds and bonds with warrants (which we refer to collectively as "Equity Securities"), together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5% or more of the total issued and outstanding shares (plus Equity Securities of us held by such persons) is required to report the status and purpose (in terms of whether the purpose of the shareholding is to exercise control over our management) of the holdings to the Financial Services Commission and the KRX KOSPI Market within five business days after reaching the 5% ownership interest. In addition, any change in (i) the ownership interest subsequent to the report that equals or exceeds 1% of the total issued and outstanding Equity Securities of us or (ii) the purpose of the shareholding is required to be reported to the Financial Services Commission and the KRX KOSPI Market within five business days from the date of the change.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment, an administrative fine of up to 0.001% of the aggregate market value of the total issued and outstanding stock or ₩500 million, whichever is lower, and/or a loss of voting rights with respect to the ownership of Equity Securities exceeding 5% of the total issued and outstanding Equity Securities with respect to which the reporting requirements were violated. Furthermore, the Financial Services Commission may order the disposal of the unreported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding stock (which we refer to as a "major stockholder") must report the status of his/her shareholding to the Korea Securities and Futures Commission and the KRX KOSPI Market within five days after becoming a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Korea Securities and Futures Commission and the KRX KOSPI Market within five days of the occurrence of the change. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

Any single stockholder and persons who stand in a special relationship with that stockholder that acquire more than 4% of the voting stock of a nationwide Korean bank pursuant to the Bank Act will be subject to reporting requirements. In addition, any single stockholder and persons who stand in a special relationship with that stockholder that acquire in excess of 10% of a nationwide bank's total issued and outstanding shares with voting rights must receive approval from the Financial Services Commission to acquire shares in each instance where the total shareholding would exceed 10%, 25% or 33%, respectively, of the bank's total issued and outstanding shares with voting rights. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Restrictions on Bank Ownership."

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of our ADSs in the secondary market outside Korea or for the withdrawal of shares of our common stock underlying the ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service as described below. The acquisition of the shares by a foreigner must be immediately reported to the governor of the Financial Supervisory Service, either by the foreigner or by his standing proxy in Korea.

Persons who have acquired shares of our common stock as a result of the withdrawal of shares underlying our ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Under current Korean laws and regulations, the depositary is required to obtain our prior consent for the number of shares of our common stock to be deposited in any given proposed deposit that exceeds the difference between:

(1) the aggregate number of shares of our common stock deposited by us for the issuance of our ADSs (including deposits in connection with the initial issuance and all subsequent offerings of our ADSs and stock dividends or other distributions related to these ADSs); and

(2) the number of shares of our common stock on deposit with the depositary at the time of such proposed deposit.

We have agreed to grant such consent to the extent that the total number of shares on deposit with the depositary would not exceed 116,583,985 at any time.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations (which we refer to collectively as the "Investment Rules") adopted in connection with the stock market opening from January 1992 and after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or on the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or on the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including:

- odd-lot trading of shares;
- acquisition of shares (which we refer to as "Converted Shares") by exercise of warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of stockholders' rights, including preemptive rights or rights to participate in free distributions and receive dividends;
- over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded subject to certain exceptions; and
- sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license as the other party. Foreign investors are prohibited from engaging in margin transactions by borrowing shares from a financial investment company with a dealing and/or brokerage license with respect to shares that are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including Converted Shares and shares being issued for initial listing on the KRX KOSPI Market or on KRX KOSDAQ Market) to register its identity with the Financial Supervisory Service prior to making any such investment. The registration requirement does not, however, apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card, which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or more, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by the Enforcement Decree of the Financial Investment Services and Capital Markets Act. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depositary issuing depositary receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market (as discussed above) must be reported by the foreign investor or his standing proxy to the governor of the Financial Supervisory Service at the time of each such acquisition or sale. In particular, if a foreign investor acquires or sells his shares in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, such foreign investor or his standing proxy must ensure that the financial investment company that was engaged to facilitate the transaction reports such transaction to the governor of the Financial Supervisory Service. A foreign investor may appoint a standing proxy from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing and/or brokerage license (including domestic branches of foreign financial investment companies with such license), financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license) and internationally recognized custodians which will act as a standing proxy to exercise stockholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to his shares or perform any tasks related thereto on his behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed inevitable, including by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in the custody of an eligible custodian in Korea. The same entities eligible to act as a standing proxy are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that its custodian deposits its shares with the Korea Securities Depository. A foreign investor may be exempted from complying with this deposit requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the foreign investors' home country.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. In addition, designated public corporations may set a ceiling on the acquisition of shares by a single person in their articles of incorporation. Currently, Korea Electric Power Corporation is the only designated public corporation that has set such a ceiling. Furthermore, an investment by a foreign investor in 10% or more of the issued and outstanding shares with voting rights of a Korean company is defined as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the Ministry of Trade, Industry and Energy of Korea. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of such restrictions applicable to Korean banks, see "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Banks—Restrictions on Bank Ownership."

Item 9.D. *Selling Shareholders*

Not applicable.

Item 9.E. *Dilution*

Not applicable.

Item 9.F. *Expenses of the Issue*

Not applicable.

Item 10. ADDITIONAL INFORMATION

Item 10.A. *Share Capital*

Not applicable.

Item 10.B. *Memorandum and Articles of Association*

Description of Capital Stock

Set forth below is information relating to our capital stock, including brief summaries of certain provisions of our articles of incorporation, the Korean Commercial Code, Financial Investment Services and Capital Markets Act and certain related laws of Korea, all as currently in effect. The following summaries do not purport to be complete and are subject to the articles of incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code, and certain other related laws of Korea.

As of December 31, 2015, our authorized share capital is 1,000,000,000 shares. Pursuant to our articles of incorporation, we are authorized to issue shares with preferred dividend, non-voting shares, class shares with conversion rights, class shares with redemption rights and shares with a combination of all or any of the foregoing characteristics (collectively, "Class Shares"), as well as common shares. Subject to applicable laws and regulations, we are authorized to issue Class Shares up to one-half of all of our issued and outstanding shares.

Under our articles of incorporation, dividends on non-voting shares with preferred dividend are required to be at least 1% per annum of the par value and the board of directors must determine at the time of issuance of such shares the dividend rate, type of distributable properties, method of determining the value of distributable properties and conditions on payment of dividends. Also, we may, pursuant to a resolution of the board of directors, issue such non-voting shares with preferred dividend as redeemable shares that may be redeemed with profits at the relevant shareholder's or our discretion, up to one-half of all of our issued and outstanding shares.

In addition, pursuant to a resolution of the board of directors, we may issue shares that are convertible into common shares or Class Shares at the request of the relevant shareholders, up to 20% of all of our issued and outstanding shares. The period during which a relevant shareholder may make a request for conversion may be determined by a resolution of the board of directors and must be a period between one and ten years from the issue date.

Furthermore, through an amendment of the articles of incorporation, we may create new classes of shares, which may be common shares or Class Shares having additional features as prescribed under the Korean Commercial Code. See "—Voting Rights."

As of the date of this annual report, 386,351,693 shares of common stock were issued and 386,351,693 shares of common stock were outstanding. No Class Shares are currently outstanding. All of the issued and outstanding shares are fully-paid and non-assessable, and are in registered form. Our authorized but unissued share capital consists of 613,648,307 shares. We may issue the unissued shares without further stockholder approval, subject to a board resolution as provided in the articles of incorporation. See "—Preemptive Rights and Issuances of Additional Shares" and "—Dividends and Other Distributions—Distribution of Free Shares."

Our articles of incorporation provide that our stockholders may, by special resolution, grant to our and our subsidiaries' officers, directors and employees stock options exercisable for up to 15% of the total number of our issued and outstanding shares. Our board of directors may also grant stock options to non-director officers and employees exercisable for up to 1% of our issued and outstanding shares, provided that such grant must be approved by a resolution of the subsequent general meeting of stockholders. As of March 31, 2016, none of our officers, directors and employees held options to purchase shares of our common stock. See "Item 6.E. Share Ownership—Stock Options."

Share certificates are issued in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares.

Organization and Register

We are a financial holding company established under the Financial Holding Company Act. We are registered with the commercial registry office of Seoul Central District Court.

Dividends and Other Distributions

Dividends

Dividends are distributed to stockholders in proportion to the number of shares of the relevant class of capital stock owned by each stockholder following approval by the stockholders at an annual general meeting of stockholders. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect to pay full annual dividends on newly issued shares for the year in which the new shares are issued.

We declare our dividend annually at the annual general meeting of stockholders, which are held within three months after the end of each fiscal year. Once declared, the annual dividend must be paid to the stockholders of record as of the end of the preceding fiscal year within one month after the annual general meeting unless otherwise resolved thereby. Annual dividends may be distributed either in cash or in shares provided that shares must be distributed at par value and, if the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the total annual dividend (including dividends in shares).

Under the Korean Commercial Code and our articles of incorporation, we do not have an obligation to pay any annual dividend unclaimed for five years from the payment date.

The Financial Holding Company Act and related regulations require that each time a Korean financial holding company pays an annual dividend, it must set aside in its legal reserve to stated capital an amount equal to at least one-tenth of its net income after tax until the amount set aside reaches at least the aggregate amount of its stated capital. Unless it sets aside this amount, a Korean financial holding company may not pay an annual dividend. We intend to set aside allowances for loan losses and reserves for severance pay in addition to this legal reserve.

For information regarding Korean taxes on dividends, see "Item 10.E. Taxation—Korean Taxation."

Distribution of Free Shares

In addition to permitting dividends in the form of shares to be paid out of retained or current earnings, the Korean Commercial Code permits a company to distribute to its stockholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve to stated capital. These free shares must be distributed pro rata to all stockholders. Our articles of incorporation provide that the types of shares to be distributed to the holders of non-voting shares with preferred dividend will be the same type of non-voting shares with preferred dividend held by such holders.

Preemptive Rights and Issuances of Additional Shares

Unless otherwise provided in the Korean Commercial Code, a company may issue authorized but unissued shares at such times and upon such terms as the board of directors of the company may determine. The company must offer the new shares on uniform terms to all stockholders who have preemptive rights and who are listed on the stockholders' register as of the applicable record date. Our stockholders will be entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. However, as provided in our articles of incorporation, new shares may be issued to persons other than existing stockholders if such shares are:

(1) publicly offered pursuant to the Financial Investment Services and Capital Markets Act, (2) issued to an employee stock ownership association, (3) issued upon exercise of stock options pursuant to the Financial Investment Services and Capital Markets Act, (4) issued for the issuance of our depositary receipts, (5) issued to certain foreign or domestic financial institutions or institutional investors to raise funds to meet urgent needs for our management or operations or (6) issued primarily to a third party who has contributed to the management of our business, including by providing financing, credit, advanced financing technique, know-how or entering into close business alliances, except that, in the case of issuances of new shares under (1), (4), (5) and (6) above, the number of new shares issued to persons other than existing stockholders may not exceed 50% of our total issued and outstanding capital stock.

Public notice of the preemptive rights to new shares and the transferability thereof must be given not less than two weeks (excluding the period during which the stockholders' register is closed) prior to the record date. We will notify the stockholders or persons other than existing stockholders, who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If such stockholders or persons fail to subscribe on or before such deadline, their preemptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur.

Under the Financial Investment Services and Capital Markets Act, members of a company's employee stock ownership association, whether or not they are stockholders, will have a preemptive right, subject to certain exceptions, to subscribe for up to 20% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. This right is exercisable only to the extent that the total number of shares so acquired and held by such members does not exceed 20% of the total number of shares then issued and outstanding.

Voting Rights

Each outstanding share of our common stock is entitled to one vote per share. However, voting rights with respect to shares of common stock that we hold or any of our subsidiaries holds may not be exercised. Unless stated otherwise in a company's articles of incorporation, the Korean Commercial Code permits holders of an aggregate of 1% or more of the issued and outstanding shares with voting rights to request cumulative voting when electing two or more directors. Our articles of incorporation do not prohibit cumulative voting. The Korean Commercial Code and our articles of incorporation provide that an ordinary resolution may be adopted if approval is obtained from the holders of at least a majority of those shares of common stock present or represented at such meeting and such majority also represents at least one-fourth of the total of our issued and outstanding voting shares. Holders of non-voting shares (other than enfranchised non-voting shares) will not be entitled to vote on any resolution or to receive notice of any general meeting of stockholders unless the agenda of the meeting includes consideration of a resolution on which such holders are entitled to vote. The Korean

Commercial Code provides that a company's articles of incorporation may prescribe conditions for the enfranchisement of non-voting shares. For example, if our annual general stockholders' meeting resolves not to pay to holders of non-voting shares with preferred dividend the annual dividend as determined by the board of directors at the time of issuance of such shares, the holders of non-voting shares with preferred dividend will be entitled to exercise voting rights from the general stockholders' meeting following the meeting adopting such resolution to the end of a meeting to declare to pay such dividend with respect to the non-voting shares with preferred dividend. Holders of such enfranchised non-voting shares with preferred dividend will have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of stockholders.

The Korean Commercial Code provides that to amend the articles of incorporation, which is also required for any change to the authorized share capital of the company, and in certain other instances, including removal of a director of a company, dissolution, merger or consolidation of a company, transfer of the whole or a significant part of the business of a company, acquisition of all of the business of any other company, acquisition of a part of the business of any other company having a material effect on the business of the company or issuance of new shares at a price lower than their par value, a special resolution must be adopted by the approval of the holders of at least two-thirds of those shares present or represented at such meeting and such special majority also represents at least one-third of the total issued and outstanding shares with voting rights of the company.

In addition, in the case of amendments to the articles of incorporation or any merger or consolidation of a company or in certain other cases, where the rights or interest of the holders of Class Shares are adversely affected, a resolution must be adopted by a separate meeting of holders of Class Shares. Such a resolution may be adopted if the approval is obtained from stockholders of at least two-thirds of the Class Shares present or represented at such meeting and such shares also represent at least one-third of the total issued and outstanding Class Shares of the company.

A stockholder may exercise his voting rights by proxy given to another stockholder. The proxy must present the power of attorney prior to the start of a meeting of stockholders.

Liquidation Rights

In the event we are liquidated, the assets remaining after the payment of all debts, liquidation expenses and taxes will first be distributed to holders of Class Shares which have a preference right in respect of the distribution of residual properties as determined by our board of directors at the time of their issuance, and the residue thereafter will be distributed to the other stockholders in proportion to the number of shares held by them.

General Meetings of Stockholders

There are two types of general meetings of stockholders: annual general meetings and extraordinary general meetings. We will be required to convene our annual general meeting within three months after the end of each fiscal year. Subject to a board resolution or court approval, an extraordinary general meeting of stockholders may be held when necessary or at the request of the holders of an aggregate of 3% or more of our issued and outstanding shares, or the holders of an aggregate of 1.5% or more of our issued and outstanding stock with voting rights, who have held those shares at least for six months. Under the Korean Commercial Code, an extraordinary general meeting of stockholders may also be convened at the request of our Audit Committee, subject to a board resolution or court approval. Holders of non-voting shares may be entitled to request a general meeting of stockholders only to the extent the non-voting shares have become enfranchised as described under the section entitled "—Voting Rights" above, hereinafter referred to as "enfranchised non-voting shares." Meeting agendas will be determined by the board of directors or proposed by holders of an aggregate of 3% or more of the issued and outstanding shares with voting rights, or by holders of an aggregate of 0.5% or more of our issued and outstanding shares with voting rights, who have held those shares for at least six months, by way of a written proposal to the board of directors at least six weeks prior to the meeting. Written notices or e-mail notices stating the date, place and agenda of the meeting must be given to the stockholders at least two weeks prior to the date of the general meeting of stockholders. Notice may, however, be given to holders of 1% or less of the total number of issued and outstanding shares which are entitled to vote, either by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers or by placing a notice through the electronic disclosure system operated by the Financial Supervisory Service or the Korea Exchange. Stockholders who are not on the stockholders' register as of the record date will not be entitled to receive notice of the general meeting of stockholders, and they will not be entitled to attend or vote at such meeting. Holders of enfranchised non-voting shares who are on the stockholders' register as of the record date will be entitled to receive notice of the general meeting of stockholders and they will be entitled to attend and vote at such meeting. Otherwise, holders of non-voting shares will not be entitled to receive notice of or vote at general meetings of stockholders.

The general meeting of stockholders will be held at our head office, which is our registered head office, or, if necessary, may be held anywhere in the vicinity of our head office.

Rights of Dissenting Stockholders

Pursuant to the Financial Investment Services and Capital Markets Act and the Act on the Improvement of the Structure of the Financial Industry, in certain limited circumstances (including, without limitation, if we transfer all or any significant part of our business, if we acquire a part of the business of any other company and such acquisition has a material effect on our business or if we merge or consolidate with another company), dissenting holders of shares of our common stock and our stock with preferred dividend who acquired such shares prior to the announcement of the relevant resolution of the board of directors (or up to one day after such announcement in the event that such resolution is made by the board of directors pursuant to an Enforcement Decree) will have the right to require us to purchase their shares by providing written notice to us. To exercise such a right, stockholders must submit to us a written notice of their intention to dissent prior to the general meeting of stockholders. Within 20 days (10 days in the case of a merger or consolidation under the Law on Improvement of the Structure of the Financial Industry) after the date on which the relevant resolution is passed at such meeting, such dissenting stockholders must request in writing that we purchase their shares. We are obligated to purchase the shares from dissenting stockholders within one month after the end of such request period (within two months after the receipt of such request in the case of a merger or consolidation under the Law on Improvement of the Structure of Financial Industry) at a price to be determined by negotiation between the stockholder and us. If we cannot agree on a price with the stockholder through such negotiations, the purchase price will be the arithmetic mean of:

- the weighted average of the daily stock prices on the KRX KOSPI Market for the two-month period prior to the date of the adoption of the relevant board of directors' resolution;
- the weighted average of the daily stock prices on the KRX KOSPI Market for the one-month period prior to the date of the adoption of the relevant board of directors' resolution; and
- the weighted average of the daily stock prices on the KRX KOSPI Market for the one-week period prior to the date of the adoption of the relevant board of directors' resolution.

However, any dissenting stockholder who wishes to contest the purchase price may bring a claim in court.

Required Disclosure of Ownership

Under Korean law, stockholders who beneficially hold more than a certain percentage of our common stock, or who are related to or are acting in concert with other holders of certain percentages of our common stock or our other equity securities, must report the status of their holdings to the Financial Services Commission and other relevant governmental authorities. For a description of such required disclosure of ownership, see

"Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Ownership of a Financial Holding Company" and "Item 9.C. Markets—Reporting Requirements for Holders of Substantial Interests."

Other Provisions

Register of Stockholders and Record Dates

We maintain the register of our stockholders at our principal office in Seoul, Korea. We register transfers of shares on the register of stockholders upon presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, the register of stockholders may be closed for the period beginning from January 1 and ending on January 31. Further, the Korean Commercial Code and our articles of incorporation permit us upon at least two weeks' public notice to set a record date and/or close the register of stockholders for not more than three months for the purpose of determining the stockholders entitled to certain rights pertaining to the shares. However, in the event that the register of stockholders is closed for the period beginning from January 1 and ending on January 31 for the purpose of determining the holders of shares entitled to attend the annual general meeting of stockholders, the Korean Commercial Code and our articles of incorporation waive the requirement to provide at least two weeks' public notice. The trading of shares and the delivery of certificates in respect thereof may continue while the register of stockholders is closed. Also, we may distribute dividends to stockholders on a quarterly basis, and the record dates for these quarterly dividends are the end of March, June and September of each year.

Annual Reports

At least one week before the annual general meeting of stockholders, we must make our management report to shareholders and audited financial statements available for inspection at our head office and at all of our branch offices. Copies of this report, the audited financial statements and any resolutions adopted at the general meeting of stockholders are available to our stockholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Korean Financial Services Commission and the KRX KOSPI Market an annual business report within 90 days after the end of each fiscal year, a half-year business report within 45 days after the end of the first six months of each fiscal year and quarterly business reports within 45 days after the end of the first three months and nine months of each fiscal year, respectively. Copies of such business reports will be available for public inspection at the Korean Financial Services Commission and the KRX KOSPI Market.

Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. The Financial Investment Services and Capital Markets Act provides, however, that in case of a company listed on the KRX KOSPI Market such as us, share transfers can be effected by the book-entry method. In order to assert stockholders' rights against us, the transferee must have his name and address registered on the register of stockholders. For this purpose, stockholders are required to file with us their name, address and seal. Non-resident stockholders must notify us of the name of their proxy in Korea to which our notice can be sent.

Under current Korean regulations, the following entities may act as agents and provide related services for foreign stockholders:

- the Korea Securities Depository;
- internationally recognized foreign custodians;

- financial investment companies with a dealing license (including domestic branches of foreign financial investment companies with such license);
- financial investment companies with a brokerage license (including domestic branches of foreign financial investment companies with such license);
- foreign exchange banks (including domestic branches of foreign banks); and
- financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license).

In addition, foreign stockholders may appoint a standing proxy among the foregoing and generally may not allow any person other than the standing proxy to exercise rights to the acquired shares or perform any tasks related thereto on their behalf. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See "Item 9.C. Markets" and "Item 10.D. Exchange Controls." Except as provided in the Financial Holding Company, the ceiling on the aggregate shareholdings of a single stockholder and persons who stand in a special relationship with such stockholder is 10% of our issued and outstanding voting shares. See "Item 4.B. Business Overview—Supervision and Regulation—Principal Regulations Applicable to Financial Holding Companies—Restrictions on Ownership of a Financial Holding Company."

Acquisition of Our Shares

Under the Korean Commercial Code, we may acquire our own shares upon a resolution of a general meeting of shareholders by either (i) purchasing them on a stock exchange or (ii) purchasing a number of shares, other than the redeemable shares as set forth in Article 345, Paragraph (1) of the Korean Commercial Code, from each shareholder in proportion to their existing shareholding ratio through the methods set forth in the Presidential Decree, provided that the total purchase price does not exceed the amount of our profit that may be distributed as dividends in respect of the immediately preceding fiscal year.

Additionally, pursuant to the Financial Investment Services and Capital Markets Act and regulations under the Financial Holding Company Act and after submission of certain reports to the Korean Financial Services Commission, we may purchase our own shares on the KRX KOSPI Market or through a tender offer, subject to the restrictions that:

- the aggregate purchase price of such shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year; and
- the purchase of such shares shall meet the risk-adjusted capital ratio requirements prescribed in the regulations under the Financial Holding Company Act based on Bank for International Settlements standards.

Subject to certain limited exceptions, our subsidiaries will not be permitted to acquire our shares pursuant to the Financial Holding Company Act.

Item 10.C. *Material Contracts*

None.

Item 10.D. ***Exchange Controls***

General

The Foreign Exchange Transaction Act of Korea and the Enforcement Decree and regulations under that Act and Decree, which we refer to collectively as the "Foreign Exchange Transaction Laws," regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities outside Korea by Korean companies.

Under the Foreign Exchange Transaction Laws, (1) if the Korean government deems that it is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other situations equivalent thereto, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and (2) if the Korean government deems that international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and abroad brings or is likely to bring about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in such transactions at certain Korean governmental agencies or financial institutions, in each case subject to certain limitations.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. No Korean governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing and/or brokerage license or in his Won account. Funds in the investor's Won account may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with dealing and/or brokerage licenses are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, such financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. *Taxation*

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- an entity treated as a partnership for U.S. federal income tax purposes or a partner in such partnership;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 5% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

This summary does not discuss the application of the Medicare net investment income tax or the alternative minimum tax.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a "U.S. holder" if you are the beneficial owner of a common share or an ADS and are:

- a citizen or resident of the United States;
- a U.S. domestic corporation; or
- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depositary's receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the ADSs will be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not a PFIC in our 2014 or 2015 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2016 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on "general category" income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation with its head office, principal place of business or place of effective management in Korea; or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Taxation of Dividends on Common Shares or ADSs

We will deduct Korean withholding tax from dividends paid to you (whether payable in cash or in shares) at a rate of 22.0% (inclusive of local income surtax). If you are a qualified resident and a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See "—Tax Treaties" below for a discussion on treaty benefits. If we distribute to you free shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

Taxation of Capital Gains from Transfer of Common Shares or ADSs

As a general rule, capital gains earned by non-residents upon transfer of our common shares or ADSs are subject to Korean withholding tax at the lower of (1) 11.0% (inclusive of local income surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident's country of tax residence. See "—Tax Treaties" below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

In regards to the transfer of our common shares through the Korea Exchange, you will not be subject to the withholding tax on capital gains (as described in the preceding paragraph) if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any person with which you have a certain special relationship) 25% or more of the total issued and outstanding shares, which may include the common shares represented by the ADSs, at any time during the calendar year in which the sale occurs and during the five consecutive calendar years prior to the calendar year in which the sale occurs.

Under Korean tax law, ADSs are viewed as shares of common stock for capital gains tax purposes. Accordingly, capital gains from the sale or disposition of ADSs are taxed (if such sale or disposition constitutes a taxable event) as if such gains are from the sale or disposition of the underlying common shares. Capital gains that you earn (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside of Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL. However, if you transfer ADSs after having converted the underlying common shares, such exemption under the STTCL will not apply and you will be required to file a corporate income tax return and pay tax in Korea with respect to any capital gains derived from such transfer unless the purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays such tax.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of our common shares you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of the common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, such financial investment company is required to withhold Korean tax from the sales price in an amount equal to the lower of (1) 11.0% (inclusive of local income surtax) of the gross realization proceeds or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of local income surtax) of the net realized gain, and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. See the discussion under "—Tax Treaties" below for an additional explanation on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, the common shares or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean withholding tax of 16.5% or 11.0% (depending on your shareholding ratio and inclusive of local income surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment or Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividend income or capital gains is substantially less than the tax generally imposed by the United States on corporate profits and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if (a) you have a permanent establishment in Korea and any shares of common stock in which you hold an interest and which gives rise to capital gains are effectively connected with such permanent establishment, (b) you are an individual and you maintain a fixed base in Korea for an aggregate of 183 days or more during a given taxable year and your ADSs or common shares giving rise to capital gains are effectively connected with such fixed base or (c) you are an individual and you are present in Korea for an aggregate of 183 days or more during a given taxable year.

You should inquire for yourself whether you are entitled to the benefit of a tax treaty between Korea and the country where you are a resident. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, in order for you to claim the benefit of a tax rate reduction or tax exemption on certain Korean source income (such as dividends or capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit an application (for reduced withholding tax rate, "application for entitlement to reduced tax rate," and in the case of exemptions from withholding tax, "application for tax exemption," along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions) as the beneficial owner of such Korean source income ("BO application"). For example, a U.S. resident would be required to provide Form 6166 as a certificate of tax residency together with the application for entitlement to reduced tax rate or the application for tax exemption. Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is not the beneficial owner of such income) (“OIV”), a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO application to such OIV, which must submit an OIV report and a schedule of beneficial owners to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the common shares underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the common shares and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50%, provided that the value of the ADSs or the common shares is greater than a specified amount.

If you die while holding a common share or donate a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

If you transfer our common shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15% and an agriculture and fishery special surtax at the rate of 0.15% of the sale price of the common shares. If your transfer of the common shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Under the Securities Transaction Tax Law, depositary receipts (such as American depositary receipts) constitute share certificates subject to the securities transaction tax. However, the transfer of depositary receipts listed on the New York Stock Exchange, the Nasdaq Global Market, or other qualified foreign exchanges is exempt from the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the common shares or ADSs. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Non-reporting or under-reporting of securities transaction tax will generally result in penalties equal to 20% to 60% of the non-reported tax amount or 10% to 60% of under-reported tax amount. Also, a failure to timely pay securities transaction tax will result in a penalty equal to 10.95% per annum of the due but unpaid tax amount. The penalties are imposed on the party responsible for paying the securities transaction tax or, if such tax is required to be withheld, on the party that has the obligation to withhold.

Item 10.F. ***Dividends and Paying Agents***

Not applicable.

Item 10.G. ***Statement by Experts***

Not applicable.

Item 10.H. ***Documents on Display***

We are subject to the information requirements of the Exchange Act, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at http://www.sec.gov.

Item 10.I. ***Subsidiary Information***

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

As a financial services provider, we are exposed to various risks related to our lending and trading businesses, our funding activities and our operating environment, principally through Kookmin Bank, our banking subsidiary. Our goal in risk management is to ensure that we identify, measure, monitor and control the various risks that arise, and that our organization adheres strictly to the policies and procedures which we establish to address these risks. Under our internal regulations pertaining to our consolidated capital adequacy ratio and internal standards for risk appetite and economic capital under Basel III, we identify the following eight separate categories of risk inherent in our business activities: credit risk, market risk, operational risk, interest rate risk, liquidity risk, credit concentration risk, reputation risk and strategic risk. Of these, the principal risks to which we are exposed are credit risk, market risk, liquidity risk and operational risk, and we strive to manage these and other risks within acceptable limits.

Organization

We have a multi-tiered risk management governance structure. Our Risk Management Committee is ultimately responsible for group-wide risk management, and directs our various subordinate risk management entities. The Risk Management Council reports directly to the Risk Management Committee and coordinates the implementation of directives set forth by the Risk Management Committee with the relevant risk management units of our subsidiaries. The Subsidiary Risk Management Committee of each of our subsidiaries, based on the Risk Management Committee's directives, determines risk management strategies and implements risk management policies and guidelines for such subsidiary and directs the activities of the subsidiary's risk management units within the risk guidelines set at the group level. Each Subsidiary Risk Management Committees generally receive inputs from the respective risk management units of such subsidiary, who also report directly to the Risk Management Committee.

The following chart sets out our risk management governance structure as of the date of this annual report:

Risk Management Committee

Our Risk Management Committee is a board-level committee that is responsible for overseeing all risks and advising the board of directors with respect to risk management-related issues. The committee consists of one non-standing director and three non-executive directors (one of whom serves as the chairman of the committee), and its major roles include:

- establishing risk management strategies in accordance with the directives of the board of directors;
- determining our target risk appetite;
- allocating risk capital to each subsidiary and approving our subsidiaries' risk limits; and
- reviewing the level of risks we are exposed to and the appropriateness of our risk management policies, systems and operations.

Risk Management Council

Our Risk Management Council is responsible for coordinating with the risk management units of our subsidiaries to ensure that they implement the policies, guidelines and limits established by the Risk Management Committee. Its responsibilities include:

- analyzing our risk status by using information provided by our subsidiary-level risk management units;
- adjusting the integrated risk capital allocation plan and risk limits for each of our subsidiaries; and
- coordinating issues relating to the group-wide integration of our risk management functions.

The Risk Management Council is comprised of our chief risk management officer and the chief risk management officers of all of our subsidiaries. It operates independently from all business units, and reports directly the Risk Management Committee. Our Risk Management Council convenes on a quarterly basis.

Subsidiary Risk Management Committees

Each of our subsidiaries has delegated risk management authority to its Subsidiary Risk Management Committee. Each Subsidiary Risk Management Committee measures and monitors the various risks faced by the relevant subsidiary and reports to that subsidiary's board of directors regarding decisions that it makes on risk management issues. It also makes certain strategic risk-related decisions regarding the operations of the relevant subsidiary, such as setting total exposure limits, allocating credit risk limits and market risk-related limits and determining which market risk derivatives instruments the subsidiary can trade. The major activities of each Subsidiary Risk Management Committee include:

- determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of subsidiary risk in accordance with group policy;
- reviewing and analyzing the subsidiary's risk profile;
- setting limits for and adjusting the risk capital allocation plan and risk levels for each business unit within the subsidiary; and
- monitoring compliance with our group-wide risk management policies and practices at the business unit and subsidiary level.

Each Subsidiary Risk Management Committee is comprised of the subsidiary's chief executive officer and the non-executive directors on its board of directors.

Credit Risk Management

Credit risk is the risk of expected and unexpected losses in the event of borrower or counterparty defaults. Credit risk management aims to improve asset quality and generate stable profits while reducing risk through diversified and balanced loan portfolios. We determine the creditworthiness of each type of borrower or counterparty through reviews conducted by our credit experts and through our credit rating systems, and we set a credit limit for each borrower or counterparty.

We assess and manage all credit exposures. We measure expected losses and economic capital on assets (whether on- or off-balance sheet) that are subject to credit risk management and use expected losses and economic capital as management indicators. We manage credit risk by allocating credit risk economic capital limits. In addition, we control credit concentration risk exposure by applying and managing total exposure limits to prevent excessive risk concentration to particular industries or borrowers. Credit exposures that we assess and manage include loans to borrowers and counterparties, investments in securities, letters of credit, bankers' acceptances, derivatives and commitments. Our risk appetite, which is the ratio of our required economic capital to our estimated available book capital, is approved by the Risk Management Committee once a year. Thereafter, Kookmin Bank calculates economic capital every month for its business groups and bank-wide based on attributed economic capital in accordance with the risk appetite as approved by the Risk Management Committee, and measures and reports profiles of credit risk on a bank-wide level and by business group regularly to its relevant business groups and senior management, including Kookmin Bank's Risk Management Council and Risk Management Committee.

We use expected default rates and recovery rates to determine the expected loss rate of a borrower or counterparty. We use the expected loss rate to make credit related decisions, including pricing, loan approval and establishment of standards to be followed at each level of decision making. These rates are calculated using information gathered from our internal database. With respect to large corporate borrowers, we also use information provided by external credit rating services to calculate default rates and recovery rates.

Our credit risk management processes include:

- establishing credit policy;
- credit evaluation and approval;

- industry assessment;
- total exposure management;
- collateral evaluation and monitoring;
- credit risk assessment;
- early warning and credit review; and
- post-credit extension monitoring.

Credit Evaluation

Kookmin Bank evaluates the ability of all loan applicants to repay their debts before it approves any loans, except for loans fully guaranteed by letters of guarantee issued by the Credit Guarantee Fund and the Korea Technology Credit Guarantee Fund, for loans fully secured by deposits and for other loans similarly guaranteed or secured. Kookmin Bank assigns each borrower or guarantor a credit rating based on the judgment of its experts or scores calculated using the appropriate credit rating system. Factors that Kookmin Bank considers in assigning credit ratings include both financial factors and non-financial factors, such as its perception of a borrower's reliability, management and operational risk and risk relating to the borrower's industry. The credit rating process differs according to the type, size and characteristics of a borrower.

Kookmin Bank uses its internally developed credit rating systems to rate potential borrowers. As the characteristics of each customer segment differ, Kookmin Bank uses several credit rating systems for its customers. The nature of the credit rating system used for a particular borrower depends on whether the borrower is an individual, a "small office/home office" customer, a small- and medium-sized enterprise or a large company. For large companies and small- and medium-sized enterprises, Kookmin Bank has 17 credit ratings ranging from AAA to D for risk management purposes. For retail customers, it has 13 credit ratings ranging from grade 1 to grade 13.

Based on the credit rating of a borrower, Kookmin Bank applies different credit policies, which affect factors such as credit limit, loan period, loan pricing, loan classification and provisioning. Kookmin Bank also uses these credit ratings in evaluating its bank-wide risk management strategy. Factors Kookmin Bank considers in making this evaluation include the profitability of each company or transaction, performance of each business unit and portfolio management. Kookmin Bank monitors the credit status of borrowers and collect information to adjust its ratings appropriately. If Kookmin Bank changes a borrower's credit rating, it will also change the credit policies relating to that borrower and may also change the policies underlying its loan portfolio.

Retail Loan Approval Process

Mortgage Loans and Secured Retail Loans. Branch staff employees of Kookmin Bank forward loan applications to processing centers and Kookmin Bank's processing center staff reviews mortgage loans and retail loans secured by real estate or guarantees. However, in the case of loans secured by deposits with Kookmin Bank, its branch staff approves such loans. Kookmin Bank makes lending decisions based on its assessment of the value of the collateral, debt service capability and the borrower's score generated from its credit scoring systems.

For mortgage loans and loans secured by real estate, Kookmin Bank evaluates the value of the real estate offered as collateral using a database it has developed that contains information about real estate values throughout Korea. Kookmin Bank also uses information from a third party provider about the real estate market in Korea, which gives it up-to-date market value information for Korean real estate. In addition, Kookmin Bank's processing center staff employees review the value of real estate provided by the evaluation system to ensure there are no significant discrepancies. Kookmin Bank bases decisions regarding the approval of such loans primarily on the results of its credit scoring systems.

For loans secured by deposits, Kookmin Bank will generally grant loans up to 95% of the deposit amount if it holds the deposit.

With respect to mortgage loans and secured retail loans, Kookmin Bank screens customers based on various items on its checklist that indicate whether the customer may have deteriorating credit using internal information and rating information from credit bureaus. Kookmin Bank also evaluates debt service capability for eligible customers pursuant to certain checklist items, such as profession, annual income, credit card overdue information, transaction history (with both it and other financial institutions) and other relevant credit information.

Kookmin Bank generally decides whether to evaluate a loan application within three to five days after recording the relevant information in its credit scoring systems.

Unsecured Retail Loans. Kookmin Bank reviews applications for unsecured retail loans in accordance with its credit scoring systems. These automated systems evaluate loan applications and determine an appropriate pricing for the loan. The major benefits of using a credit scoring system are that it yields uniform results regardless of the user, that it can be used effectively by employees who do not necessarily have extensive experience in credit evaluation and that it can be updated easily to reflect changing market conditions by adjusting how each factor is weighted. The staff of Kookmin Bank's processing centers reviews the results of the credit scoring system based on information input by its branch staff and, if approved, issues the loan.

Kookmin Bank's credit scoring systems take into account factors including borrower's income, assets, profession, age, transaction history (with both it and other financial institutions) and other relevant credit information. The systems rank each borrower in an appropriate grade, and that grade is used as a factor in deciding whether to approve loans as well as to determine loan amounts.

Kookmin Bank generally bases its decisions on the results of its credit scoring systems to evaluate applications. However, a credit officer may overturn the results of the credit scoring systems, in certain circumstances.

Corporate Loan Approval Process

We approve corporate loans at different levels of our organization depending on the size and type of the loan, the credit risk level assessed by the credit rating system, whether the loan is secured by collateral and, if secured, the value of the collateral. The lowest level of authority is the branch staff employee of Kookmin Bank, who can approve small loans and loans that have the lowest range of credit risk. Larger loans and loans with higher credit risk are approved by higher levels of authority depending on where they fall in a matrix of loan size and credit risk. Depending on the size and terms of any particular loan or the credit risk relating to a particular borrower, more than one entity may review the application, although generally loan applications are reviewed only by the entity having corresponding authority to approve the loan.

Kookmin Bank evaluates all of its corporate borrowers by using credit rating systems, except for applicants whose borrowings are fully secured by deposits or applicants who have obtained third-party guarantees from the government or certain other very highly rated guarantors. See "—Credit Evaluation."

For owner-operated enterprises (which we refer to as SOHOs) with total outstanding loans of ₩1 billion or less, Kookmin Bank has put in place a retail SOHO credit rating system, which adopts simplified credit evaluation modeling procedures and has the same structure and process as the credit rating system for individual retail borrowers. This system consists of a scoring model and a preliminary examination checklist. The scoring model analyzes information with respect to the customer's personal information and bank transaction history, as well as information from credit bureaus. The preliminary examination checklist is based on information regarding the customer's credit delinquencies and history of write-offs. This system classifies customers into 13 possible credit ratings.

For SOHOs with total outstanding loans of more than ₩1 billion, Kookmin Bank has put in place a separate credit rating system known as "SOHO CRS." For other small- and medium-sized enterprises, Kookmin Bank has put in place a similar credit rating system known as CRS. For large corporations, Kookmin Bank has put in place a similar credit rating system known as LCRS. For financial institutions, certain non-profit organizations and public institutions, Kookmin Bank has put in place a similar credit rating system known as FNP CRS. The SOHO CRS, the CRS, the LCRS and the FNP CRS models consist of the following three parts:

- *Financial Model.* The financial model uses the borrower's current status and trend of financial ratios calculated using its financial statements. The financial model classifies potential borrowers into one of three size categories and one of five types of industry. This model incorporates logistic regression and statistical methods, which use financial ratios such as stability ratio, cash flow ratio, profitability ratio and turnover ratio to make credit determinations.
- *Non-financial Model.* The non-financial model uses various qualitative and quantitative factors, such as future repayment capability, market prospects, management capability and business capability, to evaluate borrowers. The factors that are evaluated and the weighting given to each factor vary by type of industry and size of company.
- *Default Signal Check Model.* The default signal check model checks factors that have low frequency of occurrence but are highly likely to lead to a default in the event of an occurrence. The results of the default signal check model may be used to cap a borrower's credit grade.

In addition to the three parts outlined above, the SOHO CRS also includes a "CEO Evaluation Model," which analyzes information with respect to personal information and bank transaction history of the individual owner of such SOHO.

We often refer to corporate information gathered or ratings assigned by external credit rating agencies, such as Korea Information Service, National Information & Credit Evaluation Inc. and Korea Management Consulting & Credit Rating Corporation, in order to improve the accuracy of our credit ratings.

Credit Card Approval Process

We make decisions on all credit card approvals based on the Financial Supervisory Service standard of review for payment ability (such as the occupation and income of the applicant), as well as a combination of KB Kookmin Card's internal application scoring system and a credit scoring system developed by independent credit bureaus.

KB Kookmin Card's application scoring system reflects various credit information, including basic customer information (such as credit history), transaction history with it, if any, delinquency and transaction history with other card companies and financial institutions and credit information provided by the Korea Federation of Banks and other credit bureaus. KB Kookmin Card also considers repayment ability, total assets, total outstanding debts and the length of the applicant's relationship, if any, and past contribution to our profitability, if any.

The credit scoring system developed by credit bureaus, reflects various sources of information regarding the credit risk of customers, including delinquency and transaction history with other credit card companies and financial institutions.

On the basis of the standard of review for payment ability and the combination of the scores from our application scoring system and the credit scoring system developed by independent credit bureaus, KB Kookmin Card establishes, among other things, the term of any new approvals, initial limits and differentiation of fee rates with respect to its credit cards. KB Kookmin Card's systems allow it to differentiate applicants into groups that receive immediate credit card approval or rejection, or that may require it to further investigate that applicant's credit qualifications. The initial limits of new applicants are based on their estimated disposable income, which is based on their occupation and the value of their personal assets. KB Kookmin Card applies its fee rates to applicants differently according to risk premium and profitability.

Total Exposure Management

We establish and manage total exposure limits for corporations, *chaebols* and industries, as well as certain small- and medium-sized enterprises, in order to optimize the use of credit availability and avoid excessive risk concentration. We establish total exposure limits for large corporations to which we have exposures (in the form of securities or loans) of over ₩30 billion, small- and medium-sized enterprises to which we have exposures (in the form of securities or loans) of over ₩20 billion and *chaebols* designated by the Financial Supervisory Service or by Kookmin Bank, by reviewing factors such as their industry, size, cash flows, financial ratios and credit ratings, while establishing exposure limits for industries by peer group, as defined by us, by reviewing the sales growth rate and risk concentration for each industry. These total exposure limits are set following approval by Kookmin Bank's Risk Management Council after review by the Credit Risk Management Subcommittee.

Kookmin Bank's maximum exposure limit is within 25% of its Tier I and Tier II capital for a single *chaebol*, and within 10% of its Tier I and Tier II capital for an individual large corporation.

We manage and control exposure limits on a daily basis. The principal system that we use for this purpose is the Total Exposure Management System. This system allows us to monitor and control our total exposure to large corporations, *chaebols* and industries. We monitor our exposure to large corporations to which we have an exposure of ₩30 billion or more, individual corporations to which we have an exposure of more than ₩20 billion, and also our exposure to the 65 *chaebols*, which comprise the 41 largest *chaebols* in Korea designated as such by the Financial Supervisory Service based on their outstanding exposures as well as 24 *chaebols* selected for monitoring by the Senior Executive Vice President of Kookmin Bank's Risk Management Division. We also monitor our exposure to industries by peer groups. Our Total Exposure Management System integrates all of our credit-related risk including credit extended by our overseas branches and affiliates. The assets subject to the system include all Won-denominated and foreign currency-denominated loans, all assets in trust accounts except specified money trusts, guarantees, trade-related credits, commercial paper, corporate bonds and other securities and derivatives.

Collateral Evaluation and Monitoring System

Kookmin Bank uses the Collateral Evaluation and Monitoring System to manage the liquidation value of collateral it holds. The Collateral Evaluation and Monitoring System is a computerized collateral management system that can be accessed from Kookmin Bank's headquarters and its branches. Using this system, Kookmin Bank can more accurately assess the actual liquidation value of collateral, determine the recovery rate on its loans and use this information in setting its credit risk management and loan policies. Kookmin Bank can monitor the value of all the collateral a borrower provides and the value of that collateral based on its liquidation value. When appraising the value of real estate collateral, which makes up the largest part of Kookmin Bank's collateral, Kookmin Bank consults a regularly updated database provided by a third party that tracks the prices at which various types of real estate in various regions of Korea are sold. Kookmin Bank appraises the value of collateral when it makes a loan, when the loan is due for renewal and when events occur that may change the value of the collateral.

Credit Risk Management and Monitoring

Kookmin Bank's Credit Risk Department manages and regulates our loan portfolio policies. It also analyzes and monitors our loan portfolios and monitors our compliance with the applicable limits for credit risk. Moreover, it separately manages high-risk products, such as real estate project financing loans and over-the-counter derivative products, by setting appropriate limits.

Credit Review

Kookmin Bank's credit review function is independent of the business groups which manage our assets. Its Credit Review Department:

- reviews internal credit regulations, policies and systems;
- analyzes the credit status of selected loan assets and verifies the appropriateness of the credit evaluations/approvals made by branches and headquarters; and
- evaluates the corporate credit risk of potentially insolvent companies.

More specifically, Kookmin Bank's Credit Review Department continuously reviews the financial condition of selected borrowers with respect to their current debt, collateral, business, transactions with related parties and debt service capability. Based on such review, Kookmin Bank may adjust the borrower's credit rating, lending policy or asset quality classification of the loan provided to the borrower, depending on the applicable circumstances. Kookmin Bank also regularly reviews other aspects of the lending process, including industries and regions in which its borrowers operate and the quality of its domestic and overseas assets. Kookmin Bank's industry reviews focus on growth, stability, competition and ability to adapt to a changing environment. Based on the results of a particular industry review, Kookmin Bank may revise the total exposure limit assigned to that industry and lending policy for each company within that industry. When a review takes place, Kookmin Bank may adjust not only credit ratings of its borrowers based on a variety of factors, but also asset quality classification, credit limits and applied interest rates or its credit policies. Credit review results are reported to Kookmin Bank's chief risk officer and its Risk Management Committee on a quarterly basis.

Kookmin Bank's Credit Review Department also conducts on-site reviews of selected branches and related credit analysis centers which are experiencing increasing delinquency ratios and bad debts. During these visits Kookmin Bank examines the loan processes and recommend improvement plans and appropriate follow-up measures.

Also, based on guidelines provided by the Financial Supervisory Service to all Korean banks, Kookmin Bank operates a corporate credit risk assessment program to facilitate the identification of weak companies and possible commencement of corporate restructuring. Through this program, Kookmin Bank, together with other banks, is able to detect symptoms of financially troubled companies at an early stage, assess related credit risk and support the normalization of companies that are likely to turnaround through a workout process, or seek to liquidate those companies that are not likely to recover.

Kookmin Bank's Credit Review Department also analyzes issues related to credit risk and provides information necessary for the formulation of effective credit policies and strategies and for effective credit risk management.

Market Risk Management

The major risk to which we are exposed is interest rate risk on debt instruments and interest bearing securities and, to a lesser extent, stock price risk and foreign exchange risk. The financial instruments that expose us to these risks are securities and financial derivatives. We are not exposed to commodity risk, the other recognized form of market risk, as we currently do not engage in commodities trading. We are also exposed to interest rate risk and liquidity risk in Kookmin Bank's banking book. We divide market risk into risks arising from trading activities and risks arising from non-trading activities.

Kookmin Bank's Risk Management Council establishes overall market risk management principles. It has delegated the responsibility for the market risk management for trading activities to the Market Risk Management Subcommittee of Kookmin Bank, which is chaired by Kookmin Bank's chief risk officer. This subcommittee meets on a regular basis each month and as required to respond to developments in the market and the economy. Based on the policies approved by Kookmin Bank's Risk Management Council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and VaR results for our trading activities.

Kookmin Bank's Risk Management Council is responsible for interest rate and liquidity risk management for its non-trading activities. The council meets on a regular basis and as required to respond to developments in the market and the economy. Members of the Risk Management Council, acting through Kookmin Bank's Risk Management Department, review Kookmin Bank's interest rate and liquidity gap position monthly, as well as the business profile and its impact on asset and liability management.

To ensure adequate interest rate and liquidity risk management, we have assigned the responsibilities for our asset and liability risk management to Kookmin Bank's Risk Management Department in Kookmin Bank's Risk Management Group, which monitors and reviews the asset and liability operating procedures and activities of Kookmin Bank's Financial Planning Department, and independently reports to the management on the related issues.

Market Risk Management for Trading Activities

Our trading activities consist of:

- trading activities for our own account to realize short-term trading profits in Won-denominated debt and equities markets and foreign exchange markets based on our short-term forecast of changes in the market situation; and
- trading activities involving derivatives, such as swaps, forwards, futures and option transactions, to realize profits primarily from selling derivative products to our customers and to hedge market risk incurred from those activities. In addition, certain derivative products that we use to hedge our own market risk are classified as trading activities as they do not qualify for hedge accounting treatment under IFRS. We believe, however, that certain of these products are effective as economic hedges.

We use derivative instruments to hedge our market risk and, to a limited extent, to make profits by trading derivative products within acceptable risk limits. The principal objective of our hedging strategy is to manage our market risk within established limits. We use the following hedging instruments to manage relevant risks:

- to hedge interest rate risk arising from its trading activities, the Trading Department of Kookmin Bank occasionally uses interest rate futures (Korea Treasury Bond Futures) and interest rate swaps;
- to hedge stock price risk arising from its trading activities, the Trading Department of Kookmin Bank selectively uses stock index futures;
- to hedge interest rate risk and foreign exchange risk arising from our foreign currency-denominated asset and liability positions as well as our trading activities, the Trading Department and the Fund Management Department of Kookmin Bank use interest rate swaps, cross-currency interest rate swaps, foreign exchange forwards and futures, Euro-dollar futures and currency options; and
- to change the interest rate characteristics of certain assets and liabilities after the original investment or funding, we use swaps. For example, depending on the market situation, we may choose to obtain fixed rate funding instead of floating rate funding if we believe that the terms are more favorable, which we can achieve by entering into interest rate swaps.

We generally manage our market risk at the portfolio level. To control our exposure to market risk, we use EC limits set by Kookmin Bank's Risk Management Committee for Kookmin Bank and at the group level within Kookmin Bank, VaR, position and stop loss limits set by Kookmin Bank's Risk Management Council for Kookmin Bank and at the group level within Kookmin Bank, and VaR, position, stop loss and sensitivity limits (PVBP, Delta, Gamma, Vega) set by Kookmin Bank's Market Risk Management Subcommittee at the department level within Kookmin Bank. We prepared our risk control and management guidelines for derivative trading based on the regulations and guidelines promulgated by the Financial Supervisory Service.

In addition, we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See "Item 5.A. Operating Results—Critical Accounting Policies—Valuation of Financial Instruments" and Notes 3.3 and 6 of the notes to our consolidated financial statements. For example, each year, Kookmin Bank's Risk Management Department reviews the existing pricing and valuation models, with a focus on their underlying modeling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with Kookmin Bank's Trading Department, the Risk Management Department recommends potential valuation models to Kookmin Bank's Fair Value Evaluation Committee. Upon approval by Kookmin Bank's Fair Value Evaluation Committee, the selected valuation models are reported to its Market Risk Management Subcommittee.

We monitor market risk arising from trading activities of our business groups and departments. The market risk measurement model we use for both our Won-denominated trading operations and foreign currency-denominated trading operations is implemented through our integrated market risk management system called Adaptiv, which enables us to generate consistent VaR numbers for all trading activities.

Value at Risk analysis. We use VaR to measure market risk. VaR is a statistically estimated maximum amount of loss that could occur over a given period of time at a given level of confidence. VaR is a commonly used market risk management technique. However, this approach does have some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss. Different VaR methodologies and distributional assumptions could produce a materially different VaR. VaR is most appropriate as a risk measure for trading positions in liquid capital markets and will understate the risk associated with severe events, such as a period of extreme illiquidity.

We use a 99% single tail confidence level to measure VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. Until 2011, we used the "variance-covariance method" or parametric VaR ("PVaR") methodology to measure our daily VaR, which took into account the diversification effects among different risk categories as well as within the same risk category. In 2012, we received authorization from the Financial Services Commission to use a historical simulation VaR ("HSVaR") methodology, which we believe to be more accurate and responsive in reflecting market volatilities, to measure market risk. Our ten-day HSVaR method, which is computed using a full valuation and is computationally intensive, uses an archive of historic price data and the VaR for a portfolio is estimated by creating a hypothetical time series of returns on that portfolio, obtained by running the portfolio through actual ten-day historical data and computing the changes that would have occurred in each ten-day period.

The following table shows the volume and types of positions held by Kookmin Bank for which the VaR method is used to measure market risk as of December 31, 2013, 2014 and 2015.

	As of December 31,		
	2013	2014	2015
		(in millions of Won)	
Securities—Bond (1)	₩ 6,918,051	₩ 7,393,643	₩ 6,368,805
Securities—Equity (1)	93,122	60,122	31,397
Spot exchanges (2)	1,569,768	1,192,918	1,276,665
Derivatives (3)	3,465,130	3,808,515	4,416,844
Total	₩12,046,071	₩12,455,198	₩12,093,711

(1) Represents amounts marked to market and as shown on the balance sheet information that is prepared and submitted to the Financial Supervisory Service for risk management purposes.
(2) Represents the overall net open currency position in each currency, which is the greater of (i) the sum of the absolute value of all short positions and (ii) the sum of the absolute value of all long positions.
(3) For over-the-counter derivatives, represents the absolute value of over-the-counter derivatives measured at fair value at year end. For exchange-traded derivatives, includes the amount of deposits and the collateral posted for such derivatives.

The following table shows Kookmin Bank's ten-day HSVaRs (at a 99% confidence level for a ten-day holding period) as of December 31, 2013, 2014 and 2015 for interest risk, stock price risk and foreign exchange risk relating to its trading activities. The following figures were calculated on a consolidated basis.

	As of December 31,		
	2013	2014	2015
		(in billions of Won)	
Risk categories:			
Interest risk	₩17.0	₩10.1	₩ 15.8
Stock price risk	1.1	0.9	2.1
Foreign exchange risk	5.3	10.8	21.9
Less: diversification	(7.0)	(8.8)	(16.6)
Diversified VaR for overall trading activities	₩16.4	₩13.0	₩ 23.2

In 2015, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for Kookmin Bank relating to its trading activities were as follows.

	Trading activities VaR for 2015			
	Average	Minimum	Maximum	As of December 31, 2015
		(in billions of Won)		
Interest risk	₩18.4	₩10.0	₩27.1	₩ 15.8
Stock price risk	1.7	0.9	3.9	2.1
Foreign exchange risk	12.4	8.3	21.9	21.9
Less: diversification				(16.6)
Diversified VaR for overall trading activities	23.9	11.7	33.9	₩ 23.2

In 2014, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for Kookmin Bank relating to its trading activities were as follows.

	Trading activities VaR for 2014			
	Average	Minimum	Maximum	As of December 31, 2014
	(in billions of Won)			
Interest risk	₩12.9	₩ 7.7	₩19.8	₩10.1
Stock price risk	1.6	0.7	3.9	0.9
Foreign exchange risk	12.0	5.1	14.7	10.8
Less: diversification				(8.8)
Diversified VaR for overall trading activities	15.4	10.1	23.6	₩13.0

In 2013, the average, high, low and ending amounts of ten-day HSVaR (at a 99% confidence level for a ten-day holding period) for Kookmin Bank relating to its trading activities were as follows.

	Trading activities VaR for 2013			
	Average	Minimum	Maximum	As of December 31, 2013
	(in billions of Won)			
Interest risk	₩16.3	₩ 7.4	₩24.9	₩17.0
Stock price risk	3.5	0.9	7.1	1.1
Foreign exchange risk	9.3	5.3	13.6	5.3
Less: diversification				(7.0)
Diversified VaR for overall trading activities	17.3	10.9	22.2	₩16.4

Standardized Method. Market risk for positions not measured by VaR are measured using the standardized method for measuring market risk-based required equity capital specified by the Financial Supervisory Service, which takes into account certain risk factors. Under the standardized method, the required equity capital is measured using the risk-weighted values for each risk factor. The method used to measure the market risk-based required equity capital for each risk factor is as follows:

- Interest rate risk:
  - General market risk: General market risk relates to the risk of losses from macroscopic events which could have an impact on interest rates, stock prices, exchange rates, and market prices of general commodities. General market interest rate risk of a debt security is calculated on its net position, taking into consideration the remaining maturity and coupon rate.
  - Specific risk: Specific risk relates to the risk of loss from changes in credit risk of issuers of debt securities or equities, excluding changes in general market prices. Specific interest rate risk of a debt security is measured by multiplying the interest rate position appraised based on the market price of such security by the risk-weighted value applicable to the type of debt security, credit rating and the remaining maturity.
- Equity risk: General and specific equity risk are calculated by multiplying the bought or sold position by the relevant risk-weighted values.
- Foreign exchange risk: Foreign exchange risk is measured by multiplying the larger of the absolute values among the net bought or sold positions of each currency by the relevant risk-weighted values.
- Option risk: Option risk is measured using the delta, gamma and vega of the option.

The standardized method is used to measure the market risk of the positions for which the Financial Supervisory Service has not approved the use of the VaR method. In addition, we use the standardized method for positions which are held by certain subsidiaries or for which measuring VaR is difficult due to the lack of daily position data. See Note 4.4.2 of the notes to our consolidated financial statements included elsewhere in this annual report.

The following table shows the volume and types of instruments held by Kookmin Bank for which the standardized method is used to measure its required equity capital as of December 31, 2013, 2014 and 2015.

	As of December 31,		
	2013	2014	2015
	(in millions of Won)		
30-year government bonds [1]	₩ —	₩ 7,913	₩—
Currency rate swaps and foreign exchange positions [2]	122,537	117,334	—
Options embedded in convertible bonds [3]	2,328	2,383	346
Total	₩124,865	₩127,630	₩346

(1) Represents amounts marked to market. In the first half of 2015, Kookmin Bank received approval from the Financial Supervisory Service to use its internal VaR model, in lieu of the standardized method, to measure the market risk of 30-year government bonds held by Kookmin Bank.

(2) Amounts as of December 31, 2013 and 2014 represent the overall net open currency position in each currency held by Kookmin Bank (China) Ltd. and a special purpose vehicle with respect to Kookmin Bank's covered bond program. The overall net open currency position is the greater of (i) the sum of the absolute value of all short positions and (ii) the sum of the absolute value of all long positions. In the first half of 2015, Kookmin Bank received approval from the Financial Supervisory Service to use its internal VaR model, in lieu of the standardized method, to measure the market risk of positions held by Kookmin Bank (China) Ltd. As of December 31, 2015, Kookmin Bank held no currency rate swaps and foreign exchange positions that required the use of the standardized method to measure Kookmin Bank's required equity capital.

(3) Represents the absolute value of over-the-counter derivatives measured at fair value at year end for monitoring purposes.

The following table shows Kookmin Bank's required equity capital measured using the standardized method as of December 31, 2013, 2014 and 2015.

	As of December 31,		
	2013	2014	2015 [1]
	(in millions of Won)		
Risk categories:			
Interest risk	₩ 921	₩ 792	₩ 34
Stock price risk	2	1,101	118
Foreign exchange risk	9,214	9,387	—
Total	₩10,137	₩11,280	₩152

(1) In the first half of 2015, Kookmin Bank received approval from the Financial Supervisory Service to use its internal VaR model, in lieu of the standardized method, to measure the market risk of certain instruments held by Kookmin Bank, including 30-year government bonds held by Kookmin Bank, as well as positions held by certain subsidiaries of Kookmin Bank, including Kookmin Bank (China) Ltd.

Back-Testing. We conduct back testing on a daily basis to validate the adequacy of our market risk model. In back testing, we compare both the actual and hypothetical profit and loss with the VaR calculations and analyze any results that fall outside our predetermined confidence interval of 99%. The number of times the actual changes in fair values, earnings or cash flows from the market risk sensitive instruments exceeded the VaR amounts in 2013, 2014 and 2015 was 4, 1 and 6, respectively.

Stress testing. In addition to VaR, which assumes normal market situations, we use stress testing to assess our market risk exposure to abnormal market fluctuations. Abnormal market fluctuations include significant declines in the stock market and significant increases in the general level of interest rates. This is an important way to supplement VaR, as VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside our normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. According to Kookmin Bank's stress testing, we estimate that as of December 31, 2015, Kookmin Bank's trading portfolio could have lost ₩287 billion for an assumed short-term extreme decline of approximately 25% in the equity market and an approximate 55 basis point increase in the Korean treasury bond rates under an abnormal stress environment.

We monitor the impact of market turmoil or any abnormality by conducting stress tests and confirming that the results are within our market risk limits. If the impact is large, Kookmin Bank's chief risk officer may request that our portfolio be restructured or other appropriate action be taken.

Interest Risk

Interest risk from trading activities arises mainly from our trading of Won-denominated debt securities. Our trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As our trading accounts are marked-to-market daily, we manage the interest risk related to our trading accounts using market value-based tools such as VaR and sensitivity analysis. As of December 31, 2015, the VaR of Kookmin Bank's interest risk from trading was ₩15.8 billion and the weighted average duration, or weighted average maturity, of its debt securities at fair value through profit or loss was approximately 2.2 years.

Foreign Exchange Risk

Foreign exchange risk arises because we have assets and liabilities that are denominated in currencies other than Won, as well as off-balance sheet items such as foreign exchange forwards and currency swaps. Our assets and liabilities denominated in U.S. dollars, Japanese Yen, Euro, Kazakhstan Tenge and Chinese Renminbi have typically accounted for the majority of our foreign currency assets and liabilities.

The difference between our foreign currency assets and liabilities is offset against forward foreign exchange positions, currency options and currency swaps to obtain our net foreign currency open position. Kookmin Bank's Risk Management Council and Market Risk Management Subcommittee oversee Kookmin Bank's foreign exchange exposure for both trading and non-trading purposes by establishing a limit for this net foreign currency open position, together with stop loss limits. VaR limits are established on a combined basis for our domestic operations and foreign branches.

The following table shows Kookmin Bank's non-consolidated net open positions at the end of 2013, 2014 and 2015. Positive amounts represent long positions and negative amounts represent short positions. The net open positions held by subsidiaries other than Kookmin Bank are not significant.

	As of December 31,[1]		
	2013	2014	2015
	(in millions of US$)		
Currency:			
U.S. dollars	US$(135.0)	US$(174.7)	US$(317.6)
Japanese Yen	(17.3)	(1.8)	(0.2)
Euro	(5.5)	(1.1)	(3.3)
Kazakhstan Tenge	82.5	56.5	29.7
Chinese Renminbi	16.2	30.7	11.3
Others	6.7	3.9	7.8
Total	US$ (52.4)	US$ (86.5)	US$(272.3)

(1) Amounts prepared on a non-consolidated basis.

Equity Price Risk

Equity price risk results from our equity derivatives trading portfolio in Won since we do not have any trading exposure to shares denominated in foreign currencies other than foreign equity index futures.

The equity derivatives trading portfolio in Won consists of exchange-traded stocks and equity derivatives under strict limits on diversification as well as position limits and stop loss limits.

Kookmin Bank's Risk Management Council and Market Risk Management Subcommittee set annual and monthly stop loss limits that are monitored by Kookmin Bank's Risk Management Department. In order to ensure timely action, the stop loss limit of individual securities is monitored by the relevant middle office.

As of December 31, 2015, Kookmin Bank's equity trading position was ₩31 billion.

Derivative Market Risk

Our derivative trading includes interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures and currency options. These activities consist primarily of the following:

- sales of tailor-made derivative products that meet various needs of our corporate customers and related transactions to reduce our exposure resulting from those sales;
- taking positions in limited cases when we expect short-swing profits based on our market forecasts; and
- trading to hedge our interest rate and foreign currency risk exposure as described above.

Market risk from trading derivatives is not significant since our derivative trading activities are primarily driven by customer deals with very limited open trading positions.

Market Risk Management for Non-Trading Activities

Interest Rate Risk

Our principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of these rate-sensitive assets and liabilities. We measure interest rate risk for Won and foreign currency assets and liabilities in our bank accounts (including derivatives) and our principal guaranteed trust accounts. Most of our interest earning assets and interest bearing liabilities are denominated in Won and our foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

Our principal interest rate risk management objectives are to generate stable net interest revenues and to protect our asset value against interest rate fluctuations. We principally manage this risk for our non-trading activities by analyzing and managing maturity and duration gaps between our interest earning assets and interest bearing liabilities. Although we have used hedging instruments only on a limited basis for interest rate risk management for our non-trading assets and liabilities, to date the Korean financial market has not been sufficiently developed for this purpose. We expect to increase our use of derivatives to hedge this risk in the near future as the Korean financial market becomes more sophisticated.

Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest earning assets and interest bearing liabilities at each maturity and interest resetting date. We perform interest rate gap analysis for Won-denominated and foreign currency-denominated assets and trust assets on a monthly basis or more frequently when deemed necessary.

Interest Rate Gap Analysis. We perform interest rate gap analysis based on interest rate repricing maturities of assets and liabilities. However, for some of our assets and liabilities with either no maturities or unique characteristics, we use or assume certain maturities, including the following examples:

- With respect to asset maturities, we assume remaining maturities of prime rate-linked loans with remaining maturities of over one year to be one year and use the actual maturities for prime rate-linked loans with remaining maturities of less than one year.
- With respect to liability maturities, we use last 36 months' average balance to segregate "non-core" and "core" demand deposits. We assume "non-core" deposits to have remaining maturities of one month or less, and we assume "core" demand deposits to have remaining maturities between one month and five years.

The following table shows Kookmin Bank's interest rate gap for Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2015.

	As of December 31, 2015					
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in billions of Won, except percentages)					
Won-denominated Interest earning assets:						
Loans	₩ 72,197	₩61,310	₩45,578	₩ 8,990	₩16,611	₩204,686
Securities	4,189	1,889	4,662	12,575	6,507	29,823
Others	6,681	781	204	331	45	8,043
Total	₩ 83,067	₩63,980	₩50,445	₩21,896	₩23,164	₩242,552
Interest bearing liabilities:						
Deposits	₩ 87,102	₩33,249	₩49,285	₩24,023	₩20,094	₩213,754
Borrowings	5,511	0	0	0	0	5,511
Others	8,579	1,114	2,820	3,678	3,780	19,970
Total	₩101,191	₩34,363	₩52,105	₩27,701	₩23,874	₩239,235
Sensitivity gap	(18,125)	29,616	(1,660)	(5,805)	(710)	3,317
Cumulative gap	(18,125)	11,492	9,832	4,027	3,317	
% of total assets	(7.5)%	4.7%	4.1%	1.7%	1.4%	
Foreign currency-denominated Interest earning assets:						
Due from banks	₩ 1,764	₩ 124	₩ 423	₩ 586	₩ 586	₩ 3,483
Loans	11,130	2,165	650	52	23	14,020
Securities	276	34	117	605	297	1,328
Total	₩ 13,170	₩ 2,323	₩ 1,190	₩ 1,243	₩ 906	₩ 18,832
Interest bearing liabilities:						
Deposits	₩ 3,676	₩ 2,775	₩ 861	₩ 407	₩ 27	₩ 7,745
Borrowings	3,712	1,574	872	103	58	6,319
Others	4,815	88	0	938	586	6,426
Total	₩ 12,203	₩ 4,436	₩ 1,733	₩ 1,447	₩ 671	₩ 20,490
Sensitivity gap	967	(2,113)	(543)	(205)	235	(1,658)
Cumulative gap	967	(1,146)	1,689	(1,893)	(1,658)	
% of total assets	5.1%	(6.1)%	(9.0)%	(10.1)%	(8.8)%	

Duration Gap Analysis. We also perform duration gap analysis to measure and manage interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses more on accounting income as opposed to the market value of the assets and liabilities. We emphasize duration gap analysis because, in the long run, our principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes. In 2015, our asset and liability duration gap was positive and it moved between (+)0.014 years and (+)0.005 years. Accordingly, our net asset value would have declined between ₩33 billion and ₩13 billion if interest rates had decreased by one percentage point.

For duration gap analysis we use or assume the same maturities for different assets and liabilities that we use or assume for our interest rate gap analysis.

The following table shows Kookmin Bank's duration gaps and net asset value changes when interest rates decrease by one percentage point as of the specified dates, on a non-consolidated basis.

Won-denominated	**Asset Duration**	**Liability Duration**	**Duration Gap**	**Net Asset Value Change**
Date	**(in years)**	**(in years)**	**(in years)**	**(in billions of Won)**
June 30, 2015	0.846	0.877	0.014	₩(33)
December 31, 2015	0.853	0.889	0.005	(13)

Foreign currency-denominated	**Asset Duration**	**Liability Duration**	**Duration Gap**	**Net Asset Value Change**
Date	**(in years)**	**(in years)**	**(in years)**	**(in billions of Won)**
June 30, 2015	0.332	0.316	(0.011)	₩(1)
December 31, 2015	0.320	0.267	0.033	(5)

We set interest rate risk limits using historical interest rate volatility of financial bonds and duration gaps with respect to expected asset and liability positions based on our annual business plans. The Risk Management Department in Kookmin Bank's Risk Management Group submits interest rate gap analysis reports, duration gap analysis reports and interest rate risk limit compliance reports monthly to Kookmin Bank's Risk Management Council and quarterly to Kookmin Bank's Risk Management Committee.

The following table summarizes Kookmin Bank's interest rate risk, taking into account asset and liability durations as of December 31, 2015.

	As of December 31, 2015					
	3 Months or Less	**3-6 Months**	**6-12 Months**	**1-3 Years**	**Over 3 Years**	**Total**
	(in billions of Won, except percentages and maturities in years)					
Won-denominated:						
Asset position	₩ 83,067	₩63,980	₩50,445	₩21,896	₩23,164	₩242,552
Liability position	101,191	34,363	52,105	27,701	23,874	239,235
Gap	(18,125)	29,616	(1,660)	(5,805)	(710)	3,317
Average maturity	(0.244)	(0.485)	(0.964)	(2.798)	(5.267)	
Interest rate volatility	0.69%	0.69%	0.43%	(0.08)%	(0.26)%	
Amount at risk	(1)	85	(1)	9	(8)	85
Foreign currency-denominated:						
Asset position	₩ 13,170	₩ 2,323	₩ 1,190	₩ 1,243	₩ 906	₩ 18,832
Liability position	12,203	4,436	1,733	1,447	671	20,490
Gap	967	(2,113)	(543)	(205)	235	(1,658)
Average maturity	(0.248)	(0.493)	(0.963)	(2.743)	(5.002)	
Interest rate volatility	(0.21)%	(0.10)%	0.00%	0.35%	0.78%	
Amount at risk	(0)	(0)	0	1	8	10

Interest Rate VaR Analysis. Interest rate VaR is the estimated maximum possible loss on net non-trading assets due to unfavorable changes in interest rates. We calculate interest rate VaR based on interest earning assets and interest bearing liabilities, excluding trading positions, at a 99.94% confidence level. In 2012, we changed our method of calculating the interest rate impact from the previous internal simulation method of applying probable interest rate scenarios to a historical simulation method which uses actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. The previous internal simulation method used extreme values in applying hypothetical interest rates to each maturity period, which we believe may result in exaggerated interest rate VaR values. Accordingly, we believe that the change in our interest rate VaR methodology to a historical simulation method will allow us to benefit from more sophisticated risk measurements using practical scenarios. Using the historical simulation method, Kookmin Bank's interest rate VaR was ₩203 billion as of December 31, 2013, ₩112 billion as of December 31, 2014 and ₩95 billion as of December 31, 2015. See Note 4.4.3 of the notes to our consolidated financial statements included elsewhere in this annual report.

Foreign Exchange Risk

We manage foreign exchange rate risk arising from our non-trading operations together with such risks arising from our trading operations. See "—Market Risk Management for Trading Activities—Foreign Exchange Risk" above.

Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds resulting from, for example, maturity mismatches, obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. We manage our liquidity in order to meet our financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. We also require sufficient liquidity to fund loans, to extend other credits and to invest in securities. Our liquidity management goal is to meet all our liability repayments on time and fund all investment opportunities even under adverse conditions. To date, we have not experienced significant liquidity risk.

We maintain liquidity by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. We also manage liquidity by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds we believe we could raise by issuing securities. We seek to minimize our liquidity costs by managing our liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest earning assets or securities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting our funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than 90 days), issuing debentures and borrowing from the Bank of Korea. We use the majority of funds we raise to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

For Won-denominated assets and liabilities, we manage liquidity using a cash flow structure based on holding short-term liabilities and long-term assets. Generally, the average initial contract maturity of our new Won-denominated time deposits was less than one year, while during the same period most of our new loans and securities had maturities over one year.

We manage liquidity risk within the limits set on Won and foreign currency accounts in accordance with the regulations of the Financial Services Commission. The Financial Services Commission requires Korean banks, including Kookmin Bank, to maintain a liquidity coverage ratio of not less than 85% from January 1, 2016 to

December 31, 2016 (compared to not less than 80% from January 1, 2015 to December 31, 2015), with such minimum liquidity coverage ratio to increase in increments of 5% per annum to 100% by 2019, and a foreign currency liquidity ratio of not less than 85%. The Financial Services Commission defines the liquidity coverage ratio as the ratio of highly liquid assets to total net cash outflows over a one-month period. The highly liquid assets and total net cash outflows included in the calculation of the liquid coverage ratio are determined in accordance with the "Standards for Calculation of Liquidity Coverage Ratio" under the Detailed Regulation on the Supervision of the Banking Business.

Kookmin Bank's Treasury Department is responsible for daily liquidity management with respect to its Won and foreign currency exposure. It reports monthly plans for funding and operations to the Asset Liability Management Committee of Kookmin Bank, which discusses factors such as interest rate movements and maturity structures of its deposits, loans and securities and establishes strategies with respect to deposit and lending rates.

The following table shows Kookmin Bank's liquidity coverage ratio and foreign currency liquidity ratio as of December 31, 2015 in accordance with Financial Services Commission regulations:

Liquidity coverage ratio:	**1 Month or Less**
	(in billions of Won, except percentages)
Highly liquid assets (A) [1]	₩35,552
Cash outflows (B)	49,570
Cash inflows (C)	16,856
Total net cash outflows (D = B-C)	32,714
Liquidity coverage ratio (A/D)	108.68%
Minimum limit	80%

Foreign currency liquidity ratio:	**7 Days or Less**	**1 Month or Less**	**3 Months or Less**
	(in millions of US$, except percentages)		
Foreign currency assets (A)	US$ 6,295	US$12,672	US$19,574
Foreign currency liabilities (B)	5,460	10,429	16,379
Maturity gap (C)	834	2,243	3,195
Cumulative gap	834	3,078	6,273
Total assets (D)	44,284	44,284	44,284
Liquidity gap ratio (C/D)	1.88%	5.07%	119.51%[2]
Minimum limits	(3)%	(10)%	85%

(1) Includes both Won and foreign currency assets.
(2) Foreign currency liquidity ratio (A/B).

The Risk Management Department in Kookmin Bank's Risk Management Group reports whether it is complying with these limits monthly to Kookmin Bank's Risk Management Council and quarterly to Kookmin Bank's Risk Management Committee.

Operational Risk Management

Overall Status

There is no complete consensus on the definition of operational risk in the banking industry. We define operational risk broadly to include all financial and non-financial risks, other than credit risk, market risk, interest rate risk and liquidity risk, that may arise from our operations that could negatively impact our capital, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events as defined under Basel II. Our operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the growth of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the bank.

We manage our operational risk primarily through Kookmin Bank, our banking subsidiary. Kookmin Bank uses an operational risk management framework meeting the Basel II Advanced Measurement Approach, or AMA, under which Kookmin Bank:

- calculates its operational risk VaR on a quarterly basis using the “loss distribution approach VaR” and “scenario based VaR” methodology, and monitors operational risk in terms of Key Risk Indicators, or KRIs, using tolerance levels for each indicator;
- executes integrated compliance and operational risk Control Self Assessments, or CSAs, that enhance the effect on internal controls, which Kookmin Bank employees are able to access and use for process improvement;
- collects and analyzes internal and external loss data;
- conducts scenario analyses to evaluate exposure to high-severity events;
- manages certain insurance-related activities relating to insurance strategies established to mitigate operational risk;
- examines operational risks arising in connection with the development of, changes in or discontinuance of products, policies or systems;
- uses a detailed business continuity plan covering all of its operations and locations to prepare against unexpected events, including an alternate back-up site for use in disaster events as well as annual full-scale testing of such site.
- refines bank-wide operational risk policies and procedures;
- provides appropriate training and support to business line operational risk managers; and
- reports overall operational risk status to our senior management.

While Kookmin Bank’s Risk Management Department advises relevant business units with respect to the review of and suggested improvements on related operational processes and procedures, each of Kookmin Bank’s relevant business units has primary responsibility for the management of its own operational risk. In addition, the Operational Risk Unit, which is part of Kookmin Bank’s Risk Management Department, monitors bank-wide operational risk. Kookmin Bank also has business line operational risk managers in all of its subsidiaries, departments and branches who periodically conduct CSAs and monitor KRIs. For example, Kookmin Bank has developed KRIs relating to customer data protection, which are applied and monitored at all domestic branches and offices. In addition, in order to strengthen risk management of its overseas operations, Kookmin Bank designates expert auditors for overseas branches and conducts internal audits designed especially to check key risks identified for each overseas branch. Kookmin Bank has also established a risk CSA system for overseas branches, pursuant to which all employees (including locally hired staff) of such branches are required to perform a risk CSA on a quarterly basis. Furthermore, Kookmin Bank regularly monitors operational risks related to new businesses as well as existing operating processes and seeks to develop appropriate new KRIs and risk CSA measures on an ongoing basis. Through such methods, Kookmin Bank is able to ensure proper monitoring and measurement of operational risk in each of its business groups and overseas operations.

Internal Control

To monitor and control operational risks, we maintain a system of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout our organization. We have in place regular staff rotation and a mandatory leave policy for employees in certain high-risk categories to safeguard against fraud and to check for weaknesses in internal controls. In addition, we maintain an external whistleblower "ombudsman" channel to encourage whistleblowing and voluntary reporting of fraudulent behavior.

Each of our subsidiaries establishes its own internal control system in accordance with the group-level internal control principles. Our Compliance Supporting Department is responsible for monitoring and advising our subsidiaries regarding their internal control systems. Our Audit Committee, which consists of three non-executive directors, is an independent authority that evaluates the effectiveness and efficiency of our group-wide internal control systems and business processes and monitors our subsidiaries' compliance with such systems and processes, as well as reviews the reliability of our financial statements to secure the transparency and stability of our management (including through the activities of our independent auditors). In particular, we have established group-wide internal guidelines with respect to our subsidiaries' reporting requirements. Our subsidiaries review their operations and their level of compliance with internal control systems and business processes on a periodic basis and, as part of this process, they are required to report any problems discovered and any remedial actions taken to our chief compliance officer, who is responsible for reporting to our Audit Committee. Based on the results of these reports, or on an ad hoc basis in response to any problem or potential problem that it identifies, the Audit Committee may direct a subsidiary to conduct an audit of its operations or, if it chooses to do so, conduct its own audit of those operations. The Audit Committee interacts on a regular basis with our Audit Department, Compliance Supporting Department and our independent auditors. In carrying out these duties, the Audit Committee ultimately protects our property for the benefit of our shareholders, investors and customers by independently monitoring our management.

Our Audit Department supports our Audit Committee in monitoring our accounting and business operations and overseeing the management of our subsidiaries' internal control systems by performing the following activities:

- general audits, which include full-scale audits of the overall operations performed according to an annual audit plan, and sectional audits of selected operations; and
- special audits of troubled or weak operations, which are performed when our Audit Committee or executive officer responsible for audits deems it necessary or pursuant to requests by our board, executive officers or supervisory authorities, such as the Financial Supervisory Service.

The Financial Supervisory Service periodically conducts a general examination of our operations. It also performs specific audits on particular aspects of our operations, such as risk management, credit monitoring and liquidity, as the need arises.

Kookmin Bank's audit division consists of two departments, the Audit Department and the Deliberation/Investigation Unit, and they are the execution bodies for its audit committee and support Kookmin Bank's management objectives by auditing the operations of its branches using a risk analysis system and reviewing the operations of its headquarters and subsidiaries through the use of "risk-based audit" in accordance with the "business measurement process" audit methodology, which requires that its Audit Department evaluate the risk and process of its business units and concentrate their audit capacity with respect to high risk areas.

As a result of recent regulatory trends, Kookmin Bank's audit division is continuing its efforts to establish an advanced audit system and value-added internal audit by introducing risk-based audit techniques.

Our Compliance Supporting Department operates a compliance system to ensure that all of our employees comply with the relevant laws and regulations. This system's main function is to establish and manage our compliance program, educate employees and management and improve our internal control process.

Legal Risk

We consider legal risk as a part of our operational risk. The uncertainty of the enforceability of the obligations of our customers and counterparties creates legal risk. Changes in laws and regulations could also adversely affect us. Legal risk is higher in new areas of business where the law is often untested in the courts, although legal risk can also increase in our traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the financial industry remain untested. Our Compliance Supporting Department seeks to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers.

IT System Operational Risk

The integrity of our IT systems, and their ability to withstand potential catastrophic events, are crucial to our continuing operations. Accordingly, we are continuing to strengthen our disaster recovery capabilities. In order to minimize operational risks relating to our IT systems, we have implemented a multi-CPU system that runs multiple CPUs simultaneously on-site and ensures system continuity in case any of the CPUs fails. This system backs up our data systems at an off-site location on a real-time basis to ensure that our operations can be carried out normally and without material interruption in the event of CPU failure. Also, in order to protect our Internet banking services from system failures and cyber attacks, we process our Internet transactions through three separate data processing centers.

We currently test our disaster recovery systems on a quarterly basis, with the comprehensive testing including our branches and the main IT center's disaster recovery system. Our disaster recovery capabilities involve a number of operations other than our core banking operations, including credit card and call center transactions. Internally, our System Operations Department monitors all of our computerized network processes and IT systems. This department monitors and reports on any unusual delays or irregularities reported by our branches. In addition, Kookmin Bank's Information Security Department is responsible for the daily monitoring of its information security system. Our business operations regularly conduct IT security inspections with respect to such operations and have implemented measures to identify and respond collectively to security breach attempts, such as hacking attempts.

In particular, at Kookmin Bank, we have taken steps to establish a comprehensive security system aimed at detecting and responding to internal and external threats to its IT system and have implemented network segregation on the computers of all employees so that Intranet and Extranet functions are segregated. We have endeavored to enhance protection of customer data by using personal identification numbers internally generated and managed by Kookmin Bank in all customer financial transaction, in lieu of the resident registration numbers of its customers, and by amending forms and templates to minimize collection of potentially sensitive customer data. Kookmin Bank's chief information security officer is responsible for ensuring protection of information assets and technologies and reducing IT risks.

At KB Kookmin Card, we have taken steps to strengthen its information security infrastructure by implementing a solution to prevent attacks on its website and a security system to prevent unauthorized access to local networks and information, as well as an anti-photography system to prevent information leaks via photographs taken with smartphones. As part of strengthening its operational processes and procedures for customer information protection, KB Kookmin Card prohibits use of portable devices within the premises, requires managerial approval for all documents sent externally, including via email, and continuously monitors compliance with data protection policies, including through spot inspection of each department.

In 2009, Kookmin Bank obtained ISO 27001 certification, which relates to information security. In 2011, Kookmin Bank also obtained ISO 20000 certification, which relates to IT service management, and BS 25999 certification, which relates to business continuity management. Kookmin Bank is the first Korean bank to have obtained all three such international certifications. In addition, in 2013, Kookmin Bank obtained ISMS certification, which relates to information security management, and in 2015, we obtained ISMS certification as well.

We implement various year-round education programs and training sessions designed to raise the information security awareness of both management and employees.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depositary:

Services	Fees
Issuance of ADSs	Up to $5.00 per 100 ADSs (or portion thereof) issued
Delivery of deposited shares against surrender of ADSs	Up to $5.00 per 100 ADSs (or portion thereof) surrendered
Distribution of cash dividends or other cash distributions	Up to $0.02 per ADS held
Transfer of ADSs, combination and split-up of American depositary receipts or interchange of certificated and uncertificated ADSs	Up to $1.50 per American depositary receipt transferred
Distribution or sale of securities pursuant to stock dividends, free stock distributions, exercise of rights or any other non-cash distributions	A fee equivalent to the fee that would be payable if securities distributed or sold, as the case may be, had been shares and such shares had been deposited for issuance of ADSs
Depositary Services	Up to $0.02 per ADS (or portion thereof) held on the applicable record date(s) established by the depositary

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of shares on deposit or other deposited securities.

Depositary fees payable upon the issuance and surrender of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for surrender. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to such holder of ADSs.

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

Fees and Payments from the Depositary to Us

In 2015, we received the following payments from the depositary:

Reimbursement of listing fees:	$ 45,000
Reimbursement of SEC filing fees:	$ 38,517
Reimbursement of expenses related to proxy process (printing, postage and distribution) and ADS holders identification:	$ 31,632
Reimbursement of legal fees:	$384,978
Reimbursement of expenses related to our investor relations activities (investor conferences and investor relations agency fees, etc.):	$662,157

In addition, as part of its service to us, the depositary waives its fees for the standard costs and operating expenses associated with the administration of the ADS facility.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2015. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of December 31, 2015 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as issued by the IASB. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. 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 evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2015. The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Samil PricewaterhouseCoopers, an independent registered public accounting firm, as stated in its report included herein which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2015.

Attestation Report of the Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Jongsoo Han, our non-executive director and a member of our Audit Committee, qualifies as an "audit committee financial expert" and is independent within the meaning of this Item 16A.

Item 16B. CODE OF ETHICS

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our chief executive officer and chief financial officer, as well as to our non-executive directors, non-standing directors and other officers and employees. Our code of ethics is available on our website at *http://www.kbfg.com*. If we amend the provisions of our code of ethics that apply to our chief executive officer and chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-audit Fees

The following table sets forth the fees billed to us by independent registered public accounting firm Samil PricewaterhouseCoopers during the fiscal years ended December 31, 2014 and 2015:

	Year Ended December 31,	
	2014	2015
	(in millions of Won)	
Audit fees	₩5,517	₩5,325
Audit-related fees	—	275
Tax fees	—	—
Total fees	₩5,517	₩5,600

Audit fees in the above table are the aggregate fees billed by Samil PricewaterhouseCoopers in connection with:

- the audits of our annual financial statements and the review of our interim financial statements;
- the audits of our special purpose entities in connection with the Financial Investment Services and Capital Markets Act; and
- our financial debenture offering services.

Audit-related fees in the above table are fees billed by Samil PricewaterhouseCoopers in connection with attestation of our financial statements under IFRS. Tax fees in the above table are fees billed by Samil PricewaterhouseCoopers in connection with tax filing services for our subsidiaries.

Audit Committee Pre-Approval Policies and Procedures

Our Audit Committee pre-approves the engagement of our independent auditors for audit services with respect to our financial statements. Our Audit Committee has implemented a policy regarding pre-approval of certain other services provided by our independent auditors to our subsidiaries that the Audit Committee has deemed as not affecting their independence. Under this policy, pre-approvals for the following services to our subsidiaries have been granted by our Audit Committee to each of our subsidiaries' audit committees: (i) services related to the audit of financial statements prepared in accordance with IFRS as adopted by Korea and internal controls under Korean laws and regulations; (ii) general tax advisory services; (iii) due diligence services; (iv) issuance of comfort letters in connection with offering of securities; and (v) educational services provided to employees.

Any other audit or permitted non-audit service must be pre-approved by the Audit Committee on a case-by-case basis. Our Audit Committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2.01(c)(7)(i)(C) of Regulation S-X as promulgated by the Securities and Exchange Commission.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Neither we nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law and in accordance with our own internal procedures. The following is a summary of such significant differences:

NYSE Corporate Governance Standards	KB Financial Group
Director Independence Listed companies must have a majority of independent directors.	The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), as six out of eight directors are non-executive directors.
Executive Session Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.	Our non-executive directors hold executive sessions as needed in accordance with the Regulation of the Board of Directors.
Nomination/Corporate Governance Committee A nomination/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.	We maintain a Non-executive Director Nominating Committee composed of three non-executive directors and our chief executive officer. We maintain a Corporate Governance Committee composed of three non-executive directors, one non-standing director and our chief executive officer.
Compensation Committee A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company's website. In addition, in accordance with the U.S. Securities and Exchange Commission rules adopted pursuant to Section 952 of the Dodd-Frank Act, the New York	We maintain an Evaluation and Compensation Committee composed of four non-executive directors.

NYSE Corporate Governance Standards	KB Financial Group
Stock Exchange listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship with the company that will materially affect that member's duties to the compensation committee. Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management.	
Audit Committee Listed companies must have an audit committee that satisfies the independence and other requirements of Rule 10A-3 under the Exchange Act. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee, and the duties and responsibilities of the committee. The charter must be made available on the company's website.	We maintain an Audit Committee composed of three non-executive directors. Accordingly, we are in compliance with Rule 10A-3 under the Exchange Act.
Audit Committee Additional Requirements Listed companies must have an audit committee that is composed of at least three directors.	Our Audit Committee has three members, as described above.
Shareholder Approval of Equity Compensation Plan Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.	We currently have two equity compensation plans: (i) performance share agreements with certain of our directors, executive officers and other senior management and (ii) an employee stock ownership plan, or ESOP. Matters related to the performance share agreements or ESOP are not subject to shareholders' approval under Korean law. Our Articles of Incorporation provide that our stockholders may, by special resolution, grant stock options to officers, directors and employees. All material matters related to stock options are provided in our Articles of Incorporation, and any amendments to the Articles of Incorporation are subject to shareholders' approval.
Corporate Governance Guidelines Listed companies must adopt and disclose corporate governance guidelines.	We have adopted, but have not disclosed, corporate governance guidelines.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 17. FINANCIAL STATEMENTS

Not Applicable.

Item 18. FINANCIAL STATEMENTS

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Item 19. EXHIBITS

(a) List of Financial Statements:

(b) Exhibits

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, KB Financial Group has filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties made by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the company's filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe KB Financial Group's actual state of affairs at the date of this annual report.

Number	Description
1.1	Articles of Incorporation of KB Financial Group (translation in English).
2.1*	Form of Share Certificate of KB Financial Group's common stock, par value ₩5,000 per share (translation in English).
2.2**	Form of Fifth Amended and Restated Deposit Agreement among KB Financial Group, JPMorgan Chase Bank, N.A., as depositary, and all owners and holders from time to time of American depositary receipts issued thereunder, evidencing American depositary shares, including the form of American depositary receipt.
8.1***	List of subsidiaries of KB Financial Group.
11.1	Code of Ethics.
12.1	Section 302 certifications.
13.1	Section 906 certifications.

* Incorporated by reference to the registrant's filing on Form 20-F (No. 000-53445), filed on June 15, 2009.

** Incorporated by reference to the registrant's filing on Form F-6 (No. 333-208008), filed on November 13, 2015.

*** Incorporated by reference to Note 40 of the consolidated financial statements of the registrant included in this annual report.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

KB FINANCIAL GROUP INC.
(Registrant)

/s/ Jong Kyoo Yoon
(Signature)

Jong Kyoo Yoon
Chairman and Chief Executive Officer
(Name and Title)

Date: April 28, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of KB Financial Group Inc. (the "Company") and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting." Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
April 28, 2016

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2015

	Dec. 31 2014	Dec. 31 2015	2015
	(In millions of Korean won)		Translation into U.S. dollars(Note 3) (In thousands)
ASSETS			
Cash and due from financial institutions	₩ 15,423,847	₩ 16,316,066	US$ 13,954,181
Financial assets at fair value through profit and loss	10,757,910	11,174,064	9,556,526
Derivative financial assets	1,968,190	2,278,112	1,948,337
Loans	231,449,653	245,005,370	209,538,828
Financial investments	34,960,620	39,136,759	33,471,391
Investments in associates	670,332	1,737,840	1,486,273
Property and equipment	3,082,985	3,287,383	2,811,507
Investment property	377,544	211,815	181,153
Intangible assets	488,922	466,828	399,251
Current income tax assets	306,313	18,525	15,843
Deferred income tax assets	15,562	8,373	7,161
Assets held for sale	70,357	48,628	41,589
Other assets	8,783,473	9,375,704	8,018,495
Total assets	308,355,708	329,065,467	281,430,535
LIABILITIES			
Financial liabilities at fair value through profit and loss	1,818,968	2,974,604	2,544,006
Derivative financial liabilities	1,797,390	2,325,756	1,989,084
Deposits	211,549,121	224,268,185	191,803,521
Debts	15,864,500	16,240,743	13,889,762
Debentures	29,200,706	32,600,603	27,881,398
Provisions	614,347	607,860	519,867
Net Defined benefit liabilities	75,684	73,197	62,601
Current income tax liabilities	231,907	30,920	26,444
Deferred income tax liabilities	93,211	179,243	153,296
Other liabilities	19,597,202	20,861,634	17,841,740
Total liabilities	280,843,036	300,162,745	256,711,719
TOTAL EQUITY			
Capital stock	1,931,758	1,931,758	1,652,120
Capital surplus	15,854,510	15,854,510	13,559,439
Accumulated other comprehensive income	461,679	430,244	367,963
Retained earnings	9,067,145	10,464,109	8,949,343
Equity attributable to shareholders of the company	27,315,092	28,680,621	24,528,865
Non-controlling interests	197,580	222,101	189,951
Total equity	27,512,672	28,902,722	24,718,816
Total liabilities and equity	₩308,355,708	₩329,065,467	US$281,430,535

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	2013	2014	2015	2015
	(In millions of Korean won, except per share amounts)			Translation into U.S. dollars (Note 3) (In thousands, except per share amounts)
Interest income	₩12,356,930	₩11,635,296	₩10,375,823	US$ 8,873,837
Interest expense	(5,834,098)	(5,219,521)	(4,172,624)	(3,568,602)
Net interest income	6,522,832	6,415,775	6,203,199	5,305,235
Fee and commission income	2,657,365	2,666,185	2,971,095	2,541,005
Fee and commission expense	(1,178,126)	(1,283,456)	(1,436,112)	(1,228,223)
Net fee and commission income	1,479,239	1,382,729	1,534,983	1,312,782
Net gains on financial assets/liabilities at fair value through profit or loss	756,822	439,198	359,727	307,654
Net other operating income(expense)	(1,304,765)	(1,040,909)	(715,960)	(612,319)
General and administrative expenses	(3,983,564)	(4,009,694)	(4,523,584)	(3,868,759)
Operating profit before provision for credit losses	3,470,564	3,187,099	2,858,365	2,444,593
Provision for credit losses	(1,443,572)	(1,227,976)	(1,037,231)	(887,083)
Net operating profit	2,026,992	1,959,123	1,821,134	1,557,510
Share of profit(loss) of associates	(199,392)	13,428	203,097	173,697
Net other non-operating income(expense)	(12,309)	(71,126)	140,464	120,131
Net non-operating profit (loss)	(211,701)	(57,698)	343,561	293,828
Profit before income tax	1,815,291	1,901,425	2,164,695	1,851,338
Income tax expense	(540,593)	(486,314)	(437,389)	(374,074)
Profit for the year	₩ 1,274,698	₩ 1,415,111	₩ 1,727,306	US$ 1,477,264

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	2013	2014	2015	2015 Translation into U.S. dollars (Note 3) (In thousands, except per share amounts)
	(In millions of Korean won, except per share amounts)			
Remeasurements of net defined benefit liabilities	₩ 40,984	₩ (99,594)	₩ (22,906)	US$ (19,590)
Items that will not be reclassified to profit or loss	40,984	(99,594)	(22,906)	(19,590)
Exchange differences on translating foreign operations	(2,298)	17,280	45,143	38,608
Change in value of financial investments	(3,591)	248,880	(28,969)	(24,775)
Shares of other comprehensive income of associates	(9,811)	(32,206)	222	189
Cash flow hedges	1,618	(10,497)	725	620
Losses on hedges of a net investment in a foreign operation	—	—	(25,477)	(21,789)
Items that may be reclassified subsequently to profit or loss	(14,082)	223,457	(8,356)	(7,147)
Other comprehensive income(loss) for the year, net of tax	26,902	123,863	(31,262)	(26,737)
Total comprehensive income for the year	1,301,600	1,538,974	1,696,044	1,450,527
Profit attributable to:				
Shareholders of the parent company	1,271,502	1,400,722	1,698,318	1,452,472
Non-controlling interests	3,196	14,389	28,988	24,792
	1,274,698	1,415,111	1,727,306	1,477,264
Total comprehensive income for the year attributable to:				
Shareholders of the parent company	1,312,672	1,526,089	1,666,883	1,425,588
Non-controlling interests	(11,072)	12,885	29,161	24,940
	₩ 1,301,600	₩ 1,538,974	₩ 1,696,044	US$ 1,450,528
Earnings per share				
Basic earnings per share	₩ 3,291	₩ 3,626	₩ 4,396	US$ 3.76
Diluted earnings per share	3,277	3,611	4,376	3.74

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	Equity attributable to shareholders of the parent company					
	Capital Stock	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	Total equity
			(In millions of Korean won)			
Balance at January 1, 2013	₩1,931,758	₩15,840,300	₩ 295,142	₩6,501,419	₩ 194,522	₩24,763,141
Changes in accounting policy	—	—	—	318,450	—	318,450
Restated balance	1,931,758	15,840,300	295,142	6,819,869	194,522	25,081,591
Comprehensive income						
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
Total comprehensive income	—	—	41,170	1,271,502	(11,072)	1,301,600
Transactions with shareholders						
Dividends paid to shareholders of the parent company	—	—	—	(231,811)	—	(231,811)
Changes in interest in subsidiaries	—	14,305	—	39	(183,450)	(169,106)
Total transactions with shareholders	—	14,305	—	(231,772)	(183,450)	(400,917)
Balance at December 31, 2013	₩1,931,758	₩15,854,605	₩ 336,312	₩7,859,599	₩ —	₩25,982,274

(Continued)

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	Equity attributable to shareholders of the parent company					
	Capital Stock	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	Total equity
	(In millions of Korean won)					
Balance at January 1, 2014	₩1,931,758	₩15,854,605	₩ 336,312	₩7,859,599	₩ —	₩25,982,274
Comprehensive income						
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)
Total comprehensive income	—	—	125,367	1,400,722	12,885	1,538,974
Transactions with shareholders						
Dividends paid to shareholders of the parent company	—	—	—	(193,176)	—	(193,176)
Changes in interest in subsidiaries	—	(95)	—	—	184,695	184,600
Total transactions with shareholders	—	(95)	—	(193,176)	184,695	(8,576)
Balance at December 31, 2014	₩1,931,758	₩15,854,510	₩ 461,679	₩9,067,145	₩ 197,580	₩27,512,672

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KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	Equity attributable to shareholders of the parent company					
	Capital Stock	**Capital surplus**	**Accumulated other comprehensive income**	**Retained earnings**	**Non-controlling interest**	**Total equity**
	(In millions of Korean won)					
Balance at January 1, 2015	₩1,931,758	₩15,854,510	₩ 461,679	₩ 9,067,145	₩ 197,580	₩27,512,672
Comprehensive income						
Profit for the year	—	—	—	1,698,318	28,988	1,727,306
Remeasurements of net defined benefit liabilities	—	—	(23,062)	—	156	(22,906)
Exchange differences on translating foreign operations	—	—	45,143	—	—	45,143
Change in value of financial investments	—	—	(28,862)	—	(107)	(28,969)
Shares of other comprehensive income of associates	—	—	222	—	—	222
Cash flow hedges	—	—	601	—	124	725
Losses on hedges of a net investment in foreign operation	—	—	(25,477)	—	—	(25,477)
Total comprehensive income	—	—	(31,435)	1,698,318	29,161	1,696,044
Transactions with shareholders						
Dividends paid to shareholders of the parent company	—	—	—	(301,354)	(4,640)	(305,994)
Total transactions with shareholders	—	—	—	(301,354)	(4,640)	(305,994)
Balance at December 31, 2015	₩1,931,758	₩15,854,510	₩ 430,244	₩ 10,464,109	₩ 222,101	₩28,902,722

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KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	Equity attributable to shareholders of the parent company					
	Capital Stock	**Capital Surplus**	**Accumulated other comprehensive income**	**Retained earnings**	**Non-controlling Interest**	**Total equity**
	(Translation into U.S. dollars(Note 3))(In thousands)					
Balance at January 1, 2015	US$1,652,120	US$13,559,439	US$ 394,847	US$7,754,601	US$ 168,979	US$23,529,986
Comprehensive income						
Profit for the year	—	—	—	1,452,473	24,792	1,477,264
Remeasurements of net defined benefit liabilities	—	—	(19,724)	—	133	(19,590)
Exchange differences on translating foreign operations	—	—	38,608	—	—	38,608
Change in value of financial investments	—	—	(24,684)	—	(92)	(24,775)
Shares of other comprehensive income of associates	—	—	190	—	—	190
Cash flow hedges	—	—	514	—	107	620
Losses on hedges of a net investment in foreign operation	—	—	(21,789)	—	—	(21,789)
Total comprehensive income	—	—	(26,885)	1,452,473	24,940	1,450,528
Transactions with shareholders						
Dividends paid to shareholders of the parent company	—	—	—	(257,731)	(3,969)	(261,699)
Total transactions with shareholders	—	—	—	(257,731)	(3,969)	(261,699)
Balance at December 31, 2015	US$1,652,120	US$13,559,439	US$ 367,962	US$8,949,343	US$ 189,950	US$24,718,815

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

KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	2013	2014	2015	2015
	(In millions of Korean won)			Translation into U.S. dollars (Note 3) (In thousands)
Cash flows from operating activities:				
Profit for the year	₩ 1,274,698	₩ 1,415,111	₩ 1,727,306	US$ 1,477,264
Adjustment for non-cash items				
Net gain on financial assets/liabilities at fair value through profit or loss	(110,425)	(151,483)	(63,319)	(54,153)
Net loss on derivative financial instruments for hedging purposes	48,787	27,088	47,466	40,595
Adjustment of fair value of derivative financial instruments	699	(2,040)	1,771	1,514
Provision for credit loss	1,443,572	1,227,976	1,037,231	887,083
Net loss(gain) on financial investments	(1,191)	109,461	(166,911)	(142,749)
Share of loss (profit) of associates	199,392	(13,428)	(203,097)	(173,697)
Depreciation and amortization expense	286,858	261,197	257,457	220,188
Other net losses on property and equipment/intangible assets	39,777	41,115	9,458	8,089
Share-based payments	17,289	11,422	17,429	14,906
Policy reserve appropriation	761,877	666,155	659,501	564,033
Post-employment benefits	172,579	166,671	187,882	160,685
Net interest expense	314,866	360,500	431,157	368,743
Loss on foreign currency translation	17,082	116,035	228,727	195,617
Net other expense(income)	(24,981)	(17,076)	88,518	75,704
	3,166,181	2,803,593	2,533,270	2,166,558
Changes in operating assets and liabilities				
Financial asset at fair value through profit or loss	214,181	(1,364,780)	(418,431)	(357,860)
Derivative financial instruments	116,660	104,333	124,687	106,638
Loans	(7,335,434)	(10,027,349)	(14,847,214)	(12,697,958)
Current income tax assets	(13,940)	40,597	287,788	246,128
Deferred income tax assets	1,349	(140)	9,223	7,888
Other assets	(5,075,338)	427,501	(682,627)	(583,811)
Financial liabilities at fair value through profit or loss	(773,558)	704,389	1,296,333	1,108,678
Deposits	2,584,993	10,668,675	12,602,806	10,778,446
Deferred income tax liabilities	(74,463)	(27,242)	105,752	90,444
Other liabilities	(430,856)	(1,467,942)	(545,262)	(466,331)
	(10,786,406)	(941,958)	(2,066,945)	(1,767,738)
Net cash inflow (outflow) from operating activities	₩ (6,345,527)	₩ 3,276,746	₩ 2,193,631	US$ 1,876,084

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KB FINANCIAL GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

	2013	2014	2015	2015
	(In millions of Korean won)			Translation into U.S. dollars (Note 3) (In thousands)
Cash flows from investing activities:				
Disposal of financial investments	₩ 25,655,149	₩ 19,632,047	₩ 21,648,312	US$ 18,514,541
Acquisition of financial investments	(23,020,912)	(19,463,101)	(25,688,235)	(21,969,652)
Disposal of investments in associates	20,554	81,321	40,350	34,509
Acquisition of investments in associates	(23,340)	(17,650)	(904,399)	(773,480)
Disposal of property and equipment	1,070	223	2,951	2,523
Acquisition of property and equipment	(153,469)	(202,007)	(229,210)	(196,030)
Acquisition of investment property	(114,609)	(211,995)	(4,289)	(3,668)
Disposal of intangible assets	5,072	4,590	3,761	3,217
Acquisition of intangible assets	(68,091)	(30,755)	(52,126)	(44,580)
Business combination, net of cash acquired	322,641	(266,899)	—	—
Others	1,554,752	(1,210,071)	107,555	91,986
Net cash inflow (outflow) from investing activities	4,178,817	(1,684,297)	(5,075,330)	(4,340,634)
Cash flows from financing activities:				
Net cash flows from derivative financial instrument for hedging purposes	10,977	(204,563)	(61,543)	(52,634)
Net increase (decrease) in debts	(1,990,258)	1,129,837	178,497	152,658
Increase in debentures	10,758,948	43,135,390	80,263,530	68,644,724
Decrease in debentures	(7,924,609)	(43,816,790)	(77,062,704)	(65,907,244)
Increase in other payables from trust accounts	414,279	124,904	242,827	207,676
Dividends paid to shareholders of the parent company	(231,811)	(193,176)	(301,354)	(257,731)
Dividends paid to non-controlling interests	—	—	(4,640)	(3,968)
Changes in interest in subsidiaries	(168,293)	(95)	—	—
Others	837,906	(930,573)	652	558
Net cash inflow (outflow) from financing activities	1,707,139	(755,066)	3,255,265	2,784,039
Effect of exchange rate changes on cash and cash equivalents	41,452	12,227	65,557	56,067
Net increase (decrease) in cash and cash equivalents	(418,119)	849,610	439,123	375,556
Cash and cash equivalents at the beginning of the year	6,587,305	6,169,186	7,018,796	6,002,768
Cash and cash equivalents at the end of the year	₩ 6,169,186	₩ 7,018,796	₩ 7,457,919	US$ 6,378,324

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

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 March 2014, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. In addition, the Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015.

The Parent Company's capital stock as of December 31, 2015, 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 IFRS

The Group's consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS are the standards and related interpretations issued by the International Accounting Standards Board ("IASB").

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 standards and amendments for the first time for their annual reporting period commencing January 1, 2015

Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
Amendments to IAS 19, *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 1, Disclosure Initiative

New standards and interpretations issued but not effective for the financial year beginning January 1, 2015, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses ("ECL") model that replaces the incurred loss impairment model used in IAS 39. Recognition of an allowance for either 12-month or lifetime ECLs is required, depending on whether there has been a significant increase in credit risk since initial recognition. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. When determining whether the risk of default of a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort shall be considered. This includes both quantitative and qualitative information and analysis, based on historical experience and expert credit assessment and including forward-looking information.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The group is assessing the full impact of IFRS 9.

In October 2015, The Group formed a task force to prepare for the adoption of IFRS 9 and is currently in the transition process that consists of three phases, as follows: Phase 1 (impact analysis), Phase 2 (documenting Group accounting policy, designing and developing system) and Phase 3 (parallel run).

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after January 1, 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group is assessing the impact of IFRS 15.

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost. Lessor accounting remains substantially the same as in IAS 17. The group is assessing the impact of IFRS 16.

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 incomes (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 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the Tax System for Recirculation of Corporate Income, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

2.4.2 Fair value of financial instruments

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

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

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

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

2.4.4 Net defined benefit liability

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 periods 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 loss resulting from 'upstream' and 'downstream' transactions between the Group and associates are eliminated to the extent at the Group's interest in associates.

If associates use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

After the carrying amount of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as 'share of profit or loss of associates' in the statements of comprehensive income.

3.1.3 Structured entity

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

3.1.4 Trusts and funds

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

3.1.5 Intra-group transactions

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

3.2 Foreign Currency

3.2.1 Foreign currency transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss in the period in which they arise, except for exchange differences arising on net investments in a foreign operation and financial liability designated as a hedge of the net investment. 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, is 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 redistributes 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, or other financial assets. 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 consolidated 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 used 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. Those 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 economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of 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 entirely 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 IAS 39, *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 income 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. The Group considers the decline in the fair value of over 30% against the original cost as a "significant decline". A decline is considered as prolonged if the period, in which the fair value of the financial asset has been below its original cost at initial recognition, is same as or more than six months.

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

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).

Financial assets that are not individually significant assess objective evidence of impairment individually or collectively. 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 uncollectible, it is written off against the related allowance account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

3.6.2 Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) that had been recognized in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, a portion of the impairment loss is reversed up to but not exceeding the previously recorded impairment loss, with the amount of the reversal recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income. However, impairment losses recognized in profit or loss for an available-for-sale equity instrument classified as available for sale are not reversed through profit or loss.

3.6.3 Held-to-maturity financial assets

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss as part of other operating income and expenses. The impairment loss on held-to-maturity financial assets is directly deducted from the carrying amount.

In the case of a financial asset classified as held to maturity, if, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment is recognized, a portion of the previously recognized impairment loss is reversed up to but not exceeding the extent of 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 consolidated 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). The Group designates non-derivatives as hedging instruments to hedge the risk of foreign exchange of a net investment in a foreign operation (hedge of net investment).

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 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 Hedge of net investment

If financial liabilities qualify for a net investment hedge, the effective portion of changes in fair value of hedging instrument is recognized in other comprehensive income or loss and the ineffective portion is recognized in profit or loss. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income will be reclassified from other comprehensive income or loss to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

3.7.5 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.

3.7.6 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 IFRS.

Goodwill acquired from business combinations after January 1, 2010, 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 Greenhouse Gas Emission Rights and Liabilities

The Group measured at zero the emission rights received free of charge from the government following the Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances. Emission rights purchased are measured initially at cost and subsequently carried at their costs less any accumulated impairment losses. Emission liabilities are measured as the sum of the carrying amount of emission allowances held by the Group and best estimate of the expenditure required to settle the obligation for any excess emissions at the end of reporting period. The emission rights and liabilities are classified as 'intangible assets' and 'provisions', respectively, in the consolidated statement of financial position.

The emission rights held for trading are measured at fair value and the changes in fair value are recognized in profit or loss. The changes in fair value and gain or loss on disposal are classified as non-operating income and expenses.

3.13 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.

3.14 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 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.

3.15 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.

3.16 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 IAS 39, *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 IFRS 4, *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.

3.16.1 Insurance premiums

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

3.16.2 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.

3.16.3 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 IFRS 4. 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.

3.16.4 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.

3.17 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.

3.18 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 IAS 37, Provisions, Contingent Liabilities and Contingent Assets and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IAS 18, Revenue

3.19 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.

3.19.1 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.

3.19.2 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.

3.20 Revenue Recognition

3.20.1 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.

3.20.2 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.

3.20.3 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.

3.21 Employee Compensation and Benefits

3.21.1 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.

3.21.2 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.

3.21.3 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 determines 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.

3.21.4 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 IAS 37 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.

3.22 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 for the period, except to the extent that the tax arises from (a) a transaction or an event which is recognized, in the same or a different period outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.22.1 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.

3.22.2 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.

3.22.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to additional assessments. The Group recognizes its uncertain tax positions in the consolidated financial statements based on the guidance in IAS 12. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, interest and penalties related to income tax are recognized in accordance with Korean IAS 37.

3.23 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.

3.24 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.

3.25 United States dollar amounts

The Group operates primarily in Korea and its official accounting records are maintained in Korean won. The U.S. dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Korean won amounts are expressed in U.S. dollars at the rate of ₩1,169.26 to U.S. $1.00, the U.S. Federal Reserve Bank of New York buying exchange rate in effect at noon, December 31, 2015. Such convenience translation into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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 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 Division

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

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

The Group has organized a credit risk management team that focuses on credit risk management in accordance with the Group's credit risk management policy. For Kookmin Bank, which is the main subsidiary, its loan analysis department which is independent from the sales department is responsible for loan policy, loan limit, loan review, credit evaluation, restructuring and subsequent events. Kookmin Bank's risk management group is also responsible for planning risk management policy, applying limits of credit lines, measuring the credit risk economic capital, adjusting credit limits, reviewing credit and verifying credit evaluation models.

4.2.3 Maximum Exposure to Credit Risk

The Group's maximum exposures of financial instruments, excluding equity securities, to credit risk without consideration of collateral values as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Financial assets		
Due from financial institutions	₩ 12,878,430	₩ 13,844,754
Financial assets at fair value through profit or loss		
Financial assets held for trading[(1)]	9,763,553	9,393,203
Financial assets designated at fair value through profit or loss	442,960	943,432
Derivatives	1,968,190	2,278,112
Loans[(2)]	231,449,653	245,005,370
Financial investments		
Available-for-sale financial assets	19,359,822	21,610,663
Held-to-maturity financial assets	12,569,154	14,149,528
Other financial assets[(2)]	7,559,631	7,907,940
Total financial assets	295,991,393	315,133,002
Off-balance sheet items		
Acceptances and guarantees contracts	8,957,888	8,932,463
Financial guarantee contracts	4,459,645	4,021,013
Commitments	96,162,693	97,602,903
Total off-balance sheet items	109,580,226	110,556,379
Total	₩405,571,619	₩425,689,381

(1) Financial instruments indexed to the price of gold amounting to ₩51,345 million and ₩69,060 million as of December 31, 2014 and 2015, respectively, are included.

(2) Loans and other financial assets are presented 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 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 consolidated financial statements through the use of an allowance account which is offset against the related loans.

Loans are classified as follows:

	2014							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
	(In millions of Korean won)							
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
Sub-total	119,298,158	100.00	102,971,251	100.00	11,632,296	100.00	233,901,705	100.00
Allowances[1]	(536,959)	0.45	(1,525,152)	1.48	(389,941)	3.35	(2,452,052)	1.05
Carrying amount	₩118,761,199		₩101,446,099		₩11,242,355		₩231,449,653	

	2015							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
	(In millions of Korean won)							
Neither past due nor impaired	₩122,397,940	98.52	₩108,822,470	97.85	₩11,640,909	95.92	₩242,861,319	98.09
Past due but not impaired	1,225,908	0.99	288,053	0.26	216,829	1.79	1,730,790	0.70
Impaired	612,065	0.49	2,105,063	1.89	278,187	2.29	2,995,315	1.21
Sub-total	124,235,913	100.00	111,215,586	100.00	12,135,925	100.00	247,587,424	100.00
Allowances[1]	(491,352)	0.40	(1,692,352)	1.52	(398,350)	3.28	(2,582,054)	1.04
Carrying amount	₩123,744,561		₩109,523,234		₩11,737,575		₩245,005,370	

(1) 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:

	2014			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
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
Total	₩116,956,042	₩100,542,430	₩11,155,710	₩228,654,182

	2015			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
Grade 1	₩102,454,299	₩ 49,891,311	₩ 6,009,760	₩158,355,370
Grade 2	16,018,879	46,344,267	4,288,164	66,651,310
Grade 3	2,794,511	10,076,423	1,303,101	14,174,035
Grade 4	860,517	1,916,606	32,293	2,809,416
Grade 5	269,734	593,863	7,591	871,188
Total	₩122,397,940	₩108,822,470	₩11,640,909	₩242,861,319

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

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

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

	2014				
	1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	90 days or more	Total
	(In millions of Korean won)				
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
Total	₩1,752,392	₩291,203	₩140,413	₩ 1,012	₩2,185,020

	2015				
	1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	90 days or more	Total
	(In millions of Korean won)				
Retail	₩ 982,702	₩168,391	₩ 72,626	₩ 2,189	₩1,225,908
Corporate	218,258	56,531	13,264	—	288,053
Credit card	170,600	32,121	14,099	9	216,829
Total	₩1,371,560	₩257,043	₩ 99,989	₩ 2,198	₩1,730,790

Impaired loans are as follows:

	2014			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
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)
Total allowances	(287,548)	(1,040,011)	(129,518)	(1,457,077)
Carrying amount	₩ 478,203	₩ 1,057,030	₩ 70,193	₩ 1,605,426

	2015			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
Loans	₩ 612,065	₩ 2,105,063	₩ 278,187	₩ 2,995,315
Allowances				
Individual assessment	(2)	(1,025,771)	—	(1,025,773)
Collective assessment	(238,011)	(184,803)	(207,321)	(630,135)
Total allowances	(238,013)	(1,210,574)	(207,321)	(1,655,908)
Carrying amount	₩ 374,052	₩ 894,489	₩ 70,866	₩ 1,339,407

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2014 and 2015, are as follows:

	2014				
	Impaired Loans		Non-impaired Loans		
	Individual	Collective	Past due	Not past due	Total
	(In millions of Korean won)				
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
Total	₩298,610	₩740,324	₩1,522,802	₩166,261,193	₩168,822,929

	2015				
	Impaired Loans		Non-impaired Loans		
	Individual	Collective	Past due	Not past due	Total
	(In millions of Korean won)				
Guarantees	₩ 26,150	₩165,024	₩ 308,702	₩ 45,292,758	₩ 45,792,634
Deposits and savings	608	9,986	48,584	2,241,837	2,301,015
Property and equipment	10,191	39,937	41,453	3,894,338	3,985,919
Real estate	270,802	440,710	829,470	129,302,361	130,843,343
Total	₩307,751	₩655,657	₩1,228,209	₩180,731,294	₩182,922,911

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:

	2014	2015
	(In millions of Korean won)	
Securities that are neither past due nor impaired	₩42,077,873	₩46,022,194
Impaired securities	6,271	5,572
Total	₩42,084,144	₩46,027,766

The credit quality of securities, excluding equity securities, that are neither past due nor impaired as of December 31, 2014 and 2015, are as follows:

	2014					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
	(In millions of Korean won)					
Securities that are neither past due nor impaired						
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
Total	₩39,552,140	₩2,461,802	₩63,931	₩ —	₩ —	₩42,077,873

	2015					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
	(In millions of Korean won)					
Securities that are neither past due nor impaired						
Financial assets held for trading	₩ 7,833,558	₩1,481,177	₩ 9,408	₩ —	₩ —	₩ 9,324,143
Financial assets designated at fair value through profit or loss	701,117	242,315	—	—	—	943,432
Available-for-sale financial assets	20,316,248	1,223,446	65,397	—	—	21,605,091
Held-to-maturity financial assets	14,149,528	—	—	—	—	14,149,528
Total	₩43,000,451	₩2,946,938	₩74,805	₩ —	₩ —	₩46,022,194

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

	Domestic			Foreign		
Credit quality	KAP	KIS	NICE P&I	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

Credit qualities of debit securities 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 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Deposits and savings, securities and others	₩329,482	₩424,559
Total	₩329,482	₩424,559

4.2.7 Credit risk concentration analysis

The details of the Group's loans by country as of December 31, 2014 and 2015, are as follows:

	2014						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
	(In millions of Korean won)						
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
Total	₩119,298,158	₩102,971,251	₩11,632,296	₩233,901,705	100.00	₩(2,452,052)	₩231,449,653

	2015						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
	(In millions of Korean won)						
Korea	₩124,193,500	₩108,847,327	₩12,131,934	₩245,172,761	99.02	₩(2,539,225)	₩242,633,536
Europe	1	180,429	250	180,680	0.07	(513)	180,167
China	30	905,693	1,632	907,355	0.37	(17,677)	889,678
Japan	1,737	138,278	282	140,297	0.06	(21,404)	118,893
U.S.	—	925,391	915	926,306	0.37	(1,058)	925,248
Others	40,645	218,468	912	260,025	0.11	(2,177)	257,848
Total	₩124,235,913	₩111,215,586	₩12,135,925	₩247,587,424	100.00	₩(2,582,054)	₩245,005,370

The details of the Group's corporate loans by industry as of December 31, 2014 and 2015, are as follows:

	2014			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
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
Total	₩102,971,251	100.00	₩(1,525,152)	₩101,446,099

	2015			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Financial institutions	₩ 9,069,588	8.15	₩ (17,342)	₩ 9,052,246
Manufacturing	35,373,084	31.81	(808,946)	34,564,138
Service	44,371,655	39.90	(353,928)	44,017,727
Wholesale & Retail	13,703,559	12.32	(155,919)	13,547,640
Construction	3,568,970	3.21	(300,513)	3,268,457
Public sector	811,542	0.73	(5,239)	806,303
Others	4,317,188	3.88	(50,465)	4,266,723
Total	₩111,215,586	100.00	₩(1,692,352)	₩109,523,234

The details of the Group's retail and credit card loans by type as of December 31, 2014 and 2015, are as follows:

	2014			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
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
Total	₩130,930,454	100.00	₩(926,900)	₩130,003,554

	2015			
	Loans	%	Allowances	Carrying amount
	(In millions of Korean won)			
Housing purpose	₩ 53,780,078	39.44	₩ (24,628)	₩ 53,755,450
General purpose	70,455,835	51.66	(466,724)	69,989,111
Credit card	12,135,925	8.90	(398,350)	11,737,575
Total	₩136,371,838	100.00	₩(889,702)	₩135,482,136

The details of the Group's securities (excluding equity securities) and derivative financial instruments by industry as of December 31, 2014 and 2015, are as follows:

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

	2015	
	Amount	%
	(In millions of Korean won)	
Financial assets held for trading		
Government and government funded institutions	₩ 3,497,273	37.51
Banking and insurance	4,289,872	46.01
Others	1,536,998	16.48
Sub-total	9,324,143	100.00
Financial assets designated at fair value through profit or loss		
Banking and insurance	943,432	100.00
Sub-total	943,432	100.00
Derivative financial assets		
Government and government funded institutions	56,652	2.49
Banking and insurance	1,950,708	85.63
Others	270,752	11.88
Sub-total	2,278,112	100.00
Available-for-sale financial assets		
Government and government funded institutions	6,311,207	29.20
Banking and insurance	12,457,467	57.65
Others	2,841,989	13.15
Sub-total	21,610,663	100.00
Held-to-maturity financial assets		
Government and government funded institutions	7,304,689	51.62
Banking and insurance	6,027,712	42.60
Others	817,127	5.78
Sub-total	14,149,528	100.00
Total	₩48,305,878	

The details of the Group's securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2014 and 2015, are as follows:

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

	2015	
	Amount	%
	(In millions of Korean won)	
Financial assets held for trading		
Korea	₩ 9,292,386	99.66
Others	31,757	0.34
Sub-total	9,324,143	100.00
Financial assets designated at fair value through profit or loss		
Korea	542,752	57.53
United States	78,944	8.37
Others	321,736	34.10
Sub-total	943,432	100.00
Derivative financial assets		
Korea	1,286,340	56.47
United States	300,257	13.18
Others	691,515	30.35
Sub-total	2,278,112	100.00
Available-for-sale financial assets		
Korea	21,217,086	98.18
United States	127,426	0.59
Others	266,151	1.23
Sub-total	21,610,663	100.00
Held-to-maturity financial assets		
Korea	13,774,488	97.35
Others	375,040	2.65
Sub-total	14,149,528	100.00
Total	₩48,305,878	

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 items 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 risk management policy and liquidity risk management guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Group.

For the purpose of liquidity management, the liquidity ratio and accumulated liquidity gap ratio on all transactions affecting the in and outflows of funds and transactions of off-balance sheet items are measured, managed and reported to the Risk Planning Council and Risk Management Committee on a regular basis.

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 2015, are as follows:

	2014						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)						
Financial assets							
Cash and due from financial institutions[(1)]	₩ 6,397,552	₩ 675,876	₩ 544,520	₩ 675,266	₩ 57,441	₩ —	₩ 8,350,655
Financial assets held for trading[(2)]	10,121,570	—	—	—	—	—	10,121,570
Financial assets designated at fair value through profit or loss[(2)]	636,340	—	—	—	—	—	636,340
Derivatives held for trading[(2)]	1,858,637	—	—	—	—	—	1,858,637
Derivatives held for fair value hedging[(3)]	—	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[(4)]	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
Total	₩ 22,118,422	₩28,235,857	₩26,959,821	₩89,853,173	₩81,317,547	₩91,614,421	₩340,099,241
Financial liabilities							
Financial liabilities held for trading[(2)]	₩ 836,542	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 836,542
Financial liabilities designated at fair value through profit or loss[(2)]	982,426	—	—	—	—	—	982,426
Derivatives held for trading[(2)]	1,775,341	—	—	—	—	—	1,775,341
Derivatives held for fair value hedging[(3)]	—	—	652	146	6,304	(15,580)	(8,478)
Deposits[(5)]	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
Total	₩ 88,003,726	₩26,770,382	₩29,222,439	₩92,850,115	₩30,554,513	₩ 8,432,851	₩275,834,026
Off- balance sheet items							
Commitments[(6)]	₩ 96,162,693	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 96,162,693
Financial guarantee contract[(7)]	4,459,645	—	—	—	—	—	4,459,645
Total	₩100,622,338	₩ —	₩ —	₩ —	₩ —	₩ —	₩100,622,338

	2015						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)						
Financial assets							
Cash and due from financial institutions[1]	₩ 6,433,873	₩ 771,135	₩ 926,476	₩ 973,720	₩ 101,056	₩ —	₩ 9,206,260
Financial assets held for trading[2]	10,035,096	—	—	—	—	—	10,035,096
Financial assets designated at fair value through profit or loss[2]	1,138,968	—	—	—	—	—	1,138,968
Derivatives held for trading[2]	2,165,959	—	—	—	—	—	2,165,959
Derivatives held for fair value hedging[3]	—	5,391	18,885	14,358	38,972	111,268	188,874
Loans	55,658	21,389,266	24,657,307	83,314,942	65,396,136	89,038,702	283,852,011
Available-for-sale financial assets[4]	3,106,189	879,570	1,733,861	5,468,592	12,984,938	1,923,776	26,096,926
Held-to-maturity financial assets	—	462,871	1,113,714	2,653,041	8,593,322	3,223,951	16,046,899
Other financial assets	185,712	5,894,880	26,462	1,225,891	10,546	10,055	7,353,546
Total	₩ 23,121,455	₩29,403,113	₩28,476,705	₩93,650,544	₩87,124,970	₩94,307,752	₩356,084,539
Financial liabilities							
Financial liabilities held for trading[2]	₩ 586,923	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 586,923
Financial liabilities designated at fair value through profit or loss[2]	2,387,681	—	—	—	—	—	2,387,681
Derivatives held for trading[2]	2,282,781	—	—	—	—	—	2,282,781
Derivatives held for fair value hedging[3]	—	1,981	945	(2,642)	(25,096)	(35,050)	(59,862)
Deposits[5]	100,409,376	14,756,423	25,041,672	73,797,488	10,965,895	3,158,782	228,129,636
Debts	1,249,936	4,017,170	1,911,518	4,827,746	3,912,469	537,209	16,456,048
Debentures	68,852	1,642,335	1,550,322	9,021,561	18,326,885	4,193,841	34,803,796
Other financial liabilities	4,173	8,329,950	25,790	99,180	376,104	743,265	9,578,462
Total	₩106,989,722	₩28,747,859	₩28,530,247	₩87,743,333	₩33,556,257	₩ 8,598,047	₩294,165,465
Off- balance sheet items							
Commitments[6]	₩ 97,602,903	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 97,602,903
Financial guarantee contract[7]	4,021,013	—	—	—	—	—	4,021,013
Total	₩101,623,916	₩ —	₩ —	₩ —	₩ —	₩ —	₩101,623,916

(1) The amounts of ₩7,136,623 million and ₩7,127,248 million which are restricted amounts due from the financial institutions as of December 31, 2014 and 2015, respectively, are excluded.

(2) 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, Kookmin Bank has an obligation to purchase bonds at par value amounting to USD 300 million and to pay deferred amounts of interest if an issuer does not exercise early redemption right at the end of the five-year period from the date of issuance(May 8, 2015), or if the issuer goes bankrupt within five years from the date of issuance. In addition, the issuer has an option to request Kookmin Bank to acquire these bonds either in cash or the issuer's stocks at the issuer's choice. These transactions are excluded from the table above.

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

(4) Equity investments in financial assets classified as available-for-sale are generally included in the 'On demand' category as most are available for sale at anytime. However, in the case of equity investments restricted for sale, they are shown in the period in which the restriction is expected to expire.

(5) Deposits that are contractually repayable on demand or on short notice are classified under the 'On demand' category.

(6) Commitments are included under the 'On demand' category because payments can be required upon request.

(7) 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 2015, are as follows:

	2014					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)					
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)

	2015					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(In millions of Korean won)					
Net cash flow of net settlement derivatives	₩(389)	₩ (1,246)	₩ (4,519)	₩ (7,350)	₩ —	₩ (13,504)
Cash flow to be received of total settlement derivatives	252	722	3,849	358,239	—	363,062
Cash flow to be paid of total settlement derivatives	(504)	(1,135)	(4,934)	(336,576)	—	(343,149)

4.4 Market risk

4.4.1 Overview of market risk

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, and incurred in securities, derivatives and 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 associated with non-trading positions. The Group classifies exposures to market risk into either trading or non-trading positions for managerial purpose.

Risk management

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, 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 EaR (Earning at Risk), duration gap and interest rate VaR (Value at Risk), 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.
- 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. When the internal model is not permitted for certain market risk, the Group uses the 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 uses historical scenarios and hypothetical scenarios 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 2015, are as follows:

Kookmin Bank

	2014			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
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

	2015			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Interest rate risk	₩ 18,403	₩ 10,022	₩ 27,134	₩ 15,788
Stock price risk	1,711	866	3,880	2,040
Foreign exchange rate risk	12,429	8,322	21,935	21,935
Deduction of diversification effect				(16,577)
Total VaR	₩ 23,930	₩ 11,730	₩ 33,885	₩ 23,186

KB Investment & Securities Co., Ltd.

	2014			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
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

	2015			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Interest rate risk	₩ 2,307	₩ 685	₩ 6,229	₩ 895
Stock price risk	1,632	812	5,739	882
Foreign exchange rate risk	115	1	678	136
Deduction of diversification effect				(609)
Total VaR	₩ 3,068	₩ 1,304	₩ 7,056	₩ 1,304

KB Life Insurance Co., Ltd.

	2014			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Interest rate risk	₩ 121	₩ 33	₩ 374	₩ 33
Deduction of diversification effect				—
Total VaR	₩ 121	₩ 33	₩ 374	₩ 33

	2015			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Interest rate risk	₩ 64	₩ 33	₩ 127	₩ 106
Deduction of diversification effect				—
Total VaR	₩ 64	₩ 33	₩ 127	₩ 106

KB Investment Co., Ltd.

	2014			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Foreign exchange rate risk	₩ 30	₩ 18	₩ 37	₩ 25
Deduction of diversification effect				—
Total VaR	₩ 30	₩ 18	₩ 37	₩ 25

	2015			
	Average	Minimum	Maximum	Ending
	(In millions of Korean won)			
Foreign exchange rate risk	₩ 43	₩ 24	₩ 49	₩ 42
Deduction of diversification effect				—
Total VaR	₩ 43	₩ 24	₩ 49	₩ 42

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 2015, is as follows:

Kookmin Bank

	2014	2015
	(In millions of Korean won)	
Interest rate risk	₩ 792	₩ 34
Stock price risk	1,101	118
Foreign exchange rate risk	9,387	—
Total	₩ 11,280	₩ 152

KB Investment & Securities Co., Ltd.

	2014	2015
	(In millions of Korean won)	
Interest rate risk	₩ 8,865	₩ 12,351
Stock price risk	2,590	1,077
Total	₩ 11,455	₩ 13,428

KB Investment Co., Ltd.

	2014	2015
	(In millions of Korean won)	
Stock price risk	₩ 1,979	₩ 1,736

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 and foreign currency derivatives. Net foreign currency exposure mostly occurs from the foreign assets and liabilities which are denominated in US dollars and Chinese Yuan Renminbi. 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

Managed interest rate risk in non-trading position includes on- or off-balance sheet assets, liabilities and derivatives that are sensitive to interest rate, except trading position for market risk. The interest rate sensitive assets and liabilities are interest-bearing assets and liabilities that create interest income and expenses.

Observation method on market risk arising from non-trading position

Interest rate risk occurs due to mismatches on maturities and interest rate reset periods between interest-bearing assets and liabilities. The Group manages the risk through measuring and managing interest rate VaR that are maximum expected decreases in net asset value (NPV) arising from unfavorable changes in market interest rate, and others.

Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.94% confidence level. The measurement results of risk as of December 31, 2014 and 2015, are as follows:

	2014	**2015**
	(In millions of Korean won)	
Kookmin Bank	₩ 112,500	₩ 94,500
KB Kookmin Card Co., Ltd.	55,101	55,304
KB Investment & Securities Co., Ltd.	3,489	11,115
KB Life Insurance Co., Ltd.	103,424	30,964
KB Savings Bank Co., Ltd.	4,649	7,581
KB Capital Co., Ltd.	3,685	5,798

4.4.4 Financial assets and liabilities in foreign currencies

Financial assets and liabilities in foreign currencies as of December 31, 2014 and 2015, are as follows:

	2014						
	USD	JPY	EUR	GBP	CNY	Others	Total
	(In millions of Korean won)						
Financial Assets							
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
Total	₩14,414,689	₩1,111,118	₩599,585	₩19,197	₩97,616	₩308,283	₩16,550,488
Financial liabilities							
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
Total	₩15,369,578	₩ 797,310	₩598,041	₩27,961	₩71,584	₩478,026	₩17,342,500
Off-balance sheet items	₩17,609,054	₩ 19,783	₩ 6,549	₩ 4,704	₩18,898	₩ 78,818	₩17,737,806

	2015						
	USD	JPY	EUR	GBP	CNY	Others	Total
	(In millions of Korean won)						
Financial Assets							
Cash and due from financial institutions	₩ 2,210,147	₩243,840	₩123,607	₩14,891	₩ 92,005	₩215,154	₩ 2,899,644
Financial assets held for trading	75,762	—	2,616	—	—	—	78,378
Financial assets designated at fair value through profit or loss	501,978	—	—	—	—	—	501,978
Derivatives held for trading	64,705	87	355	—	—	1,275	66,422
Derivatives held for hedging	8,610	—	—	—	—	—	8,610
Loans	12,875,006	507,615	458,483	19,365	4,329	136,560	14,001,358
Available-for-sale financial assets	1,564,355	60,591	—	—	—	1,392	1,626,338
Held-to-maturity financial assets	375,040	—	—	—	—	—	375,040
Other financial assets	985,459	182,766	216,546	5,381	192,669	145,225	1,728,046
Total	₩18,661,062	₩994,899	₩801,607	₩39,637	₩289,003	₩499,606	₩21,285,814
Financial liabilities							
Financial liabilities designated at fair value through profit or loss	₩ 658,010	₩ —	₩ —	₩ —	₩ —	₩ —	₩ 658,010
Derivatives held for trading	92,435	—	2,527	—	—	12,597	107,559
Derivatives held for hedging	21,461	—	—	—	—	—	21,461
Deposits	6,397,515	510,174	387,112	22,662	58,802	376,870	7,753,135
Debts	6,650,235	217,887	143,060	7,916	4,511	110,536	7,134,145
Debentures	3,869,711	—	106,284	—	—	157,337	4,133,332
Other financial liabilities	1,701,766	98,431	160,867	10,454	185,653	26,646	2,183,817
Total	₩19,391,133	₩826,492	₩799,850	₩41,032	₩248,966	₩683,986	₩21,991,459
Off-balance sheet items	₩15,548,595	₩ 17,086	₩ 49,053	₩ —	₩ 13,957	₩311,287	₩15,939,978

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 4.5%(2014: 4.0%), a minimum Tier 1 ratio of 6.0%(2014: 5.5%) and a minimum Total Regulatory Capital of 8.0%(2014: 8.0%) as of December 31, 2015.

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 five 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 2015.

The details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Equity Capital:	₩ 28,347,675	₩ 29,140,025
Tier 1 Capital	24,248,598	25,585,979
Common Equity Tier 1 Capital	24,062,475	25,351,910
Additional Tier 1 Capital	186,123	234,069
Tier 2 Capital	4,099,077	3,554,046
Risk-weighted assets:	182,485,957	188,212,825
Equity Capital (%):	15.53	15.48
Tier 1 Capital (%)	13.29	13.59
Common Equity Tier 1 Capital (%)	13.19	13.47

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.

Banking business	**Corporate Banking**	The activities within this segment include providing credit, deposit products and other related financial services to large, small-and medium-sized enterprises and SOHOs.
	Retail Banking	The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.
	Other Banking services	The activities within this segment include trading activities in securities and derivatives, funding and other supporting activities.
Credit Card business		The activities within this segment include credit sale, cash service, card loan and other supporting activities.
Investment & Securities business		The activities within this segment include investment banking and brokerage services and other supporting activities.
Life Insurance business		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:

	Banking business									
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total	Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	(In millions of Korean won)									
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)	—
Sub-total	₩ 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[(1)]	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[(1)]	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, 2015, is as follows:

	Banking business									
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total	Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	(In millions of Korean won)									
Operating revenues from external customers	₩ 1,667,927	₩ 2,115,837	₩ 1,614,790	₩ 5,398,554	₩ 1,310,628	₩ 184,880	₩ 142,885	₩345,002	₩ —	₩ 7,381,949
Segment operating revenues(expenses)	51,466	—	283,402	334,868	(257,745)	2,758	(34,943)	148,101	(193,039)	—
Sub-total	₩ 1,719,393	₩ 2,115,837	₩ 1,898,192	₩ 5,733,422	₩ 1,052,883	₩ 187,638	₩ 107,942	₩493,103	₩ (193,039)	₩ 7,381,949
Net interest income	2,320,217	2,102,326	289,204	4,711,747	979,928	24,260	236,027	250,499	738	6,203,199
Interest income	3,513,603	3,858,102	1,016,677	8,388,382	1,305,800	49,630	236,032	413,746	(17,767)	10,375,823
Interest expense	(1,193,386)	(1,755,776)	(727,473)	(3,676,635)	(325,872)	(25,370)	(5)	(163,247)	18,505	(4,172,624)
Net fee and commission income	232,708	569,832	353,833	1,156,373	108,865	97,996	162	168,928	2,659	1,534,983
Fee and commission income	296,498	671,184	404,372	1,372,054	1,582,903	105,900	162	197,109	(287,033)	2,971,095
Fee and commission expense	(63,790)	(101,352)	(50,539)	(215,681)	(1,474,038)	(7,904)	—	(28,181)	289,692	(1,436,112)
Net gains(losses) on financial assets/liabilities at fair value through profit or loss	37	—	286,991	287,028	—	51,184	8,321	14,852	(1,658)	359,727
Net other operating income(loss)	(833,569)	(556,321)	968,164	(421,726)	(35,910)	14,198	(136,568)	58,824	(194,778)	(715,960)
General and administrative expenses	(847,029)	(2,004,800)	(959,992)	(3,811,821)	(332,700)	(119,496)	(79,074)	(227,446)	46,953	(4,523,584)
Operating profit before provision for credit losses	872,364	111,037	938,200	1,921,601	720,183	68,142	28,868	265,657	(146,086)	2,858,365
Provision(reversal) for credit losses	(715,926)	(80,213)	54,519	(741,620)	(245,790)	(4,992)	(10,159)	(34,507)	(163)	(1,037,231)
Net operating profit	156,438	30,824	992,719	1,179,981	474,393	63,150	18,709	231,150	(146,249)	1,821,134
Share of profit of associates	—	—	7,812	7,812	—	93	—	195,192	—	203,097
Net other non-operating revenue (expense)	1,317	—	192,119	193,436	(12,141)	(614)	(208)	(35,286)	(4,723)	140,464
Segment profits before income tax	157,755	30,824	1,192,650	1,381,229	462,252	62,629	18,501	391,056	(150,972)	2,164,695
Income tax expense	(38,973)	(7,460)	(227,558)	(273,991)	(107,232)	(15,511)	(7,938)	(37,452)	4,735	(437,389)
Profit for the year	118,782	23,364	965,092	1,107,238	355,020	47,118	10,563	353,604	(146,237)	1,727,306
Profit attributable to Shareholders of the parent company	118,782	23,364	965,092	1,107,238	355,020	47,118	10,563	324,616	(146,237)	1,698,318
Profit attributable to Non-controlling interests	—	—	—	—	—	—	—	28,988	—	28,988
Total assets[1]	103,042,327	114,849,508	72,386,072	290,277,907	16,141,810	6,118,251	8,516,783	28,527,698	(20,516,982)	329,065,467
Total liabilities[1]	89,293,741	130,631,229	47,605,726	267,530,696	12,307,827	5,495,285	7,933,950	7,733,168	(838,181)	300,162,745

(1) Amounts before intra-group transaction adjustment.

5.2 Services and Geographical Segments

5.2.1 Services information

Operating revenues from external customers by services for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Banking service	₩5,672,100	₩5,403,223	₩5,398,554
Credit card service	1,420,937	1,280,628	1,310,628
Investment & securities service	115,054	141,355	184,880
Life insurance service	102,226	105,255	142,885
Other service	143,811	266,332	345,002
Total	₩7,454,128	₩7,196,793	₩7,381,949

5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2013, 2014 and 2015, and major non-current assets as of December 31, 2013, 2014 and 2015, are as follows:

	2013		2014		2015	
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets
	(In millions of Korean won)					
Domestic	₩7,399,906	₩3,600,424	₩7,093,068	₩3,807,792	₩7,305,697	₩3,821,634
United States	12,730	21	11,655	256	11,847	276
New Zealand	8,581	20	6,684	193	5,143	209
China	32,190	10,488	46,892	7,518	30,590	6,949
Japan	(17,182)	1,722	19,842	1,391	10,709	1,547
Argentina	6	—	573	—	—	—
Vietnam	3,268	316	3,130	287	3,358	239
Cambodia	5,741	898	5,364	564	5,072	350
United Kingdom	8,888	9	9,585	108	9,533	130
Intra-group adjustment	—	56,408	—	131,342	—	134,692
Total	₩7,454,128	₩3,670,306	₩7,196,793	₩3,949,451	₩7,381,949	₩3,966,026

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 2015, are as follows:

	2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions of Korean won)			
Financial assets				
Cash and due from financial institutions	₩ 15,423,847	₩ 15,425,123	₩ 16,316,066	₩ 16,316,953
Financial assets held for trading	10,121,570	10,121,570	10,035,096	10,035,096
Debt securities	9,712,208	9,712,208	9,324,143	9,324,143
Equity securities	358,017	358,017	641,893	641,893
Others	51,345	51,345	69,060	69,060
Financial assets designated at fair value through profit or loss	636,340	636,340	1,138,968	1,138,968
Debt securities	—	—	145,542	145,542
Equity securities	134,172	134,172	195,536	195,536
Derivative linked securities	502,168	502,168	797,890	797,890
Derivatives held for trading	1,858,637	1,858,637	2,165,971	2,165,971
Derivatives held for hedging	109,553	109,553	112,141	112,141
Loans	231,449,653	232,084,413	245,005,370	245,244,958
Available-for-sale financial assets	22,391,466	22,391,466	24,987,231	24,987,231
Debt securities	19,359,822	19,359,822	21,610,663	21,610,663
Equity securities	3,031,644	3,031,644	3,376,568	3,376,568
Held-to-maturity financial assets	12,569,154	13,050,574	14,149,528	14,505,959
Other financial assets	7,559,631	7,559,631	7,907,940	7,907,940
Total	₩302,119,851	₩303,237,307	₩321,818,311	₩322,415,217
Financial liabilities				
Financial liabilities held for trading	₩ 836,542	₩ 836,542	₩ 586,923	₩ 586,923
Financial liabilities designated at fair value through profit or loss	982,426	982,426	2,387,681	2,387,681
Derivatives held for trading	1,775,341	1,775,341	2,282,794	2,282,794
Derivatives held for hedging	22,049	22,049	42,962	42,962
Deposits	211,549,121	211,946,808	224,268,185	224,949,129
Debts	15,864,500	15,944,770	16,240,743	16,297,523
Debentures	29,200,706	29,849,158	32,600,603	33,274,914
Other financial liabilities	11,918,820	11,911,835	12,278,613	12,255,921
Total	₩272,149,505	₩273,268,929	₩290,688,504	₩292,077,847

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:

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are 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 DCF model (Discounted Cash Flow Model).
Investment securities	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 DCF Model, FCFE(Free Cash Flow to Equity Model), Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Loans	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.
Derivatives	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 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.
Deposits	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.
Debts	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.
Debentures	Fair value is determined by using the valuations of independent third-party pricing services, which are calculated using market inputs.
Other financial assets and liabilities	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 2015, is as follows:

	2014			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean won)			
Financial assets				
Financial assets held for trading				
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				
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(1)				
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
Total	₩12,706,095	₩20,043,309	₩2,368,162	₩35,117,566
Financial liabilities				
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
Total	₩ 837,688	₩ 1,771,385	₩1,007,285	₩ 3,616,358

	2015			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean won)			
Financial assets				
Financial assets held for trading				
Debt securities	₩ 3,374,271	₩ 5,949,872	₩ —	₩ 9,324,143
Equity securities	302,207	339,686	—	641,893
Others	69,060	—	—	69,060
Financial assets designated at fair value through profit or loss				
Debt securities	—	145,542	—	145,542
Equity securities	—	195,536	—	195,536
Derivative linked securities	—	411,052	386,838	797,890
Derivatives held for trading	1,688	2,120,097	44,186	2,165,971
Derivatives held for hedging	—	110,930	1,211	112,141
Available-for-sale financial assets[(1)]				
Debt securities	6,148,688	15,461,551	424	21,610,663
Equity securities	869,451	619,102	1,888,015	3,376,568
Total	₩10,765,365	₩25,353,368	₩2,320,674	₩38,439,407
Financial liabilities				
Financial liabilities held for trading	₩ 586,923	₩ —	₩ —	₩ 586,923
Financial liabilities designated at fair value through profit or loss	—	568,302	1,819,379	2,387,681
Derivatives held for trading	15,139	2,134,427	133,228	2,282,794
Derivatives held for hedging	—	42,465	497	42,962
Total	₩ 602,062	₩ 2,745,194	₩1,953,104	₩ 5,300,360

(1) 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 ₩121,683 million as of December 31, 2014 and 2015, 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, due to significant fluctuations in estimated cash flows arising from entities being in its initial stages, which further results in varying and unpredictable probabilities, unlisted equity securities issued by project financing cannot be reliably and 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 2015, are as follows:

	Fair value 2014	Fair value 2015	Valuation techniques	Inputs
	(In millions of Korean won)			
Financial assets				
Financial assets held for trading	₩ 5,450,431	₩ 6,289,558		
Debt securities	5,341,103	5,949,872	DCF Model	Discount rate
Equity securities	109,328	339,686	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
Financial assets designated at fair value through profit or loss	134,172	752,130		
Debt securities	—	145,542	DCF Model, Hull-White Model	Discount rate, Volatility
Equity securities	134,172	195,536	DCF Model	Discount rate
Derivative linked securities	—	411,052	DCF Model, Closed Form, Monte Carlo Simulation	Discount rate, Volatility of the underlying asset
Derivatives held for trading	1,793,894	2,120,097	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	109,293	110,930	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets	12,555,519	16,080,653		
Debt securities	12,377,142	15,461,551	DCF Model, One Factor Hull-White Model	Discount rate, Interest rate, Volatility of interest rate
Equity securities	178,377	619,102	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
Total	₩20,043,309	₩25,353,368		
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	₩ —	₩ 568,302		
Derivative linked securities	—	568,302	DCF Model, Closed Form, Monte Carlo Simulation	Discount rate, Fair value of underlying asset
Derivatives held for trading	1,751,617	2,134,427	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	19,768	42,465	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Total	₩ 1,771,385	₩ 2,745,194		

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

The fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2014 and 2015, is as follows:

	2014			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean won)			
Financial assets				
Cash and due from financial institutions[1]	₩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[2]	—	—	7,559,631	7,559,631
Total	₩5,227,959	₩ 21,290,938	₩241,600,844	₩268,119,741
Financial liabilities				
Deposits[1]	₩ —	₩ 82,709,205	₩129,237,603	₩211,946,808
Debts[3]	—	408,984	15,535,786	15,944,770
Debentures	—	29,353,766	495,392	29,849,158
Other financial liabilities[4]	—	—	11,911,835	11,911,835
Total	₩ —	₩112,471,955	₩157,180,616	₩269,652,571

	2015			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean won)			
Financial assets				
Cash and due from financial institutions[1]	₩2,711,519	₩ 11,171,092	₩ 2,434,342	₩ 16,316,953
Loans	—	—	245,244,958	245,244,958
Held-to-maturity financial assets	1,788,914	12,717,045	—	14,505,959
Other financial assets[2]	—	—	7,907,940	7,907,940
Total	₩4,500,433	₩ 23,888,137	₩255,587,240	₩283,975,810
Financial liabilities				
Deposits[1]	₩ —	₩100,090,671	₩124,858,458	₩224,949,129
Debts[3]	—	434,634	15,862,889	16,297,523
Debentures	—	32,532,277	742,637	33,274,914
Other financial liabilities[4]	—	—	12,255,921	12,255,921
Total	₩ —	₩133,057,582	₩153,719,905	₩286,777,487

(1) The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair values.

(2) The ₩7,559,631 million and ₩7,970,940 million of other financial assets included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2014 and 2015, respectively.

(3) The ₩408,984 million and ₩9,884 million of debts included in Level 2 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2014 and 2015, respectively.

(4) The ₩11,682,571 million and ₩11,957,239 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2014 and 2015, respectively.

Valuation techniques and the inputs used in the fair value measurement

Valuation techniques and 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.

Valuation techniques and inputs of financial assets and liabilities whose the fair values are disclosed and classified as Level 2 as of December 31, 2014 and 2015, are as follows:

	Fair value 2014	Fair value 2015	Valuation technique	Inputs
	(In millions of Korean won)			
Financial assets				
Held-to-maturity financial assets	₩10,411,022	₩12,717,045	DCF Model	Discount rate
Financial liabilities				
Debts	₩ —	₩ 424,750	DCF Model	Discount rate
Debentures	29,353,766	32,532,277	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 2015, are as follows:

	Fair value 2014	Fair value 2015	Valuation technique	Inputs	Unobservable Inputs
	(In millions of Korean won)				
Financial assets					
Cash and due from financial institutions	₩ 1,956,800	₩ 2,434,342	DCF Model	Credit spread, Other spread, Interest rate	Credit spread, Other spread
Loans	232,084,413	245,244,958	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rate	Credit spread, Other spread, Prepayment rate
Total	₩234,041,213	₩247,679,300			
Financial liabilities					
Deposits	₩129,237,603	₩124,858,458	DCF Model	Other spread, Prepayment rate, Interest rate	Other spread, Prepayment rate
Debts	15,535,786	15,862,889	DCF Model	Other spread, Interest rate	Other spread
Debentures	495,392	742,637	DCF Model	Other spread, Implied default probability, Interest rate	Other spread, Implied default probability
Other financial liabilities	229,264	298,682	DCF Model	Other spread, Interest rate	Other spread
Total	₩145,498,045	₩141,762,666			

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 2015, are as follows:

	2014				
	Financial assets at fair value through profit or loss	Financial investments	Financial liabilities at fair value through profit or loss	Net derivatives	
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging
	(In millions of Korean won)				
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[(1)]	—	25,146	—	22,651	—
Transfers out of Level 3[(1)]	—	(12,137)	—	—	—
business combination	—	6,834	—	—	—
Ending balance	₩ 502,168	₩ 1,801,339	₩ (982,426)	₩ 41,817	₩ (2,021)

	2015				
	Financial assets at fair value through profit or loss	Financial investments	Financial liabilities at fair value through profit or loss	Net derivatives	
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging
	(In millions of Korean won)				
Beginning balance	₩ 502,168	₩ 1,801,339	₩ (982,426)	₩ 41,817	₩ (2,021)
Total gains or losses					
—Profit or loss	(20,642)	122,603	111,684	(82,343)	2,735
—Other comprehensive income	—	(25,788)	—	—	—
Purchases	686,475	526,780	—	3,429	—
Sales	(781,163)	(528,170)	—	(11,764)	—
Issues	—	—	(2,299,289)	(16,345)	—
Settlements	—	—	1,350,652	(23,836)	—
Transfers into Level 3[(1)]	—	24,099	—	—	—
Transfers out of Level 3[(1)]	—	(32,424)	—	—	—
Ending balance	₩ 386,838	₩ 1,888,439	₩ (1,819,379)	₩ (89,042)	₩ 714

(1) The Changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	
	Net income from financial investments at fair value through profit or loss	Other operating income
	(In millions of Korean won)	
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)

	2014		
	Net income from financial investments at fair value through profit or loss	Other operating income	Net interest income
	(In millions of Korean won)		
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

	2015		
	Net income from financial investments at fair value through profit or loss	Other operating income	Net interest income
	(In millions of Korean won)		
Total gains or losses included in profit or loss for the year	₩ 8,699	₩ 125,331	₩ 7
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	30,926	(24,143)	7

6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs

	2014					
	Fair value (In millions of Korean won)	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets						
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, 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, 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, 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
Derivatives held for hedging						
Interest rate	260	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	3.91	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

	2014					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
	(In millions of Korean won)					
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, Hull and White 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 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
Total	₩ 2,368,162					
Financial liabilities						
Financial liabilities designated at fair value through profit or loss						
Derivative linked securities	₩ 982,426	Closed Form, Monte Carlo 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, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	13,529	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield	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, the higher the fair value fluctuation
Others	9,049	Hull and White Model	Interest rates, Volatility of interest rate	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
Total	₩ 1,007,285					

	2015					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
	(In millions of Korean won)					
Financial assets						
Financial assets designated at fair value through profit or loss						
Derivative linked securities	₩ 386,838	Monte Carlo Simulation, Closed Form, Hull and White Model, Black-Scholes Model, Gaussian 1 factor model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset	0.65~70.06	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	-14.20~89.98	The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index . . .	43,948	DCF Model, Closed Form, Monte Carlo Simulation, Binomial trees, Black-Scholes Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset	5.60~49.65	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	6.80~51.07	The higher the correlation, the higher the fair value fluctuation
Currency and interest, etc	238	DCF Model, Hull and White Model, Closed Form, Monte Carlo Simulation	Interest rates, Foreign exchange rate, Loss given default, Stock price, Volatility of the stock price, Volatility of interest rate, Price of the underlying asset, Volatility of the underlying asset, Correlation between underlying asset	Loss given default	5.56~100.00	The higher the loss given default, the lower the fair value
				Volatility of the stock price	40.02	The higher the volatility, the higher the fair value fluctuation
				Volatility of the interest rate	0.45	The higher the volatility, the higher the fair value fluctuation
				Volatility of the underlying asset	13.80~46.56	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	3.42~89.98	The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging						
Interest rate	1,211	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	5.96	The higher the volatility, the higher the fair value fluctuation

	2015					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
	(In millions of Korean won)					
Available-for-sale financial assets Debt securities	424	DCF Model	Discount rate	Discount rate	6.05	The lower the discount rate, the higher the fair value
Equity securities	1,888,015	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Net asset value method, Dividend discount model, Hull and White Model, Discounted cash flows to equity	Growth rate, Discount rate, Volatility of interest rate, 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	1.72~20.65	The lower the discount rate, the higher the fair value
				Volatility of interest rate	24.90~27.20	The higher the volatility, the higher the fair value fluctuation
				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
Total	₩ 2,320,674					
Financial liabilities						
Financial liabilities designated at fair value through profit or loss						
Derivative linked securities	₩ 1,819,379	Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Gaussian 1 factor model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset	0.65~70.06	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	-14.20~89.98	The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	124,379	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 the underlying asset	15.68~70.06	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	11.96~51.07	The higher the correlation, the higher the fair value fluctuation

	2015					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
	(In millions of Korean won)					
Others	8,849	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model	Stock price, Interest rate, Volatility of the stock price, Volatility of the interest rate, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield	Volatility of the stock price	40.02	The higher the volatility, the higher the fair value fluctuation
				Volatility of the interest rate	0.45~27.20	The higher the volatility, the higher the fair value fluctuation
				Volatility of the underlying asset	13.80~46.56	The higher the volatility, the higher the fair value fluctuation
				Correlation between underlying asset	3.42~89.98	The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging						
Interest rate	497	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	3.93	The higher the volatility, the higher the fair value fluctuation
Total	₩ 1,953,104					

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 or loss as well as debt securities and unlisted equity securities (including private equity funds) whose fair value changes are recognized in profit or loss or other comprehensive income or loss.

Sensitivity analyses by type of instrument as a result of varying input parameters are as follows:

	2014			
	Recognition in profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
	(In millions of Korean won)			
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative linked securities[(1)]	₩ 6,006	₩ (10,768)	₩ —	₩ —
Derivatives held for trading[(2)]	9,851	(8,194)	—	—
Derivatives held for hedging[(2)]	17	(15)	—	—
Available-for-sale financial assets				
Debt securities[(3)]	—	—	20	(18)
Equity securities[(4)]	—	—	388,278	(147,164)
Total	₩ 15,874	₩ (18,977)	₩388,298	₩ (147,182)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss[(1)]	₩ 23,283	₩ (15,248)	₩ —	₩ —
Derivatives held for trading[(2)]	4,211	(6,812)	—	—
Derivatives held for hedging[(2)]	86	(76)	—	—
Total	₩ 27,580	₩ (22,136)	₩ —	₩ —

	2015			
	Recognition in profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
	(In millions of Korean won)			
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative linked securities[(1)]	₩ 9,211	₩ (11,642)	₩ —	₩ —
Derivatives held for trading[(2)]	2,800	(3,891)	—	—
Derivatives held for hedging[(2)]	81	(71)	—	—
Available-for-sale financial assets				
Debt securities[(3)]	—	—	20	(19)
Equity securities[(4)]	—	—	189,271	(88,066)
Total	₩ 12,092	₩ (15,604)	₩189,291	₩ (88,085)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss[(1)]	₩ 57,529	₩ (41,499)	₩ —	₩ —
Derivatives held for trading[(2)]	30,011	(43,272)	—	—
Derivatives held for hedging[(2)]	17	(16)	—	—
Total	₩ 87,557	₩ (84,787)	₩ —	₩ —

(1) 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 volatility of the underlying assets, correlation between underlying assets by +/- 10%.

(2) For stock and index-related derivatives, the changes in fair value are calculated by shifting principal unobservable input parameters such as the correlation of rates of return on stocks and the volatility of the underlying asset by ± 10%. For currency-related derivatives, the changes in fair value are calculated by shifting the unobservable input parameters, such as the loss given default ratio by ± 1%. For interest rate-related derivatives, the correlation of the interest rates or the volatility of the underlying asset is shifted by ± 10% to calculate the fair value changes.

(3) For debt securities**,** the changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate by +/- 1%.

(4) 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:

	2014	2015
	(In millions of Korean won)	
Balance at the beginning of the year	₩ 4,190	₩ 1,376
New transactions	(853)	5,400
Amounts recognized in profit or loss during the year		
Amortization	(891)	(2,563)
Settlement	(1,070)	(158)
Balance at the end of the year	₩ 1,376	₩ 4,055

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 2015, are as follows:

	2014						
	Financial assets at fair value through profit or loss						
	Held for trading	Designated 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
	(In millions of Korean won)						
Financial assets							
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	—	—	—	—	109,553	1,968,190
Loans	—	—	231,449,653	—	—	—	231,449,653
Financial investments	—	—	—	22,391,466	12,569,154	—	34,960,620
Other financial assets	—	—	7,559,631	—	—	—	7,559,631
Total	₩11,980,207	₩ 636,340	₩254,433,131	₩22,391,466	₩12,569,154	₩109,553	₩302,119,851

	2014				
	Financial liabilities at fair value through profit or loss				
	Held for trading	Designated at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives held for hedging	Total
	(In millions of Korean won)				
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 836,542	₩982,426	₩ —	₩ —	₩ 1,818,968
Derivatives	1,775,341	—	—	22,049	1,797,390
Deposits	—	—	211,549,121	—	211,549,121
Debts	—	—	15,864,500	—	15,864,500
Debentures	—	—	29,200,706	—	29,200,706
Other financial liabilities	—	—	11,918,820	—	11,918,820
Total	₩2,611,883	₩982,426	₩268,533,147	₩22,049	₩272,149,505

	2015						
	Financial assets at fair value through profit or loss						
	Held for trading	Designated 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
	(In millions of Korean won)						
Financial assets							
Cash and due from financial institutions	₩ —	₩ —	₩ 16,316,066	₩ —	₩ —	₩ —	₩ 16,316,066
Financial assets at fair value through profit or loss	10,035,096	1,138,968	—	—	—	—	11,174,064
Derivatives	2,165,971	—	—	—	—	112,141	2,278,112
Loans	—	—	245,005,370	—	—	—	245,005,370
Financial investments	—	—	—	24,987,231	14,149,528	—	39,136,759
Other financial assets	—	—	7,907,940	—	—	—	7,907,940
Total	₩12,201,067	₩1,138,968	₩269,229,376	₩24,987,231	₩14,149,528	₩ 112,141	₩321,818,311

	2015				
	Financial liabilities at fair value through profit or loss				
	Held for trading	Designated at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives held for hedging	Total
	(In millions of Korean won)				
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 586,923	₩2,387,681	₩ —	₩ —	₩ 2,974,604
Derivatives	2,282,794	—	—	42,962	2,325,756
Deposits	—	—	224,268,185	—	224,268,185
Debts	—	—	16,240,743	—	16,240,743
Debentures	—	—	32,600,603	—	32,600,603
Other financial liabilities	—	—	12,278,613	—	12,278,613
Total	₩2,869,717	₩2,387,681	₩285,388,144	₩42,962	₩290,688,504

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 2015, are as follows:

	2014			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
		(In millions of Korean won)		
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.(1)	Senior debt	Loans and receivables	19,806	20,026
	Subordinate debt	Available-for-sale financial assets	38,207	38,207
FK1411 Co., Ltd.(2)	Senior debt	Loans and receivables	44,966	44,917
	Subordinate debt	Available-for-sale financial assets	47,600	47,600
		Total	₩ 239,804	₩ 240,074

(1) Recognized net income from transferring loans to the SPEs amounts to ₩6,924 million.

(2) Recognized net loss from transferring loans to the SPEs amounts to ₩27,365 million.

(3) 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.

	2015			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
		(In millions of Korean won)		
EAK ABS Co., Ltd.	Subordinate debt	Available-for-sale financial assets	₩ 48	₩ 48
AP ABS First Co., Ltd.	Subordinate debt	Available-for-sale financial assets	10,335	10,335
Discovery ABS First Co., Ltd.	Subordinate debt	Available-for-sale financial assets	10,448	10,448
EAK ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	22,359	22,359
FK1411 Co., Ltd.	Subordinate debt	Available-for-sale financial assets	41,810	41,810
AP 3B ABS Ltd.[1]	Senior debt	Loans and receivables	11,496	11,548
	Subordinated debt	Available-for-sale financial assets	27,377	27,377
		Total	₩ 123,873	₩ 123,925

(1) Recognized net gain from transferring loans to the SPEs amounts to ₩10,639 million.

(2) In addition to the above, the recovered portion in excess of the consideration paid attributable to adjustments based on the agreement with the National Happiness Fund for non-performing loans amounts to ₩4,181 million as of December 31, 2015.

Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The senior debentures and related securitized assets as of December 31, 2014 and 2015, are as follows:

	2014	
	Carrying amount of assets (Underlying assets)	Carrying amount of the associated liabilities (Senior debentures)
	(In millions of Korean won)	
KB Kookmin Card First Securitization Co., Ltd.[1]	₩ 546,770	₩ —
KB Kookmin Card Second Securitization Co., Ltd.[1]	622,573	327,553
Wise Mobile First Securitization Specialty[2]	122,528	109,972
Wise Mobile Second Securitization Specialty[2]	158,396	144,958
Wise Mobile Third Securitization Specialty[2]	169,609	158,957
Wise Mobile Fourth Securitization Specialty[2]	99,952	94,959
Wise Mobile Fifth Securitization Specialty[2]	179,703	169,926
Wise Mobile Sixth Securitization Specialty[2]	204,095	194,896
Wise Mobile Seventh Securitization Specialty[2]	207,387	199,878
Wise Mobile Eighth Securitization Specialty[2]	202,745	194,862
Wise Mobile Ninth Securitization Specialty[2]	143,666	139,889
Wise Mobile Tenth Securitization Specialty[2]	193,959	189,827
Wise Mobile Eleventh Securitization Specialty[2]	182,281	179,781
Wise Mobile Twelfth Securitization Specialty[2]	191,329	189,719
Total	₩ 3,224,993	₩ 2,295,177

	2015	
	Carrying amount of assets (Underlying assets)	Carrying amount of the associated liabilities (Senior debentures)
	(In millions of Korean won)	
KB Kookmin Card Second Securitization Co., Ltd.[(1)]	₩ 604,791	₩ 350,097
Wise Mobile First Securitization Specialty[(2)]	13,340	—
Wise Mobile Second Securitization Specialty[(2)]	14,225	—
Wise Mobile Third Securitization Specialty[(2)]	25,330	14,000
Wise Mobile Fourth Securitization Specialty[(2)]	15,857	9,999
Wise Mobile Fifth Securitization Specialty[(2)]	41,680	29,996
Wise Mobile Sixth Securitization Specialty[(2)]	61,425	49,991
Wise Mobile Seventh Securitization Specialty[(2)]	69,451	59,987
Wise Mobile Eighth Securitization Specialty[(2)]	70,393	59,984
Wise Mobile Ninth Securitization Specialty[(2)]	55,438	49,983
Wise Mobile Tenth Securitization Specialty[(2)]	86,552	79,971
Wise Mobile Eleventh Securitization Specialty[(2)]	95,652	89,958
Wise Mobile Twelfth Securitization Specialty[(2)]	115,496	109,938
Wise Mobile Thirteenth Securitization Specialty[(2)]	144,636	139,913
Wise Mobile Fourteenth Securitization Specialty[(2)]	204,787	199,855
Wise Mobile Fifteenth Securitization Specialty[(2)]	200,324	199,831
Wise Mobile Sixteenth Securitization Specialty[(2)]	269,526	269,737
Wise Mobile Seventeenth Securitization Specialty[(2)]	273,459	274,693
Wise Mobile Eighteenth Securitization Specialty[(2)]	199,233	199,690
Total	₩ 2,561,595	₩ 2,187,623

(1) The Company has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the solvency margin ratio(minimum rate: 104.5%) of the beneficiary interest in the trust. In addition, the Company can entrust additional eligible card transaction accounts and deposits. To avoid such early redemption, the Company entrusts accounts and deposits in addition to the previously entrusted card accounts. Accordingly, as asset-backed debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

(2) According to the liquidity facility agreement entered between the Special Purpose Companies (SPC) and Woori Bank and NH Bank, if the senior debentures cannot be redeemed by the underlying assets, the senior debentures should be redeemed by borrowings from the liquidity facilities. Accordingly, as senior debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

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 2015, are as follows:

	2014	
	Carrying amount of transferred assets	Carrying amount of related liabilities
	(In millions of Korean won)	
Repurchase agreements	₩ 1,080,804	₩ 1,019,071
Loaned securities		
Government bond	162,408	—
Stock	2,378	—
Total	₩ 1,245,590	₩ 1,019,071

	2015	
	Carrying amount of transferred assets	Carrying amount of related liabilities
	(In millions of Korean won)	
Repurchase agreements	₩ 1,938,091	₩ 1,817,754
Loaned securities		
Government bond	200,389	—
Stock	313	—
Others	20,091	—
Total	₩ 2,158,884	₩ 1,817,754

6.5 Offsetting financial assets and financial liabilities

The Group enters into International Swaps and Derivatives 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 consolidated statement of financial position.

The details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2014 and 2015, are as follows:

2014

	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	
			(In millions of Korean won)			
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 agreements	3,529,900	—	3,529,900	(3,529,900)	—	—
Other financial instruments	18,680,680	(16,483,341)	2,197,339	—	—	2,197,339
Total	₩26,469,528	₩ (16,483,341)	₩ 9,986,187	₩(7,365,199)	₩ (1,635)	₩2,619,353

2015

	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	
			(In millions of Korean won)			
Derivatives held for trading	₩ 2,117,556	₩ —	₩ 2,117,556	₩(1,611,788)	₩(22,221)	₩ 483,547
Derivatives held for hedging	111,341	—	111,341	(15,650)	—	95,691
Receivable spot exchange	2,841,945	—	2,841,945	(2,840,480)	—	1,465
Reverse repurchase agreements	2,028,200	—	2,028,200	(2,028,200)	—	—
Other financial instruments	20,723,739	(18,460,062)	2,263,677	—	—	2,263,677
Total	₩27,822,781	₩ (18,460,062)	₩ 9,362,719	₩(6,496,118)	₩(22,221)	₩2,844,380

The details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2014 and 2015, are as follows:

	2014					
				Non-offsetting amount		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
	(In millions of Korean won)					
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
Repurchase agreements[1]	1,019,071	—	1,019,071	(1,019,071)	—	—
Securities borrowing agreements	784,892	—	784,892	(784,892)	—	—
Other financial instruments	16,724,449	(16,483,341)	241,108	(122,797)	—	118,311
Total	₩22,658,574	₩ (16,483,341)	₩ 6,175,233	₩(5,595,638)	₩ —	₩ 579,595

	2015					
				Non-offsetting amount		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
	(In millions of Korean won)					
Derivatives held for trading	₩ 2,288,296	₩ —	₩ 2,288,296	₩(1,724,586)	₩(4,632)	₩ 559,078
Derivatives held for hedging	34,761	—	34,761	(14,417)	—	20,344
Payable spot exchange	2,842,407	—	2,842,407	(2,840,480)	—	1,927
Repurchase agreements[1]	1,817,754	—	1,817,754	(1,817,754)	—	—
Securities borrowing agreements	517,458	—	517,458	(517,458)	—	—
Other financial instruments	18,702,460	(18,460,062)	242,398	(118,652)	—	123,746
Total	₩26,203,136	₩ (18,460,062)	₩ 7,743,074	₩(7,033,347)	₩(4,632)	₩ 705,095

(1) Includes repurchase agreements sold to customers.

7. Due from financial institutions

The details of due from financial institutions as of December 31, 2014 and 2015, are as follows:

		Financial Institutions	Interest rate(%)	2014	2015
				(In millions of Korean won)	
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~1.50	₩6,283,230	₩6,376,961
	Due from banking institutions	KEB Hana Bank and others	0.00~3.30	1,191,877	1,610,649
	Due from others	Kyobo Securities Co., Ltd. and others	0.00~1.93	3,750,163	3,406,289
		Sub-total		11,225,270	11,393,899
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	—	899,080	1,211,342
	Time deposits in foreign currencies	KEB Hana Bank and others	0.00~4.79	708,926	1,131,816
	Due from others	Bank of Japan and others	—	45,154	107,697
		Sub-total		1,653,160	2,450,855
		Total		₩12,878,430	₩13,844,754

Restricted due from financial institutions as of December 31, 2014 and 2015, are as follows:

		Financial Institutions	2014	2015	Reason for restriction
			(In millions of Korean won)		
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩6,283,230	₩6,376,961	Bank of Korea Act
	Due from Banking institutions	KEB Hana Bank and others	393,824	96,708	Agreement for allocation of deposit
	Due from others	The Korea Securities Finance Corporation and others	137,327	86,915	Market entry deposit and others
		Sub-total	6,814,381	6,560,584	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	293,067	501,379	Bank of Korea Act and others
	Time deposit in foreign currencies	KEB Hana Bank and others	16,488	17,580	Bank Act of the State of New York
	Due from others	Samsung Future Inc. and others	8,158	44,698	Derivatives margin account and others
		Sub-total	317,713	563,657	
		Total	₩7,132,094	₩7,124,241	

8. Assets pledged as collateral

The details of assets pledged as collateral as of December 31, 2014 and 2015, are as follows:

		2014	
Assets pledged	**Pledgee**	**Carrying amount**	**Reason of pledge**
		(In millions of Korean won)	
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 166,344	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	999,412	Repurchase agreements
	Korea Securities Depository and others	959,858	Securities borrowing transactions
	Samsung Futures Inc. and others	17,521	Derivatives transactions
	Others	17,864	Others
	Sub-total	1,994,655	
Available-for-sale financial assets	Korea Securities Depository and others	120,081	Securities borrowing transactions
	Samsung Futures Inc. and others	24,856	Derivatives transactions
	Others	39,100	Others
	Sub-total	184,037	
Held-to-maturity financial assets	Korea Securities Depository and others	1,460,932	Repurchase agreements
	Bank of Korea	993,853	Borrowings from Bank of Korea
	Bank of Korea	1,440,821	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	285,023	Derivatives transactions
	Others	238,654	Others
	Sub-total	4,419,283	
	Total	₩ 6,764,319	

Assets pledged	Pledgee	2015 Carrying amount	Reason of pledge
		(In millions of Korean won)	
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 178,968	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	1,383,203	Repurchase agreements
	Korea Securities Depository and others	694,242	Securities borrowing transactions
	Samsung Futures Inc. and others	26,229	Derivatives transactions
	Others	560,346	Others
	Sub-total	2,664,020	
Available-for-sale financial assets	Korea Securities Depository and others	481,937	Repurchase agreements
	Korea Securities Depository and others	124,980	Securities borrowing transactions
	Bank of Korea	594,020	Borrowings from Bank of Korea
	Bank of Korea	61,410	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	432,591	Derivatives transactions
	Others	217,826	Others
	Sub-total	1,912,764	
Held-to-maturity financial assets	Korea Securities Depository and others	101,942	Repurchase agreements
	Bank of Korea	820,872	Borrowings from Bank of Korea
	Bank of Korea	922,733	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	200,625	Derivatives transactions
	Others	189,814	Others
	Sub-total	2,235,986	
Mortgage loans	Others	1,745,823	Covered bond
	Total	₩8,737,561	

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 2015, are as follows:

	2014		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
	(In millions of Korean won)		
Securities	₩ 3,601,032	₩ —	₩3,601,032
Total	₩ 3,601,032	₩ —	₩3,601,032

	2015		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
	(In millions of Korean won)		
Securities	₩ 2,045,575	₩ —	₩2,045,575
Total	₩ 2,045,575	₩ —	₩2,045,575

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 applies fair value hedge accounting using cross currency swaps, interest rate swaps and others to hedge the risk of changes in fair values due to the changes in interest rates and foreign exchange rates of structured debts in Korean won, financial debentures in foreign currencies, structured deposits in Korean won, and structured deposits in foreign currencies. In addition, the Group applies net investment hedge accounting by designating financial debentures in foreign currencies as hedging instruments to hedge foreign exchange risks on net investments in foreign operations.

The details of derivative financial instruments for trading as of December 31, 2014 and 2015, are as follows:

	2014		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Futures[1]	₩ 678,798	₩ —	₩ —
Swaps	101,610,724	924,189	957,504
Options	8,398,000	86,277	128,185
Sub-total	110,687,522	1,010,466	1,085,689
Currency			
Forwards	21,363,840	340,339	217,357
Futures[1]	632,430	46	289
Swaps	18,430,843	415,842	441,696
Options	616,977	6,057	6,078
Sub-total	41,044,090	762,284	665,420
Stock and index			
Forwards	685,000	—	—
Futures[1]	162,766	90	753
Swaps	431,709	30,091	6,222
Options	1,860,561	31,632	8,199
Sub-total	3,140,036	61,813	15,174
Commodity			
Futures[1]	765	7	9
Sub-total	765	7	9
Other	150,000	24,067	9,049
Total	₩155,022,413	₩1,858,637	₩1,775,341

	2015		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Futures[(1)]	₩ 1,412,251	₩ —	₩ —
Swaps	92,008,910	910,744	892,601
Options	5,874,500	73,724	133,087
Sub-total	99,295,661	984,468	1,025,688
Currency			
Forwards	34,103,783	512,411	308,540
Futures[(1)]	606,297	150	44
Swaps	25,303,179	596,668	782,911
Options	373,241	2,197	3,526
Sub-total	60,386,500	1,111,426	1,095,021
Stock and index			
Futures[(1)]	177,781	486	81
Swaps	1,297,420	9,690	122,188
Options	471,095	35,543	17,554
Sub-total	1,946,296	45,719	139,823
Credit			
Swaps	600,000	13,408	13,413
Sub-total	600,000	13,408	13,413
Commodity			
Futures[(1)]	2,885	31	—
Swaps	5,074	638	699
Sub-total	7,959	669	699
Other	793,200	10,281	8,150
Total	₩163,029,616	₩2,165,971	₩2,282,794

(1) 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 2015, are as follows:

	2014		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Swaps	₩ 2,179,779	₩109,293	₩ 1,144
Other	140,000	260	2,281
Total	₩ 2,319,779	₩109,553	₩ 3,425

	2015		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Swaps	₩ 3,108,538	₩91,341	₩21,461
Currency			
Forwards	331,533	800	7,637
Other	140,000	1,211	497
Total	₩ 3,580,071	₩93,352	₩29,595

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Gains(losses) on hedging instruments	₩ (48,545)	₩ (26,320)	₩(47,491)
Gains(losses) on the hedged item attributable to the hedged risk	81,428	42,393	48,265
Total	₩ 32,883	₩ 16,073	₩ 774

Cash flow hedge

The details of derivatives designated as cash flow hedging instruments as of December 31, 2014 and 2015, are as follows:

	2014		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Swaps	₩ 1,033,000	₩ —	₩ 16,073
Currency			
Swaps	329,760	—	2,551
Total	₩ 1,362,760	₩ —	₩ 18,624

	2015		
	Notional amount	Assets	Liabilities
	(In millions of Korean won)		
Interest rate			
Swaps	₩ 498,000	₩ —	₩ 13,367
Currency			
Swaps	351,600	18,789	—
Total	₩ 849,600	₩ 18,789	₩ 13,367

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Gains(losses) on hedging instruments	₩ (3,068)	₩ (8,289)	₩24,047
Gains(losses) on the hedged item attributable to the hedged risk	(2,990)	(7,765)	23,368
Ineffectiveness recognized in profit or loss	₩ (78)	₩ (524)	₩ 679

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Amount recognized in other comprehensive income	₩ (2,990)	₩ (7,765)	₩ 23,368
Amount reclassified from equity to profit or loss	5,227	(5,426)	(22,118)
Tax effect	(619)	2,694	(525)
Total	₩ 1,618	₩ (10,497)	₩ 725

Hedges of a net investment in a foreign operation

The Group applies hedge accounting by designating non-derivative financial instruments as hedging instruments of a net investment in a foreign operation for year ended December 31, 2015.

The effective portion of gain(loss) on hedging instruments recognized in other comprehensive income(loss) is as follows:

	2015
	(In millions of Korean won)
Other comprehensive income(loss)	₩ (33,611)
Tax effect	8,134
Other comprehensive income(loss) after tax	₩ (25,477)

The fair value of non-derivative financial instruments designated as hedging instruments is as follows:

	2015
	(In millions of Korean won)
Financial debentures in foreign currencies	₩ 582,205
Total	₩ 582,205

10. Loans

Loans as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Loans	₩233,300,563	₩246,911,148
Deferred loan origination fees and costs	601,142	676,276
Less: Allowances for loan losses	(2,452,052)	(2,582,054)
Carrying amount	₩231,449,653	₩245,005,370

Loans to banks as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Loans	₩ 6,208,391	₩ 6,779,962
Less: Allowances for loan losses	—	(39)
Carrying amount	₩ 6,208,391	₩ 6,779,923

Loans to customers other than banks as of December 31, 2014 and 2015, consist of:

	2014			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
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
Sub-total	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)
Total	₩118,761,199	₩95,237,708	₩11,242,355	₩225,241,262

	2015			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
Loans in Korean won	₩119,232,458	₩ 93,544,200	₩ —	₩212,776,658
Loans in foreign currencies	42,413	2,659,902	—	2,702,315
Domestic import usance bills	—	3,445,301	—	3,445,301
Off-shore funding loans	—	584,914	—	584,914
Call loans	—	198,045	—	198,045
Bills bought in Korean won	—	5,257	—	5,257
Bills bought in foreign currencies	—	2,812,217	—	2,812,217
Guarantee payments under payment guarantee	109	26,129	—	26,238
Credit card receivables in Korean won	—	—	12,131,776	12,131,776
Credit card receivables in foreign currencies	—	—	4,149	4,149
Reverse repurchase agreements	—	228,000	—	228,000
Privately placed bonds	—	822,037	—	822,037
Factored receivables	2,658,457	48,568	—	2,707,025
Lease receivables	1,149,352	61,054	—	1,210,406
Loans for installment credit	1,153,124	—	—	1,153,124
Sub-total	124,235,913	104,435,624	12,135,925	240,807,462
Proportion (%)	51.59	43.37	5.04	100.00
Allowances	(491,352)	(1,692,313)	(398,350)	(2,582,015)
Total	₩123,744,561	₩102,743,311	₩11,737,575	₩238,225,447

The changes in deferred loan origination fees and costs for the years ended December 31, 2014 and 2015, are as follows:

	2014					
	Beginning	Increase	Decrease	Business Combination	Others	Ending
	(In millions of Korean won)					
Deferred loan origination costs						
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
Sub-total	511,278	443,108	374,167	104,563	—	684,782
Deferred loan origination fees						
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
Sub-total	88,033	61,742	97,059	30,917	7	83,640
Total	₩423,245	₩381,366	₩277,108	₩ 73,646	₩ (7)	₩601,142

	2015				
	Beginning	Increase	Decrease	Others	Ending
	(In millions of Korean won)				
Deferred loan origination costs					
Loans in Korean won	₩627,291	₩499,488	₩467,226	₩—	₩659,553
Other origination costs	57,491	66,992	46,575	—	77,908
Sub-total	684,782	566,480	513,801	—	737,461
Deferred loan origination fees					
Loans in Korean won	62,356	39,221	57,857	—	43,720
Other origination fees	21,284	13,726	17,554	9	17,465
Sub-total	83,640	52,947	75,411	9	61,185
Total	₩601,142	₩513,533	₩438,390	₩ (9)	₩676,276

11. Allowances for Loan Losses

The changes in the allowances for loan losses for the years ended December 31, 2014 and 2015, are as follows:

	2014			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
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(1)	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

	2015			
	Retail	Corporate	Credit card	Total
	(In millions of Korean won)			
Beginning	₩ 536,959	₩1,525,152	₩ 389,941	₩ 2,452,052
Written-off	(354,107)	(688,330)	(376,523)	(1,418,960)
Recoveries from written-off loans	195,438	159,490	138,318	493,246
Sale	(4,052)	(46,157)	—	(50,209)
Provision(1)	115,997	728,319	255,390	1,099,706
Other changes	1,117	13,878	(8,776)	6,219
Ending	₩ 491,352	₩1,692,352	₩ 398,350	₩ 2,582,054

(1) 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).

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 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Financial assets held for trading		
Debt securities:		
Government and public bonds	₩ 3,067,490	₩ 2,509,783
Financial bonds	4,049,449	3,973,387
Corporate bonds	1,826,682	2,106,163
Asset-backed securities	318,893	316,485
Others	449,694	418,325
Equity securities:		
Stocks	69,736	38,124
Beneficiary certificates	288,281	603,769
Others	51,345	69,060
Sub-total	10,121,570	10,035,096
Financial assets designated at fair value through profit or loss		
Debt securities:		
Corporate bonds	—	145,542
Equity securities:		
Beneficiary certificates	134,172	195,536
Derivative linked securities	502,168	797,890
Sub-total	636,340	1,138,968
Total financial assets at fair value through profit or loss	₩10,757,910	₩11,174,064
Available-for-sale financial assets		
Debt securities:		
Government and public bonds	₩ 4,702,036	₩ 3,756,819
Financial bonds	6,980,846	7,241,493
Corporate bonds	6,119,889	4,979,535
Asset-backed securities	1,211,343	5,215,974
Others	345,708	416,842
Equity securities:		
Stocks	2,402,675	2,045,381
Equity investments and others	74,596	66,246
Beneficiary certificates	554,373	1,264,941
Sub-total	22,391,466	24,987,231
Held-to-maturity financial assets		
Debts securities:		
Government and public bonds	3,556,913	2,592,221
Financial bonds	1,262,187	1,863,810
Corporate bonds	7,277,779	5,529,595
Asset-backed securities	472,275	4,163,902
Sub-total	12,569,154	14,149,528
Total financial investments	₩34,960,620	₩39,136,759

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013		
	Impairment	Reversal	Net
	(In millions of Korean won)		
Available-for-sale financial assets	₩ 163,464	₩ —	₩ 163,464
Held-to-maturity financial assets	5	—	5
Total	₩ 163,469	₩ —	₩ 163,469

	2014		
	Impairment	Reversal	Net
	(In millions of Korean won)		
Available-for-sale financial assets	₩ 195,929	₩ 260	₩ 195,669
Total	₩ 195,929	₩ 260	₩ 195,669

	2015		
	Impairment	Reversal	Net
	(In millions of Korean won)		
Available-for-sale financial assets	₩ (227,588)	₩ 265	₩(227,323)
Total	₩ (227,588)	₩ 265	₩(227,323)

13. Investments in associates

Investments in associates as of December 31, 2014 and 2015, are as follows:

	2014					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
	(In millions of Korean won)					
Associates						
Balhae Infrastructure Fund[2]	12.61	₩ 122,623	₩125,119	₩125,119	Investment finance	Korea
Korea Credit Bureau Co., Ltd.[2]	9.00	4,500	4,222	4,222	Credit information	Korea
UAMCO., Ltd.[2]	17.50	85,050	114,240	121,182	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share[3]	29.56	954,104	36,763	29,279	Banking	Kazakhstan
Preference share[3]	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)[10]	50.00	31,635	26,176	23,559	Investment finance	Korea
United PF 1st Recovery Private Equity Fund[2]	17.72	191,617	203,270	198,089	Other finance	Korea
CH Engineering Co., Ltd.[8]	41.73	—	178	20	Architectural design and service	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.[2]	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[2]	2.56	3,393	—	—	Investment finance	Korea
KBIC Private Equity Fund No. 3[2]	2.00	2,050	2,287	2,287	Investment finance	Korea
KB-Glenwood Private Equity Fund[2]	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[2]	0.19	20	39	39	Special Purpose Acquisition Company	Korea
KB No.4 Special Purpose Acquisition Company[2]	0.19	30	38	38	Special Purpose Acquisition Company	Korea
KB No.5 Special Purpose Acquisition Company[2], [4]	0.19	10	19	19	Special Purpose Acquisition Company	Korea
KB No.6 Special Purpose Acquisition Company[2], [5]	0.25	40	77	77	Special Purpose Acquisition Company	Korea
Total		₩1,579,889	₩681,250	₩670,332		

	2015					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
	(In millions of Korean won)					
Associates						
KB Insurance Co., Ltd.(1)	33.29	₩ 882,134	₩1,077,380	₩1,077,014	Non-life insurance	Korea
Balhae Infrastructure Fund(2)	12.61	125,462	128,275	128,275	Investment finance	Korea
Korea Credit Bureau Co., Ltd.(2)	9.00	4,500	4,580	4,580	Credit information	Korea
UAMCO., Ltd.(2)	17.50	85,050	125,822	129,707	Other finance	Korea
JSC Bank CenterCredit						
Ordinary share(3)	29.56	954,104	(21,990)	—	Banking	Kazakhstan
Preference share(3)	93.15					
KoFC KBIC Frontier Champ 2010-5(PEF)(10)	50.00	26,885	25,895	25,508	Investment finance	Korea
United PF 1st Recovery Private Equity Fund(2)	17.73	172,441	187,596	183,117	Other finance	Korea
Shinla Construction Co., Ltd.	20.24	—	(518)	—	Specialty construction	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	131,011	127,539	Investment finance	Korea
Incheon Bridge Co., Ltd.(2)	14.99	24,677	(1,879)	—	Operation of highways and related facilities	Korea
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	25.00	30,950	29,090	28,470	Investment finance	Korea
Terra Co., Ltd.	24.06	—	37	21	Manufacture of hand-operated kitchen appliances and metal ware	Korea
MJT&I Co., Ltd.(9)	22.89	—	(580)	149	Wholesale of other goods	Korea
Jungdong Steel Co., Ltd.(9)	42.88	—	87	33	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd.(9)	35.63	—	(47)	—	Manufacture of metal products	Korea
Myungwon Tech Co., Ltd.(9)	25.62	—	(447)	—	Manufacture of automobile parts	Korea
Shinhwa Underwear Co., Ltd.(9)	26.24	—	(186)	56	Manufacture of underwears and sleepwears	Korea
Dpaps Co., Ltd.(9)	38.62	—	339	—	Wholesale of paper products	Korea
Ejade Co., Ltd.(9)	25.67	—	591	—	Wholesale of underwears	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,328	19,915	Investment finance	Korea
NPS KBIC Private Equity Fund No. 1(2)	2.56	3,393	—	—	Investment finance	Korea
KBIC Private Equity Fund No. 3(2)	2.00	2,050	2,348	2,348	Investment finance	Korea
Sawnics Co., Ltd.	26.93	1,500	1,397	1,397	Manufacture of mobile phone parts	Korea
KB-Glenwood Private Equity Fund(2)	0.03	10	10	10	Investment finance	Korea
KB No.5 Special Purpose Acquisition Company(2), (4)	0.19	10	20	20	Special Purpose Acquisition Company	Korea
KB No.6 Special Purpose Acquisition Company(2), (5)	0.25	40	78	78	Special Purpose Acquisition Company	Korea
KB No.7 Special Purpose Acquisition Company(2), (6)	0.93	50	88	88	Special Purpose Acquisition Company	Korea
KB No.8 Special Purpose Acquisition Company(2), (7)	0.10	10	19	19	Special Purpose Acquisition Company	Korea
KB No.9 Special Purpose Acquisition Company(2)	4.97	16	15	15	Special Purpose Acquisition Company	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	9,481	9,481	Automobile installment	Korea
Total		₩2,456,962	₩1,718,840	₩1,737,840		

(1) The fair value of KB Insurance Co., Ltd., reflecting the published market price, as of December 31, 2015, amounts to ₩583,205 million.

(2) As of December 31, 2014 and 2015, 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.

(3) Fair values of ordinary shares of JSC Bank CenterCredit, reflecting the published market price, as of December 31, 2014 and 2015, are ₩42,945 million and ₩21,863 million, respectively. 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.

(4) The fair value of KB No.5 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014 and 2015, amounts to ₩20 million and ₩20 million, respectively.

(5) The fair value of KB No.6 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2014 and 2015, amounts to ₩84 million and ₩74 million, respectively.

(6) The fair value of KB No.7 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2015, amounts to ₩102 million.

(7) The fair value of KB No.8 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2015, amounts to ₩20 million.

(8) On June 23, 2015, the Group lost significant influence as the Seoul District Court approved the bankruptcy.

(9) The investment in associates was reclassified from available-for-sale financial assets due to termination of rehabilitation procedures.

(10) Although the Group holds over than a majority of the investee's voting rights, other limited partners have a right to replace general partners. Therefore, the company has been classified as investment in associates.

Summarized financial information on major associates:

	2014[1]						
	Total assets	Total liabilities	Capital stock	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount
	(In millions of Korean won)						
Associates							
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.[2]	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
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
Total					₩681,853	₩(11,521)	₩ 670,332

(1) 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.

(2) 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.

	2014[1]				
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends
	(In millions of Korean won)				
Associates					
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.[2]	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)	—

(1) 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.

(2) As the financial statements as of December 31, 2014 are not available, the Group applied the equity method by using the financial statements as of November 30, 2014, 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.

	2015[1]						
	Total assets	Total liabilities	Capital stock	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount
	(In millions of Korean won)						
Associates							
KB Insurance Co., Ltd. (initial acquisition 22.59%)	₩29,007,556	₩25,769,760	₩ 30,000	₩3,237,796	₩ 724,599	₩ (366)	₩1,077,014
(additional acquisition 10.70%)	29,127,877	25,798,877	30,000	3,329,000	352,781		
Balhae Infrastructure Fund	1,019,844	2,198	1,021,953	1,017,646	128,275	—	128,275
Korea Credit Bureau Co., Ltd.	63,960	13,076	10,000	50,884	4,580	—	4,580
UAMCO., Ltd.	4,068,353	3,331,647	2,430	736,706	125,822	3,885	129,707
JSC Bank CenterCredit	4,672,327	4,710,972	546,794	(38,645)	(21,990)	21,990	—
KoFC KBIC Frontier Champ 2010-5(PEF)	51,934	145	53,770	51,789	25,895	(387)	25,508
United PF 1st Recovery Private Equity Fund	1,088,325	30,390	973,258	1,057,935	187,596	(4,479)	183,117
KB GwS Private Securities Investment Trust	490,606	741	425,814	489,865	131,011	(3,472)	127,539
Incheon Bridge Co., Ltd.	696,390	708,926	164,621	(12,536)	(1,879)	1,879	—
KB Star office Private real estate Investment Trust No. 1	218,308	121,749	95,000	96,559	20,328	(413)	19,915
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	117,473	1,112	123,800	116,361	29,090	(620)	28,470
NPS KBIC Private Equity Fund No. 1	141	146	—	(5)	—	—	—
KBIC Private Equity Fund No. 3	117,535	87	102,500	117,448	2,348	—	2,348
KB-Glenwood Private Equity Fund	30,558	2,661	31,100	27,897	10	—	10
KB No.5 Special Purpose Acquisition Company	12,576	2,140	522	10,436	20	—	20
KB No.6 Special Purpose Acquisition Company	34,792	3,673	1,600	31,119	78	—	78
KB No.7 Special Purpose Acquisition Company	10,446	1,145	535	9,301	88	—	88
KB No.8 Special Purpose Acquisition Company	22,380	2,495	1,031	19,885	19	—	19
KB No.9 Special Purpose Acquisition Company	2,992	2,689	32	303	15	—	15
SY Auto Capital Co., Ltd.	19,609	259	20,000	19,350	9,481	—	9,481
Total					₩1,718,167	₩ 18,017	₩1,736,184

	2015[1]				
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends
	(In millions of Korean won)				
Associates					
KB Insurance Co., Ltd.[2]					
(initial acquisition 22.59%)	₩5,488,210	₩ 71,980	₩ 14,726	₩ 86,706	₩ —
(additional acquisition 10.70%)	2,545,858	21,815	(35,440)	(13,625)	
Balhae Infrastructure Fund	50,214	41,594	—	41,594	4,926
Korea Credit Bureau Co., Ltd.	53,184	2,005	1,098	3,103	—
UAMCO., Ltd.	452,759	68,078	(276)	67,802	—
JSC Bank CenterCredit	320,307	(159,985)	452	(159,533)	1
KoFC KBIC Frontier Champ 2010-5(PEF)	10,977	9,292	(331)	8,961	—
United PF 1st Recovery Private Equity Fund	99,712	18,911	—	18,911	—
KB GwS Private Securities Investment Trust	40,454	39,454	—	39,454	7,086
Incheon Bridge Co., Ltd.	87,230	(803)	—	(803)	—
KB Star office Private real estate Investment Trust No.1	15,990	7,727	—	7,727	1,620
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	8,915	(3,117)	7,978	4,861	—
NPS KBIC Private Equity Fund No. 1	—	(11)	—	(11)	—
KBIC Private Equity Fund No. 3	3,362	3,045	—	3,045	—
KB-Glenwood Private Equity Fund	—	(390)	—	(390)	—
KB No.5 Special Purpose Acquisition Company	—	278	—	278	—
KB No.6 Special Purpose Acquisition Company	—	781	—	781	—
KB No.7 Special Purpose Acquisition Company	—	(14)	—	(14)	—
KB No.8 Special Purpose Acquisition Company	—	(404)	—	(404)	—
KB No.9 Special Purpose Acquisition Company	—	(11)	—	(11)	—
SY Auto Capital Co., Ltd.	42	(651)	—	(651)	—

(1) 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.

(2) The amounts disclosed are for the period from the deemed acquisition date to the year end.

The changes in investments in associates for the years ended December 31, 2014 and 2015, are as follows:

	2014							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses)	Other compre-hensive income	Impairment loss	Ending
	(In millions of Korean won)							
Associates								
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	—	(2,628)	(11)	—	—	—	—
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 1	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
Total	₩755,390	₩ 17,650	₩(24,596)	₩(59,819)	₩14,523	₩(32,448)	₩ (368)	₩670,332

	2015							
	Beginning	Acquisition	Disposal	Dividends	Gains (losses)	Other compre-hensive income	Others	Ending
	(In millions of Korean won)							
Associates								
KB Insurance Co., Ltd.[(1)]	₩ —	₩882,134	₩ —	₩ —	₩195,344	₩ (464)	₩—	₩1,077,014
Balhae Infrastructure Fund	125,119	2,839	—	(4,926)	5,243	—	—	128,275
Korea Credit Bureau Co., Ltd.	4,222	—	—	—	259	99	—	4,580
UAMCO., Ltd.	121,182	—	—	—	8,525	—	—	129,707
JSC Bank CenterCredit	29,279	—	—	(1)	(29,278)	—	—	—
KoFC KBIC Frontier Champ 2010-5(PEF)	23,559	—	(4,750)	—	7,894	(1,195)	—	25,508
United PF 1st Recovery Private Equity Fund	198,089	—	(19,028)	—	4,056	—	—	183,117
KB GwS Private Securities Investment Trust	124,074	—	—	(7,086)	10,551	—	—	127,539
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	22,329	7,450	(2,750)	—	(1,158)	2,599	—	28,470
CH Engineering Co., Ltd.	20	—	—	—	(20)	—	—	—
Terra Co., Ltd.	—	—	—	—	21	—	—	21
MJT&I Co., Ltd.	—	—	—	—	149	—	—	149
Jungdong Steel Co., Ltd.	—	—	—	—	33	—	—	33
Shinhwa Underwear Co., Ltd.	—	—	—	—	56	—	—	56
KB Star office Private real estate Investment Trust No.1	19,989	—	—	(1,620)	1,546	—	—	19,915
KBIC Private Equity Fund No. 3	2,287	—	—	—	61	—	—	2,348
Sawnics Co., Ltd.	—	1,500	—	—	(103)	—	—	1,397
E-clear International Co., Ltd.	—	600	(600)	—	—	—	—	—
KB-Glenwood Private Equity Fund	10	—	—	—	—	—	—	10
KB No.3 Special Purpose Acquisition Company	39	—	(39)	—	—	—	—	—
KB No.4 Special Purpose Acquisition Company	38	—	(38)	—	—	—	—	—
KB No.5 Special Purpose Acquisition Company	19	—	—	—	1	—	—	20
KB No.6 Special Purpose Acquisition Company	77	—	—	—	2	(1)	—	78
KB No.7 Special Purpose Acquisition Company[(2)]	—	50	—	—	—	—	38	88
KB No.8 Special Purpose Acquisition Company[(3)]	—	10	—	—	(1)	—	10	19
KB No.9 Special Purpose Acquisition Company	—	16	—	—	(1)	—	—	15
SY Auto Capital Co., Ltd.	—	9,800	—	—	(319)	—	—	9,481
Total	₩670,332	₩904,399	₩(27,205)	₩(13,633)	₩202,861	₩ 1,038	₩ 48	₩1,737,840

(1) Gain on valuation of equity-method investments amounting to ₩177,114 million of KB Insurance Co., Ltd. was recognized due to gains on bargain purchase.

(2) Other gain of KB No.7 Special Purpose Acquisition Company amounting to ₩38 million represents the changes in interests due to unequal paid-in capital increase in the associate.

(3) Other gain of KB No.8 Special Purpose Acquisition Company amounting to ₩10 million represents the changes in interests due to unequal paid-in capital increase in the associate.

Accumulated unrecognized share of losses in investments in associates due to discontinuation of applying the equity method for the years ended December 31, 2014 and 2015, are as follows:

	2014		2015	
	Unrecognized loss	Accumulated unrecognized loss	Unrecognized loss	Accumulated unrecognized loss
	(In millions of Korean won)			
JSC Bank CenterCredit	₩ —	₩ —	₩ 103,453	₩ 103,453
Incheon Bridge Co., Ltd.	1,287	1,716	163	1,879
Shinla Construction Co., Ltd.	34	134	14	148
Doosung Metal Co., Ltd	—	—	49	49
Myeongwon Tech Co., Ltd	—	—	43	43
Terra Corporation	115	115	—	—

14. Property and Equipment, and Investment Property

The details of property and equipment as of December 31, 2014 and 2015, are as follows:

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
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
Total	₩5,570,905	₩(2,485,803)	₩ (2,117)	₩3,082,985

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Land	₩2,081,704	₩ —	₩ (1,018)	₩2,080,686
Buildings	1,351,011	(408,339)	(5,859)	936,813
Leasehold improvements	629,956	(575,112)	—	54,844
Equipment and vehicles	1,640,777	(1,446,285)	—	194,492
Construction in-progress	635	—	—	635
Financial lease assets	33,505	(13,592)	—	19,913
Total	₩5,737,588	₩(2,443,328)	₩ (6,877)	₩3,287,383

The changes in property and equipment for the years ended December 31, 2014 and 2015, are as follows:

	2014							
	Beginning	Acquisition	Transfers[1]	Disposal	Depreciation[2]	Business Combination	Others	Ending
	(In millions of Korean won)							
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
Total	₩3,060,843	₩242,880	₩ (60,236)	₩ (938)	₩ (176,041)	₩ 13,085	₩3,392	₩3,082,985

	2015						
	Beginning	Acquisition	Transfers[1]	Disposal	Depreciation[2]	Others	Ending
	(In millions of Korean won)						
Land	₩1,970,010	₩ 6,039	₩104,923	₩ (297)	₩ —	₩ 11	₩2,080,686
Buildings	856,222	9,946	102,760	(898)	(30,712)	(505)	936,813
Leasehold improvement	52,496	6,549	30,797	(1,495)	(38,049)	4,546	54,844
Equipment and vehicles	164,421	139,122	—	(875)	(108,242)	66	194,492
Construction in-progress	7,946	67,554	(74,867)	—	—	2	635
Financial lease assets	31,890	554	—	—	(12,518)	(13)	19,913
Total	₩3,082,985	₩229,764	₩163,613	₩(3,565)	₩ (189,521)	₩4,107	₩3,287,383

(1) Including transfers with investment property and assets held for sale.

(2) Including depreciation cost and others ₩82 million and ₩94 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2014 and 2015, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2014 and 2015, are as follows:

2014				
Beginning	Impairment	Reversal	Others	Ending
(In millions of Korean won)				
₩ (2,117)	₩ —	₩ —	₩ —	₩ (2,117)

2015				
Beginning	Impairment	Reversal	Others	Ending
(In millions of Korean won)				
₩ (2,117)	₩ (557)	₩ —	₩ (4,203)	₩ (6,877)

The details of investment property as of December 31, 2014 and 2015, are as follows:

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Land	₩229,437	₩ —	₩ (738)	₩228,699
Buildings	157,885	(9,040)	—	148,845
Total	₩387,322	₩ (9,040)	₩ (738)	₩377,544

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Land	₩125,291	₩ —	₩ (738)	₩124,553
Buildings	97,676	(10,414)	—	87,262
Total	₩222,967	₩ (10,414)	₩ (738)	₩211,815

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2015, are as follows:

	2015		
	Fair value	Valuation technique	Inputs
	(In millions of Korean won)		
Land and buildings	₩404,713	Cost Approach Method	- Price per square meter - Replacement cost

As of December 31, 2014 and 2015, fair values of the investment properties amount to ₩379,812 million and ₩404,713 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 2015, amounts to ₩7,107 million and ₩22,201 million, respectively.

The changes in investment property for the years ended December 31, 2014 and 2015, are as follows:

	2014					
	Beginning	Acquisition	Transfers	Depreciation	Business combination	Ending
	(In millions of Korean won)					
Land	₩ 94,708	₩132,924	₩ (262)	₩ —	₩ 1,329	₩228,699
Buildings	71,551	79,071	288	(2,065)	—	148,845
Total	₩166,259	₩211,995	₩ 26	₩ (2,065)	₩ 1,329	₩377,544

	2015				
	Beginning	Acquisition	Transfers	Depreciation	Ending
	(In millions of Korean won)				
Land	₩228,699	₩ 21	₩(104,167)	₩ —	₩124,553
Buildings	148,845	4,268	(62,499)	(3,352)	87,262
Total	₩377,544	₩ 4,289	₩(166,666)	₩ (3,352)	₩211,815

15. Intangible Assets

The details of intangible assets as of December 31, 2014 and 2015, are as follows:

	2014			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Goodwill	₩ 331,707	₩ —	₩ (69,315)	₩262,392
Other intangible assets	900,951	(649,723)	(24,698)	226,530
Total	₩1,232,658	₩(649,723)	₩ (94,013)	₩488,922

	2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Goodwill	₩ 331,707	₩ —	₩ (69,315)	₩262,392
Other intangible assets	935,686	(705,039)	(26,211)	204,436
Total	₩1,267,393	₩(705,039)	₩ (95,526)	₩466,828

The details of goodwill as of December 31, 2014 and 2015, are as follows:

	2014		2015	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
	(In millions of Korean won)			
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	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
Total	₩331,707	₩262,392	₩331,707	₩262,392

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2014 and 2015, are as follows:

2014			
Beginning	Impairment	Others	Ending
(In millions of Korean won)			
₩ 46,533	₩ 22,782	₩ —	₩ 69,315

2015			
Beginning	Impairment	Others	Ending
(In millions of Korean won)			
₩ 69,315	₩ —	₩ —	₩ 69,315

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2015, are as follows:

	Housing & Commercial Bank						
	Retail Banking	Corporate Banking	KB Cambodia Bank	KB Investment Securities	KB Capital Co., Ltd.	KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.	Total
	(In millions of Korean won)						
Carrying amounts	₩ 49,315	₩ 15,973	₩ 1,202	₩58,889	₩ 79,609	₩ 57,404	₩ 262,392
Recoverable amount exceeded carrying amount	5,008,711	2,171,276	543	12,548	177,874	2,491	7,373,443
Discount rate (%)	15.30	15.60	30.90	21.74	13.32	14.49	
Permanent growth rate (%)	2.00	2.00	2.00	2.00	2.00	1.00	

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized the amount of ₩65,288 million related to goodwill acquired in the merger of Housing & Commercial Bank. Of those respective amounts, the amounts of ₩49,315 million and ₩15,973 million were allocated to the Retail Banking and Corporate Banking, respectively. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% for KB Savings Bank Co., Ltd. and Yehansoul Savings Bank and 2.0% for all other cash-generating units. 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 2015, are as follows:

	2014			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
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
Total	₩900,951	₩(649,723)	₩ (24,698)	₩226,530

	2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
	(In millions of Korean won)			
Industrial property rights	₩ 1,497	₩ (1,177)	₩ —	₩ 320
Software	675,490	(600,481)	—	75,009
Other intangible assets	217,213	(96,186)	(26,211)	94,816
Finance leases assets	41,486	(7,195)	—	34,291
Total	₩ 935,686	₩ (705,039)	₩ (26,211)	₩204,436

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2014 and 2015, are as follows:

	2014							
	Beginning	Acquisition	Disposal	Transfer	Amortization[1]	Business combination	Others	Ending
	(In millions of Korean won)							
Industrial property rights	₩ 469	₩ 74	₩ —	₩ —	₩ (151)	₩ —	₩ (1)	₩ 391
Software	113,797	24,516	—	4,528	(62,805)	364	(802)	79,598
Other intangible assets[2]	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
Total	₩237,639	₩ 76,060	₩(4,455)	₩ —	₩ (83,091)	₩ 2,414	₩(2,037)	₩226,530

	2015						
	Beginning	Acquisition	Disposal	Transfer	Amortization[1]	Others	Ending
	(In millions of Korean won)						
Industrial property rights	₩ 391	₩ 75	₩ —	₩ —	₩ (154)	₩ 8	₩ 320
Software	79,598	39,473	—	—	(44,098)	36	75,009
Other intangible assets[2]	106,039	12,578	(3,619)	(300)	(13,489)	(6,393)	94,816
Finance leases assets	40,502	647	—	—	(6,843)	(15)	34,291
Total	₩226,530	₩ 52,773	₩(3,619)	₩ (300)	₩ (64,584)	₩(6,364)	₩204,436

(1) Including ₩59 million and ₩56 million recorded in other operating expenses and others in the statements of comprehensive income for the years ended December 31, 2014 and 2015.

(2) 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 for the years ended December 31, 2014 and 2015, are as follows:

	2014				
	Beginning	Impairment	Reversal	Disposal and others	Ending
	(In millions of Korean won)				
Accumulated impairment losses on intangible assets	₩(23,217)	₩ (1,888)	₩ 411	₩ (4)	₩(24,698)

	2015				
	Beginning	Impairment	Reversal	Disposal and others	Ending
	(In millions of Korean won)				
Accumulated impairment losses on intangible assets	₩(24,698)	₩ (6,627)	₩ 360	₩4,754	₩(26,211)

The changes in emissions rights for year ended December 31, 2015, are as follows:

	Applicable under 2015		Applicable under 2016		Applicable under 2017		Total	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
	(KAU)	(In millions of Korean won)	(KAU)	(In millions of Korean won)	(KAU)	(In millions of Korean won)	(KAU)	(In millions of Korean won)
Beginning	—	₩ —	—	₩ —	—	₩ —	—	₩ —
Free of charges	116,799	—	112,137	—	109,140	—	338,076	—
Ending	116,799	₩ —	112,137	₩ —	109,140	₩ —	338,076	₩ —

16. Deferred income tax assets and liabilities

The details of deferred income tax assets and liabilities as of December 31, 2014 and 2015, are as follows:

	2014		
	Assets	Liabilities	Net amount
	(In millions of Korean won)		
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
Sub-total	1,251,855	(1,329,504)	(77,649)
Offsetting of deferred income tax assets and liabilities	(1,236,293)	1,236,293	—
Total	₩ 15,562	₩ (93,211)	₩ (77,649)

	2015		
	Assets	Liabilities	Net amount
	(In millions of Korean won)		
Other provisions	₩ 108,757	₩ —	₩ 108,757
Allowances for loan losses	1,229	—	1,229
Impairment losses on property and equipment	5,197	(358)	4,839
Interest on equity index-linked deposits	69	—	69
Share-based payments	8,601	—	8,601
Provisions for guarantees	38,225	—	38,225
Losses(gains) from valuation on derivative financial instruments	28,736	(31,214)	(2,478)
Present value discount	11,290	(9,133)	2,157
Losses(gains) from fair value hedged item	2,876	—	2,876
Accrued interest	—	(81,893)	(81,893)
Deferred loan origination fees and costs	5,851	(152,390)	(146,539)
Gains from revaluation	—	(274,947)	(274,947)
Investments in subsidiaries	8,543	(96,188)	(87,645)
Derivative linked securities	747,844	(779,751)	(31,907)
Others	669,750	(381,964)	287,786
Sub-total	1,636,968	(1,807,838)	(170,870)
Offsetting of deferred income tax assets and liabilities	(1,628,595)	1,628,595	—
Total	₩ 8,373	₩ (179,243)	₩(170,870)

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩553,376 million associated with investments in subsidiaries and others as of December 31, 2015, 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 ₩67 million, ₩80,204 million and ₩170,214 million associated with loss on other provisions, SPE repurchase and others, respectively, as of December 31, 2015, 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 ₩66,345 million associated with investment in subsidiaries and associates as of December 31, 2015, 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, 2015, for the taxable temporary difference of ₩65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

The changes in cumulative temporary differences for the years ended December 31, 2014 and 2015, are as follows:

	2014			
	Beginning	Decrease	Increase	Ending
	(In millions of Korean won)			
Deductible temporary differences				
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
Sub-total	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
Total	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
Taxable temporary differences				
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)
Impairment losses on property and equipment	—	—	(1,481)	(1,481)
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)
Sub-total	(4,894,053)	₩(2,404,890)	₩(3,085,272)	(5,574,435)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(118,749)			(27,367)
Total	(4,710,016)			(5,481,780)
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩(1,142,270)			₩(1,329,504)

	2015			
	Beginning	Decrease	Increase	Ending
	(In millions of Korean won)			
Deductible temporary differences				
Losses(gains) from fair value hedged item	₩ 53,033	₩ 53,033	₩ 11,882	₩ 11,882
Other provisions	410,813	385,987	424,649	449,475
Allowances for loan losses	6,133	5,751	4,697	5,079
Impairment losses on property and equipment	22,363	22,363	21,476	21,476
Deferred loan origination fees and costs	37,373	37,373	23,491	23,491
Interest on equity index-linked deposits	758	758	287	287
Share-based payments	33,613	33,613	35,542	35,542
Provisions for guarantees	225,414	225,414	157,954	157,954
Gains(losses) from valuation on derivative financial instruments	15,171	15,171	118,745	118,745
Present value discount	11,762	11,762	42,288	42,288
Loss on SPE repurchase	80,204	—	—	80,204
Investments in subsidiaries and others	599,199	74,367	—	524,832
Derivative linked securities	1,388,534	1,388,534	3,090,264	3,090,264
Others	3,107,725	1,853,484	1,750,722	3,004,963
Sub-total	5,992,095	₩ 4,107,610	₩ 5,681,997	7,566,482
Unrecognized deferred income tax assets:				
Other provisions	199			67
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	563,040			553,376
Others	172,199			170,214
Total	5,176,453			6,762,621
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ 1,251,855			₩ 1,636,968
Taxable temporary differences				
Accrued interest	₩ (329,039)	₩ (180,430)	₩ (189,793)	₩ (338,402)
Allowances for loans losses	(7,850)	(7,850)	—	—
Impairment losses on property and equipment	(1,481)	—	—	(1,481)
Deferred loan origination fees and costs	(548,978)	(548,978)	(629,161)	(629,161)
Gains(losses) from valuation on derivative financial instruments	(217,826)	(217,245)	(128,404)	(128,985)
Present value discount	(44,190)	(9,600)	(3,151)	(37,741)
Goodwill	(65,288)	—	—	(65,288)
Gains on revaluation	(1,136,143)	—	—	(1,136,143)
Investments in subsidiaries and others	(322,693)	(21)	(85,818)	(408,490)
Derivative linked securities	(1,399,118)	(1,399,118)	(3,222,110)	(3,222,110)
Others	(1,501,829)	(438,757)	(543,867)	(1,606,939)
Sub-total	(5,574,435)	₩ (2,801,999)	₩ (4,802,304)	(7,574,740)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(27,367)			(66,345)
Others	—			(1,914)
Total	(5,481,780)			(7,441,193)
Tax rate (%)	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ (1,329,504)			₩ (1,807,838)

17. Assets held for sale

The details of assets held for sale as of December 31, 2014 and 2015, are as follows:

	2014			
	Acquisition cost[(1)]	Accumulated impairment	Carrying amount	Fair value less costs to sell
		(In millions of Korean won)		
Land	₩ 47,418	₩ (9,442)	₩37,976	₩ 40,530
Buildings	52,774	(20,393)	32,381	33,752
Total	₩100,192	₩ (29,835)	₩70,357	₩ 74,282

	2015			
	Acquisition cost[(1)]	Accumulated impairment	Carrying amount	Fair value less costs to sell
		(In millions of Korean won)		
Land	₩ 35,997	₩ (8,531)	₩27,466	₩ 28,659
Buildings	37,115	(15,953)	21,162	21,621
Total	₩ 73,112	₩ (24,484)	₩48,628	₩ 50,280

(1) 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, 2015, are as follows:

	2015				
	Fair value	Valuation technique[(1)]	Unobservable input[(2)]	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
	(In millions of Korean won)				
	₩35,447	Market comparison approach model	Adjustment index	0.10~1.16	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.
Land and buildings	14,833	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 Time point adjustment: 0.9987 Individual factor: 0.85	Fair value increases as the unit price per area of exclusive possess and others rise.
Total	₩50,280				

(1) The Group adjusted the appraisal value by the adjustment ratio in the event the public sale is unsuccessful.
(2) 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 2015, are as follows:

2014				
Beginning	Provision	Reversal	Others	Ending
(In millions of Korean won)				
₩ (23,439)	₩ (16,592)	₩ —	₩ 5,965	₩ (34,066)

2015				
Beginning	Provision	Reversal	Others	Ending
(In millions of Korean won)				
₩ (34,066)	₩ (2,110)	₩ 399	₩ 11,293	₩ (24,484)

As of December 31, 2015, buildings and land classified as assets held for sale consist of 10 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, 2015, two 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 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Other financial assets		
Other receivables	₩3,185,783	₩3,652,481
Accrued income	1,166,555	1,163,368
Guarantee deposits	1,339,572	1,204,474
Domestic exchange settlement debits	2,096,804	2,145,654
Others	119,733	52,258
Allowances for loan losses	(347,918)	(308,699)
Present value discount	(898)	(1,596)
Sub-total	7,559,631	7,907,940
Other non-financial assets		
Other receivables	1,469	5,238
Prepaid expenses	327,633	280,563
Guarantee deposits	4,081	4,232
Insurance assets	127,493	112,489
Separate account assets	689,701	852,648
Others	96,759	236,571
Allowances on other asset	(23,294)	(23,977)
Sub-total	1,223,842	1,467,764
Total	₩8,783,473	₩9,375,704

The changes in allowances for loan losses on other assets for the years ended December 31, 2014 and 2015, are as follows:

	2014		
	Other financial assets	Other non-financial assets	Total
	(In millions of Korean won)		
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

	2015		
	Other financial assets	Other non-financial assets	Total
	(In millions of Korean won)		
Beginning	₩ 347,918	₩ 23,294	₩ 371,212
Written-off	(48,286)	(884)	(49,170)
Provision	6,083	1,567	7,650
Others	2,984	—	2,984
Ending	₩ 308,699	₩ 23,977	₩ 332,676

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 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Financial liabilities held for trading		
Securities sold	₩ 784,892	₩ 517,458
Other	51,650	69,465
Sub-total	836,542	586,923
Financial liabilities designated at fair value through profit or loss		
Derivative linked securities	982,426	2,387,681
Sub-total	982,426	2,387,681
Total financial liabilities at fair value through profit or loss	₩1,818,968	₩2,974,604

The details of credit risk of financial liabilities designated at fair value through profit or loss as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Financial liabilities designated at fair value through profit or loss	₩982,426	₩2,387,681
Changes in fair value resulting from changes in the credit risk	(4,848)	(15,602)
Accumulated changes in fair value resulting from changes in the credit risk	(14,510)	(30,112)

20. Deposits

The details of deposits as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Demand deposits		
Demand deposits in Korean won	₩ 75,835,847	₩ 91,678,321
Demand deposits in foreign currencies	3,019,063	4,147,646
Total demand deposits	78,854,910	95,825,967
Time deposits		
Time deposits in Korean won	128,627,173	120,225,483
Fair value adjustments on fair value hedged time deposits in Korean won	(958)	(201)
Sub-total	128,626,215	120,225,282
Time deposits in foreign currencies	2,484,949	3,623,160
Fair value adjustments on fair value hedged time deposits in foreign currencies	—	(17,671)
Sub-total	2,484,949	3,605,489
Total demand deposits	131,111,164	123,830,771
Certificates of deposits	1,583,047	4,611,447
Total deposits	₩211,549,121	₩224,268,185

21. Debts

The details of debts as of December 31, 2014 and 2015, consist of:

	2014	2015
	(In millions of Korean won)	
Borrowings	₩ 11,908,698	₩ 12,304,226
Repurchase agreements and others	1,074,146	1,845,611
Call money	2,881,656	2,090,906
Total	₩ 15,864,500	₩ 16,240,743

The details of borrowings as of December 31, 2014 and 2015, are as follows:

		Lenders	Annual interest rate (%)	2014	2015
				(In millions of Korean won)	
Borrowings in Korean won	Borrowings from the Bank of Korea	Bank of Korea	0.50~0.75	₩1,002,796	₩1,421,375
	Borrowings from the government	KEA (Korea Energy Agency) and others	0.00~3.00	611,378	1,156,670
	Borrowings from banking institutions	Industrial Bank of Korea and others	1.18	37,874	180
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	0.20~2.70	212,452	374,369
	Other borrowings	The Korea Gas Safety Corporation	0.00~4.35	3,980,812	3,360,593
	Sub-total			5,845,312	6,313,187
Borrowings in foreign currencies	Due to banks	JPMorgan Chase Bank, N.A. and others	—	3,313	9,884
	Borrowings from banking institutions	Commerzbank and others	0.08~1.30	3,522,159	3,530,562
	Other borrowings	The Export-Import Bank of Korea and others	0.86~1.78	34,460	212,507
	Other borrowings	Standard Chartered Bank and others	—	2,503,454	2,238,086
	Sub-total			6,063,386	5,991,039
	Total			₩11,908,698	₩12,304,226

The details of repurchase agreements and others as of December 31, 2014 and 2015, are as follows:

	Lenders	Annual interest rate (%)	2014	2015
			(In millions of Korean won)	
Repurchase agreements	Individuals, Groups and Corporations	1.45~3.84	₩1,019,071	₩1,817,754
Bills sold	Counter sale	0.80~1.50	55,075	27,857
Total			₩1,074,146	₩1,845,611

The details of call money as of December 31, 2014 and 2015, are as follows:

	Lenders	Annual interest rate (%)	2014	2015
			(In millions of Korean won)	
Call money in Korean won	KEB Hana bank and others	1.33~1.62	₩1,882,000	₩1,006,400
Call money in foreign currencies	Central bank Uzbekistan and others	0.24~5.00	999,656	1,084,506
Total			₩2,881,656	₩2,090,906

22. Debentures

The details of debentures as of December 31, 2014 and 2015, are as follows:

	Annual Interest rate (%)	2014	2015
		(In millions of Korean won)	
Debentures in Korean won			
Structured debentures	0.21~8.62	₩ 1,239,238	₩ 909,788
Subordinated fixed rate debentures in Korean won	3.08~7.51	4,761,124	4,586,829
Fixed rate debentures in Korean won	1.63~5.04	18,839,553	22,500,223
Floating rate debentures in Korean won	1.83~2.09	1,133,000	448,000
Sub-total		25,972,915	28,444,840
Fair value adjustments on fair value hedged debentures in Korean won		53,916	40,171
Discount on debentures in Korean won		(43,291)	(17,740)
Sub-total		25,983,540	28,467,271
Debentures in foreign currencies			
Floating rate debentures	0.07~1.57	1,648,175	1,829,124
Fixed rate debentures	0.98~3.63	1,578,980	2,325,537
Sub-total		3,227,155	4,154,661
Fair value adjustments on fair value hedged debentures in foreign currencies		75	(10,416)
Discount on debentures in foreign currencies		(10,064)	(10,913)
Sub-total		3,217,166	4,133,332
Total		₩29,200,706	₩32,600,603

The changes in debentures based on face value for the years ended December 31, 2014 and 2015, are as follows:

	2014					
	Beginning	Issues	Repayments	Business combination	Others	Ending
	(In millions of Korean won)					
Debentures in Korean won						
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
Sub-total	23,710,712	41,345,200	(41,822,997)	2,740,000	—	25,972,915
Debentures in foreign currencies						
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
Sub-total	3,478,419	1,887,806	(2,275,545)	—	136,475	3,227,155
Total	₩27,189,131	₩43,233,006	₩(44,098,542)	₩2,740,000	₩136,475	₩29,200,070

	2015				
	Beginning	Issues	Repayments	Others	Ending
	(In millions of Korean won)				
Debentures in Korean won					
Structured debentures	₩ 1,239,238	₩ 120,000	₩ (449,450)	₩ —	₩ 909,788
Subordinated fixed rate debentures in Korean won	4,761,124	—	(174,295)	—	4,586,829
Fixed rate debentures in Korean won	18,839,553	78,939,000	(75,278,330)	—	22,500,223
Floating rate debentures in Korean won	1,133,000	30,000	(715,000)	—	448,000
Sub-total	25,972,915	79,089,000	(76,617,075)	—	28,444,840
Debentures in foreign currencies					
Floating rate debentures	1,648,175	179,565	(111,939)	113,323	1,829,124
Fixed rate debentures	1,578,980	1,013,959	(378,577)	111,175	2,325,537
Sub-total	3,227,155	1,193,524	(490,516)	224,498	4,154,661
Total	₩29,200,070	₩80,282,524	₩(77,107,591)	₩224,498	₩32,599,501

23. Provisions

The details of provisions as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Provisions for unused loan commitments	₩ 209,964	₩ 195,385
Provisions for acceptances and guarantees	207,927	158,454
Provisions for financial guarantee contracts	2,718	3,809
Provisions for asset retirement obligation	73,442	75,351
Other	120,296	174,861
Total	₩ 614,347	₩ 607,860

The changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2014 and 2015, are as follows:

	2014		
	Provisions for unused loan commitments	Provisions for acceptances and guarantees	Total
	(In millions of Korean won)		
Beginning	₩ 226,110	₩ 209,118	₩435,228
Effects of changes in foreign exchange rate	548	3,358	3,906
Reversal	(16,694)	(4,549)	(21,243)
Ending	₩ 209,964	₩ 207,927	₩417,891

	2015		
	Provisions for unused loan commitments	Provisions for acceptances and guarantees	Total
	(In millions of Korean won)		
Beginning	₩ 209,964	₩ 207,927	₩417,891
Effects of changes in foreign exchange rate	788	4,809	5,597
Reversal	(15,367)	(54,282)	(69,649)
Ending	₩ 195,385	₩ 158,454	₩353,839

The changes in provisions for financial guarantee contracts for the years ended December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Beginning	₩ 2,699	₩ 2,718
Provision	19	1,091
Ending	₩ 2,718	₩ 3,809

The changes in provisions for asset retirement obligation for the years ended December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Beginning	₩ 76,608	₩ 73,442
Provision	5,231	3,916
Reversal	(6,047)	(537)
Used	(5,701)	(4,207)
Unwinding of discount	2,936	2,042
Effects of changes in discount rate	70	695
Business combination	345	—
Ending	₩ 73,442	₩ 75,351

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 changes in other provisions for the years ended December 31, 2014 and 2015, are as follows:

	2014				
	Membership rewards program	Dormant accounts	Litigations	Others	Total
	(In millions of Korean won)				
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

	2015					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse Gas Emission liabilities(1)	Others	Total
	(In millions of Korean won)					
Beginning	₩ 11,274	₩ 33,996	₩ 24,506	₩ —	₩ 50,520	₩ 120,296
Increase	22,304	27,056	57,691	69	49,905	157,025
Decrease	(24,948)	(19,961)	(10,957)	—	(46,594)	(102,460)
Ending	₩ 8,630	₩ 41,091	₩ 71,240	₩ 69	₩ 53,831	₩ 174,861

(1) As of December 31, 2015, the estimated greenhouse gas emission is 122,542 tons.

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 by independent actuaries in accordance with actuarial valuation methods.

The net 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 2015, are as follows:

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean won)		
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

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean won)		
Beginning	₩ 1,271,078	₩ (1,195,394)	₩ 75,684
Current service cost	185,710	—	185,710
Interest cost(income)	37,742	(35,523)	2,219
Past service cost	(47)	—	(47)
Remeasurements :			
Actuarial gains and losses by changes in demographic assumptions	(5,270)	—	(5,270)
Actuarial gains and losses by changes in financial assumptions	8,864	—	8,864
Actuarial gains and losses by experience adjustments	14,573	—	14,573
Return on plan assets (excluding amounts included in interest income)	—	12,051	12,051
Contributions	—	(214,792)	(214,792)
Payments from plans (settlement)	(93,112)	93,112	—
Payments from the Group	(5,973)	—	(5,973)
Transfer in	5,950	(5,819)	131
Transfers out	(5,968)	5,962	(6)
Effect of exchange rate changes	22	—	22
Others	31	—	31
Ending	₩ 1,413,600	₩ (1,340,403)	₩ 73,197

The details of the net defined benefit liabilities as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Present value of defined benefit obligation	₩ 1,271,078	₩ 1,413,600
Fair value of plan assets	(1,195,394)	(1,340,403)
Net Defined benefit liabilities	₩ 75,684	₩ 73,197

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Current service cost	₩172,857	₩163,997	₩185,710
Past service cost	1,005	11	(47)
Gain or loss on settlement	(4,244)	—	—
Net interest expenses of net defined benefit liabilities	2,961	2,663	2,219
Post-employment benefits[(1)]	₩172,579	₩166,671	₩187,882

(1) Post-employment benefits amounting to ₩1,471 million, ₩971 million and ₩1,143 million for the years ended December 31, 2013, 2014 and 2015, respectively, are recognized as other operating expense in the statements of comprehensive income.

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Remeasurements			
Return on plan assets (excluding amounts included in interest income)	₩ (1,096)	₩ (12,576)	₩(12,051)
Actuarial gains and losses	55,165	(118,817)	(18,167)
Income tax effects	(13,085)	31,799	7,312
Remeasurements after income tax	₩ 40,984	₩ (99,594)	₩(22,906)

The details of fair value of plan assets as of December 31, 2014 and 2015, are as follows:

	2014		
	Assets quoted in an active market	Assets not quoted in an active market	Total
	(In millions of Korean won)		
Cash and due from financial institutions	₩ —	₩1,195,394	₩1,195,394

	2015		
	Assets quoted in an active market	Assets not quoted in an active market	Total
	(In millions of Korean won)		
Cash and due from financial institutions	₩ —	₩1,340,403	₩1,340,403

Key actuarial assumptions used as of December 31, 2014 and 2015, are as follows:

	2014	2015
Discount rate (%)	2.20 ~ 3.10	1.90 ~ 2.50
Salary increase rate (%)	0.00 ~ 8.50	0.00 ~ 7.50
Turnover (%)	0.00 ~ 32.00	0.00 ~ 27.00

Mortality assumptions are based on the experience-based mortality table of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2015, 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.	4.28 decrease	4.53 increase
Salary increase rate (%)	0.5 p.	4.17 increase	4.06 decrease
Turnover (%)	0.5 p.	0.16 decrease	0.03 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, 2015, is as follows:

	Up to 1 year	1~2 years	2~5 years	5~10 years	Over 10 years	Total
			(In millions of Korean won)			
Pension benefits	₩36,283	₩90,577	₩401,953	₩917,966	₩3,183,817	₩4,630,596

The weighted average duration of the defined benefit obligation is 1.0 ~ 13.3 years.

Expected contribution to plan assets for periods after December 31, 2015, is estimated to be ₩190,667 million.

25. Other liabilities

The details of other liabilities as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Other financial liabilities		
Other payables	₩ 4,712,587	₩ 5,156,880
Prepaid card and debit card	19,578	18,233
Accrued expenses	3,123,144	2,718,654
Financial guarantee liabilities	13,237	12,446
Deposits for letter of guarantees and others	351,041	501,188
Domestic exchange settlement credits	128,739	127,562
Foreign exchanges settlement credits	69,440	53,367
Borrowings from other business accounts	40,383	47,707
Other payables from trust accounts	2,548,577	2,791,404
Liability Incurred from agency relationships	505,664	488,325
Account for agency businesses	340,062	321,557
Dividend payables	477	476
Other payables from factored receivables	37,734	40,178
Others	28,157	636
Sub-total	11,918,820	12,278,613
Other non-financial liabilities		
Other payables	72,370	80,167
Unearned revenue	154,066	146,798
Accrued expenses	208,226	257,817
Deferred revenue on credit card points	115,658	123,615
Withholding taxes	106,291	115,092
Insurance liabilities	6,265,198	6,924,699
Separate account liabilities	698,832	860,946
Others	57,741	73,887
Sub-total	7,678,382	8,583,021
Total	₩19,597,202	₩20,861,634

26. Equity

26.1 Capital stock

The details of outstanding shares of the Parent Company as of December 31, 2014 and 2015, are as follows:

	Ordinary shares 2014	Ordinary shares 2015
Number of authorized shares	1,000,000,000	1,000,000,000
Number of issued shares	386,351,693	386,351,693
Par value per share	₩ 5,000	₩ 5,000
Capital stock[(1)]	₩ 1,931,758	₩ 1,931,758

(1) In millions of Korean won.

26.2 Capital surplus

The details of capital surplus as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Share premium	₩12,226,596	₩12,226,596
Loss on sale of treasury shares	(568,544)	(568,544)
Other capital surplus	4,196,458	4,196,458
Total	₩15,854,510	₩15,854,510

26.3 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Remeasurements of net defined benefit liabilities	₩(110,814)	₩(133,876)
Exchange differences on translating foreign operations	(12,153)	32,990
Change in value of available-for-sale financial assets	680,900	653,130
Change in value of held-to-maturity financial assets	3,823	2,731
Shares of other comprehensive income of associates	(89,303)	(89,081)
Cash flow hedges	(10,774)	(10,173)
Hedges on hedges of a net investment in a foreign operation	—	(25,477)
Total	₩ 461,679	₩ 430,244

26.4 Retained earnings

The details of retained earnings as of December 31, 2014 and 2015, consist of:

	2014	2015
	(In millions of Korean won)	
Legal reserves[(1)]	₩ 208,221	₩ 251,517
Voluntary reserves	982,000	982,000
Retained earnings before appropriation[(2)]	7,876,924	9,230,592
Total	₩9,067,145	₩10,464,109

(1) 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.

(2) Retained earnings restricted for dividend at subsidiaries level pursuant to law and regulations amounts to ₩2,454,463 million as of December 31, 2015.

27. Net Interest Income

The details of interest income and interest expense for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Interest income			
Due from financial institutions	₩ 146,105	₩ 190,302	₩ 151,681
Loans	10,778,258	10,168,304	9,102,433
Financial investments			
Available-for-sale financial assets	694,218	571,755	497,476
Held-to-maturity financial assets	574,586	548,361	491,429
Other	163,763	156,574	132,804
Sub-total	12,356,930	11,635,296	10,375,823
Interest expenses			
Deposits	4,279,153	3,845,468	3,035,425
Debts	289,652	265,773	195,021
Debentures	1,190,446	1,032,111	866,801
Other	74,847	76,169	75,377
Sub-total	5,834,098	5,219,521	4,172,624
Net interest income	₩ 6,522,832	₩ 6,415,775	₩ 6,203,199

Interest income recognized on impaired loans is ₩73,290 million (2014: ₩108,968 million, 2013: ₩127,120 million) for the year ended December 31, 2015. Interest income recognized on impaired financial investments is ₩235 million (2014: ₩242 million, 2013: ₩569 million) for the year ended December 31, 2015.

28. Net Fee and Commission Income

The details of fee and commission income, and fee and commission expense for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Fee and commission income			
Banking activity fees	₩ 167,507	₩ 167,452	₩ 168,389
Lending activity fees	90,413	74,133	87,790
Credit card related fees and commissions	1,126,944	1,106,601	1,223,221
Debit card related fees and commissions	255,742	291,723	340,509
Agent activity fees	207,036	158,022	168,135
Trust and other fiduciary fees	160,521	230,839	270,664
Fund management related fees	93,494	89,264	104,924
Guarantee fees	34,173	29,811	30,121
Foreign currency related fees	102,047	96,018	97,146
Commissions from transfer agent services	177,793	148,583	164,916
Other business account commission on consignment	29,799	25,311	30,525
Securities brokerage fees	68,158	68,249	88,111
Lease fee	—	16,050	38,403
Other	143,738	164,129	158,241
Sub-total	2,657,365	2,666,185	2,971,095
Fee and commission expenses			
Trading activity related fees[1]	9,358	7,938	11,050
Lending activity fees	18,791	9,958	20,507
Credit card related fees and commissions	934,114	979,913	1,093,538
Outsourcing related fees	74,516	76,604	87,875
Foreign currency related fees	12,561	12,812	12,419
Management fees of written-off loans	4,065	9,853	4,065
Other	124,721	186,378	206,658
Sub-total	1,178,126	1,283,456	1,436,112
Net fee and commission income	₩1,479,239	₩1,382,729	₩1,534,983

(1) The fees from financial assets/liabilities at fair value through profit or loss.

29. Net gains or losses on financial assets/liabilities at fair value through profit or loss

29.1 Net gains or losses on financial instruments held for trading

Net gain or loss from financial instruments held for trading includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. The details for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Gains related to financial instruments held for trading			
Financial assets held for trading			
Debt securities	₩ 340,601	₩ 471,048	₩ 376,738
Equity securities	109,698	68,024	62,326
Sub-total	450,299	539,072	439,064
Derivatives held for trading			
Interest rate	1,090,262	1,327,839	1,007,933
Currency	2,524,173	1,919,287	2,326,371
Stock or stock index	218,509	153,863	179,570
Credit	—	—	25,402
Commodity	1,336	568	1,279
Other	20,825	6,894	1,752
Sub-total	3,855,105	3,408,451	3,542,307
Financial liabilities held for trading	95,382	35,645	69,844
Other financial instruments	70	47	2,167
Total	₩4,400,856	₩3,983,215	₩4,053,382
Losses related to financial instruments held for trading			
Financial assets held for trading			
Debt securities	₩ 118,362	₩ 38,888	₩ 65,939
Equity securities	81,733	85,808	44,699
Sub-total	200,095	124,696	110,638
Derivatives held for trading			
Interest rate	1,076,647	1,411,540	1,036,573
Currency	2,007,454	1,796,605	2,224,261
Stock or stock index	224,019	101,267	269,401
Credit	—	—	21,974
Commodity	182	547	1,127
Other	2,343	841	339
Sub-total	3,310,645	3,310,800	3,553,675
Financial liabilities held for trading	110,114	97,621	131,125
Other financial instruments	29	50	2,214
Total	₩3,620,883	₩3,533,167	₩3,797,652
Net gains or losses on financial instruments held for trading	₩ 779,973	₩ 450,048	₩ 255,730

29.2 Net gains or losses on financial instruments designated at fair value through profit or loss

Net gain or loss from financial instruments designated at fair value through profit or loss includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. The details for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Gains related to financial instruments designated at fair value through profit or loss			
Financial assets designated at fair value through profit or loss	₩ 23,760	₩ 28,496	₩ 46,051
Financial liabilities designated at fair value through profit or loss	20,846	34,468	188,392
Sub-total	44,606	62,964	234,443
Losses related to financial instruments designated at fair value through profit or loss			
Financial assets designated at fair value through profit or loss	14,754	22,521	42,690
Financial liabilities designated at fair value through profit or loss	53,003	51,293	87,756
Sub-total	67,757	73,814	130,446
Net gains or losses on financial instruments designated at fair value through profit or loss	₩(23,151)	₩(10,850)	₩103,997

30. Other operating income and expenses

The details of other operating income and expenses for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Other operating income			
Revenue related to available-for-sale financial assets			
Gains on redemption of available-for-sale financial assets	₩ 867	₩ —	₩ 312
Gains on sale of available-for-sale financial assets	189,011	91,925	404,144
Reversal for Impairment on available-for-sale financial assets	—	260	265
Sub-total	189,878	92,185	404,721
Revenue related to available-for-sale held-to-maturity investments			
Gains on sale of available-for- sale held-to-maturity investments	—	1,668	—
Sub-total	—	1,668	—
Gains on foreign exchange transactions	1,387,450	1,490,797	2,464,723
Income related to insurance	1,233,773	1,215,031	1,373,373
Dividend income	64,441	78,298	96,829
Others	261,886	221,745	258,888
Total other operating income	3,137,428	3,099,724	4,598,534
Other operating expenses			
Expense related to available-for-sale financial assets			
Loss on redemption of available-for-sale financial assets	65	7	114
Loss on sale of available-for-sale financial assets	25,157	7,381	10,108
Impairment on available-for-sale financial assets	163,464	195,929	227,588
Sub-total	188,686	203,317	237,810
Expense related to held-to-maturity financial assets			
Impairment on held-to-maturity financial assets	5	—	—
Sub-total	5	—	—
Loss on foreign exchanges transactions	1,667,335	1,456,918	2,406,683
Expense related to insurance	1,358,830	1,352,384	1,478,987
Others	1,227,337	1,128,014	1,191,014
Total other operating expenses	4,442,193	4,140,633	5,314,494
Net other operating income (expenses)	₩(1,304,765)	₩(1,040,909)	₩ (715,960)

31. General and administrative expenses

31.1 General and administrative expenses

The details of general and administrative expenses for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Employee Benefits			
Salaries and short-term employee benefits—salaries	₩1,641,326	₩1,700,120	₩1,764,459
Salaries and short-term employee benefits—others	677,107	706,309	755,829
Post-employment benefits—defined benefit plans	171,108	165,700	186,739
Post-employment benefits—defined contribution plans	7,094	8,821	10,262
Termination benefits	19,714	1,124	391,549
Share-based payments	17,289	11,422	17,429
Sub-total	2,533,638	2,593,496	3,126,267
Depreciation and amortization	286,756	261,056	257,306
Other general and administrative expenses			
Rental expense	290,886	297,656	273,531
Tax and dues	141,274	150,443	142,272
Communication	55,549	38,661	37,136
Electricity and utilities	26,315	27,988	28,752
Publication	19,259	19,642	18,337
Repairs and maintenance	14,615	16,892	15,777
Vehicle	11,816	11,579	10,291
Travel	5,722	5,489	6,784
Training	19,498	17,362	23,544
Service fees	104,210	106,403	115,919
Others	474,026	463,027	467,668
Sub-total	1,163,170	1,155,142	1,140,011
Total	₩3,983,564	₩4,009,694	₩4,523,584

31.2 Share-based payments

31.2.1 Share options

The changes in the number of granted share options and the weighted average exercise price for the years ended December 31, 2014 and 2015, are as follows:

	2014					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
	(In Korean won, except shares)					
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
Total	1,468,995	796,251	672,744	672,744		
Weighted average exercise price	₩ 77,235	₩ 77,207	₩ 77,268	₩77,268		

	2015					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
	(In Korean won, except shares)					
Series 22	657,498	657,498	—	—	₩ —	—
Series 23	15,246	15,246	—	—	—	—
Total	672,744	672,744	—	—		
Weighted average exercise price	₩ 77,268	₩ 77,268	₩ —	₩ —		

31.2.2 Share Grants

The Group changed the scheme of share-based payment from share options to share grants in November 2007. The share grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual shares granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

The details of the share grants as of December 31, 2015, are as follows:

	Grant date	Number of granted shares[1]	Vesting conditions
		(In number of shares)	
(KB Financial Group Inc.)			
Series 4	2010.07.13	180,707	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 3]
Series 8	2012.01.01	13,471	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 4]
Series 9	2013.07.17	37,904	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 4]
Series 10	2014.01.01	19,042	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 4]
Series 11	2013.07.13	69,892	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 3]
Series 12	2014.11.21	32,449	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 5]
Series 13	2015.01.01	36,210	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 6]
Series 14	2015.07.17	23,525	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 6]
Deferred grant in 2012	—	2,798	Satisfied
Deferred grant in 2013	—	8,021	Satisfied
Deferred grant in 2014	—	15,859	Satisfied
Sub-total		439,878	
(Kookmin Bank)			
Series 48	2013.07.23	14,470	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 49	2013.07.24	36,495	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 50	2013.07.24	9,214	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 52	2013.08.01	10,278	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 57	2014.01.01	8,853	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 58	2014.01.01	78,700	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 60	2015.01.01	349,984	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 61	2015.04.14	8,390	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 62	2015.01.12	15,965	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 63	2015.08.01	9,969	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 64	2015.07.24	35,069	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 65	2015.08.26	13,828	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 7]
Series 66	2014.11.21	28,392	Services fulfillment, Achievements of targets on the basis of market and non-market performance[2, 5]
Deferred grant in 2010	—	50	Satisfied
Deferred grant in 2011	—	101	Satisfied
Deferred grant in 2012	—	13,082	Satisfied
Deferred grant in 2013	—	69,240	Satisfied
Deferred grant in 2014	—	124,149	Satisfied
Deferred grant in 2015	—	1,877	Satisfied
Sub-total		828,106	

	Grant date	Number of granted shares[1]	Vesting conditions
		(In number of shares)	
(Other subsidiaries, etc)			
Share granted in 2010		2,487	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Share granted in 2011		6,464	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Share granted in 2012		16,436	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Share granted in 2013		104,394	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Share granted in 2014		81,882	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Share granted in 2015		212,768	Services fulfillment, Achievements of targets on the basis of market and non-market performance [8]
Sub-total		424,431	
Total		1,692,415	

(1) Granted shares represent the total number of shares initially granted to directors and employees at the end of reporting period (deferred granted shares represent the shares at the end of reporting period).

(2) Certain portion of the granted shares is compensated over a maximum period of three years from the initial exercise date.

(3) 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 Performance Results, targeted financial results of the Group and targeted relative TSR, respectively. The 40%, 40% and 20% of the number of the remaining granted shares to be compensated are determined based on the accomplishment of the targeted EPS, the targeted relative TSR and qualitative indicators, respectively.

(4) The 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted Performance Results, targeted financial results of the Group and the targeted relative TSR, 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 accomplishment of the targeted Performance Results.

(5) The 35%, 35% and 30% 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.

(6) The 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted Performance Results, targeted financial results of the Group and the targeted relative TSR, respectively. However, as for certain number of shares, 50% of the number of granted shares to be compensated is determined based on the accomplishment of the targeted relative TSR, while the other 50% is determined by the accomplishment of the targeted Performance Results.

(7) The 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of the targeted relative TSR, the targeted Performance Results and the accomplishment of the targeted financial results of Kookmin Bank, 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 accomplishment of the targeted Performance Results.

(8) The 30%, 30% and 40% of the number of granted shares to be compensated are determined based on the accomplishment of the targeted Performance Results, 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 Performance Results, the respective subsidiaries' performance and the targeted relative TSR, respectively. The 50% and 50% of the number of certain granted shares to be compensated are determined based on the accomplishment of the respective subsidiaries' performance and the targeted relative TSR, respectively. The 70% and 30% of the number of certain granted shares to be compensated are determined based on the accomplishment of the respective subsidiaries' performance and the targeted relative TSR, respectively.

The details of share grants linked to short-term performance as of December 31, 2015, are as follows:

	Grant date	Number of vested shares[1]	Vesting Conditions
(KB Financial Group Inc.)			
Share granted in 2010	2010.01.01	322	Satisfied
Share granted in 2011	2011.01.01	1,728	Satisfied
Share granted in 2012	2012.01.01	9,215	Satisfied
Share granted in 2013	2013.01.01	11,496	Satisfied
Share granted in 2014	2014.01.01	23,304	Satisfied
Share granted in 2015	2015.01.01	21,714	Proportion to service period
(Kookmin Bank)			
Share granted in 2010	2010.01.01	363	Satisfied
Share granted in 2011	2011.01.01	3,985	Satisfied
Share granted in 2012	2012.01.01	54,609	Satisfied
Share granted in 2013	2013.01.01	68,751	Satisfied
Share granted in 2014	2014.01.01	164,953	Satisfied
Share granted in 2015	2015.01.01	174,345	Proportion to service period
(Other subsidiaries, etc)			
Share granted in 2013		6,551	Satisfied
Share granted in 2014		74,743	Satisfied
Share granted in 2015		53,654	Proportion to service period

(1) 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, 2015, are as follows:

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance				
(KB Financial Group Inc.)				
Series 4	—	1.63	—	34,180~40,662
Series 4-1	0.00~0.53	1.63	—	33,198~36,874
Series 8	0.00~1.00	1.63	—	33,200~40,662
Series 9	0.00~2.00	1.63	38,111	33,145~38,111
Series 9-1	0.00~3.00	1.63	34,407	33,145~34,407
Series 10	0.00~3.00	1.63	34,407	33,145~34,407
Series 11	0.53~3.53	1.63	36,162	33,086~33,231
Series 12	1.89~4.89	1.64	33,689	33,157~33,292
Series 13	1.00~4.00	1.63	31,695	32,668~33,213
Series 14	2.00~5.00	1.65	27,884	32,139~33,213
Deferred grant in 2012	—	1.72	—	34,180
Deferred grant in 2013	0.00~1.00	1.72	—	33,200~34,180
Deferred grant in 2014	0.00~2.00	1.72	—	33,145~34,180
(Kookmin Bank)				
Series 48	0.00~3.00	1.63	36,497	33,145~34,180
Series 49	0.00~3.00	1.63	36,382	33,145~34,180
Series 49-1	0.00~3.00	1.63	36,583	33,145~34,180
Series 50	0.00~3.00	1.63	36,382	33,145~34,180
Series 52	0.00~3.00	1.63	36,321	33,145~34,180

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Series 57	0.00~3.00	1.63	34,407	33,145~34,180
Series 58	0.00~3.00	1.63	34,407	33,145~34,180
Series 60	1.00~4.00	1.63	31,695	33,145~33,213
Series 61	1.28~5.01	1.63	31,695	33,110~33,213
Series 62	1.00~4.00	1.63	31,695	33,145~33,213
Series 63	1.58~5.01	1.64	31,695	33,110~33,213
Series 64	1.56~5.01	1.64	31,695	33,110~33,213
Series 65	1.65~5.01	1.64	31,695	33,110~33,213
Series 66	1.89~4.89	1.64	33,689	33,157~33,292
Grant deferred in 2012	—	1.72	—	34,180
Grant deferred in 2013	0.00~1.00	1.72	—	33,153~34,180
Grant deferred in 2014	0.00~2.00	1.72	—	33,143~34,180
Grant deferred in 2015	0.02~2.03	1.72	—	33,179~33,877
(Other subsidiaries, etc)				
Share granted in 2010	—	1.63	—	37,980~38,931
Share granted in 2011	—	1.63	0~40,662	38,485~41,755
Share granted in 2012	—	1.63	0~40,446	38,111~40,446
Share granted in 2013	0.00~0.75	1.63	29,301~36,921	32,722~34,407
Share granted in 2014	0.00~1.67	1.63~1.64	31,206~34,407	32,254~34,407
Share granted in 2015	1.00~2.23	1.63~1.65	27,220~37,229	32,020~37,229
Linked to short-term performance				
(KB Financial Group Inc.)				
Share granted in 2010	—	1.72	—	40,662
Share granted in 2011	—	1.72	—	38,111~40,662
Share granted in 2012	—	1.72	—	34,180~40,662
Share granted in 2013	0.00~1.00	1.72	—	33,200~38,111
Share granted in 2014	0.00~2.00	1.72	—	33,145~34,180
Share granted in 2015	1.00~3.00	1.72	—	33,145~33,213
(Kookmin Bank)				
Share granted in 2012	—	1.72	—	34,180
Share granted in 2013	0.00~1.00	1.72	—	33,153~39,944
Share granted in 2014	0.00~2.03	1.72	—	33,143~34,180
Share granted in 2015	0.00~3.00	1.72	—	33,145~34,180
(Other subsidiaries, etc)				
Share granted in 2013	0.00~1.00	1.72	—	33,200~34,180
Share granted in 2014	0.00~2.00	1.72	—	33,145~34,180
Share granted in 2015	1.00~3.00	1.72	—	33,145~33,213

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, 2015, 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 2015, the accrued expenses related to share-based payments including share grants amounted to ₩48,734 million and ₩53,678 million, respectively, and the compensation costs from share grants amounting to ₩11,422 million and ₩17,429 million were incurred during the years ended December 31, 2014 and 2015, respectively. There is no intrinsic value of the vested share options as of December 31, 2014 and 2015.

32. Other non-operating income and expenses

The details of other non-operating income and expenses for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Other non-operating income			
Gains of disposal in property and equipment	₩ 819	₩ 491	₩ 514
Rent received	8,615	10,035	24,366
Others	101,848	62,041	266,278
Sub-total	111,282	72,567	291,158
Other non-operating expenses			
Losses of disposal in property and equipment	928	1,297	1,128
Donation	59,760	52,330	47,602
Restoration cost	909	2,242	514
Others	61,994	87,824	101,450
Sub-total	123,591	143,693	150,694
Net other non-operating income(expenses)	₩ (12,309)	₩ (71,126)	₩140,464

33. Income tax expense

Income tax expense for the years ended December 31, 2013, 2014 and 2015, consist of:

	2013	2014	2015
	(In millions of Korean won)		
Tax payable			
Current tax expense	₩569,449	₩512,536	₩342,066
Adjustments recognized in the period for current tax of prior years	75,938	(11,721)	(17,939)
Changes in deferred income tax assets (liabilities)	(89,477)	31,255	93,221
Income tax recognized directly in equity			
Remeasurements of net defined benefit liabilities	(13,085)	31,386	7,363
Change in value of available-for-sale financial assets	7,942	(79,473)	5,177
Change in value of held-to-maturity financial assets	(1,787)	198	349
Share of other comprehensive income of associates	9	(6)	(816)
Cash flow hedges	(618)	2,619	(486)
Gains on hedging investment of A net investment in a foreign operation	—	—	8,134
Others	(7,778)	(480)	320
Tax expense	₩540,593	₩486,314	₩437,389

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2013, 2014 and 2015, follows:

	2013		2014		2015	
	Tax rate	Amount	Tax rate	Amount	Tax rate	Amount
	(%)	(In millions of Korean won)	(%)	(In millions of Korean won)	(%)	(In millions of Korean won)
Net profit before income tax		₩1,815,291		₩1,901,425		₩2,164,695
Tax at the applicable tax rate[1]	24.18	438,838	24.18	459,683	24.18	523,394
Non-taxable income	(0.98)	(17,716)	(0.59)	(11,171)	(3.92)	(84,835)
Non-deductible expense	1.84	33,489	0.78	14,916	0.75	16,186
Tax credit and tax exemption	(0.08)	(1,417)	(0.06)	(1,192)	(0.02)	(427)
Temporary difference for which no deferred tax is recognized	2.60	47,138	1.30	24,682	0.27	5,772
Deferred tax relating to changes in recognition and measurement	0.16	2,828	(0.08)	(1,593)	(0.01)	(251)
Income tax refund for tax of prior years	1.67	30,329	(0.35)	(6,654)	(0.92)	(19,894)
Income tax expense of overseas branch	0.26	4,796	0.33	6,202	0.18	3,827
Effects from change in tax rate	(0.05)	(871)	0.09	1,642	(0.03)	(671)
Others	0.18	3,179	(0.01)	(201)	(0.26)	(5,712)
Average effective tax rate and tax expense	29.78	₩ 540,593	25.58	₩ 486,314	20.21	₩ 437,389

(1) Applicable income tax rate for ₩200 million and below is 11%, for ₩200 million to ₩20 billion is 22% and for over ₩20 billion is 24.2% as of December 31, 2013, 2014 and 2015.

The details of current tax assets (income tax refund receivables) and current tax liabilities (income tax payables), as of December 31, 2014 and 2015, are as follows:

	2014		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
	(In millions of Korean won)		
Income tax refund receivables[1]	₩(286,363)	₩ 286,363	₩ —
Income tax payables	518,270	(286,363)	231,907

	2015		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
	(In millions of Korean won)		
Income tax refund receivables[1]	₩(309,168)	₩ 309,168	₩ —
Income tax payables	340,088	(309,168)	30,920

(1) Excludes current tax assets of ₩18,525 million (2014: ₩306,313 million) by uncertain tax position and others, which do not qualify for offsetting.

34. Dividends

The dividends paid to the shareholders of the Parent Company in 2014 and 2015 were ₩193,176 million (₩500 per share) and ₩310,354 million (₩780 per share), respectively. The dividends to the shareholders of the

Parent Company in respect of the year ended December 31, 2015, of ₩980 per share, amounting to total dividends of ₩378,625 million, is to be proposed at the annual general shareholders' meeting on March 25, 2016. The Group's consolidated financial statements as of December 31, 2015, 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 2015, are as follows:

	2014				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
	(In millions of Korean won)				
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)
Total	₩336,312	₩ 250,255	₩ (79,612)	₩(45,276)	₩ 461,679

	2015				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
	(In millions of Korean won)				
Remeasurements of net defined benefit liabilities	₩(110,814)	₩ (30,425)	₩ —	₩ 7,363	₩(133,876)
Exchange differences on translating foreign operations	(12,153)	45,143	—	—	32,990
Change in value of available-for-sale financial assets	680,900	209,815	(242,762)	5,177	653,130
Change in value of held-to-maturity financial assets	3,823	(1,441)	—	349	2,731
Shares of other comprehensive income of associates	(89,303)	1,038	—	(816)	(89,081)
Cash flow hedges	(10,774)	23,205	(22,118)	(486)	(10,173)
Gains(losses) on hedges of a net investment in a foreign operation	—	(33,611)	—	8,134	(25,477)
Total	₩ 461,679	₩ 213,724	₩ (264,880)	₩19,721	₩ 430,244

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, 2013, 2014 and 2015.

Weighted average number of ordinary shares outstanding:

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

	2014		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
	(In number of shares)		
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding [(B) =(A)/365]			386,351,693

	2015		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
	(In number of shares)		
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:

	2013	
	(in Korean won and in number of shares)	
Profit attributable to ordinary shares (C)	₩	1,271,502,597,550
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	3,291

	2014	
	(in Korean won and in number of shares)	
Profit attributable to ordinary shares (C)	₩	1,400,722,065,239
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	3,626

	2015	
	(in Korean won and in number of shares)	
Profit attributable to ordinary shares (C)	₩	1,698,317,850,139
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	4,396

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:

	2013
	(In Korean won)
Profit attributable to ordinary shares	₩1,271,502,597,550
Adjustment	—
Adjusted profit for diluted earnings per share	₩1,271,502,597,550

	2014
	(In Korean won)
Profit attributable to ordinary shares	₩1,400,722,065,239
Adjustment	—
Adjusted profit for diluted earnings per share	₩1,400,722,065,239

	2015
	(In Korean won)
Profit attributable to ordinary shares	₩1,698,317,850,139
Adjustment	—
Adjusted profit for diluted earnings per share	₩1,698,317,850,139

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

	2013	2014	2015
	(in number of shares)		
Weighted average number of ordinary shares outstanding	386,351,693	386,351,693	386,351,693
Adjustment			
Share grants	1,639,306	1,589,706	1,741,558
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	387,990,999	387,941,399	388,093,251

Diluted earnings per share:

		2013
	(in Korean won and in number of shares)	
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

		2014
		(in Korean won and in number of shares)
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

		2015
		(in Korean won and in number of shares)
Adjusted profit for diluted earnings per share	₩	1,698,317,850,139
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		388,093,251
Diluted earnings per share	₩	4,376

37. Insurance Contracts

37.1 Insurance liabilities

The details of insurance liabilities presented within other liabilities as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Individual insurance		
Pure Endowment insurance	₩4,334,823	₩4,840,555
Death insurance	112,858	156,179
Joint insurance	1,800,468	1,906,777
Group insurance	1,417	1,895
Other	15,632	19,293
Total	₩6,265,198	₩6,924,699

The changes in insurance liabilities for the years ended December 31, 2014 and 2015, are as follows:

	2014					
	Individual insurance					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others(1)	Total
	(In millions of Korean won)					
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

	2015					
	Individual insurance					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others(1)	Total
	(In millions of Korean won)					
Beginning	₩4,334,823	₩112,858	₩1,800,468	₩1,417	₩15,632	₩6,265,198
Provision	505,732	43,321	106,309	478	3,661	659,501
Ending	₩4,840,555	₩156,179	₩1,906,777	₩1,895	₩19,293	₩6,924,699

(1) 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 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Reinsurance assets	₩ 4,482	₩ 5,844
Deferred acquisition costs	123,011	106,645
Total	₩ 127,493	₩ 112,489

The changes in reinsurance assets for the years ended December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Beginning	₩ 5,245	₩ 4,482
Increase (decrease)	(763)	1,362
Ending	₩ 4,482	₩ 5,844

The changes in deferred acquisition costs for the years ended December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Beginning	₩ 151,909	₩ 123,011
Increase	52,386	58,732
Amortization	(81,284)	(75,098)
Ending	₩ 123,011	₩ 106,645

37.3 Insurance premiums and insurance expenses

The details of insurance premiums for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
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

	2014					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
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

	2015					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
Insurance premiums earned	₩ 870,915	₩82,390	₩367,181	₩5,898	₩36,621	₩1,363,005
Reinsurance premiums paid	(459)	(2,656)	(360)	(2,198)	(7,084)	(12,757)
Net premiums earned	₩ 870,456	₩79,734	₩366,821	₩3,700	₩29,537	₩1,350,248

The details of reinsurance transactions for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013			
	Reinsurance expense	Reinsurance revenue		
	Reinsurance premium paid	Reinsurance claims recovered	Reinsurance commission	Total
		(In millions of Korean won)		
Individual	₩ 4,612	₩ 3,850	₩ 466	₩ 4,316
Group	2,177	2,124	220	2,344
Others	7,302	6,660	—	6,660
Total	₩ 14,091	₩ 12,634	₩ 686	₩13,320

	2014			
	Reinsurance expense	Reinsurance revenue		
	Reinsurance premium paid	Reinsurance claims recovered	Reinsurance commission	Total
		(In millions of Korean won)		
Individual	₩ 3,482	₩ 2,461	₩ 555	₩ 3,016
Group	2,366	2,652	47	2,699
Others	7,072	4,756	—	4,756
Total	₩ 12,920	₩ 9,869	₩ 602	₩10,471

	2015			
	Reinsurance expense	Reinsurance revenue		
	Reinsurance premium paid	Reinsurance claims recovered	Reinsurance commission	Total
		(In millions of Korean won)		
Individual	₩ 3,475	₩ 1,913	₩ 793	₩ 2,706
Group	2,198	2,159	9	2,168
Others	7,084	5,494	—	5,494
Total	₩ 12,757	₩ 9,566	₩ 802	₩10,368

Insurance expenses for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
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
Sub-total	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

	2014					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
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
Sub-total	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(income)	₩ 826,492	₩36,145	₩377,689	₩2,671	₩ (994)	₩1,242,003

	2015					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
	(In millions of Korean won)					
Insurance expense	₩ 10,395	₩ 2,298	₩ 78,723	₩4,426	₩ 4,740	₩ 100,582
Dividend expense	581	25	1	—	—	607
Refund expense	415,202	11,629	207,052	285	—	634,168
Provision	505,732	43,321	106,309	478	3,661	659,501
Sub-total	931,910	57,273	392,085	5,189	8,401	1,394,858
Reinsurance claims	(251)	(1,620)	(43)	(2,158)	(5,494)	(9,566)
Net insurance expense	₩ 931,659	₩55,653	₩392,042	₩3,031	₩ 2,907	₩1,385,292

37.4 Insurance risk

Summary of insurance risk

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between premiums from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid.

Concentration of insurance risk and reinsurance policy

The Group uses reinsurance with the intent to expand the ability of underwriting insurance contracts through mitigating the exposure to insurance risk, and generates synergy by joint development of products, management discipline and collecting information on foreign markets.

The Group cedes reinsurance for mortality, illness and other risks arising from insurance contracts where the Group has little experience for a necessary period of time required to accumulate experience.

The Group's Reinsurance is ceded through the following process:

i. In the decision-making process of launching a new product, the Group makes a decision on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by the executive management.

ii. The reinsurance department analyzes the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

The characteristic and exposure of insurance price risk

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in the form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long. The policy reserve risk is managed by assessments of adequacy of the policy reserve.

The Group measures the exposure of insurance price risk as the shortfall of the risk premiums received compared to the claims paid on all insurance contracts for the last one year preceding the reporting date.

The maximum exposure of premium risk as of December 31, 2014 and 2015, follows:

	2014	
	Before reinsurance mitigation	After reinsurance mitigation
	(In millions of Korean won)	
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
Total	₩ 14,480	₩ 8,632

	2015	
	Before reinsurance mitigation	After reinsurance mitigation
	(In millions of Korean won)	
Mortality	₩ 11,769	₩ 7,482
Disability	1,245	848
Hospitalization	817	529
Operation and diagnosis	1,699	1,173
Actual losses for medical expense	310	105
Others	421	379
Total	₩ 16,261	₩ 10,516

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 2015, 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 2015, are as follows:

	2014		2015	
	Policy holders reserve	Guarantee reserve	Policy holders reserve	Guarantee reserve
	(In millions of Korean won)			
Variable annuity	₩535,749	₩ 5,153	₩518,849	₩ 5,312
Variable universal	110,766	458	319,595	2,658
Others	26,573	118	—	—
Total	₩673,088	₩ 5,729	₩838,444	₩ 7,970

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2014 and 2015, are as follows:

	2014						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
	(In millions of Korean won)						
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

	2015						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
	(In millions of Korean won)						
Premium reserves	₩493,888	₩737,423	₩1,248,613	₩498,641	₩359,802	₩3,485,061	₩6,823,428
Unearned premium reserves	638	—	1	1	1	16	657

38. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Cash	₩ 2,019,965	₩ 2,074,357
Checks with other banks	525,452	396,955
Due from Bank of Korea	6,508,623	6,791,990
Due from other financial institutions	6,369,807	7,052,764
Sub-total	15,423,847	16,316,066
Restricted due from financial institutions	(7,132,094)	(7,124,241)
Due from financial institutions with original maturities over three-months	(1,272,957)	(1,733,906)
Sub-total	(8,405,051)	(8,858,147)
Total	₩ 7,018,796	₩ 7,457,919

Significant non-cash transactions for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Decrease in loans due to the write-offs	₩2,132,066	₩2,091,040	₩1,418,960
Changes in accumulated other comprehensive income due to valuation of financial investments	(3,591)	248,880	(28,969)
Decrease in accumulated other comprehensive income from measurement of investment securities in associates	(9,811)	(32,206)	222
Increase in financial investments due to debt-for-equity swap with Taihan Electric Wire Co., Ltd.	—	—	14,729
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	—	—
Increase in investment in associates due to debt-for-equity swap with Ssangyong Engineering & Construction Co., Ltd	28,779	—	—

Cash inflow and outflow from income tax, interests and dividends for the years ended December 31, 2013, 2014 and 2015, are as follows:

	Activity	2013	2014	2015
		(In millions of Korean won)		
Income tax paid	Operating	₩ 504,900	₩ 491,962	₩ 218,215
Interest received	Operating	12,749,214	12,250,845	10,976,847
Interest paid	Operating	6,407,081	5,342,297	4,569,076
Dividends received	Operating	98,579	124,021	160,562
Dividends paid	Financing	231,811	193,176	301,354

39. Contingent liabilities and commitments

Acceptances and guarantees as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Confirmed acceptances and guarantees		
Confirmed acceptances and guarantees in Korean won		
Acceptances and guarantees for KB purchasing loan	₩ 428,815	₩ 422,316
Other acceptances and guarantees	669,233	609,034
Sub-total	1,098,048	1,031,350
Confirmed acceptances and guarantees in foreign currency		
Acceptances of letter of credit	327,963	250,647
Letter of guarantees	61,081	51,500
Bid bond	43,362	62,402
Performance bond	1,087,394	1,006,304
Refund guarantees	1,494,023	1,924,030
Other acceptances and guarantees	959,685	1,444,618
Sub-total	3,973,508	4,739,501
Financial guarantees		
Guarantees for Debenture-Issuing	51,200	51,200
Acceptances and guarantees for mortgage	75,651	27,805
Overseas debt guarantees	392,021	374,769
International financing guarantees in foreign currencies	35,949	11,893
Other financial guarantees	21,846	6,897
Sub-total	576,667	472,564
Total Confirmed acceptances and guarantees	5,648,223	6,243,415
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	2,825,919	2,142,496
Refund guarantees	1,060,413	1,019,116
Total Confirmed acceptances and guarantees	3,886,332	3,161,612
Total	₩9,534,555	₩9,405,027

Acceptances and guarantees by counterparty as of December 31, 2014 and 2015, are as follows:

	2014			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Corporations	₩4,611,841	₩2,936,635	₩7,548,476	79.17
Small companies	857,004	562,655	1,419,659	14.89
Public and others	179,378	387,042	566,420	5.94
Total	₩5,648,223	₩3,886,332	₩9,534,555	100.00

	2015			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Corporations	₩5,238,851	₩2,489,134	₩7,727,985	82.17
Small companies	833,355	517,703	1,351,058	14.37
Public and others	171,209	154,775	325,984	3.46
Total	₩6,243,415	₩3,161,612	₩9,405,027	100.00

Acceptances and guarantees by industry as of December 31, 2014 and 2015, are as follows:

	2014			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Financial institutions	₩ 141,150	₩ 3,573	₩ 144,723	1.52
Manufacturing	3,179,368	2,410,472	5,589,840	58.63
Service	583,302	114,645	697,947	7.32
Wholesale & Retail	932,283	788,804	1,721,087	18.05
Construction	709,582	215,382	924,964	9.70
Public sector	72,964	336,484	409,448	4.29
Others	29,574	16,972	46,546	0.49
Total	₩5,648,223	₩3,886,332	₩ 9,534,555	100.00

	2015			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
	(In millions of Korean won)			
Financial institutions	₩ 114,926	₩ 3,664	₩ 118,590	1.26
Manufacturing	3,559,955	1,934,904	5,494,859	58.42
Service	584,333	68,494	652,827	6.94
Wholesale & Retail	1,285,101	796,109	2,081,210	22.13
Construction	606,099	200,976	807,075	8.58
Public sector	73,160	106,288	179,448	1.91
Others	19,841	51,177	71,018	0.76
Total	₩6,243,415	₩3,161,612	₩ 9,405,027	100.00

Commitments as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Commitments		
Corporate loan commitments	₩ 42,823,583	₩ 39,022,521
Retail loan commitments	13,886,999	15,160,930
Credit line on credit cards	37,584,381	41,439,061
Private placement commitments	121,300	110,858
Purchase of other security investment	1,746,430	1,869,533
Sub-total	96,162,693	97,602,903
Financial Guarantees		
Credit line	3,809,478	3,449,749
Purchase of security investment	73,500	98,700
Sub-total	3,882,978	3,548,449
Total	₩100,045,671	₩101,151,352

Other Matters (including litigation)

a) The Group has filed 98 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩470,766 million, and faces 346 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩481,793 million, which arose in the normal course of the business and are still pending as of December 31, 2015.

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 ₩11,254 million as of December 31, 2014 and 2015, respectively.

d) During the year ended December 31, 2013, Kookmin Bank underwent a tax audit for the fiscal years 2008 to 2012 by the Seoul Regional Tax Office. As a result, Kookmin Bank was assessed a total of ₩124,357 million for underpaid income taxes (including local income taxes). Thereafter, Kookmin Bank paid ₩123,330 million, excluding local income tax amounting to ₩1,027 million recognized as non-trade payable as of December 31, 2015. Subsequently, Kookmin Bank has appealed to the tax tribunal for the amount of ₩114,283 million in connection with the above tax assessment. The appeal is pending as of December 31, 2015.

e) 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 customers 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 as of February 16, 2014. In respect of the incident, the Group faces 102 legal claims filed as the defendant, with an aggregate claim of ₩52,206 million as of December 31, 2015. A provision liability of ₩11,512 million has been recognized for this pending lawsuit. KB Kookmin Card has entered into a privacy liability insurance as of December 31, 2015. Therefore, the amounts of receivables guaranteed in case of the legal obligation of payment levied are ₩3,500 million for the lawsuit stated above. In addition, the additional lawsuit may be filed for the Group. Meanwhile, the final outcome of the cases cannot be reasonably ascertained.

40. Subsidiaries

The details of subsidiaries as of December 31, 2015, are as follows:

Investor	Investee	Ownership interests(%)	Location	Date of financial statements	Industry
KB Financial Group Inc.	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
Kookmin Bank	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(1)	—	Korea	Dec. 31	Trust
	Samho Kyungwon Co., Ltd. and 3 others(2)	—	Korea and others	Dec. 31	Asset-backed securitization and others
	KB Haeoreum private securities investment trust 26(Bond) and 6 others	100.00	Korea	Dec. 31	Private equity fund
Kookmin Bank, KB Investment Co., Ltd.	KB12-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
	KB Start-up Creation Fund	62.50	Korea	Dec. 31	Capital investment
	KB Intellectual Property Fund(5)	34.00	Korea	Dec. 31	Capital investment
KB Investment & Securities Co., Ltd.	Ashley Investment First Co., Ltd.(2)	—	Korea	Dec. 31	Asset-backed securitization and others
	Growth Investment First Co., Ltd.(2)	—	Korea	Dec. 31	Asset-backed securitization and others
	GoldenEgg Investment Co., Ltd.(2)	—	Korea	Dec. 31	Asset-backed securitization and others

Investor	Investee	Ownership interests(%)	Location	Date of financial statements	Industry
KB Asset Management Co., Ltd.	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[3]	47.97	Korea	Dec. 31	Capital investment
	Boyoung Construction[4]	—	Korea	Dec. 31	Construction
KB Investment Co., Ltd.	09-5 KB Venture Fund[5]	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[5]	43.33	Korea	Dec. 31	Capital investment
	KoFC-KB Young Pioneer 1st Fund[5]	33.33	Korea	Dec. 31	Capital investment
KB Kookmin Card Co., Ltd.	KB Kookmin Card Second Securitization Co., Ltd.[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile First Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Second Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Third Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Fourth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Fifth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Sixth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Seventh Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Eighth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Ninth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Tenth Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Eleventh Securitization Specialty[2]	0.50	Korea	Dec. 31	Asset-backed securitization

Investor	Investee	Ownership interests(%)	Location	Date of financial statements	Industry
	Wise Mobile Twelfth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Thirteenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Fourteenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Fifteenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Sixteenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Seventeenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
	Wise Mobile Eighteenth Securitization Specialty(2)	0.50	Korea	Dec. 31	Asset-backed securitization
KB Life Insurance Co., Ltd.	KB Haeoreum Private Securities Investment Trust 1st and 5 others	100.00	Korea	Dec. 31	Private equity fund
Kookmin Bank, KB life Insurance, KB Investment & Securities, KB Real Estate Trust Co., Ltd.	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	Dec. 31	Investment trust
Kookmin Bank	Hanbando BTL Private Special Asset Fund 1st(3)	39.74	Korea	Dec. 31	Capital investment
Kookmin Bank, KB life Insurance Co., Ltd.	KB Hope Sharing BTL Private Special Asset(3)	40.00	Korea	Dec. 31	Capital investment
Kookmin Bank	KB Mezzanine Private Securities Fund 1st.(Mixed)(3)	46.51	Korea	Dec. 31	Capital investment
Kookmin Bank, KB life Insurance Co., Ltd.	KB Mezzanine Private Securities Fund 2nd.(Mixed)(3)	40.74	Korea	Dec. 31	Capital investment
	KB Senior Loan Private Fund(3)	28.70	Korea	Dec. 31	Capital investment
KB Wise Star Private Real Estate Feeder Fund 1st.	KB Star Retail Private Master Real Estate 1st(6)	48.98	Korea	Dec. 31	Capital investment
	KB Star Office Private Real Estate Investment Trust 2nd(6)	44.44	Korea	Dec. 31	Capital investment

(1) 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.

(2) Although the Group holds less than a majority of the investee's voting rights, 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.

(3) 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 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.

(4) Boyoung Construction is included in the consolidation scope, as KB Wellyan Private Equity Real Estate Fund No. 7 is included in the consolidation scope.

(5) 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 general partners and it is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect the performance through its power.

(6) KB Star Retail Private Master Real Estate 1st and KB Star Office Private Real Estate Investment Trust 2nd are included in the consolidation scope, as KB Wise Star Private Real Estate Feeder Fund 1st is included in the consolidation scope.

The condensed financial information of major subsidiaries as of December 31, 2014 and 2015 is as follows:

	2014					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period	Total comprehensive income(loss) for the period
	(In millions of Korean won)					
Kookmin Bank[1]	₩275,453,664	₩253,513,191	₩21,940,473	₩16,283,978	₩1,029,041	₩ 1,152,233
KB Kookmin Card Co., Ltd.[1]	15,886,769	12,406,314	3,480,455	2,864,957	332,701	310,606
KB Investment & Securities Co., Ltd.[1], [2]	4,131,568	3,554,828	576,740	578,345	25,624	25,558
KB Life Insurance Co., Ltd.[1]	7,680,184	7,096,459	583,725	1,453,057	6,537	34,597
KB Asset Management Co., Ltd.[1]	254,481	52,541	201,940	105,234	49,560	50,368
KB Capital Co., Ltd[2]	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.[1]	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)

	2015					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period	Total comprehensive income(loss) for the period
	(In millions of Korean won)					
Kookmin Bank[1]	₩290,277,907	₩267,530,696	₩22,747,211	₩16,367,176	₩1,107,238	₩ 1,037,234
KB Kookmin Card Co., Ltd.[1]	16,141,810	12,307,827	3,833,983	2,994,808	355,020	353,528
KB Investment & Securities Co., Ltd.[1], [2]	6,118,251	5,495,285	622,966	921,883	47,118	46,225
KB Life Insurance Co., Ltd.[1]	8,516,783	7,933,950	582,833	1,626,245	10,563	(892)
KB Asset Management Co., Ltd.[1]	228,011	81,338	146,673	115,748	24,581	24,734
KB Capital Co., Ltd.[2]	5,563,402	5,003,278	560,124	359,986	60,419	60,778
KB Savings Bank Co., Ltd.	856,516	684,204	172,312	67,629	20,644	19,518
KB Real Estate Trust Co., Ltd.	223,820	20,482	203,338	55,719	20,289	19,380
KB Investment Co., Ltd.[1]	276,798	130,999	145,799	40,557	8,387	11,015
KB Credit Information Co., Ltd.	28,533	8,332	20,201	40,807	(578)	(649)
KB Data System Co., Ltd.	28,388	14,728	13,660	57,434	(140)	(863)

(1) Financial information is based on its consolidated financial statements.

(2) 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 to provide financial support to a consolidated structured entity

- The Group has provided acceptances and guarantees of ₩83,470 million to Ashley Investment First Co., Ltd., Growth Investment First Co., Ltd. and GoldenEgg Investment Co. Ltd., the Group's subsidiaries, that 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 ₩516,174 million. Based on the capital commitment, the Group is subject to increase its investment upon the request of 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 Intellectual Property Investment Fund, KB Senior Loan Private Fund, Wise Mobile 13th~18th Securitization and GoldenEgg Investment Co., Ltd. were newly consolidated during the year ended December 31, 2015. KB Mortgage Loan No.1 Limited, KB Covered Bond First International Limited, KAMCO Value Recreation 3rd Securitization Specialty Co., Ltd., KB Kookmin Card First Securitization Co., Ltd., K-star KTB ETF(Bond), Heungkuk Multi Private Securities H-19 and 32 others have been excluded from consolidation during the year ended December 31, 2015.

As of December 31, 2014 and 2015, the information relating to the Group's subsidiaries that have material non-controlling interests, before any intra-group eliminations, are as follows:

	2014	2015
	(In millions of Korean won)	
Non-controlling interests percentage (%)	47.98%	47.98%
Non-controlling interests		
Assets of subsidiaries	₩4,023,965	₩ 5,563,402
Liabilities of subsidiaries	3,612,150	5,003,278
Equity of subsidiaries	411,815	560,124
Non-controlling interests	197,580	222,101
Profit attributable to non-controlling interests		
Operating profit of subsidiaries	39,666	78,779
Profit of subsidiaries	29,990	60,419
Profit attributable to non-controlling interests	14,389	28,988
Cash flows of subsidiaries		
Cash flows from operating activities	71,813	(1,140,145)
Cash flows from investing activities	(6,742)	(9,646)
Cash flows from financing activities	(33,312)	1,351,623
Net increase in cash and cash equivalents	₩ 31,759	₩ 201,832

41. Unconsolidated Structured Entity

As of December 31, 2015, 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 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	
Trust	Management of financial trusts; —Development trust —Mortgage trust —Management trust —Disposal trust —Distribution and management trust —Other trusts	Development, management, and disposal of trusted real estate assets Payment of trust fees and allocation of trust profits.	Distribution of trusted real estate assets and financing of trust company Public auction of trusted real estate assets and financing of trust company
Investment funds	Investment in beneficiary certificates	Management of fund assets	Sales of beneficiary certificate instruments
	Investment in PEF and partnerships	Payment of fund fees and allocation of fund profits	Investment of general partners and limited partners

As of December 31, 2014 and 2015, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities, are as follows:

	2014					
	Asset-backed securitization	Project Financing	Trusts	Investment funds	Others	Total
	(In millions of Korean won)					
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
Sub-total	₩ 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
Sub-total	₩ 300,027	₩ 500,538	₩ —	₩ 6,067	₩ 32,986	₩ 839,618
Maximum exposure to loss(1)	₩ 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	

	2015					
	Asset-backed securitization	Project Financing	Trusts	Investment funds	Others	Total
	(In millions of Korean won)					
Total assets of unconsolidated Structured Entity	₩ 54,151,312	₩ 23,291,892	₩2,371,180	₩ 28,084,612	₩ 6,268,674	₩114,167,670
Carrying amount on financial statements						
Assets						
Financial assets designated at fair value through profit or loss	225,559	—	—	—	—	225,559
Derivative financial assets	373	—	—	—	—	373
Loans	262,172	3,140,760	—	58,805	388,560	3,850,297
Financial investments	9,428,582	85,495	2,026	1,325,221	18,303	10,859,627
Investment in associates	—	—	—	386,909	—	386,909
Other assets	119	11	29,186	1,654	71	31,041
Sub-total	₩ 9,916,805	₩ 3,226,266	₩ 31,212	₩ 1,772,589	₩ 406,934	₩ 15,353,806
Liabilities						
Deposits	₩ 258,554	₩ 728,059	₩ —	₩ 9,406	₩ 19,743	₩ 1,015,762
Other liabilities	330	—	—	—	—	330
Sub-total	₩ 258,884	₩ 728,059	₩ —	₩ 9,406	₩ 19,743	₩ 1,016,092
Maximum exposure to loss [1]	₩ 13,899,244	₩ 4,474,592	₩ 31,213	₩ 3,356,770	₩ 485,735	₩ 22,247,554
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	

(1) 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.

42. Finance/Operating Lease

42.1 Finance lease

42.1.1 The Group as finance lessee

The future minimum lease payments arising as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Net carrying amount of finance lease assets	₩ 72,392	₩ 52,204
Minimum lease payment		
Within 1 year	18,765	3,069
1-5 years	5,472	4,122
Over 5 years	1,148	—
Total	25,385	7,191
Present value of minimum lease payment		
Within 1 year	18,367	3,022
1-5 years	5,169	3,824
Over 5 years	996	—
Total	24,532	6,846

42.1.2 The Group as finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2014 and 2015, are as follows:

	2014		2015	
	Total lease investment	Present value of minimum lease payment	Total lease investment	Present value of minimum lease payment
	(In millions of Korean won)			
Within 1 year	₩348,579	₩ 294,643	₩ 461,842	₩ 388,995
1-5 years	577,998	525,590	840,534	764,368
Total	₩926,577	₩ 820,233	₩1,302,376	₩ 1,153,363

Unearned interest income of finance lease as of December 31, 2014 and 2015, is as follows:

	2014	2015
	(In millions of Korean won)	
Total lease investment	₩ 926,577	₩1,302,376
Net lease investment		
Present value of minimum lease payment	820,233	1,153,363
Unearned interest income	₩ 106,344	₩ 149,013

42.2 Operating lease

42.2.1 The Group as operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Minimum lease payment		
Within 1 year	₩ 124,183	₩ 126,428
1-5 years	103,595	109,853
Over 5 years	34,439	34,679
Total	₩ 262,217	₩ 270,960
Minimum sublease payment	₩ (382)	₩ (374)

The lease payment reflected in profit or loss for the years ended December 31, 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	(In millions of Korean won)		
Lease payment reflected in profit or loss			
Minimum lease payment	₩ 204,164	₩ 218,635	₩ 194,173
Sublease payment	(118)	(156)	(167)
Total	₩ 204,046	₩ 218,479	₩ 194,006

42.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2014 and 2015, are as follows:

	2014	2015
	(In millions of Korean won)	
Minimum lease receipts		
Within 1 year	₩ 27,613	₩ 41,544
1-5 years	52,621	77,336
Over 5 years	—	738
Total	₩ 80,234	₩ 119,618

43. Related Party Transactions

Income and expenses arising from transactions with related parties for the years ended December 31, 2013, 2014 and 2015, are as follows:

		2013	2014	2015
		(In millions of Korean won)		
Associates				
KB Insurance Co., Ltd.	Interest income	₩ —	₩ —	₩ 50
	Interest expense	—	—	164
	Fee and commission income	—	—	5,329
	Gains on financial assets/liabilities at fair value through profit or loss	—	—	2,761
	Losses on financial assets/liabilities at fair value through profit or loss	—	—	164
	Other operating income	—	—	759
	Other operating expense	—	—	1,233
	General and administrative expenses	—	—	3,691
	Provision for credit loss	—	—	14
	Other non-operating income	—	—	10
	Other non-operating expense	—	—	(3,496)
Balhae Infrastructure Fund	Fee and commission income	7,908	7,851	7,975
Korea Credit Bureau Co., Ltd.	Interest expense	139	66	73
	Fee and commission income	3	1,051	1,822
	Fee and commission expense	—	1,739	1,900
	General and administrative expenses	—	2,046	2,199
UAMCO., Ltd.	Interest income	31	—	—
	Interest expense	—	12	8
	Fee and commission income	—	14	14
	Other operating expense	7,626	—	—
KoFC KBIC Frontier Champ 2010-5 (PEF)	Fee and commission income	1,014	778	548
Semiland Co., Ltd.(1)	Interest income	14	8	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	613	—
	Reversal for credit loss	—	4	—
Kores Co., Ltd.(1)	Interest income	386	—	—
	Reversal for credit loss	36	—	—
PyungJeon Industries Co., Ltd.(1)	Reversal for credit loss	1,055	—	—
Testian Co., Ltd.(1)	Interest income	10	—	—
Sehwa Electronics Co., Ltd.(1)	Gains on financial assets/liabilities at fair value through profit or loss	35	—	—
	Fee and commission expense	7	—	—
Serit Platform Co., Ltd.(1)	Interest income	58	—	—
	Fee and commission income	17	—	—
	Provision for credit loss	74	—	—
DS Plant Co., Ltd.(1)	Interest income	211	—	—
	Fee and commission income	4	—	—
	Reversal for credit loss	10	—	—
	Interest expense	2	—	—
	Losses on financial assets/liabilities at fair value through profit or loss	26	—	—

		2013	2014	2015
		(In millions of Korean won)		
DaiYang Metal Co., Ltd.[(1)]	Interest income	3	—	—
Ssangyong Engineering & Construction Co., Ltd.[(1)]	Interest income	2,007	—	—
	Reversal for credit loss	7,550	—	—
Sunoo Co., Ltd.[(1)]	Interest expense	1	—	—
KB Global Star Game & Apps SPAC[(1)]	Interest income	81	—	—
	Interest expense	10	—	—
	Other operating income	7	—	—
	Gains on financial assets/liabilities at fair value through profit or loss	1,210	—	—
	Losses on financial assets/liabilities at fair value through profit or loss	—	—	—
	Provision for credit loss	4	—	—
United PF 1st Recovery Private Equity Fund	Interest income	91	—	49
	Reversal for credit loss	83	—	—
KB GwS Private Securities Investment Trust	Fee and commission income	917	926	894
	Other operating income	1,934	—	—
Incheon Bridge Co., Ltd.	Interest income	14,592	13,226	12,843
	Interest expense	909	543	436
	Reversal for credit loss	2	—	2
	Provision for credit loss	—	2	4
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	Fee and commission income	569	636	675
	Losses on financial assets/liabilities at fair value through profit or loss	—	267	—
KB Star Office Private Real Estate Investment Trust No.1	Interest income	—	562	370
	Interest expense	75	50	92
	Fee and commission income	435	435	435
NPS KBIC Private Equity Fund No. 1	Fee and commission income	474	236	—
	Provision for credit loss	—	133	—
KBIC Private Equity Fund No. 3	Interest expense	91	38	23
	Fee and commission income	300	300	300
E-clear International Co., Ltd.[(1)]	Interest income	—	—	18
Sawnics Co., Ltd.	Interest expense	—	—	1
SY Auto Capital Co., Ltd.	Interest expense	—	—	24
	Other operating income	—	—	1,588
	Provision for credit loss	—	—	1
KB No.2 Special Purpose Acquisition Company[(1)]	Interest income	—	27	—
	Interest expense	—	1	—
	Fee and commission income	—	518	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	1,440	—
KB No.3 Special Purpose Acquisition Company[(1)]	Interest income	—	30	62
	Interest expense	—	6	5
	Fee and commission income	—	350	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	1,462	4,077
	Reversal for credit loss	—	—	14
	Provision for credit loss	—	14	—

		2013	2014	2015
		(In millions of Korean won)		
KB No.4 Special Purpose Acquisition Company(1)	Interest income	—	24	78
	Interest expense	—	9	25
	Fee and commission income	—	350	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	1,751	172
	Reversal for credit loss	—	—	14
	Provision for credit loss	—	14	—
KB No.5 Special Purpose Acquisition Company	Interest income	—	13	68
	Interest expense	—	4	44
	Fee and commission income	—	175	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	1,780	—
	Losses on financial assets/liabilities at fair value through profit or loss	—	—	119
	Provision for credit loss	—	14	16
KB No.6 Special Purpose Acquisition Company	Interest income	—	9	53
	Interest expense	—	4	66
	Fee and commission income	—	525	—
	Gains on financial assets/liabilities at fair value through profit or loss	—	1,556	—
	Losses on financial assets/liabilities at fair value through profit or loss	—	—	471
KB No.7 Special Purpose Acquisition Company	Interest income	—	—	34
	Interest expense	—	—	38
	Fee and commission income	—	—	150
	Gains on financial assets/liabilities at fair value through profit or loss	—	—	998
KB No.8 Special Purpose Acquisition Company	Interest income	—	—	41
	Interest expense	—	—	21
	Fee and commission income	—	—	350
	Gains on financial assets/liabilities at fair value through profit or loss	—	—	1,951
	Provision for credit loss	—	—	50
KB No.9 Special Purpose Acquisition Company	Interest income	—	—	12
	Interest expense	—	—	7
	Losses on financial assets/liabilities at fair value through profit or loss	—	—	6
	Provision for credit loss	—	—	50
Other				
Retirement pension	Interest expense	1,971	788	955
	Fee and commission income	386	448	611

(1) Not considered to be the Group's related party as of December 31, 2015.

The details of receivables and payables, and related allowances for loan losses arising from the related party transactions as of December 31, 2014 and 2015, are as follows:

		2014	2015
		(In millions of Korean won)	
Associates			
KB Insurance Co., Ltd.	Derivative financial assets	₩ —	₩ 2,059
	Loans and receivables (Gross amount)	—	5,013
	Allowances for loan losses	—	31
	Other assets	—	12,672
	Derivative financial liabilities	—	219
	Deposits	—	8,415
	Provisions	—	105
	Other liabilities	—	4,301
Balhae Infrastructure Fund	Other assets	2,002	2,039
Korea Credit Bureau Co., Ltd.	Loans and receivables (Gross amount)	19	19
	Deposits	24,715	19,435
	Other liabilities	17	368
UAMCO., Ltd.	Loans and receivables (Gross amount)	2	5
	Deposits	1,654	815
JSC Bank CenterCredit	Cash and due from financial institutions	178	1,225
KoFC KBIC Frontier Champ 2010-5 (PEF)	Other assets	139	137
KB GwS Private Securities Investment Trust	Other assets	673	641
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	247,885	231,674
	Allowances for loan losses	302	301
	Other assets	1,144	970
	Deposits	35,421	35,916
	Provisions	—	2
	Other liabilities	249	153
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	Other assets	634	346
Terra Co., Ltd.	Deposits	1	1
Dpaps Co., Ltd.	Deposits	—	3
Ejade Co., Ltd.	Deposits	—	12
Doosung Metal Co., Ltd	Deposits	—	1
KB Star Office Private Real Estate Investment Trust No.1	Loans and receivables (Gross amount)	10,000	10,000
	Other assets	155	137
	Deposits	6,067	7,446
	Other liabilities	—	56
NPS KBIC Private Equity Fund No.1	Allowances for loan losses	133	133
	Other assets	142	142
KBIC Private Equity Fund No.3	Other assets	151	76
	Deposits	1,400	850
	Other liabilities	24	9
Sawnics Co., Ltd.	Deposits	—	319
SY Auto Capital Co., Ltd.	Loans and receivables (Gross amount)	—	34
	Other assets	—	214
	Deposits	—	1,845
	Other liabilities	—	567
KB No.3 Special Purpose Acquisition Company[(1)]	Derivative financial assets	1,793	—
	Loans and receivables (Gross amount)	1,465	—
	Deposits	832	—
	Other liabilities	6	—

		2014	2015
		(In millions of Korean won)	
KB No.4 Special Purpose Acquisition Company[1]	Derivative financial assets	2,167	—
	Loans and receivables (Gross amount)	1,876	—
	Deposits	2,500	—
	Other liabilities	1	—
KB No.5 Special Purpose Acquisition Company	Derivative financial assets	2,143	2,024
	Loans and receivables (Gross amount)	1,816	1,869
	Deposits	2,389	2,323
	Other liabilities	1	39
KB No.6 Special Purpose Acquisition Company	Derivative financial assets	1,837	1,366
	Loans and receivables (Gross amount)	1,438	1,492
	Deposits	4,406	4,195
	Other liabilities	3	68
KB No.7 Special Purpose Acquisition Company	Derivative financial assets	—	1,192
	Loans and receivables (Gross amount)	—	1,091
	Deposits	—	2,336
	Other liabilities	—	37
KB No.8 Special Purpose Acquisition Company	Derivative financial assets	—	2,334
	Loans and receivables (Gross amount)	—	2,147
	Allowances for loan losses	—	50
	Deposits	—	2,373
	Other liabilities	—	21
KB No.9 Special Purpose Acquisition Company	Derivative financial assets	—	384
	Loans and receivables (Gross amount)	—	2,207
	Allowances for loan losses	—	50
	Deposits	—	2,973
	Other liabilities	—	7
Key management			
	Loans and receivables (Gross amount)	2,527	2,305
	Other assets	3	3
	Deposits	18,462	4,189
	Insurance contract liability	1,292	485
	Other liabilities	173	30
Other			
Retirement pension	Other assets	191	264
	Deposits	41,412	51,920
	Other liabilities	246	37,969

(1) Not considered to be the Group's related party as of December 31, 2015.

According to IAS 24, the Group includes associates, key management (including family members), and post-employment benefit plans of the Group and its related party companies 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 directors 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 2015, are as follows:

	2014[1]				
	Beginning	Loans	Repayments	Others	Ending
	(In millions of Korean won)				
Associates					
Korea Credit Bureau Co., Ltd.	₩ —	₩ 19	₩ —	₩—	₩ 19
UAMCO., Ltd.	—	2	—	—	2
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[2]	—	1,085	(1,085)	—	—
KB No.3 Special Purpose Acquisition Company[2]	—	1,780	—	—	1,780
KB No.4 Special Purpose Acquisition Company[2]	—	2,280	—	—	2,280
KB No.5 Special Purpose Acquisition Company	—	2,180	—	—	2,180
KB No.6 Special Purpose Acquisition Company	—	1,710	—	—	1,710

	2015[1]				
	Beginning	Loans	Repayments	Others	Ending
	(In millions of Korean won)				
Associates					
KB Insurance Co., Ltd.	₩ —	₩5,013	₩ —	₩ —	₩ 5,013
Korea Credit Bureau Co., Ltd.	19	—	—	—	19
UAMCO., Ltd.	2	3	—	—	5
Incheon Bridge Co., Ltd.	247,885	8,006	(24,217)	—	231,674
KB Star Office Private Real Estate Investment Trust No.1	10,000	—	—	—	10,000
SY Auto Capital Co., Ltd.	—	34	—	—	34
KB No.3 Special Purpose Acquisition Company[2]	1,780	—	—	(1,780)	—
KB No.4 Special Purpose Acquisition Company[2]	2,280	—	—	(2,280)	—
KB No.5 Special Purpose Acquisition Company	2,180	1,885	—	—	4,065
KB No.6 Special Purpose Acquisition Company	1,710	1,710	—	—	3,420
KB No.7 Special Purpose Acquisition Company	—	1,250	—	—	1,250
KB No.8 Special Purpose Acquisition Company	—	2,490	—	—	2,490
KB No.9 Special Purpose Acquisition Company	—	2,584	—	—	2,584

(1) Transactions and balances arising from operating activities between related parties, such as payments, are excluded.

(2) Not considered to be the Group's related party as of December 31, 2015.

Unused commitments to related parties as of December 31, 2014 and 2015, are as follows:

		2014	2015
		(In millions of Korean won)	
Associates			
KB Insurance Co., Ltd.	Loan commitments in Korean won	₩—	₩20,000
	Unused commitments of credit card	—	21,601
Balhae Infrastructure Fund	Purchase of security investment	21,744	18,098
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	51	51
UAMCO., Ltd.	Purchase of security investment	89,950	89,950
	Unused commitments of credit card	18	15
JSC Bank CenterCredit	Loan commitments in foreign currency	—	117,200
KoFC KBIC Frontier Champ 2010-5(PEF)	Purchase of security investment	2,150	2,150
United PF 1st Recovery Private Equity Fund	Purchase of security investment	49,383	49,383
KB GwS Private Securities Investment Trust	Purchase of security investment	1,119	—
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	33,163	38,963
	Unused commitments of credit card	85	79
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	Purchase of security investment	23,750	16,300
SY Auto Capital Co., Ltd.	Unused commitments of credit card	—	116
KB No.3 Special Purpose Acquisition Company[(1)]	Unused commitments of credit card	24	—
KB No.5 Special Purpose Acquisition Company	Unused commitments of credit card	—	2
KB No.6 Special Purpose Acquisition Company	Unused commitments of credit card	—	8
KB No.7 Special Purpose Acquisition Company	Unused commitments of credit card	—	5
KB No.8 Special Purpose Acquisition Company	Unused commitments of credit card	—	10
KB No.9 Special Purpose Acquisition Company	Unused commitments of credit card	—	1
Key management	Loan commitments in Korean won	372	223

(1) Not considered to be the Group's related party as of December 31, 2015.

Compensation to key management for the years ended December 31, 2013, 2014 and 2015, consists of:

	2013				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
	(In millions of Korean won)				
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
Total	₩11,774	₩ 524	₩ 1,024	₩ 5,121	₩18,443

	2014			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
	(In millions of Korean won)			
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
Total	₩10,300	₩ 542	₩ 5,648	₩16,490

	2015				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
	(In millions of Korean won)				
Registered directors (executive)	₩ 1,612	₩ 60	₩ —	₩ 925	₩ 2,597
Registered directors (non-executive)	848	—	—	—	848
Non-registered directors	6,173	94	163	4,320	10,750
Total	₩ 8,633	₩ 154	₩ 163	₩ 5,245	₩14,195

The details of assets pledged as collateral to a related party as of December 31, 2014 and 2015, are as follows:

		2014		2015	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
		(In millions of Korean won)			
Associate					
KB Insurance Co., Ltd.	Land and buildings	₩ —	₩ —	₩216,284	₩ 26,000

Collateral received from related parties as of December 31, 2014 and 2015, is as follows:

		2014	2015
		(In millions of Korean won)	
Associates			
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	13,000
Key management	Time deposits and others	296	249
	Real estate	3,583	2,662

As of December 31, 2015, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering completed risk insurance, shares and management rights as senior collateral amounting to ₩816,400 million to a financial syndicate consisting of the Group and four other institutions, and as subordinated collateral amounting to ₩201,100 million to subordinated debt holders consisting of the Group and two other institutions.

44. Event after the Reporting Period

The Group entered into a Share Purchase Agreement in April 2016, to acquire 53,380,410 common shares of Hyundai Securities Co., Ltd. (representing 22.56% of outstanding shares) amounting to ₩1,250,009 million.

45. 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, 2015, was approved by the Board of Directors on February 4, 2016.

46. Parent Company Information

The following tables present the Parent Company Only financial information:

Condensed Statements of Financial Position

	Dec. 31 2013	Dec. 31 2014	Dec. 31 2015
	(In millions of Korean won)		
Assets			
Cash held at bank subsidiaries	₩ 77,298	₩ 30,739	₩ 324,947
Financial assets at fair value through profit of loss	—	—	99,118
Receivables from nonbanking subsidiaries	10,000	10,000	—
Investments in subsidiaries[1]			
Banking subsidiaries	14,821,721	14,821,721	14,821,721
Nonbanking subsidiaries.	3,470,722	3,735,845	3,735,845
Investments in associate[1]	—	—	883,065
Other assets	284,801	612,216	151,475
Total assets	₩18,664,542	₩19,210,521	₩20,016,171
Liabilities and shareholders' equity			
Debts	₩ —	₩ —	₩ —
Debentures	349,157	628,837	1,647,117
Other liabilities	266,963	295,010	141,050
Shareholders' equity	18,048,422	18,286,674	18,228,004
Total liabilities and shareholders' equity	₩18,664,542	₩19,210,521	₩20,016,171

(1) Investments in subsidiaries and associate were accounted at cost method in accordance with IAS 27.

Condensed Statements of Comprehensive Income

	2013	2014	2015
	(In millions of Korean won)		
Income			
Dividends from subsidiaries:			
Dividends from banking subsidiaries	₩245,044	₩493,782	₩315,527
Interest from subsidiaries	3,859	2,391	2,185
Other income	—	—	1,658
Total income	248,903	496,173	319,370
Expense			
Interest expense	5,227	19,149	27,929
Non-interest expense	48,273	43,473	48,206
Total expense	53,500	62,622	76,135
Profit(loss) before tax expense	195,403	433,551	243,235
Tax income(expense)	423	(600)	190
Profit(loss) for the year	195,826	432,951	243,425
Other comprehensive income(loss) for the year, net of tax	65	(1,523)	(741)
Total comprehensive income for the year	₩195,891	₩431,428	₩242,684

Condensed Statements of Cash Flows

	2013	2014	2015
	(In millions of Korean won)		
Operating activities			
Net income	₩ 195,826	₩ 432,951	₩ 243,425
Reconciliation of net income (loss) to net cash provided by operating activities:			
Other operating activities, net	40,272	(286,554)	304,444
Net cash inflow (outflow) from operating activities	236,098	146,397	547,869
Investing activities			
Net payments from (to) subsidiaries	(369,590)	(279,870)	(90,000)
Other investing activities, net	(2,710)	750	(880,059)
Net cash outflow from investing activities	(372,300)	(279,120)	(970,059)
Financing activities			
Increase in debts	315,000	—	—
Decreases in debts	(315,000)	—	—
Increases in debentures	349,077	279,340	1,017,752
Cash dividends paid	(231,811)	(193,176)	(301,354)
Net cash inflow from financing activities	117,266	86,164	716,398
Net increase in cash held at bank subsidiaries	(18,936)	(46,559)	294,208
Cash held at bank subsidiaries at January 1	96,231	77,295	30,736
Cash held at bank subsidiaries at December 31	₩ 77,295	₩ 30,736	₩ 324,944

Exhibit 1.1

ARTICLES OF INCORPORATION OF KB FINANCIAL GROUP INC.

CHAPTER I
GENERAL PROVISIONS

Article 1 (Corporate Name)

The name of this company shall be "*KB Geumyung Jijoo*", which shall be expressed in English as "KB Financial Group Inc." (the "Company").

Article 2 (Objective)

The objective of the Company shall be to engage in the following business activities:

1. Control over or management of companies engaged in financial businesses or other companies related closely to the operations of financial businesses;
2. Financial support (including lending of properties with economic value such as money and securities, guarantee of performance of obligations, and other direct or indirect transactions involving transactional credit risks, hereinafter the same) for subsidiaries, etc. (as defined in Article 4, Paragraph 1, Sub-paragraph 2 of the Financial Holding Company Act, including subsidiaries, subsidiaries of such subsidiaries (a "Sub-subsidiary") and other companies controlled by a Sub-Subsidiary, hereinafter the same).;
3. Financing for investment in subsidiaries or providing financial support to subsidiaries, etc.;
4. Provision of resources necessary for the business operations of subsidiaries, etc. , including support for the development and sales of financial products of subsidiaries, etc.;
5. Functions entrusted by subsidiaries, etc. to support the business operations of subsidiaries, etc. including IT, legal and accounting functions;
6. Provision of intellectual property rights, including trademarks, patents, etc. to subsidiaries, etc.;
7. Other businesses permitted by laws and regulations; and
8. Any other businesses incidental or related to those in Items 1 through 7 of this Paragraph.

Article 3 (Location of Head Office and Establishment of Branches)

(1) The Company shall have its head office in Seoul.

(2) The Company may establish branches, liaison offices, representative offices or subsidiaries within or outside Korea, as it deems necessary, by the resolution of the Board of Directors.

Article 4 (Method of Public Notices)

Public notices of the Company shall be posted on the website of the Company (www.kbfg.com); provided, however, that in case the notices cannot be posted on the website of the Company due to technical difficulties or any other unavoidable circumstances, they shall be published in the Seoul Shinmun and Dong-a Ilbo, daily newspapers published in Seoul.

CHAPTER II
SHARES

Article 5 (Total Number of Authorized Shares)

The total number of shares to be issued by the Company shall be one billion (1,000,000,000) shares.

Article 6 (Par Value per Share)

The par value per share to be issued by the Company shall be five thousand (5,000) Won.

Article 7 (Number of Shares Issued at the Time of Incorporation)

The total number of shares issued at the time of incorporation of the Company shall be three hundred and fifty six million, three hundred and fifty one thousand, six hundred and ninety three (356,351,693) shares of common stock.

Article 8 (Types of Shares)

(1) The shares to be issued by the Company shall be shares in registered form. The shares shall be issued by a resolution of the Board of Directors.

(2) The Company may issue common shares, shares with preferred dividend, non-voting shares, class shares with conversion rights ("convertible shares"), class shares with redemption rights ("redeemable shares") and shares with combination of all or any of the above classes (the foregoing shares, except common shares, shall be referred to as "class shares") in accordance with the terms of the Articles of Incorporation.

Article 9 (Share Certificates)

(1) The share certificates of the Company shall be issued in the following eight (8) denominations: one (1), five (5), ten (10), fifty (50), one hundred (100), five hundred (500), one thousand (1,000) and ten thousand (10,000) shares.

(2) The Company may split or consolidate share certificates at the request of shareholders.

(3) The Company shall not issue share certificates in whole or in part of shares owned by a shareholder if such shareholder does not desire to receive share certificates corresponding to such shares.

Article 10 (Non-Voting Shares with Preferred Dividend)

(1) The Company may issue non-voting shares with preferred dividend, and the number thereof shall not exceed one half (1/2) of the total number of issued and outstanding shares.

(2) The dividends on non-voting shares with preferred dividend shall be no less than one percent (1%) per annum of the par value and the rate thereof shall be determined by the Board of Directors at the time of issuance, together with the type of the distributed properties and method of determination of the value of distributed properties and conditions on payment of dividends to the extent permitted under Articles 58 and 59 hereof; *provided, that* in the case of issuance of non-voting shares with preferred dividend whereby the rate of preferred dividends is adjustable, the Board of Directors shall determine the fact that the rate of preferred dividends are adjustable, the reasons for the adjustability, the base date for the adjustment and the method of adjustment at the time of issuance of such shares.

(3) Non-voting shares with preferred dividend to be issued by the Company may be participating or non-participating, and accumulating or non- accumulating by the resolution of the Board of Directors.

(4) Non-voting shares with preferred dividend have no voting rights. However, if a resolution not to distribute dividends on such shares is adopted, then the such shares shall be deemed to have voting rights from the next General Meeting of Shareholders immediately following the General Meeting of Shareholders at which such resolution not to distribute dividends on such shares is adopted, to the end of the General Meeting of the Shareholders at which a resolution to distribute dividends on such shares is adopted.

(5) If the Company increases its capital by a shares offering or a bonus issue, the new shares to be assigned to non-voting shares with preferred dividend shall be common shares in the case of a shares offering and shall be the shares of same type in the case of a bonus issue.

(6) Whether or not to specify the duration of non-voting shares with preferred dividend shall be determined by the resolution of the Board of Directors. If there is any duration of non-voting shares with preferred dividend, such duration shall be no less than one (1) year and no more than ten (10) years from the date of issuance, and such period of duration shall be determined by the Board of Directors at the time of issuance. If there is any duration of non-voting shares with preferred dividend, such shares shall be converted into common shares upon the expiration of the duration period. However, if the holders of such shares do not receive dividends entitled to them during the duration period, then the duration period shall be extended until such holders receive in full the dividends to which they are entitled. In such a case, Article 15 shall apply *mutatis mutandis* with respect to the distribution of dividends for new shares issued upon conversion.

Article 11 (Convertible Shares)

(1) The Company may, pursuant to a resolution of the Board of Directors, issue shares that are convertible into common shares or class shares at the request of shareholders, in an amount not exceeding 20% of the total number of issued and outstanding shares of the Company.

(2) The issue price of the new shares issued upon conversion shall be equal to the issue price of shares prior to conversion, and the number of shares to be issued upon conversion shall be equal to the number of shares prior to conversion.

(3) The period during which a shareholder may request for conversion shall be determined by a resolution of the Board of Directors and shall be a period that commences not earlier than one (1) year, and ends no later than ten (10) years, from the issue date.

(4) Article 15 shall apply *mutatis mutandis* with respect to the distribution of dividends for new shares issued upon conversion.

Article 12 (Redeemable Shares)

(1) In case of issuance of non-voting shares with preferred dividend, the Company may, pursuant to a resolution of the Board of Directors, issue such non-voting shares with preferred dividend as redeemable shares that may be redeemed with profits at the discretion of the Company or such shareholder, in an amount not exceeding one half (1/2) of the total number of issued and outstanding shares of the Company.

(2) The redemption price shall be the "issue price + additional amount", where the additional amount shall be determined by a resolution of the Board of Directors at the time of issuance of such redeemable shares, considering various factors such as the dividend rate, market condition and general circumstances related to the issuance of such redeemable shares.

(3) The redemption period for the redeemable shares shall be a period falling between (x) the day immediately following the close of the Ordinary General Meeting of Shareholders for the fiscal year in which the redeemable shares were issued and (y) one month after the close of the Ordinary General Meeting of Shareholders for the fiscal year in which the 20th anniversary of the issue date falls, as determined by a resolution of the Board of Directors; *provided, however, that* in the case of redeemable shares which are

required to be redeemed by the Company upon the expiration of the redemption period, to the extent that any of the conditions listed below have occurred and remain outstanding, the redemption period shall be extended until such conditions have been resolved:

1. The holders of the redeemable shares did not receive the preferred dividends to which they are entitled; or

2. The Company is unable to redeem the redeemable shares during the redemption period due to a lack of sufficient profits.

(4) The Company may redeem the redeemable shares in whole at once or in part; *provided that*, in the case of partial redemption, the Company may select the shares to be redeemed by lottery, or proportionally among each holder. Fractional shares resulting from proportional redemption shall not be redeemed.

(5) In case of redeemable shares which the Company may redeem at its discretion, if the Company wishes to redeem the redeemable shares, the Company shall provide public notice specifying its intention to redeem, the redeemable shares to be redeemed and the fact that the share certificates must be presented to the Company within a period of no less than one (1) month. The Company must separately provide notice to the shareholders registered in the Company's registry of shareholders and the registered pledgees. Upon the expiration of the period mentioned above, the Company shall mandatorily redeem the redeemable shares. In case of redeemable shares which the Company may redeem at the request of shareholders, the shareholder requesting for redemption shall provide to the Company a notice specifying its intention to redeem and the redeemable shares to be redeemed within a period of no less than one(1) month.

(6) At the time of issuance of redeemable shares, the Company may, pursuant to a resolution of the Board of Directors and to the extent permitted by the relevant laws and regulations, issue the redeemable shares as convertible shares as provided for in Article 11 hereof.

Article 13 (Preemptive Rights)

(1) The shareholders of the Company shall have pre-emptive rights to subscribe for new shares to be issued by the Company in proportion to their respective shareholdings.

(2) Notwithstanding the provision of Paragraph (1) above, the Company may allocate new shares to persons other than existing shareholders of the Company by the resolution of the Board of Directors, in any of the following instances:

1. If the Company issues new shares for its capital increase by way of a general public offering, to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company in accordance with the provisions of the Financial Investment Services and Capital Market Act (the "FSCMA");

2. If the Company preferentially allocates new shares to members of the Employee Stock Ownership Association in accordance with the provisions of the FSCMA;

3. If the Company issues new shares upon the exercise of stock options in accordance with the provisions of the Commercial Code, etc.;

4. If the Company issues new shares for the issuance of depositary receipts ("DR"), to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company in accordance with the relevant provisions of the FSCMA, etc.;

5. If the Company issues new shares to foreign or domestic financial institutions or institutional investors, to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company, where such investment is deemed to be necessary for the management or operations of the Company; or

6. If the Company issues new shares to a third party who has provided money, loan, advanced financial technology or know-how to the Company, has close, cooperative business relations with the Company, or has contributed to the management of the Company, to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company.

(3) If the Company allocates new shares to persons other than existing shareholders of the Company pursuant to Paragraph (2) above, it shall give the notice to the shareholders or provide the public with respect to the matters set forth in Article 416, Items 1, 2, 2-2, 3 and 4 of the Korean Commercial Code no later than two (2) weeks before the payment date of such shares.

(4) In the case of issuance of new shares pursuant to each item under Paragraph (2) above, the type and total number of shares to be issued and the issue price, etc. shall be determined by a resolution of the Board of Directors.

(5) In the case a shareholder waives or loses the pre-emptive right to subscribe new shares, those shares not subscribed due to such waiver or loss of the pre-emptive right shall be disposed by a resolution of the Board of Directors. If fractional shares result from the allocation of new shares, such shares shall also be disposed of by a resolution of the Board of Directors.

Article 14 (Stock Options)

(1) The Company may grant stock options to the officers and employees (including officers and employees of related companies as prescribed under Article 9 of the Enforcement Decree of the Commercial Code, hereinafter, the same) pursuant to the provisions of the Commercial Code and other relevant laws, by a special resolution of the General Meeting of Shareholders, to the extent not exceeding 15/100 of the total number of issued and outstanding shares of the Company; provided, however, that the Company may grant stock options to the officers and employees other than directors, by a resolution of the Board of Directors, to the extent not exceeding one percent (1%) of the total number of issued and outstanding shares, in case of such the Company must obtain the approval of shareholders at the nearest forthcoming General Meeting of Shareholders.

(2) The persons who are entitled to receive such stock options shall be officers and employees of the Company prescribed under Paragraph (1) above who have contributed, or are capable of contributing, to the management or technical innovation of the Company, except for officers or employees in any of the following cases:

1. The Largest Shareholder of the Company (as defined in Article 542-8, Paragraph 2 (5) of the Commercial Code, hereinafter, the same) and Specially Related Persons thereof (as defined in Article 13, Paragraph 4 of the Enforcement Decree of the Commercial Code, hereinafter, the same), except for such persons who are deemed Specially Related Persons upon becoming officers (including an officer who is a non-standing officer of any affiliate company) of the Company;
2. Major Shareholders (as defined in Article 542-8, Paragraph 2 (6) of the Commercial Code, hereinafter, the same) of the Company, and Specially Related Persons thereof, except for such persons who are deemed Specially Related Persons upon becoming officers (including an officer who is a non-standing officer of any affiliate company) of the Company; and
3. Persons who become Major Shareholders of the Company through exercise of their stock options.

(3) The shares to be issued upon the exercise of stock options shall be common shares or class shares.

(4) The total number of shares to be given to one (1) officer or employee pursuant to the stock option shall not exceed 1/100 of the total number of shares issued and outstanding.

(5) The exercise price per share for the stock option shall be determined in accordance with the relevant laws, such as the Commercial Code, etc. Adjustment of exercise price shall be determined likewise.

(6) Stock options may be exercised during the period as decided by a resolution of the General Meeting of Shareholders or Board of Directors, at the time that the stock options are granted. Such exercise period shall

fall between the date commencing from the 2nd anniversary of the date that a resolution was made to grant such stock options (as provided in Paragraph (1) above) until a date not later than the 7th anniversary of such resolution date.

(7) A stock option is exercisable by a person who has served the Company for two (2) years or more from the date specified in Paragraph (1) above at which a resolution to grant such stock option was adopted. If the grantee's continuous service terminates by reason of the grantee's death, attainment of mandatory retirement age or for reasons other than by the fault of the grantee within two (2) years from the said date of resolution, the option may be exercisable within the exercise period.

(8) In the case of granting the stock options, the Company may condition the exercise of the stock options upon achieving a detailed set of performance goals, and may cancel all or a portion of the stock options or postpone the exercise of stock options if such condition is not satisfied.

(9) In the following instances, the Company may, by a resolution of the Board of Directors, cancel the stock options:

1. When the relevant officer or employee voluntarily resigns or retires from his or her position at the Company after receiving the stock option;
2. When the relevant officer or employee inflicts material damage or losses on the Company due to his or her willful misconduct or negligence;
3. When the Company cannot respond to the exercise of stock options due to its bankruptcy, dissolution, etc.; or
4. When there occurs any other event for cancellation of the stock option pursuant to the stock option agreement.

Article 15 (Issuance Date of New Shares for the Purpose of Dividends)

In case the Company issues new shares through a share offering, bonus issue, stock options and/or stock dividend, the new shares shall be deemed to have been issued at the end of the fiscal year immediately prior to the fiscal year during which the new shares are issued for the purpose of distribution of dividends for such new shares.

Article 16 (Transfer Agent)

(1) The Company shall designate a transfer agent for shares.

(2) The transfer agent, its place of business and the scope of its agency business shall be determined by a resolution of the Board of Directors.

(3) The shareholders registry or duplicates thereof shall be kept at the business place of the transfer agent and the alterations in the registry of shareholders, registration of creation and cancellation of pledges over shares, indication of trust assets and cancellation thereof with respect to shares, issuance of share certificates, receipt of reports and other related activities shall be conducted by the transfer agent.

(4) The procedure provided for in Paragraph (3) above shall be regulated by the Regulation on Securities [*jeung kweon in Korean*] Transfer Agency Business of Transfer Agent, etc.

Article 17 (Report of Addresses, Names and Seals or Signatures of Shareholders and Others)

(1) Shareholders and registered pledgees shall file their names, addresses, and seals or signatures with the transfer agent under Article 16 above.

(2) Shareholders and registered pledgees who reside in a foreign country should report to the Company appointed agents and the addresses in Korea to which notices are to be sent.

(3) The same shall apply in case of any changes in the matters referred to in Paragraphs (1) and (2) above.

Article 18 (Close of Shareholders' Registry and Record Date)

(1) The Company shall suspend entries of alteration of the shareholders' registry from the 1st to the 31st of January of each year.

(2) The shareholders registered in the shareholders' registry as of December 31 of each fiscal year shall be entitled to exercise the rights as shareholders at the Ordinary General Meeting of Shareholders convened for such fiscal year.

(3) The Company may, if necessary for convening of an Extraordinary General Meeting of Shareholders or any other necessary cases, suspend any entry into the shareholders' registry with respect to shareholders' rights for a period not exceeding three (3) months as determined by a resolution of the Board of Directors, or cause the shareholders whose names appear in the shareholders' registry on a record date set by a resolution of the Board of Directors to exercise their rights as shareholders. If the Board of Directors deems it necessary, the Company may suspend any entry into the shareholders' registry and set the record date at the same time. The Company shall give at least two (2) weeks prior notice to the public.

(4) Notwithstanding the provision of the last sentence of Paragraph (3) above, if prescribed otherwise by the Financial Holding Companies Act and other relevant laws and regulations, such laws may prevail.

CHAPTER III
BONDS

Article 19 (Issuance of Bonds)

(1) The Company may, pursuant to a resolution of the Board of Directors, issue bonds.

(2) The Board of Directors may delegate the Representative Director to issue bonds in such amount and type as determined by the Board of Directors no later than one (1) year from the date of delegation.

Article 19-2 (Issuance of Convertible Bonds)

(1) The Company may issue to persons other than existing shareholders of the Company convertible bonds, by the resolution of the Board of Directors, to the extent that the total face value of the bonds shall not exceed two trillion five hundred billion (2,500,000,000,000) Won, in the following cases:

1. If the Company issues convertible bonds through a general public offering;
2. If the Company issues convertible bonds to domestic or foreign financial institutions or institutional investors in order to raise the fund to meet urgent need; or
3. If the Company issues convertible bonds to a third party who has provided money, loan, advanced financial technology or know-how to the Company, has close, cooperative business relations with the Company, or has contributed to the management of the Company.

(2) The Board of Directors may determine that the convertible bonds referred to in Paragraph (1) may be issued on the condition that conversion rights will be attached to only a portion of the convertible bonds.

(3) The shares to be issued upon conversion shall be common shares or class shares. The conversion price, which shall be equal to or more than the face value of the shares, shall be determined by the Board of Directors at the time of issuance of convertible bonds.

(4) The conversion period shall commence on the date following three (3) months from the issue date of the convertible bonds and end on the date immediately preceding the redemption date thereof. However, the conversion period may be adjusted within the above period by a resolution of the Board of Directors.

(5) For the purpose of any distribution of dividends on the shares issued upon conversion and any payment of accrued interest on the convertible bonds, Article 15 hereof shall apply *mutatis mutandis*.

Article 20 (Bonds with Warrants)

(1) The Company may issue to persons other than existing shareholders of the Company bonds with warrants, by the resolution of the Board of Directors, to the extent that the total face value of the bonds shall not exceed two trillion five hundred billion (2,500,000,000,000) Won, in the following cases:

1. If the Company issues bonds with warrants through a general public offering;
2. If the Company issues bonds with warrants to domestic or foreign financial institutions or institutional investors in order to raise the fund to meet urgent need; or
3. If the Company issues bonds with warrants to a third party who has provided money, loan, advanced financial technology or know-how to the Company, has close, cooperative business relations with the Company, or has contributed to the management of the Company.

(2) The amount of new shares which can be subscribed for by the holders of the bonds with warrants shall be determined by the Board of Directors to the extent that the maximum amount of such new shares shall not exceed the face value of the bonds with warrants.

(3) The shares to be issued upon exercise of warrants shall be common shares or class shares. The issue price, which shall be equal to or more than the face value of the shares, shall be determined by the Board of Directors at the time of issuance of bonds with warrants.

(4) The warrant exercise period shall commence on the date following three (3) months from the issue date of the relevant bonds and end on the date immediately preceding the redemption date thereof. However, the warrant period may be adjusted within the above period by resolution of the Board of Directors.

(5) For the purpose of any distribution of dividends on the shares issued upon exercise of warrants, Article 15 hereof shall apply *mutatis mutandis*.

Article 20-2 (Issuance of Write-down Contingent Convertible Bonds)

(1) The Company may issue bonds by a resolution of the Board of Directors, which are a different type of bonds from those under Article 469, Paragraph (2), Article 513 and Article 516-2 of the Korean Commercial Code and are exempted from the obligation to repay the bonds and pay interest thereon if an event predetermined in accordance with objective and reasonable standards at the time of the issuance of the bonds occurs (the "Write-down Contingent Convertible Bonds").

(2) The Company may issue the Write-down Contingent Convertible Bonds in the preceding Paragraph to the extent the aggregate par value thereof does not exceed twenty trillion (20,000,000,000,000) Won by a resolution of the Board of Directors.

(3) The Company may issue the Write-down Contingent Convertible Bonds on the condition that if either one of the following conditions are satisfied, the obligations to repay the Write-down Contingent Convertible Bonds issued by the Company and to pay interest thereon shall be reduced or exempted (the "Debt Restructuring"):

1. The Company received a measure of managerial improvement order from the Financial Services Commission pursuant to the Act on the Structural Improvement of the Financial Industry; or
2. The Company is designated as a non-performing financial institution pursuant to the Act on the Structural Improvement of the Financial Industry.

(4) The Board of Directors of the Company may determine such terms and conditions to be amended following the Debt Restructuring, to the extent permitted under the relevant laws and regulations, at the time of the issuance of the Write-down Contingent Convertible Bonds.

Article 21 (Issuance of Participating Bonds)

(1) The Company may issue participating bonds to persons other than existing shareholders by the resolution of Board of Directors; to the extent that the total face value of the bonds shall not exceed one trillion (1,000,000,000,000) Won, in the following cases:

1. If the Company issues participating bonds through a general public offering;
2. If the Company issues participating bonds to domestic or foreign financial institutions or institutional investors in order to raise the fund to meet urgent need; or
3. If the Company issues participating bonds to a third party who has provided money, loan, advanced financial technology or know-how to the Company, has close, cooperative business relations with the Company, or has contributed to the management of the Company.

(2) The matters about participation in any distribution of dividends on bonds issued pursuant to Article (1) above shall be determined by the resolution of the Board of Directors on the basis of the distribution of dividends on common shares at the time of issuance.

Article 22 (Applicable Provisions for the Issuance of Bonds)

The provisions of Articles 16 and 17 hereof shall be applicable to the issuance of bonds.

CHAPTER IV
GENERAL MEETINGS OF SHAREHOLDERS

Article 23 (Convening of General Meetings of Shareholders)

(1) General Meetings of Shareholders of the Company shall be of two types: (i) Ordinary and (ii) Extraordinary.

(2) The Ordinary General Meeting of Shareholders shall be held within three (3) months after the end of each fiscal year and the Extraordinary General Meeting of Shareholders may be convened whenever deemed necessary.

Article 24 (Authority to Convene)

(1) The Representative Director shall convene the General Meeting of Shareholders in accordance with a resolution by the Board of Directors, unless otherwise prescribed by other laws and ordinances.

(2) If the Representative Director is unable to perform his/her duties, Article 41, Paragraph (2) shall apply *mutatis mutandis*.

Article 25 (Personal or Public Notices for Convening)

(1) Written or electronic notice of the General Meeting of Shareholders of the Company shall state the date, time, place of the Meeting, the purposes for which the Meeting has been called. The written or (with the consent of each shareholder) electronic notice shall be sent to all shareholders at least two (2) weeks prior to the date set for such Meeting.

(2) The written or electronic notice of a General Meeting of Shareholders under Paragraph (1) above to be given to shareholders holding one-hundredth (1/100) or less of the total issued and outstanding voting shares may be substituted by either giving public notice of the convening of the General Meeting of Shareholders in the Seoul Shinmun and the Dong-a Ilbo, which are published in the city of Seoul and at least two (2) notices are made in the said publications two (2) weeks prior to the date set for such Meeting or by giving such public notice through the electronic disclosure system operated by the Financial Supervisory Commission or the

Korea Exchange; provided that, if the Seoul Shinmun and the Dong-a Ilbo are not available due to circumstances beyond the Company's control, the public notices may be given in the Chosun Ilbo and the Joongang Ilbo, in such order.

Article 26 (Place of Meeting)

The General Meeting of Shareholders shall be held in the city where the head office is located or any other places adjacent thereto as required.

Article 27 (Chairman of the General Meeting of Shareholders)

The person who has the authority to convene the General Meeting of Shareholders under Article 24 above shall be the Chairman of the General Meeting of Shareholders.

Article 28 (Chairman's Authority to Maintain Order)

(1) The Chairman of the General Meeting of Shareholders may order persons who purposely speak or act in a manner that disrupts or inhibits the deliberations of the General Meeting of Shareholders or who otherwise disturb the public order of the General Meeting of Shareholders to desist, retract his/her remarks, or to leave the place of meeting.

(2) The Chairman of the General Meeting of Shareholders may restrict the length and frequency of the speech of shareholders if it is necessary for the orderly conduct of the General Meeting of Shareholders.

Article 29 (Voting Rights)

(1) Each shareholder shall have one (1) vote for each share he/she owns.

(2) If the Company, any of its parent company and subsidiary or subsidiaries hold shares exceeding one tenth (1/10) of the total number of issued and outstanding shares of another company, the shares of the Company held by such other company shall not have voting rights.

Article 30 (Split Voting)

(1) If any shareholder who holds two (2) or more votes wishes to split his/her votes, he/she shall give written or electronic notice to the Company of such intent and the reasons therefor no later than three (3) days before the date set for the General Meeting of Shareholders.

(2) The Company may refuse to allow the shareholder to split his/her votes unless the shareholder acquired the shares in trust or otherwise holds the shares for and on behalf of some other person.

Article 31 (Voting by Proxy)

(1) A shareholder may exercise his/her voting rights by proxy.

(2) In the case of Paragraph (1) above, the proxy holder shall file with the Company the documents (power of attorney) evidencing the authority to act as a proxy before the General Meeting of Shareholders.

Article 32 (Method of Resolution of the General Meeting of Shareholders)

Except as otherwise provided in the applicable laws and regulations, all resolutions of the General Meeting of Shareholders shall be adopted by the affirmative vote of a majority of the shareholders present; provided that such votes shall, in any event, represent not less than 1/4 of the total number of issued and outstanding shares.

Article 33 (Exercise of Voting Rights in Writing)

(1) If the method of written resolutions at the General Meeting of Shareholders is adopted by the resolution of the Board of Directors, at which the convening of the General Meeting of Shareholders is determined, the shareholders may exercise their voting rights in writing without attending the meeting.

(2) In the case of Paragraph (1), the Company shall send the documents and references necessary for the exercise of the voting rights, together with the convening notice of the General Meeting of Shareholders.

(3) If a shareholder intends to exercise his/her voting rights in writing, the shareholder shall fill in and submit to the Company the documents referred to in Paragraph (2) one day before the date set for the General Meeting of Shareholders.

Article 34 (Minutes of the General Meetings of Shareholders)

The substance of the course of the proceedings of the General Meeting of Shareholders and the results thereof shall be recorded in the minutes and shall be preserved at the head office and branches of the Company, after being affixed with the names and seal impressions or signatures of the Chairman and the Directors present.

CHAPTER V
DIRECTORS AND BOARD OF DIRECTORS

Article 35 (The Number of Directors)

(1) The Company shall have not more than thirty (30) Directors.

(2) The number of Non-executive Directors shall be more than one half (1/2) of the total number of Directors and five (5) or more.

Article 36 (Election of Director)

(1) The Directors shall be elected at the General Meeting of Shareholders.

(2) Non-executive Directors shall be recommended by the Non-executive Directors Candidate Nomination Committee pursuant to Article 47 and elected at the General Meeting of Shareholders.

Article 37 (Qualifications of Non-executive Directors)

(1) Any person falling within the scope of any of the following cannot become a non-executive director of this Company and such person shall, if found to fall within the scope of any of the following after becoming a non-executive director, lose his/her office as non-executive director:

1. Any person to whom any sub-paragraph of Article 40, Paragraph 4 of the Financial Holding Company Act applies; or

2. Any person serving as a non-executive director of any other company that is not a Subsidiary, etc. of the Company.

(2) The Company shall appoint a non-executive director who has expertise and knowledge by considering the following; provided, however, that this Paragraph is not applicable to a person who is appointed as non-executive director after being nominated as a candidate therefor pursuant to Article 542-8, Paragraph (5) of the Korean Commercial Code.

1. Whether he or she is sufficiently well-informed or experienced in a related field, including finance, economics, management, accounting and law, as required for his or her performance of duty as a non-executive director;

2. Whether he or she may fairly perform his or her duty for the benefit of the entire shareholders and financial consumers without being bound by certain interests;
3. Whether he or she has reasonable sense of morals and responsibility to perform his or her duty as a non-executive director; or
4. Whether he or she is able to dedicate sufficient time and effort to fully perform his or her duty as a non-executive director of a financial company.

Article 38 (Term of Director)

(1) A Director shall be appointed to a term of office of three (3) years, and may be re-appointed; provided, that such term may be otherwise determined at the General Meeting of Shareholders to the extent it does not exceed three (3) years.

(2) If the term of office as set forth in Paragraphs (1) and (4) expires after the end of a fiscal year but before the Ordinary General Meeting of Shareholders convened in respect of such fiscal year, the term of office shall be extended up to the close of such General Meeting of Shareholders.

(3) Unless otherwise prescribed by General Meeting of Shareholders, the term of office of the Director shall commence from the date of appointment.

(4) Notwithstanding Paragraph (1), the term of office of a non-executive director shall be two (2) years and shall be one (1) year if the non-executive director is being re-appointed; provided, however, that the length of such term may be otherwise determined at the General Meeting of Shareholders so long as such term does not exceed two (2) years (or one (1) year in the case of re-appointment).

(5) A non-executive director cannot serve a term of office for more than five (5) years on a consecutive basis except in the case where the term of office is extended pursuant to Paragraph (2) above.

(6) If a non-executive director is re-appointed within two (2) years from the expiry of the term of office, the non-executive director shall be deemed to serve the position on a consecutive basis.

(7) The term of office set forth in above Paragraph (5) shall be calculated by taking into consideration the term of office served as a non-executive director for Subsidiaries, etc. of this Company (but only with respect to such non-executive director of a Subsidiary, etc. who is appointed as a non-executive director of this Company within two (2) years from the expiry of the term of office), except for the term of office served as a non-executive director for a company that is not an affiliate of this Company. However, the terms of office of non-executive directors of companies that became subsidiaries, etc. of the Company at the time the Company was approved to become a financial holding company pursuant to Article 3 of the Financial Holding Company Act shall be counted for the calculation of the terms of office hereunder.

Article 39 (By-election of Directors)

(1) In the event of any interim vacancy in the office of the Director, a substitute Director shall be elected at the General Meeting of Shareholders; *provided, however, that* the foregoing shall not apply if the number of remaining Directors satisfies the requirement Article 35 hereof and such vacancy does not cause any difficulties in business operation of the Company.

(2) If the number of Non-executive Directors does not satisfy the requirement referred to in Article 35 due to the death or resignation of Non-executive Directors, etc., Non-executive Directors shall be elected to fill the vacancy at the first General Meeting of Shareholders to be held after such occurrence so as to cause the number of Non-executive Directors to be such prescribed number.

Article 40 (Appointment of Representative Director, et al.)

The Company may appoint several Representative Directors, including one appointed as the Chairman, by the resolution of the Board of Directors.

Article 41 (Duties of Directors)

(1) The Representative Director shall represent the Company and shall perform the matters resolved by the Board of Directors and oversee the business of the Company as determined by the Board of Directors.

(2) Directors who are not Non-executive Directors shall assist the Representative Director, and divide and perform their respective duties as may be determined by the Representative Director. In the case of an absence of, or an accident caused to, the Representative Director, the Directors shall take his/her place as the Representative Director in accordance with their order of priority as determined by the Board of Directors.

Article 42 (Director's Obligation)

(1) Directors shall attend the meeting of the Board of Directors and shall perform their respective duties faithfully. During his/her service period and after his/her retirement, Directors shall not disclose trade secrets of the Company obtained in the course of his/her performance of duties.

(2) If any Director finds any facts which may cause substantial losses to the Company, such Director shall promptly report to the Audit Committee thereof.

Article 43 (Composition and Convening of the Meeting of Board of Directors)

(1) The Board of Directors shall consist of Directors, and shall resolve important matters regarding the business affairs of the Company.

(2) The Chairman of the Board of Directors shall be elected from among the non-executive directors in accordance with the resolution of the Board of Directors on an annual basis.

(3) The Meeting of the Board of Directors shall be convened at least once per fiscal quarter.

(4) The Meeting of the Board of Directors shall be convened by giving notice to each Director at least three (3) days prior to the scheduled date of such Meeting. In the absence of or if accidents are caused to the Chairman of the Board of Directors, the Director(s) as determined by the Board of Directors shall take his/her place as the Representative Director. However, the said notice period may be shortened in urgent cases and the said procedures may be omitted with the consent thereon of all Directors.

(5) The Company shall organize the Board of Directors so that persons from various fields with appropriate experience and knowledge required for the performance of duties as directors of a financial company may be included therein, and shall put its effort so that the Board of Directors may not be comprised of directors with certain common background in their expertise nor be weighted towards certain occupations or some groups by representing the interest thereof, etc

(6) Other matters regarding the operation of the Board of Directors shall be determined in accordance with the resolution of the Board of Directors.

Article 44 (Review/Resolution of the Board of Directors)

The Board of Directors shall review and resolve each of the following matters:

1. Matters concerning business objectives and performance evaluations;
2. Matters concerning amendments to the Articles of Incorporation;
3. Matters concerning budgets and settlement of accounts;
4. Matters concerning major organizational changes such as dissolutions, business transfers and mergers;
5. Matters concerning establishment, amendment or repeal of internal control standards and risk management standards as prescribed by the relevant laws and regulations;

6. Matters concerning establishment of corporate governance policies such as management succession of the chief executive officer;
7. Matters concerning supervision of conflicts of interests between principal shareholders, officers, etc. and the Company;
8. Matters concerning the general shareholders' meeting, general business, management of subsidiaries, material contracts, organization and officers, fund-raising and capital, and other matters as separately determined by the bylaws of the Board of Directors.

Article 45 (Method of Resolution)

(1) The quorum for the Board of Directors shall be the presence of at least more than one half (1/2) of the Directors, and all resolutions of the Board of Directors shall require the affirmative votes of a majority of the Directors present at the meeting of the Board of Directors; provided that amendment of the Articles of Incorporation, appointment of the Representative Director and other matters requiring the resolution of General Meeting of Shareholders shall be adopted by the affirmative vote of a majority of the Directors in office; provided, further, that any matter falling under Articles 397-2 (Prohibition on Usurpation of Corporate Opportunity) and 398 (Prohibition on Transaction between Director and Company) of the Korean Commercial Code shall be adopted by the affirmative vote of equal to or more than two-thirds(2/3) of the Directors in office.

(2) The Board meetings may be held by means of an audio conference that can simultaneously transmit and receive sound, whereby all or part of the Directors may participate in the meeting and vote on matters at the same time. In such case, a Director participating in the meeting by such arrangement shall be considered present at the meeting.

(3) Any Director who has an interest in the matters to be resolved at the Meeting of the Board of Directors shall not be entitled to vote at such Meeting.

Article 46 (Minutes of the Meeting of Board of Directors)

(1) The proceedings of a Board meeting shall be recorded in the minutes.

(2) The agenda, proceedings, resolutions, dissenting director (if any) and his/her reasons for dissenting of a Board meeting shall be recorded in the minutes on which the names and seals of the Directors present at the meeting shall be affixed or signed by them.

Article 47 (Power and Obligation of the Board of Directors to the Wholly-Owned Subsidiary, etc.)

(1) The Board of Directors shall retain the power to give advice, corrective recommendation and request for submission of materials with respect to the matters of management of the subsidiary of which the total issued and outstanding shares are owned by the Company ("Wholly-Owned Subsidiary"), and the Sub-subsidiary company of which the total issued and outstanding shares are owned by the Wholly-Owned Subsidiary ("Wholly-Owned Sub-subsidiary", and "Wholly-Owned Subsidiary, etc." together with Wholly-Owned Subsidiary).

(2) When exercising the power under Paragraph (1) above, the Board of Directors shall be liable for the followings:

1. The Board of Directors shall not hinder the soundness of management, consumer's right and the sound order of financial transactions;
2. During his/her service period and after his/her retirement, Directors shall not disclose trade secrets of the Wholly-Owned Subsidiary, etc. obtained in the course of his/her performance of duties; and

3. The Board of Directors shall not violate the relevant laws and regulations.

(3) The Board of Directors shall set up the standards of internal compliance in accordance with the relevant laws and regulations such as Financial Holding Companies Act in order to supervise direct and indirect subsidiaries of the Company, and may appoint the compliance officer to inspect compliance of such standards.

Article 48 (Committees)

(1) The Company may establish various committees including following committees within the Board of Directors as determined by the resolution of the Board of Directors for the purposes of smooth operation of the Board of Directors and effective management of the Company:

1. Risk Management Committee;
2. Evaluation and Compensation Committee;
3. Non-executive Director Nominating Committee;
4. Audit Committee Member Nominating Committee;
5. Corporate Governance Committee; and
6. Audit Committee

(2) Matters regarding the composition, power, operation, etc. of each committee shall be determined by the resolution of the Board of Directors.

(3) Article 43, Paragraph (4), Article 44 and Article 45 shall apply *mutatis mutandis* with respect to the committees.

Article 49 (Remuneration for Directors, etc.)

The remuneration and severance pay for the Directors shall be determined by a resolution of the General Meeting of Shareholders.

Article 50 (Group Management Control Committee, Etc.)

(1) The Company shall establish the Group Management Control Committee in order to effectuate strategic managerial decision-making for the Company, its Subsidiaries, etc., and the matters regarding the operation of the Group Management Control Committee shall be determined by the Board of Directors.

(2) The Company may retain consultants, honorary directors, advisors, etc. by a resolution of the Board of Directors.

CHAPTER VI
AUDIT COMMITTEE

Article 51 (Constitution of Audit Committee)

(1) The Company shall establish an Audit Committee, as prescribed by the Financial Holding Companies Act and other applicable laws and regulations.

(2) The Audit Committee of the Company shall consist of three (3) or more Non-executive Directors, who are recommended by the Audit Committee Member Nominating Committee, which is composed of all Non-executive Directors under Article 41-2 of the Financial Holding Companies Act.

(3) Two-thirds (2/3) of the members of the Audit Committee shall be elected from the Non-executive Directors. The members of the Audit Committee who are not Non-executive Directors shall satisfy the requirements of Article 41, Paragraph (3) of the Financial Holding Companies Act.

(4) The Members of the Audit Committee shall have any of the following qualifications and not less than one of the members of the Audit Committee shall be a professional in financial affairs pursuant to the relevant laws:

1. A licensed person such as lawyer, CPA with at least 5-year work experience in the licensed business;
2. A person who has been a researcher in the institutions or an assistant professor in colleges, having a master's degree in law or economics-business with at least 5-year work experience;
3. A person who has been served as a professional in accounting, internal compliance, audit, Information Technology (IT) and so on with at least 10-year work experience in finance related organizations;
4. A person who has served as an executive official for at least 5-year, or as an employee who has a specific and practical knowledge in economics, business, law, accounts and the like for at least 10-year in Stock listed corporations; or
5. A person who is recognized as being equivalently qualified as those listed in items 1 through 4 by the Board of Directors or General Meeting of the Shareholders.

(5) The Chairman of the Audit Committee shall be elected among the members who are Non-executive Directors by a resolution of the Audit Committee.

(6) If the number of members of the Audit Committee does not satisfy the requirement referred to Paragraph (3) due to the death or resignation of members or any other reason, the members shall be elected to fill the vacancy at the first General Meeting of Shareholders to be held after such occurrence so as to cause the number of members to be such prescribed number.

Article 52 (Duties of Audit Committee)

(1) The Audit Committee shall audit Directors' performance of their duties and may request business reports from any Director, or investigate the business and status of property of the Company.

(2) The Audit Committee may, if necessary, request to call the Board meeting by submitting, in writing, a purpose and reason for such meeting to a person authorized to convene the Meeting of the Board of Directors.

(3) The Audit Committee may convene the Meeting of the Board of Directors in the event a person authorized to convene the Meeting of the Board of Directors fails to convene such meeting without delay according to Paragraph (2) above.

(4) The Audit Committee shall inspect the matters listed in the agenda of, and documents submitted to, a General Meeting of Shareholders to investigate whether there is any event violating the laws or these Articles of Incorporation and the Chairman of the Audit Committee shall express his/her opinion to the General Meeting of Shareholders.

(5) The Audit Committee may request the Board of Directors to convene the Extraordinary General Meeting of Shareholders by submitting documents stating the agenda and reasons for convening such meeting.

(6) The Audit Committee may request business reports from any subsidiary of the Company when it is necessary to perform its duties. In this case, if such subsidiary does not report to the Audit Committee immediately or the Audit Committee needs to verify the contents of the reports, it may investigate the status of business and the financial condition of the subsidiary.

(7) The Audit Committee shall retain the power to audit the status of the operation and property and to request the submission of materials in relation to the managerial matters of the Wholly-Owned Subsidiary, etc. and with respect to the exercise of such power Article 46 Paragraph (2) shall apply *mutatis mutandis* to the liability of the Audit Committee.

(8) In the selection and appointment of an external auditor, the Audit Committee shall approve it.

(9) In addition to the matters referred to in Paragraphs (1) through (8), the Audit Committee shall carry out the matters delegated by the Board of Directors.

(10) The Board of Directors shall not overrule the decisions of the Audit Committee.

(11) The Audit Committee may request professional support at the Company's expenses.

Article 53 (Audit Committee's Record)

The Audit Committee shall record the substance and results of its audit in the Audit Committee's record, on which the name and seal of the Audit Committee Member who has performed such audit shall be affixed or shall be signed by such Audit Committee Member.

CHAPTER VII
ACCOUNTING

Article 54 (Fiscal Year)

The fiscal year of the Company shall begin on January 1 and end on December 31 of each year.

Article 55 (Preparation and Maintenance of Financial Statements and Business Report, etc.)

(1) The Representative Director of the Company shall prepare the following documents to be submitted to the Ordinary General Meeting of Shareholders, together with supplementary data for items 1 through 3 and business reports, and have such documents audited by the Audit Committee no later than six (6) weeks before the date of the Ordinary General Meeting of Shareholders:

1. balance sheet(statements of financial position referred to in Article 1-2 of the Act on the External Audit of Stock Companies);
2. statements of profit and loss; and
3. other documents which record the Company's financial condition and business performance as set forth by the Enforcement Decree of the Korean Commercial Code; and
4. consolidated financial statements for items 1 through 3 as set forth by the Enforcement Decree of the Korean Commercial Code.

(2) The Audit Committee shall submit an audit report to the Representative Director no later than one (1) week before the date of the Ordinary General Meeting of Shareholders.

(3) The Representative Director shall keep on file copies of the documents described in Paragraph (1) above, together with the business report and Audit Committee's audit report thereon, at the head office of the Company for five (5) years, and certified copies of all of such documents at the branches of the Company for three (3) years, beginning from one (1) week before the date of the Ordinary General Meeting of Shareholders.

(4) Upon obtaining approval for the documents mentioned in Paragraph (1) above from the General Meeting of Shareholders, within three (3) months from the end of the relevant fiscal year, the Representative Director shall make a public notice of the balance sheet(statements of financial position referred to in Article 1-2 of the Act on the External Audit of Stock Companies), income statement, consolidated financial statements pursuant to the Act on External Audit of Stock Companies which are designated by the FSC and the opinion of an external auditor.

Article 56 (Appointment of External Auditor)

The Company shall appoint the external auditor with the approval of the Audit Committee, and shall report such appointment to the Ordinary General Meeting of Shareholders to be held during the fiscal year in which he/she is appointed or to the shareholders as of the latest closing date of the shareholders' registry in writing or in electronic form, or shall give a public notice regarding such appointment via the Company's website and make such notice available until the end of the relevant fiscal year with respect to which the audit is conducted.

Article 57 (Disposal of Profits)

The Company shall dispose of the unappropriated retained earnings as of the end of each fiscal year as follows:

1. earned surplus reserves;
2. other statutory reserves;
3. dividends;
4. temporary reserves; and
5. other appropriations of earned surplus.

Article 58 (Retirement of Shares)

(1) The Company may retire the shares within the scope of profits attributable to the shareholders by the resolution of the Board of Directors.

(2) In order to retire the shares pursuant to Paragraph (1), the Board of Directors shall adopt the following resolutions:

1. Types and the total number of shares to be retired;
2. The total amount of shares to be acquired for retirement; and
3. Acquisition period or retirement date (the acquisition period or retirement date shall be before the Ordinary General Meeting of Shareholders to be held first after the resolution of such retirement).

(3) In case of acquisition of shares for the purpose of retirement pursuant to Paragraph (1), the following criteria shall be followed:

1. In the case of acquisition of shares for the purpose of retirement, such acquisition shall be made in accordance with the method and criteria as prescribed in the relevant laws, such as the FSCMA, etc.
2. Total price of the shares to be acquired for the purpose of retirement shall not be more than the amount as prescribed in the relevant laws, such as the FSCMA, etc. within the scope available for dividend as at the end of such fiscal year pursuant to Article 462, Paragraph (1) of the Commercial Code**.**

(4) When the shares are retired pursuant to Paragraph (1), the matters referred to in each Subparagraph of Paragraph (2) and the results of retirement shall be reported to the Ordinary General Meeting of Shareholders to be held first after the resolution of such retirement.

Article 59 (Dividends)

(1) Dividends may be distributed in cash or stock.

(2) In case the dividends are to be distributed in stock and the Company has class shares, the stock dividend distribution may be made in shares of different types by a resolution of the General Meeting of Shareholders.

(3) Dividends of Paragraph (1) above shall be paid to the shareholders registered in the Company's registry of shareholders or the registered pledgees as of the last day of each fiscal year.

Article 60 (Quarterly Dividends)

(1) The Company may distribute cash dividends to the shareholders as of the end of March, June or September by resolution of the Board of Directors.

(2) Quarterly Dividends provided under Paragraph (1) shall be decided by a resolution of the Board of Directors, provided that the specific method and limit, etc. of quarterly dividends shall satisfy the relevant laws and regulations including the FSCMA, etc..

(3) In case the Company issues new shares through a shares offering, bonus issue, stock dividend, conversion of convertible bonds, exercise of warrant of bond with warrants or stock options, the new shares shall be deemed to have been issued at the end of the fiscal year immediately prior to the fiscal year during which the new shares are issued with respect to distribution of dividends for such new shares.

(4) In case of distributing quarterly dividends, the same dividend rate as that of common shares of the Company shall be applied to non-voting shares with preferred dividend under Article 10 unless otherwise determined at the time of issuance.

Article 61 (Expiration of Right to Payment of Dividends)

(1) The right to demand payment of dividends shall extinguish by prescription if not exercised within five (5) years.

(2) The dividends, for which the right has been extinguished under Paragraph (1) above, shall be kept by the Company.

Article 62 (Supplementary Provision)

Matters not specified in these Articles of Incorporation shall be determined by the resolution of the Board of Directors or the General Meeting of Shareholders, or in accordance with the Commercial Code or other laws.

ADDENDUM(2008.9.29)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective from the date of registration of incorporation.

Article 2 (Initial Fiscal Year after Incorporation)

Notwithstanding the provision of Article 53, the initial fiscal year of the Company after incorporation shall be from the date of incorporation to December 31, 2008.

Article 3 (Initial Transfer Agent after Incorporation)

The initial transfer agent of the Company after incorporation shall be Korea Securities Depository.

Article 4 (Appointment of Initial Director, Representative Director, et al. after Incorporation)

Notwithstanding the provisions of Articles 36 and 39, the initial Director and the initial Representative Director after incorporation shall be appointed at the General Meetings of Shareholders of the Stock Transfer Companies, at which the resolution to approve the stock transfer is adopted.

Article 5 (Term of Office of Initial Director after Incorporation)

Notwithstanding the provisions of Articles 38, the term of office of the initial Director after incorporation shall be determined, to the extent it does not exceed three (3) years, at the General Meetings of Shareholders of the Stock Transfer Companies at which the stock transfer plan is approved.

Article 6 (Appointment of Initial Non-executive Director after Incorporation)

Notwithstanding the provision of Article 36, Paragraph (2), the initial Non-executive Director of the Company after incorporation shall be appointed at the General Meetings of Shareholders of the Stock Transfer Companies, at which the resolution to approve the stock transfer is adopted, without recommendation of the Non-executive Director Candidate Nomination Committee.

Article 7 (Appointment of Initial Members of Audit Committee after Incorporation)

Notwithstanding the provision of Article 50, Paragraph (2), the initial members of Audit Committee shall be appointed at the General Meetings of Shareholders of the Stock Transfer Companies, at which the resolution to approve the stock transfer is adopted, without recommendation of the Audit Committee Member Nominating Committee.

Article 8 (Remuneration of Directors in Initial Fiscal Year after Incorporation)

Notwithstanding the provision of Article 48, the remuneration of Directors in initial fiscal year after incorporation shall be determined at the first meeting of the Board of Directors after incorporation, to the extent not exceeding two (2) billion Won.

Article 9 (Stock Transfer Companies)

In order to incorporate the Company, the following Stock Transfer Companies hereby prepare these Articles of Incorporation and affix their respective names and seals hereon on August 25, 2008.

Kookmin Bank
9-1, 2ga, Namdaemun-ro, Jung-gu, Seoul
Representative Director President, Chung Won Kang (Seal)

KB Real Estate Trust Co., Ltd.
15~16th Floor, Poonglim Building, 823 Yeoksam-dong, Gangnum-gu, Seoul
Representative Director CEO, Jeong Min Kim (Seal)

KB Business Investment Co., Ltd.
9th Floor, Shinyoung Building, 68-5 Cheongdam-dong, Gangnam-gu, Seoul
Representative Director CEO, Nam Sik Yang (Seal)

KB Credit Information Co., Ltd.
12th Floor Korea Exchange Building, 33 Yeoido-dong, Yongdeungpo-gu, Seoul
Representative Director CEO, Sung Bok Park (Seal)

KB Data Systems Co., Ltd.
5,6th Floor, Korea Exchange Building, 33 Yeoido-dong, Yongdeungpo-gu, Seoul
Representative Director CEO, Yeon Geun Jung (Seal)

KB Asset Management Co., Ltd.
25th Floor, Good Morning Tower 23-2, Yeoido-dong, Yongdeungpo-gu, Seoul
Representative Director CEO, Won Ki Lee (Seal)

KB Futures Co., Ltd.
9th Floor, HP Building 23-6, Yoido-dong Youngdeungpo-gu, Seoul, Korea
Representative Director CEO, Kyu Hyung Jung (Seal)

KB Investment Securities Co., Ltd.
21, 22nd Floor, Good Morning Tower 23-2, Yeoido-dong, Yongdeungpo-gu, Seoul
Representative Director CEO, Myung Han Kim (Seal)

ADDENDUM(2009.3.27)

Article 1 (Effective Date)

The above amendments to the Articles of Incorporation shall take effect from March 27, 2009.

ADDENDUM(2010.3.26)

Article 1 (Effective Date)

These Articles of Incorporation become effective as of March 26, 2010. However, Article 30, Paragraph (1) becomes effective as of May 29, 2010.

Article 2 (Transitional Measures)

With respect to the non-executive directors appointed after these Articles of Incorporation become effective and the calculation of their terms of office under Article 38, Paragraph (5) hereof, Article 38, Paragraphs (6) and (7) will be applicable to the terms of office served before this Article of Incorporation becomes effective.

ADDENDUM(2012.03.23)

Article 1 (Effective Date)

The amendments to Article 40 of the Articles of Incorporation shall become effective from the date of approval by the General Meeting of Shareholders, March 23, 2012 and the other amendments shall become effective from April 15, 2012. Therefore, the amendments to the Articles of Incorporation shall not apply to any shares and bonds issued before the effective date of the Articles of Incorporation.

ADDENDUM(2015.03.27)

Article 1 (Effective Date)

The Articles of Incorporation shall become effective as of March 27, 2015; provided, that Article 37 shall apply to the Non-Executive Directors only who are appointed, reappointed or serve consecutive terms after the effective date hereof.

ADDENDUM(2016.03.25)

Article 1 (Effective Date)

The Articles of Incorporation shall become effective as of March 25, 2016; provided, that Article 43, Paragraph (6) and Article 44 shall become effective as of August 1, 2016.

Exhibit 11.1

KB Financial Group Inc.
Code of Ethics

KB Financial Group Inc.

Preamble

KB Financial Group Inc. ("KB Financial Group" or "we") hereby enacts and pledges to strictly abide by this Code of Ethics to implement its commitment to ethical management, as declared in the Charter of Ethics, and to set forth standards for proper value judgment and conduct to be followed by all of its directors, officers and employees.

Chapter 1. Ethics Relating to Customers

1. Priority of Customers

We shall consider the interests of our customers as the highest priority in all of our actions, and always think and behave from the customers' point of view and fully endeavor to achieve total customer satisfaction by providing the highest quality products and services.

2. Customer Protection

We shall ensure that the assets, safety and personal information of our customers are protected and will not engage in any unethical activities that infringe upon our customers' rights or interests.

3. Courtesy to Customers

We shall always serve our customers with politeness and courtesy through a faithful and kind attitude, and engage in ethical marketing activities based on our professional financial knowledge.

Chapter 2. Ethics Relating to Shareholders and Investors

1. Maximization of Shareholders' and investors' Value

We shall protect our shareholders' and investors' rights and interests, respect our shareholders' and investors' rightful requests and proposals and build mutual trust with our shareholders and investors through a transparent and rational decision-making process and sound business activities and also improve the market value of the company by generating stable profits.

2. Protection of Shareholders' Rights and Interests

We shall treat all of shareholders, including minority and foreign shareholders, fairly and equally. We shall consider the rights and interests of all of our shareholders in making business decisions so that the rights and interests of our shareholders are not wrongfully compromised.

3. Provision of Information

We shall accurately record and manage our financial records and accounting books in accordance with generally accepted accounting principles. We shall timely provide management information in a complete, fair, accurate and comprehensible manner, and in accordance with relevant laws, in order to help current and future shareholders and investors in their reasonable investment decisions.

Chapter 3. National and Social Ethics

1. Contribution to National and Social Growth

We shall contribute to the development of the national economy as a financial institution through our creation of jobs and diligent payment of taxes. We shall meet our social obligations as a corporate citizen through our contributions to social service activities, including educational and cultural programs, donations and community services.

2. Accident Prevention and Environmental Protection

We shall comply with applicable domestic and foreign laws and regulations relating to safety and environmental matters, and endeavor to prevent accidents and hazards and preserve a clean environment.

3. Prohibition on Political Activities

We shall not support any particular political party or candidate or otherwise act in contravention to our political neutrality, and shall ensure that all donations made by us to any political or charity organization are in strict compliance with applicable laws and regulations.

Chapter 4. Ethics Relating to Fair Competition

1. Compliance with Laws and Regulations

As a responsible corporate citizen of Korea, we shall comply with applicable domestic laws and regulations regarding bribery, corruption and money laundering. In addition, as a member of the international community, we shall respect internationally accepted conventions, laws and agreements as well as the laws, cultures and customs of the respective local communities.

2. Fair Competition with Other Financial Institutions

We shall respect the fair and free market economy and compete fairly with other financial institutions in accordance with the principle of free competition and comply with applicable fair trade laws and regulations.

3. Fair Transactions with its Business Partners

We shall pursue collaborative growth with its business partners by establishing mutual trust and promoting a fair and transparent business relationship. We shall not make improper demands of business partners using our superior position, and shall enter into and perform contracts with integrity.

Chapter 5. Ethics as a Financial Group

1. Maximizing the Value of KB Financial Group

We shall strive to maximize the corporate value of our Group by establishing and sharing a Group management philosophy and vision, generating synergies among our business segments and effectively utilizing our business resources.

2. Relationship with Group Companies

We shall promote the autonomous management of our Group companies through the establishment of clear business goals for and fair evaluation of such companies, and shall value and reflect the opinions of our Group companies on maximizing the Group’s corporate value.

Chapter 6. Ethics Relating to Directors, Officers and Employees

1. Respect for Human Dignity and Fair Treatment

We shall respect the individuality and privacy of our directors, officers and employees, and shall provide equal opportunities according to individual ability and shall not discriminate based on regionalism, kinship, school relations, gender, religion, age, physical or mental handicap or marital status. We shall impartially evaluate the performance of each individual and compensate him or her based on the results of his or her evaluation.

2. Development of Human Resources

We respect the autonomy and creativity of our directors, officers and employees, and we will work to improve their quality of life and cultivate talent by providing equal access to work opportunities and diverse educational programs which offer specialized professional training.

3. Enhancement of Quality of Life

We consider our directors, officers and employees as our most precious resources, and shall create an environment that allows our workforce to balance their personal and professional lives and to work pleasantly and comfortably in a health and safe working environment. We respect individual character and fundamental rights of our directors, officers and employees, and shall endeavor to create a mature corporate culture where proposals and ideas can be freely exchanged based on mutual trust and respect.

Chapter 7. Work Ethics for Directors, Officers and Employees

1. General Requirements

1.1. Our directors, officers and employees shall follow the management philosophy of KB Financial Group and faithfully carry out their duties in order to achieve our corporate objectives and values.

1.2. Our directors, officers and employees shall exclude factionalism and establish an open organizational culture based on mutual respect and open communication between supervisors and subordinates and between colleagues.

1.3. Our directors, officers and employees shall accurately record and manage financial records and accounting books in accordance with generally accepted accounting principles and timely provide management information in a complete, fair, accurate and comprehensible manner, and in accordance with relevant laws and accounting principles.

1.4. Our directors, officers and employees shall observe all applicable laws and regulations relating to their business activities and diligently and conscientiously carry out their duties in compliance with social values.

2. Prohibition against Conflict of Interest

2.1. When there is a conflict of interest between KB Financial Group and any of its directors, officer or employee, or among business divisions, the interests of KB Financial Group shall take precedence over any other interests and the directors, officers or employees of KB Financial Group shall not unduly interfere with the operations of other business divisions or engage in the arrangement of illegal or wrongful transactions.

2.2. Any business opportunities identified by our directors, officers and employees in the course of their activities as such must first be made available to KB Financial Group.

2.3. Our directors, officers and employees of KB Financial Group must avoid conflicts between their personal interests and those of KB Financial Group (including as a result of a investment that affects, or may affect, such individual's work performance, transactions with relatives or acquaintances and outside lectures). If such conflict of interest is likely to arise, such individual shall fully disclose all relevant information to the applicable supervisor and the ethics division.

3. Prohibition against Insider Trading and Other Unfair Transactions

3.1. None of our directors, officers or employees shall engage in any unfair practices using inside information acquired through his or her position in KB Financial Group (including through the sale or purchase of securities, stock price manipulation or use of non-public information) in the pursuit of personal profits. Our directors, officers and employees shall return any short-swing profits in accordance as required by and in accordance with the applicable laws.

3.2. Our directors, officers and employees may not provide any non-public information which may affect the market price of our securities to third parties, except in accordance with lawful procedures.

4. Protection of Company Assets

4.1. Our directors, officers and employees must use the tangible and intangible assets, intellectual property assets and trade secrets of KB Financial Group only in the course of their work performance in the furtherance of our corporate value, and shall not use such assets for personal gains.

4.2. All officers and employees of KB Financial Group shall use the Company's funds and assets in a rational and transparent manner and only for purposes approved by the Company.

5. Safekeeping of Information and Security

5.1. Our directors, officers and employees must not disclose any non-public information acquired by such individual in the performance of his or her work duties to any third party, except in accordance with applicable laws and procedures. Our directors, officers and employees must reasonably prevent unauthorized third parties from accessing such non-public information and, in the event that any unauthorized third party attempts to access such information, must immediately report such event to the relevant department.

5.2. Only authorized directors, officers and employees of KB Financial Group may provide information to newspapers, radio and television networks and other media outlets.

6. Prohibition against Bribes

6.1. Our directors, officers and employees of KB Financial Group shall not receive any money, gifts or entertainment from our business partners or other parties. Our directors, officers and employees of KB Financial Group shall not provide any money, gifts or entertainment to relevant parties in connection with our business activities except as may be appropriate for the occasion under social norms and in accordance with applicable laws and regulations.

6.2 Our directors, officers and employees may not provide money, gifts or entertainment to each other.

7. Restrictions on Political Activities

7.1. Our directors, officers and employees shall not engage in political activities during work hours and shall not use the organization, human resources or assets of KB Financial Group for political purposes.

7.2. The personal political views and rights to political activities of each of our directors, officers and employees shall be respected, but care must be taken by such individuals so that their personal political views or activities are not misrepresented as those of KB Financial Group.

8. Prohibition against Sexual Harassment and other misdemeanors

Our directors, officers and employees shall not, through the use of his or her job position or through physical, verbal or other conduct, engage in any action that is indecent or coercive, such as, including but not limited to, sexual harassment, abusive language or physical assault.

9. Compliance with Ethical Standards

9.1. All of our directors, officers and employees must faithfully observe all applicable ethical standards (including the Charter of Ethics, the Codes of Ethics and related standards of conduct), and shall take full responsibility for any violation thereof.

9.2. Any of our directors, officers or employees who is ordered to act in violation of the ethical standards of KB Financial Group or applicable laws, or becomes aware of any such violation, shall report such order or violation to the relevant ethics division.

9.3 In the event of any violation of our ethical standards by our directors, officers or employees, KB Financial Group shall rigorously determine the cause of such violation and endeavor to prevent any reoccurrence of such violation through educational programs.

Exhibit 12.1(a)

I, Jong Kyoo Yoon, certify that:

1. I have reviewed this annual report on Form 20-F of KB Financial Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2016

/s/ Jong Kyoo Yoon

Jong Kyoo Yoon
Chairman and
Chief Executive Officer

Exhibit 12.1(b)

I, Jungsoo Huh, certify that:

1. I have reviewed this annual report on Form 20-F of KB Financial Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2016

/s/ Jungsoo Huh

Jungsoo Huh
Senior Managing Director and
Chief Financial Officer

Exhibit 13.1(a)

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of KB Financial Group Inc., a corporation organized under the laws of the Republic of Korea (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2015 (the "Form 20-F") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 28, 2016

/s/ Jong Kyoo Yoon

Jong Kyoo Yoon
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to KB Financial Group Inc. and will be retained by KB Financial Group Inc. and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 13.1(b)

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of KB Financial Group Inc., a corporation organized under the laws of the Republic of Korea (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2015 (the "Form 20-F") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 28, 2016

/s/ Jungsoo Huh

Jungsoo Huh
Senior Managing Director and
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to KB Financial Group Inc. and will be retained by KB Financial Group Inc. and furnished to the U.S. Securities and Exchange Commission or its staff upon request.