



**Annual Report
2015**

 KB Financial Group

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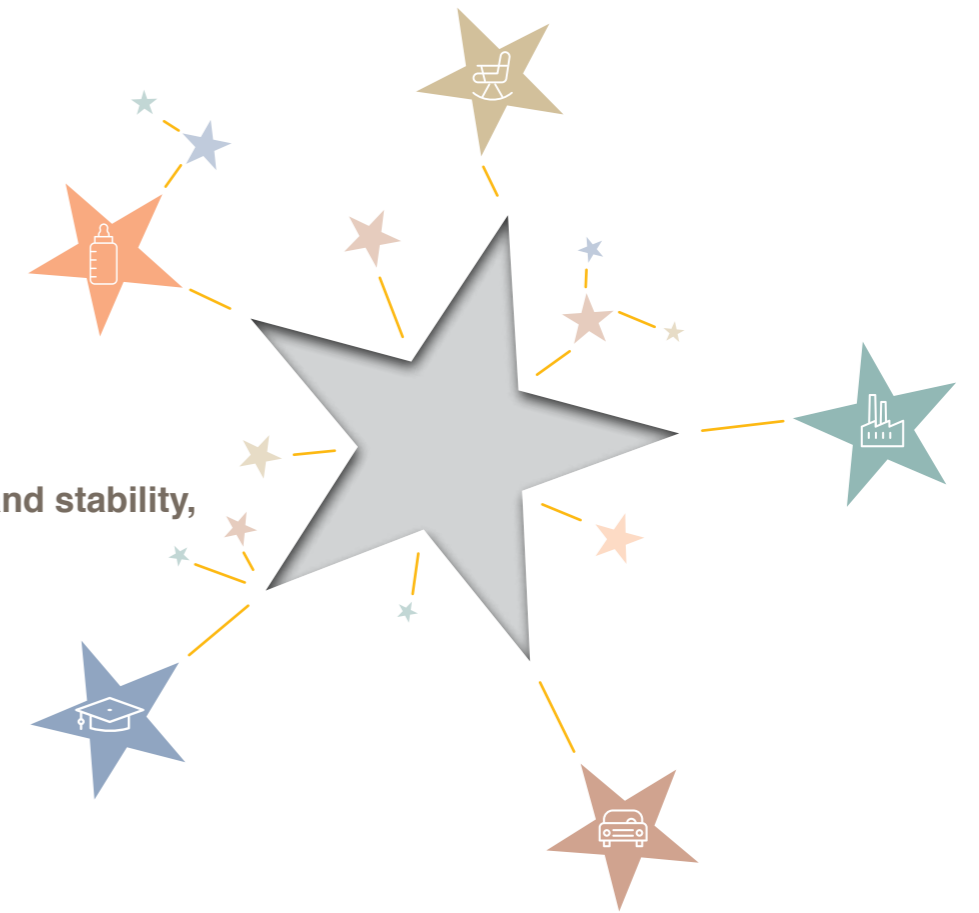
Group at a Glance

KBFG aspires to be a

lifetime financial partner

customers can trust, offering industry-leading financial solutions

at every step of their way toward wealth and stability,



* KB Kookmin Bank

- has the most extensive branch network and the largest customer base in Korea;
- holds the largest deposits, loans, trust and custodial accounts, smart banking transactions, mutual funds, bancassurance accounts;
- rated A1 by Moody's and A by both S&P and Fitch.

* KB Insurance

- joined the Group in 2015, seeks to dominate the market by combining its half-century-long expertise and KB synergies;
- has maintained an A- in credit rating, for 11 consecutive years, from AM BEST, a global rating agency specializing in insurance.

* KB Kookmin Card

- engages in credit card, check card, factoring, payment settlement operations related to card usage, and merchant services;
- provides services through mail order and telemarketing channels related to insurance products and travel;
- has 18.5 million in card membership and 14.2% market share in card transaction.

* KB Capital

- specializes in auto finance, lease, and consumer and business finance through a network of 25 branches nationwide;
- offers personal loans through the 1,200-branch network of KB Kookmin Bank;
- conducts lending based on a bank-linked credit model, an industry first.

* KB Savings Bank

- provides loan and deposit-taking services to low-income households and small business owners;
- grows microfinance and improves profitability by introducing products fused with fin-tech and realigning non-face-to-face channels with user convenience.

* KB Real Estate Trust

- manages real estate properties on consignment through land development trust, collateral trust, management trust and disposal trust, and REITs;
- stable in credit rating (A2+ corporate paper) and solid in capital strength.

* KB Investment & Securities

- thrives in wholesale and investment banking;
- competitive in stock brokerage and fixed income sales serving institutional investors;
- gaining in wealth management by leveraging the extensive KB network.

* KB Life Insurance

- offers a wide-ranging life insurance products through bancassurance, direct marketing, independent insurance agents, and financial consultants and other channels;
- has outperformed the competition in asset growth, for the 11 consecutive years, and maintained the RBC ratio in a stable range for the three years.

* KB Asset Management

- maintains a lineup of top-quality products comprising stocks, bonds, derivatives, commodities, overseas, real estate and infrastructure investments, and private equity funds;
- has increased operating incomes and AUM for the past three years.

* KB Investment

- specializes in the venture investment of unlisted SMEs and startups, in the capital investment of mid-sized companies, and in private equity investment;
- targets ICT including hardware and software, clean technology, bio/life science, and materials and components sectors.

* KB Credit Information

- collects unpaid receivables of KB affiliates and other financial institutions;
- verifies the lease ownership of property submitted as collateral in loan applications;
- maintains an unrivaled market leadership in managing and collecting receivables.

* KB Data Systems

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

**cultivating global business competencies,
and growing into the No.1 financial group
through building of competitive strengths that stand apart.**



In 2015, KB Financial Group pursued higher customer satisfaction through collaboration and synergy creation among its subsidiaries and expanded its overall market leadership by strengthening the non-banking portfolio. As a result, the Group has become a more balanced constellation of 12 financial institutions each offering quality products and services that customers need and would expect from an industry leader that it is.

CEO's Message



Dear respected shareholders and customers,

In 2015 the Korea economy continued to decelerate in growth, weighed down by MERS effects and increasing household debts, while financial market volatility surged on global uncertainties surrounding the U.S. policy path of interest rates and the economic slowdown of China.

Difficult as it was, last year was particularly meaningful as KB Financial Group took measured steps toward securing stable income sources and attaining competitive advantages in future growth industries. Specifically, we embraced KB Insurance as our newest KB family member and became Korea's first financial group to expand into non-life insurance. We also made concrete progress in developing synergies and expanding the customer base through subsidiary collaboration: We launched hybrid branches and won a coveted card project developed exclusively for armed force personnel.

Difficult as it was, last year was particularly meaningful as KB Financial Group took measured steps toward securing stable income sources and attaining competitive advantages in future growth industries.

In addition, we jointly created Kakao Bank with fin-tech leaders. The creation of Korea's first Internet-only bank mirrors our strategy of leading the financial industry by taking the initiative in far-reaching industry trends.

Of course, we still have a long way to go; but believe we in 2015 effectively laid the groundwork for sustainable growth.

To briefly review 2015 business performances vis-à-vis 2014, net income improved by KRW 297.0 billion to KRW1,698.0 billion, despite a number of adverse conditions: Net interest margins contracted, which reflects the prevalence of lower market interest rates, and one-off expenses soared on the early retirement program implemented in the year.

Total assets also rose, by KRW 20.7 trillion to KRW 329.1 trillion, as loan grew on a much-anticipated recovery of the real estate market.

Though not satisfactory, the year-on-year improvements in income and assets would not have been possible without the unwavering support of our shareholders, or the concerted efforts of the entire KB family members.

In 2016 we will stay focused on change and innovation and demonstrate to you, our valued shareholders and customers, that KB Financial Group continues to improve in performance.

This year, we still see challenging conditions at home and abroad. The continuing economic slowdown of China and interest rate hikes by the U.S. could undermine the stability of the global economy. The Korean financial market, too, is expected to remain in the doldrums of low growth and low margins through most of the year.

To overcome these difficulties and become, once again, Korea's No.1 financial group by securing

All of us at KB Financial Group will combine our energies into a singular competitive strength and continue our march of progress toward the goal, 'Leading Financial Group, No. 1 KB'.

distinctive competitiveness, we will devote most of our resources to the following tasks.

First, we will improve our core businesses' capability to generate income.

We will further expand our presence in markets that we dominate; and, in areas of more intense competition, secure the extra leverage through strengthening of subsidiary competencies and expansion of group synergies.

Also, we will improve the quality of the loan portfolio to minimize losses in case of an economic downturn and keep income flows stable.

Second, we will render our channels more adaptive to changes in the customer trends.

We will overhaul the off-line sales network with focus

on customer preferences so as to meet fast-evolving customer needs; and through extensive use of fin-tech and data analysis technology, realign non-face-to-face channels with changes in the financial transaction trends.

Third, we will devote more resources to building sustainable business models that contribute to increase non-interest incomes.

Through cooperation at the group level, we will seek to enhance the competitiveness of the WM and CIB operations and, in retirement pension business, develop services models that distinctively stand out and firmly establish in the minds of customers the Group's image as their lifetime financial partner.

Fourth, we will continue to bolster our global business competencies.

By actively utilizing the existing global network, we

will expand our global presence, and by fostering talent, strengthen the Group's overseas business competencies.

Lastly, we will take steps toward more efficient business management.

We will reorganize the HR system with focus on strengthening employee competencies, and through IT innovation, improve efficiencies in the business process. Moreover, by thoroughly analyzing risk types inherent in the business operations of our subsidiaries, we will cultivate crisis management capabilities optimal to the characteristics of each business.

This year, too, the business environment will likely remain as challenging as before, with competition getting all the more intense. As business barriers come crushing down, it is not even clear as to who will be our competitors

going forward. However, all of us at KB Financial Group will combine our energies into a singular competitive strength and continue our march of progress toward the goal, 'Leading Financial Group, No. 1 KB'.

Wishing every shareholder and customer health and happiness in the coming year, I look forward to your continued support of the Group.

Thank you.

Jong Kyoo Yoon

*Chairman & CEO
KB Financial Group Inc.*

2015 Highlights

* KB Kookmin Bank

- as of the end of 2015, the number of the Bank's customer reached 29.39 million, more than half the population of Korea;
- The banking industry's best branch and mobile/Internet banking networks;
- 'KB Star Banking', an app based on the world's first of mobile banking services, reached Korea's first milestone of 10 million in number of app users, further solidifying its market lead;
- rated A1 by Moody and A by S&P and Fitch.

* KB Insurance

- rated A- by A.M Best, a global rating agency specializing in insurance, for 11th year in a row;
- improving the market share in the fast-growing online insurance by strengthening direct business and shoring up the sales structure with quality policies.

* KB Kookmin Card

- constructed a line of products of improved benefit developed to the optimization of customer needs identified by customer segment through the use of big data; and improved customer value by expanding the application of a real-time marketing system, a new industry trend initiated by KB Kookmin Card;
- rolled out the industry's first credit card-based smart OTP card as part of its effort to lead the FinTech market;
- took steps toward expanding into Southeast Asian markets and developing new business items.

* KB Investment & Securities

- ranked No.1 in the Bloomberg League Tables of corporate bond and ABS underwriting, for 5th year in a row;
- issued the industry's first SOC asset-based ABS;
- introduced the industry's first mobile video application KB WM CAST and New Smart S, a next-generation MTS;
- maintained the industry's highest per capita productivity.

* KB Life Insurance

- as a mid-size insurance company with about KRW 8.5 trillion in assets, built up customer trust by upgrading the product support infrastructure, developed products that better reflect market and channel needs, and fine-tuned customer segment-specific services;
- expanded cross-sell and institutional joint partnership operations in collaboration with KB Insurance and launched online channels and insurance hybrid branches, thereby contributing to group synergy creation and broadening the new growth basis.

* KB Asset Management

- became No.1 in sales of fixed-income hybrid type and retirement pension funds, the result of a steadfast adherence to the principles of long-term investment, a systematic management of risks, and strategic IT and manpower investments;
- reached the all-significant KRW 1 trillion mark in infrastructure investment by making inroads into Canada, Australia, Europe and other overseas infrastructure markets;
- awarded by various institutions for its opportune product rollouts and outstanding long-term performances.

* KB Capital

- stabilized the sales basis by launching 'SY Auto Capital', an auto finance company exclusive to Ssangyong Motors;
- maintained the lead in financing import cars;
- set up the industry's second non-face-to-face online channel.

* KB Savings Bank

- opened loan-specializing field offices in areas high in concentration of low-income families and SOHO operators, with an eye toward strengthening collaborative sales among KB affiliates;
- introduced a 'KB Kind Loan' app designed to enable users to take advantage of its various loan products with ease;
- garnered over 10 prestigious awards in recognition of its operation of products fine-tuned to the needs of the financially marginalized.

* KB Real Estate Trust

- maintained a stable credit rating of A2+ and a sound capital level of KRW 80 billion.
- improved upon its wide selection of creative solutions to various real estate-related investment needs.

* KB Investment

- expanded investment in new growth areas including ICT, bio and FinTech;
- designated by the Ministry of Health & Welfare as the official manager of a KRW 150 billion Global Healthcare Fund;
- expanded its supports for SME venture firms and startups by young adults.

* KB Data Systems

- conducted IT assessment consulting group-wide in cooperation with bank, card and other major affiliates with an eye toward improving the Group's IT efficiencies;
- devised a detail action plan for improving its operation functions and competencies.

2015 Awards & Recognitions

KB Financial Group

- Most Customer-preferred Financial Group (*Joongang Daily*, 4th year)
- Korea's Most-loved Brand (*ChosunBiz*, 5th year)
- Best Future Creation Management (*Korea Economic Daily*, 3th year)
- National Brand Best Award in financial services category, (*Economist*, 4th year)
- Best Overall IR Award (*Money Today*)
- Included in the DJSI Asia Pacific index (Dow Jones & Robecom Sam, 7th year)

KB Kookmin Bank

- Best Brand of Consumer Choice in banking (*Forbes Korea*, 4th year)
- Best Brand Power in banking (Korea Management Association Consulting, 17th year)
- Top 10 Brand in Korea (Interbrand)
- Best Brand in banking (Interbrand, 9th year)
- Korea's Best Trade Finance Bank (*The Asian Banker*, 4rd year)
- Korea's Best Trade Finance Bank (*Trade Finance*, 5th year)
- Korea's Best WM Bank (*The Asian Banker*, 2nd year)
- Korea's Best Retail Bank (*The Asian Banker*)
- Top 10 Services Company To Work At (Korea Management Association Consulting)
- Korea's Most Consumer-trusted Brand in banking (Korea Brand Management, 9th year)
- Best Bank in Customer Satisfaction (Korea Productivity Center, 9th year, a Korea first)
- Most Customer-trusted Bank (Korea Finance Consumer Federation)

KB Insurance

- Overall Grand Prize Award at 2015 Korea Services Awards (Korea Standards Association)
- Innovation Award (*Korea Herald Business*)
- Grand Prize Award in Internet communication (Korea Internet Communication Association)

KB Kookmin Card

- Best Customer Management in finance and card business (*Korea Economic Daily*, 8th year)
- No. 1 Brand Value in check card category (BRANDSTOCK)
- Most-beloved Brand in credit card (*ChosunBiz*, 3rd year)
- Best Customer-loved Brand (*Choongang Daily*, 2nd year)

- Best Service Quality in check card (Korea Standards Association, *Choongang Daily*)
- No. 1 in customer satisfaction (Korea Management Association Consulting)
- Most Customer-recommended Company (Korea Management Association Consulting)

KB Investment & Securities

- Korea Capital Market thebell League Table Awards (*Money Today*)
- Best IB Award in DCM underwriting (*Korea Economic Daily*)
- Best IB Award in DCM underwriting (*Money Today*)
- Outstanding Corporate Award in IPO (Korea Exchange)
- Best Financial Mobile Award (*Money Today*)
- Best Capital Investment Award (*Asia Business Daily*)
- Market Leader of the Year Award (*eToday*)

KB Life Insurance

- Outstanding Call Center (Korea Management Association Consulting, 10th year)

KB Asset Management

- Best Pension Fund Award (*Korea Economic Daily*)
- Overall Best Award, Outstanding Award in fixed-income hybrid type, Special Award in best performing fund at 2014 Korea Funds Award (ZeroIn)
- Best Fund Awards (*Asia Business Daily*, *Korea Herald Business*, *Seoul Economic Daily*, *Money Today*)

KB Savings Bank

- Korea's Top Brand Award (*Korea Economic Daily*)
- Best Customer Satisfaction Brand (Korea Brand Management)
- Best Customer Love Brand Award (*Joongang Daily*)
- Best Customer-trusted Brand Award (*Dong-A Daily*, 2nd year)

Vision & Strategies

Strategic Initiatives

KB Financial Group has set as its vision, “The global financial group leading the Asian financial industry” and defined as its management goal, “Asia top 10, global top 50”. To achieve this goal, the Group seeks to secure distinctive competitive advantages through execution of the following five strategic tasks:

Firstly, enhance the ability of the Group’s core business operations to generate incomes by:

- strengthening the competitiveness of key subsidiaries; and
- improving the quality of the loan portfolio to minimize losses in the event of a further economic deterioration.

Secondly, realign channels with evolving changes in the customer trends by:

- overhauling the off-line sales network to make it more customer-centric; and
- revamping non-face-to-face channels to make them more responsive to evolving ways in which consumers conduct banking and to the overall digitization trend in finance.

Thirdly, build sustainable business models that contribute to increase non-interest incomes by:

- enhancing the competitiveness of the WM and CIB operations through cooperation at the group level; and
- establishing retirement-related services models that are unique to KB Financial Group.

Fourthly, strengthen global business competencies by:

- rationalizing existing global operations; and
- establishing global business and HR management systems.

Lastly, enhance the Group’s business management by:

- reorganizing the HR system with focus on strengthening employee competencies;
- improving IT efficiencies; and
- bolstering the stability of the Group’s business portfolio by cultivating the crisis management ability of each subsidiary.

2016 Business Strategy and Direction

As global financial market uncertainty escalates on concerns over U.S. interest rate hikes, China’s slowing economy, and other business risks, the business environment in 2016 will likely

be under the spell of a new paradigm marking the decline of business barriers and the rise of fin-tech, and unleashing crises and opportunities that will cross one another at an increasing rate.

To turn these challenges into opportunity, the Group in 2016 will stay focused on its mid/long-term strategy of ‘securing distinctive competitive advantages’ in general and improving its ability to generate incomes in particular.

Firstly, we will create profit-focused growth platforms through price optimization. By strengthening the ability to monitor and analyze interest rates, bolstering pricing support systems, and fine-tuning interest rate and fee operations, we will seek to minimize income attrition. The practice of applying different interest rates will be expanded as a way to improve the loan portfolio.

Secondly, in response to the persistent low-growth/low interest rate trend, we will grow non-interest incomes through strategic cultivation of sustainable growth models; restructure the business portfolio by channeling resources into non-banking sectors where we maintain a competitive edge; and bolster the Group-wide support of operations where synergy creation can be maximized.

Thirdly, we will shift the cost management paradigm toward more efficient allocation of resources. We will continue to seek efficient uses of manpower and channels, strengthen cost controls, and expand investment in selective support for strategic projects aimed at leading the market trends and securing sustainable growth engines.

Lastly, we will minimize loan-loss expenses through improvement of asset quality. In response to growing volatility in global financial markets, we will significantly improve the Group’s asset soundness by taking proactive measures toward identifying and managing potential non-performing loans and by instilling a healthy credit culture.

2015 Performance

In June the Group acquired LIG Insurance and named it KB Insurance, which has diversified the business portfolio and strengthened the market competitiveness, of KB Financial Group.

With the acquisition, the Group has taken a giant step toward being a total financial services provider, its product lineup now ranging from savings deposit to fund, trust, bancassurance, marine, fire and auto insurances.

Going forward, to improve the Group's ROE, we plan to expand non-banking business operations that can supplement banking incomes and contribute to generate synergy with our banking operations.

While such non-banking operations will be gradually expanded in accordance with relevant subsidiaries' growth strategy and business condition, M&A opportunities will be pursued in earnest that are deemed complementary to the constitution of the Group's overall business portfolio.

Changes in the Group Organization

To fine-tune the Group's management operating system to evolving changes in the financial trends, we executed an extensive reorganization with focus on the following three objectives:

Firstly, for more effective execution of strategic projects, we created 'Future Finance' as a department in charge of all non-face-to-face channel operations, and 'Data Analysis' of supporting subsidiaries in the analysis of Group-generated data.

Secondly, for higher organizational effectiveness, we created 'Global Strategy' as a department in charge of formulating and

executing the Group's global business strategies, a design unit in charge of managing the Group's brand image, and put the audit department under the control of Audit Committee for more complete independence of the latter.

Lastly, for more effective collaboration between the holding company and the subsidiaries, we expanded the system of allowing subsidiary executives to hold office in the former, which is currently practiced in the Risk Management, IT and PR, to the Future Finance and Global Strategy departments.

Early Retirement Program

In June 2015, 1,122, and in January 2016, 171 employees of KB Kookmin Bank retired as part of their agreement to the early retirement package offered by the Bank. Over the past several years, the Bank has endeavored to rationalize its manpower structure overloaded with high-paid senior managers near the retirement age.

Meanwhile, KB Financial Group at the start of 2016 adopted and implemented 'Salary Peak System, a new labor law extending the age of employees of private businesses and public institutions from 55 to 60.

Group Senior Management

• Jong Kyoo Yoon

Chairman & Chief Executive Officer

• Ok Chan Kim

President & COO;
• KB Financial Group Inc.

• Ki Heon Kim

Deputy President;
• IT Planning

• Jung Soo Huh

Senior Managing Director;
• Financial Planning
• Investor Relations
• Insurance Unit

• Dong Cheol Lee

Senior Managing Director;
• Strategic Planning
• Synergy Creation

• Young Tae Park

Senior Managing Director;
• Information Security
• Data Analysis

• Jae Hong Park

Senior Managing Director;
• Global Strategies

• Kyung Yup Cho

Senior Managing Director;
• KB Research

• Ki Hwan Kim

Managing Director;
• Risk Management
• Model Validation Unit

• Hong Seob Shin

Managing Director;
• Public Relations
• Design Unit

• Pil Kyu Im

Managing Director;
• Compliance Officer

• Young Hyuk Jo

Managing Director;
• Audit

• Dae Myeong Kang

Managing Director;
• Future Finance

(As of March 28, 2016)

Corporate Governance

Corporate Governance

The Board of Directors (BoD) is the foremost decision-making body of KB Financial Group and deliberates and votes on major management and business issues concerning the holding company and its subsidiaries. As of December 31, 2015, the BoD consisted of eight members, seven of whom being non-executive directors, which ensures its ability to keep the powers of top management in check.

The Chairman and CEO of KB Financial Group is elected at the general shareholders meeting, in accordance with the Articles of Incorporation. Prior to the election of the Chairman and CEO, the newly established Corporate Governance Committee, which consists solely of non-executive directors, selects several candidates, evaluates their qualifications, and recommends thus selected candidates to the general shareholders meeting for final approval.

All non-executive directors of KB Financial Group are individuals of extensive knowledge and experience in their respective fields and of high integrity. Non-executive Director Nominating Committee selects candidates and evaluates their qualifications for non-executive directorship in accordance with pre-defined criteria and procedures, and successful candidates thus selected are recommended to the general shareholders meeting for final approval. The chairman of the Board of Directors is selected among the non-executive directors of the Group and is responsible for convening and operating the BoD in a manner transparent and independent of external influence.

Major Activities in 2015

In 2015, the Board of Directors held 14 meetings in which 38 resolutions were passed and 34 reports deliberated upon.

During the year the BoD focused on constructing a rational and stable corporate governance structure. Having launched a governance improvement TF in November 2014 in response to government regulations on the governance structure of financial services companies, the BoD approved a TF-submitted plan of improving governance in February 2015, defined related guidelines in the following month, thereby completing the groundwork for governance improvements. In addition, at the regular quarterly meetings, the BoD received reports on business performances and discussed issues facing the Group. At the December 2015 ad-hoc meeting, the Group's mid/long-

term management strategy was approved and 2016 business plans and budget were finalized.

Major Governance Improvements Made

KB Financial Group has established Group Management Control Committee in an effort to strengthen its control of subsidiaries. By creating such a committee, composed of key executives of the Group's major business operations, the Group has more clearly defined the CEO's responsibility and authority with respect to the Group's core issues; and enabled the BoD to better concentrate on its checking and supervisory roles. The Group also has dissolved the Board Steering and Management Strategic Committees to improve efficiencies in BoD operations; and consolidated the two non-standing committees responsible for nominating candidates for Group chairman and subsidiary CEO positions into a standing Corporate Governance Committee.

Meanwhile, the BoD has defined as the core qualities of non-executive directors shareholder representability, expertise and diversity. Accordingly, the expertise of non-executive director candidates is classified into financial service, accounting, finance, legal/regulation, risk management, HR, and IT; and a pool of candidates is maintained. Also, to improve communication with shareholders, a system has been adopted that offers all shareholders opportunities to recommend possible candidates for non-executive director positions, an industry first; and to enhance the impartiality of the selection process, the service of third-party head hunters is employed in search of qualified candidates whenever necessary.

Introduction to BoD committees and their roles

BoD committees, each composed of directors with expertise in related areas, perform functions delegated by the BoD as stipulated by laws and the Articles of Incorporation.

Audit Committee

The Audit Committee evaluates the internal controls systems of the holding company and the subsidiaries. The committee identifies and provides guidance on areas for improvement and takes appropriate actions.

Risk Management Committee

The Risk Management Committee is the top decision-making body in charge of risk-related issues; it formulates risk management strategies and policies on behalf of the Board of identifying, measuring, monitoring, and controlling

risks associated with all business operations of KBFG and its subsidiaries.

Evaluation and Compensation Committee

The Evaluation and Compensation Committee establishes compensation policies for the holding company and its subsidiaries, formulates and supervises KBFG's compensation structures.

Non-executive Director Nominating Committee

The committee keeps up to date the pool of non-executive

director candidates and recommends candidates to the general shareholders meeting.

Corporate Governance Committee

This committee is authorized and responsible for establishing and revising plans for the succession of the Chairman and CEO of the Group and the CEOs of KBFG subsidiaries.

Auditor Nominating Committee

This committee nominates auditor candidates to the general shareholders meeting for final approval.

Board of Directors

● Young Hwi Choi

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

● Suk Ryul Yoo

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

● Michael Byungnam Lee

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

● Jae Ha Park

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

● Eunice Kyonghee Kim

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

● Jongsoo Han

- Chairman, Audit Committee
- Member, Evaluation and Compensation Committee
- 2006-Present Professor, College of Business Administration, Ewha Womans University
- 2013-Present Member, Korea Accounting Standards Board
- 2013-Present, 2011-2012 Vice President, Korea Accounting Association
- 2011-2013 Member, Korea Accounting Deliberating Council, Financial Services Commission
- 2015-Present Member, IFRS Interpretations Committee

● Jong Kyoo Yoon

- Chairman & CEO, KB Financial Group

● Hong Lee

- Senior Executive Vice President, Head of Strategy and Finance Planning Group, KB Kookmin Bank
- Member, Risk Management Committee
- Member, Corporate Governance Committee

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

(As of March 28, 2016)

Synergy Creation

2015 Performance

CIB Business

In 2015, KB Financial Group focused on establishing a systematic structure for boosting collaboration among subsidiaries and generating synergies in corporate and investment banking business, one of its key growth areas.

Specifically, the Group founded the 'CIB committee', the foremost decision-making body in which executives of banking, investment securities, and asset management subsidiaries discuss CIB business strategies and joint business opportunities on a regular basis.

In terms of collaboration among subsidiaries, there have been laudable accomplishments in infrastructure investment, including the Incheon Airport Railroad refinancing project, Dong-doo-cheon combined cycle power plant refunding deal, Geoga Bridge refinancing deal, and many other large-scale projects, achieving No. 1 track record in arranging infrastructure investment deals in Korea.

In M&A financing, KB Kookmin Bank and KB Asset Management led the market by creating the KB buy-out fund (AUM KRW 570.0 billion), financing the acquisition of ADT-CAPS and many other M&A deals. KB Investment & Securities also led the debt capital market with the No. 1 market share and was selected as a leading IB house of the KOSDAQ/KONEX with small-cap IPO and SPAC market track records.

Synergy Created in Infrastructure Investment

In 2015, a consortium of the banking, asset management and investment securities subsidiaries was selected as the primary bidder of the Incheon Airport Railroad refinancing project. In addition, through various forms of collaboration among subsidiaries, the Group won a refunding deal involving Dong-doo-cheon combined cycle power plant, the Geoga Bridge refinancing deal, and other large-scale projects. The Group ranked No. 1 in terms of arranging infrastructure investment deals in 2015.



Ranked No. 1 in terms of arranging infrastructure investment deals in 2015

Based on these achievements of 2015, the Group plans to further improve the system of building collaboration among subsidiaries and strengthen the one-portal CIB service it has developed for its corporate and institutional clients.

WM Business

KB Financial Group also focuses on increasing the number of hybrid branches with a view toward establishing a Group-wide WM one-stop service structure. Since 2010 when it first opened a hybrid branch offering banking and securities services, the Group has increased and operated such branches, which as of the end of 2015 number 16. Also developed through collaboration between the banking and securities subsidiaries is a new business model based on retail securities operations, a first of its kind in the industry. In 12 months through the end of 2015, the model nearly doubled the assets of its customers, all steered by the Bank, from KRW 1.1 trillion to about KRW 2.0 trillion.

Hybrid Branch

In September 2015, the Group introduced Korea's first hybrid branch offering products and services in banking, securities, non-life and life insurance. Pursuing an ever-higher level of customer satisfaction, the Group will actively multiply hybrid branches offering one-stop 'full-business' financial services.



Korea's first hybrid branch offering the industry's most extensive financial services

Expanding Support for Startups

The Group has selected WiseCare and WiseMobile, mobile payment solutions and app developers, respectively, as recipients of matching funds provided by a crowd-funding-based program it has created for the purpose of fostering the growth of fin-tech startups. The program is unique in that the KB Fin-tech HUB Center solicits individual investments in startups through a crowd-funding platform, and, once a startup reaches a preset investment goal, KB Investment & Securities invests a matching amount. A first of its kind in Korea, the program cuts through the difficulty of evaluating the investment worthiness of startups

with no or little track record in sales or technical viability by crowd-sourcing the collective intellect of individual investments supported by the financial boost of matching funds. Also first is the acquisition by a financial institution rather than a venture capitalist of stakes in businesses through crowd funding, a new sustainable way of providing capital to startups.

Matching Crowd Funding

KB Financial Group in 2015 signed an MOU for Creating a Fin-tech Startup Ecosystem with OpenTrade and began accepting subscription from the public to the investment of four startups through the OpenTrade platform, for the first time in Korea. Once the initial investment goal of each startup is reached, a matching amount is invested by KB Investment & Securities, which will be another first in Korea.



Korea's first crowd-funding program with matching funds for fin-tech startups

Increasing Supports for High-tech Venture Firms

In February 2016, the Group put together a 'KB Superior Tech Business Investment Fund' of KRW 50 billion to foster the growth of SME and venture firms possessive of superior technology and of next-generation industries. Funded by KB subsidiaries, the fund invests in tech companies evaluated and certified by Korea's Technology Certification Board. The target investment areas include bio health care, fin-tech and advanced materials; and KB Investment, whose expertise comprises some 800 corporate investments over the past 25 years, operates the fund.

To reinvigorate the nation's major industries suffering from waning competitiveness or structural low growth, the Group created a KRW 50 billion 'KB 12-1 Venture Fund' in 2012, a KRW 40 billion 'Future Creation Startups Support Fund' in 2014, and a KRW 50 billion 'KB Intellectual Property Fund' in 2015 for businesses with commercially viable patents.

Ramping up Customer-customized Product Services

Having pioneered retirement pension services in 2012, the Group has since developed a variety of related products and services. In January 2015, the Group rolled out 'KB Golden Life

Pension Love Package', comprising savings, fund, card and insurance products. Targeting seniors on pensions, the package comes with improved benefits in banking, lifestyle, bequeathal and guarantee as follows:

- the savings account, which offers up to an annual rate of 2.5%, has been improved with a preferred rate on foreign currency exchanges and fee exemptions;
- the card offers discount services on hospital, pharmacy, gas station and other uses of customer choice; and
- the bequeathal fund charges a sales commission 30% less than regular funds, which goes a long way in enhancing long-term investment returns. The fund also offers a free bequeathal reporting service for qualified customers.

Also introduced in 2015 is 'KB Auto Finance Package', comprising an installment plan optimized to auto purchases, a card offering discounts at gas pumps, and auto finance and insurance services. For its one-stop quality services features, the package has been well received by auto owners.

Synergy Creation through Personnel Management

In 2015 KB Financial Group sought to invigorate its group-wide synergy creation base: It fine-tuned the HR policies and systems of all subsidiaries and brought them more in line with the Group guidelines; and strengthened the cooperative system of devising and executing together with subsidiaries effective strategies of dealing any major HR issues.

By actively fostering mutual support among subsidiaries, the Group also sought to help them strengthen their strategic partnerships and grow in balance, with another, in the area of HR.

To further strengthen employee competencies, the Group expanded the employee exchange program involving the CIB, WM and insurance operations with focus on synergy creation, along with a new program that benefits employees of the exchange program in promotion or transfer, thereby incentivizing affiliates to seek ways to work together.

Risk Management

Governance of Risk Management

The risk management governance of KBFG consists of four bodies: Risk Management Committee, Risk Management Council, Risk Management Department, and Model Validation Unit.

Risk Management Committee

- formulates risk management strategies in accordance with the strategy direction set by the BoD, determines the level of risk appetite,
- examines the Group's risk management status, and
- defines the risk management systems, methodologies and major improvements to be implemented.

Risk Management Council

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

Risk Management Department

- implements detailed risk management policies, procedures, and processes, and
- calculates the Group's risk-weighted assets and internal capital limits.

Model Validation Unit

- conducts verification of the propriety of credit evaluation models and PD, LGD, EAD, and other risk assessment factors.

Management of Risk by Type

Credit Risk Management

• Credit Policy Direction

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

• Credit Risk Assessment and Monitoring

To compute the credit value at risk (VaR) of on and off-balance sheet assets, the Group uses simulated scenarios that reflect changes triggered by credit migration and the correlation of cash flow and borrower default. The Group also identifies, assesses, and monitors credit concentration risks that can result

from excessive concentrations of portfolio assets on certain individuals or categories of borrowers.

• Total Exposure Limits Management

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

Market Risk Management

Market risks related to bonds, foreign exchange, equity, and derivatives holdings are identified, measured, monitored, controlled, and reported to the risk management governing bodies. The Group compares the actual and hypothetical losses to VaR calculations, on a daily basis, and regularly evaluates the relevance of the VaR model.

Interest Rate Risk Management

The Group aims to maximize net interest income within acceptable risk limits and to minimize potential losses on net interest margins from adverse interest rate movements.

Liquidity Risk Management

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

Operational Risk Management

The Group's operational risk management aims to satisfy regulations set forth by government authorities, and to infuse a healthy risk management culture across the management and all employees through enforcement of internal controls and improvement of the work process.

Economic Capital Management

In order to preempt an economic insolvency due to unexpected losses, the Group measures, allocates and manages economic capital in accordance with risk types for all subsidiaries, thereby maintaining capital adequacy at the group level. The Risk Management Committee determines the Group's risk appetite and assigns economic capital limits by risk type and subsidiary. Each subsidiary, in turn, manages its capital within the prescribed range.

Stress Testing

To assess its portfolio's potential vulnerability to various macro-economic situations and to establish appropriate counter-

measures, the Group conducts stress testing more than once a year. Stress test results are reported to top management as well as the Risk Management Committee for the purposes of having risk appetites and limits fine-tuned and relevant decisions made.

Adoption of Basel III Guidelines

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

KBFG is in the process of constructing the IRB management framework for credit risk with the goal of implementing the Group internal-ratings based (IRB) approach in 2016. Development of group internal models for market and operational risks will be undertaken once new regulatory guidelines have been defined. In constructing the IRB management framework of credit risk, KBFG is developing various risk measurement systems based on the standard of the IRB approach, upgrading the credit risk control structure, building the Group corporate rating system (G-CRS), and improving credit rating systems and risk components (LGD/EAD). Once completed, KBFG will apply the IRB management framework with approval from the Financial Supervisory Service.

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

Information Protection

On Protecting Customer Information

To better protect customer information, we took the following steps:

- Responded to regulations and new technology concerning information protection through activation of 'Group Information Protection Council' and other consultative bodies; and devised a way to share customer information among subsidiaries;
- Formulated a yearly plan for evaluating the data protection performance of subsidiaries; and conducted regular and ad-hoc inspections of work procedures involving customer

information and, upon finding discrepancies, corrective measures, as a way to heighten employees' awareness of the importance of protecting customer information; and

- Upgraded the contents of employee education programs on information protection and administered various programs of fostering a data protection culture.

ISMS Certificate

KB Financial Group was the first financial group in Korea to secure the ISMS certificate from the Financial Security Institute, the result of the intensive system upgrades it carried out for 10 months in 2015. Before issuing the certificate certifies, the FSI evaluates the soundness of information collection, management, operation, and other related systems by going through a list of 104 items, including security policy, equipment, facility, and manpower.



The first financial group in Korea to secure the ISMS certificate from the Financial Security Institute

On Ensuring IT Security

To ensure IT security, we carried out the following measures:

- Reestablished the system of managing information protection from the perspectives of governance, risk management and compliance;
- Secured the ISMS certificate from the Ministry of Science, ICT and Future Planning, a recognition of the soundness of the system through which the Holding Company manages and protects data and information;
- Newly created Information Protection Committee chaired by the CISO of the Group;
- Carried out regular and ad-hoc inspections of the IT security status of subsidiaries and, upon finding discrepancies, provided with corrective measures; and
- Examined the latest trends in hacking and anti-hacking technology, and guided subsidiaries on implementing appropriate preventive measures.

Digital Finance

2015 Performance

New Units Created to Capitalize on Fin-tech Revolution

Future Finance Department, created in 2015 to provide an IT support optimal for efficient business operations, will focus on the following fin-tech execution strategies:

- Create a customer experience characteristic of fin-tech through innovative improvement of products and services;
- Develop a win-win ecosystem of growing together with fin-tech startups; and
- Cultivate an productive partnership with Internet banks.

Also created is Data Analysis Department, at the start of 2016, as the Group's response to the demands of the times in which 'management by data analysis' is increasingly gaining traction in the face of the exponential growth of data volume and network traffic. The main responsibility of the department includes:

- Plan for compilation, analysis and application of Group data;
- Devise marketing plans based on data analysis and assist the making of marketing-related decisions;
- Plan for the Group's combined CRM; and
- Support the Group in construction of infrastructure for data analysis.

Growing Together with Fin-tech Startups

'KB Fin-tech Hub Center' also was created, consisting of select applicants from all subsidiaries, as a way to conduct in a systematic manner formation of ties with companies and to provide support for startups, engaging in fin-tech business. By the end of 2015, some 150 fin-tech companies have come in contact either through direct contacts made by the Division

KB Starters Valley Program

A member the KB Starters Valley program, Geo-Line, the world's first mobile charging-payment service for electric cars, garnered a 'Creative Award' from the Ministry of Science, ICT and Future Planning, and was the only Korean company invited to the COP21, the Paris UN Climate Conference.



Growing together with fin-tech startups armed with competitive technology and viable business plans

or through a one-stop process set up to arrange for meeting between subsidiaries and them. Out of these, 10 companies have agreed to partner in one of the presented business models.

'KB Starters Valley' was also created as a fin-tech startup support program. Launched in August, this program searches for fin-tech startups possessive of both competitive technology and viable business plans, and provides various services including business space arrangement, investment, mentoring, alliance business in a one-stop manner.

Korea's First Internet Bank Jointly Developed

In 2015, KB Kookmin Bank took a series of preparatory steps toward creating an Internet-only bank, succeeding in January 2016 in establishing 'Kakao Bank' in consortium with Korea Investment Financial Group and Kakao Inc., the leader of SNS in Korea. The establishment of Kakao Bank, slated to open for business in 2017, is significant in the following aspects:

- A new opportunity for development of innovative products that are uniquely Korean, as the three players combine their unique strengths toward creating financial services thought improbable even several years ago; and
- The combination of the Bank's and Kakao's expertise in off-line and online channels, respectively, will contribute a great deal to the Bank's leadership not only in smart banking but also in such banking operations as asset management and retirement planning, where non-face-to-face channels play an increasingly important role.

New IT Technology and Non-face-to-face Channel Plan

As a way to improve efficiencies in its business portfolio and to support the formation of uniform product sales channels, the Group evaluated the latest in smart branch technology, looked into relevant regulation, explored group purchase options, and thus set up a gradual execution plan. In addition, Group-wide IT technology seminars were held jointly with subsidiaries to discuss Internet bank and other related matters, and fin-tech IT training sessions conducted open to all IT personnel.

Creating Group IT Synergies

To better manage risk at the Group level and, at the same time, to maximize IT synergies, the Group took the following actions:

- Constructed a stand-alone corporate credit evaluation system;
- Assisted KB Insurance in the establishment of an IT environment that would help the latest KB subsidiary plug into the Group's IT infrastructure;
- Laid the foundation for establishing a joint network structure; and
- Identified, through a group-wide survey, a list of IT items ideal for group purchase and executed the purchase in the most rational manner possible.

Social Contributions

KB Financial Group

Support for the Growth of Youth

KB Financial Group runs diverse programs aimed at helping the generation of future leaders develop their vibrant minds:

- KB Youth Music College helps socially isolated but talented youths receive professional musical training from the participant universities of the program; and
- KB Hope Camp offers disabled youths such practical opportunities to plan their future as camp activities which include hands-on work experience, advice and mentoring provided by volunteer employees of the Group.

Economics and Financial Education

KB Financial Group provides select students with an in-depth economic and financial education through a program in which volunteer employees visit the participating schools and share their job expertise with the students, whose cumulated number, as of the end of 2015, stands at 392,000.



Support for Multicultural Families and Non-profit Activities

The Group carries out social contribution programs that aim to help multicultural families establish self-reliance and to support the growth of underdeveloped Asian countries:

- KB Rainbow Love Camp provides children of multicultural families opportunities to study economics and finance and to share their diverse cultural experiences with employees of the Group.
- KB Hope Bicycles sends bicycles to needy children of underdeveloped Asian countries to help them gain mobility and pursue their dreams.
- KB People's Health-Smart School offers elderly at risk of dementia preventive and remedial classes.

KB Star Dream Volunteers

KB Star Dream Volunteers is the group-wide organization through which all employees of the Group take part in community service activities helping the socially marginalized, including needy

youths, living-alone seniors, and the physically challenged, lead their lives with hope and love of humanity. Also included are community programs aimed at protecting the environment. As of the end of 2015, the number of hours these volunteers accumulated helping local communities exceed 380,000, which averages to about 14 hours per employee.

KB Kookmin Bank

Some of the leading community service programs conducted by KB Kookmin Bank include:

- Hope Study Rooms supporting children education at 45 community children centers nationwide to reduce the information gap between the urban and rural areas;
- Hope Space Creation building study rooms in 100 low-income family homes per year;
- Hope Boxes delivering boxes of daily life goods to some 18,000 low-income families; and
- Hope Relay organizes regular visits of vehicles carrying meals and equipped with washers and dryers to 10 low-income areas.

In addition, KB Kookmin Bank runs a website, <https://withkb.kbstar.com>, dedicated to raising the public awareness and the plights of the underprivileged and providing means for people to take part in the donation campaign for the needy. In 2015, 10,152 people responded through donations to 36 reports of the needy. Extending its helping hand to overseas, the Bank offers all-expense-paid medical treatments to Cambodian children suffering heart diseases, and in 2015, 46 children have received heart treatments.

KB Insurance

KB Insurance practices sharing people's hopes by infusing its brand promise, 'Hope', through various CSR activities. Pursuing the three core strategic tasks of supporting the young, making social contributions together with community members, and cultivating a corporate culture of share and participation, the Company conducts activities seeking to improve the living conditions of the young, funding the medical treatment of children with scoliosis, contributing to scholarships for children of auto accidents, and supporting many other programs. Each year, an average of 15,000 employees and their family members take part in various volunteer group activities, bringing, in 2015, the total number of hours they volunteered to 37,000. Every May and December "KB Hope Volunteering Festival" is held. Through the "Hope Mileage" system are employee contribution activities evaluated and managed. Support programs for building homes for the needy, scoliosis-afflicted children, and multicultural families are funded by the "KB Hope Sharing" fund, for which the Company matches employee donations.

KB Kookmin Card

KB Kookmin Card carried out various community service activities with the full participation of its employees, focusing on sharing hope and dreams with society in general and youth in particular:

- Youth Economics and Financial Education, a core social contribution program launched in 2011, provides basic economic and financial classes to some 9,000 elementary, junior and senior high school students. Taught by seasoned employees in a manner adjusted to the level of different student brackets, the classes focus on helping the students form a rational consumption mindset;
- Share Thought & Add Love supports the implementation of social contribution ideas customers suggest through online channels. In 2015, 12 ideas were selected and supported, including ones that fosters book narrators for youth and produces a play promoting the prevention of school violation;
- Other activities include support for employees' production of coloring book kits for Laotian children and of braille books for the blind; and
- Support of an employee camping club in organizing camping trips for socially marginalized children and a plastic model club in its visit of single mother facilities.

KB Investment & Securities

KB Investment & Securities conducts or supports community service programs including:

- Rainbow Classroom, started in 2009, builds libraries and playrooms at elementary schools in remote areas. In 2015 it built its eighth classroom at an elementary school in the city of Busan, providing students of a less developed part of a big city a place to play and dream big. Moreover, together with college volunteers did the program offer children in less affluent areas classes on financial knowledge and skills;
- Happy Food provides foodstuff, purchased with employee donations, and moral supports to elderlies living alone as well as monetary supports to community centers catering to the socially marginalized; and
- Other activities include blood drives, campaigns of donating hand-knitted wool hats to newborns in Africa, and of helping preserve national and ecological parks.

KB Life Insurance

- sponsored 'The Station', a free-admission play for youth with a message highlighting the futility of suicide and the sanctity of life;
- provided scholarships to children of parents working at social welfare centers in the Seoul area;
- took part in tree planting and trimming activities at the 'KB Life Star Forest' twice year and conducted cleaning and maintenance at a popular park in the heart of Seoul, under an adopt-a-park program;
- supported a bi-weekly bread donation for needy children, a blood drive and various small-scaled programs each business unit carried out on its own.

KB Asset Management

- donated 180 "Cool Kits" containing hand-held fans, mosquito sprays and cards of encouragement to children of low income families in mining towns of Kangwon Province;

- conducted a large-scale environmental cleanup activity involving 180 some employees at a riverside park of Han River; and
- operated a meal service program, launched 9 years ago, known for the quality of meals provided.

KB Capital

- organized regular company-wide activities of cleaning and sweeping of children care facilities and of caring for infants in dare-care centers as well as of cleaning local park facilities.

KB Savings Bank

- organized a third year company anniversary in which all employees took part donating daily life goods to the needy at a local multicultural family support center;
- participated in a walkathon raising funds for youths suffering from intractable illness; and
- conducted bi-annual street sweeping in areas near bank branches.

KB Real Estate Trust

- organized an annual community service through which employees visited a job training center for the handicapped and helped trainees in job training and work skill development;
- conducted the annual visit of volunteer employees to the nation's largest social welfare center where they served food to handicapped people;
- organized an employee visit to a local SOS center where they helped children with their school studies and cultivated friendships with them;
- purchased and donated to an orphanage books recommended for youth and children; and
- made financial donations to various senior centers and other institutions serving the socially marginalized.

KB Investment

- conducted street sweeping on a regular basis around the Company building; and
- conducted a regular activity through which volunteers accompanied seniors of nursing homes to cultural events and places of interest.

KB Credit Information

- ran monthly programs through which volunteers served free meals to the underprivileged at a local welfare center and conducted various activities aimed at developing local communities and helping the socially marginalized.

KB Data Systems

- performed, through 'KDS Volunteer Team', a company-wide organization created in 2008, a variety of social contribution activities, including serving meals every other week and distributing holiday rice cakes twice a year to seniors at a local welfare center.

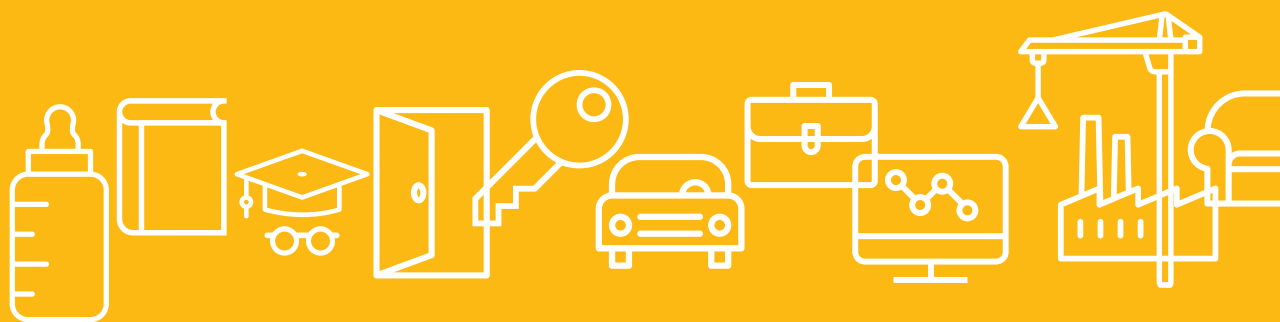
Operation Review

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The year 2015 marked the start of a new dream for KB Financial Group of restoring its status as Korea's foremost leading financial group. In the pursuit of the dream, the Group has adopted as a new brand slogan 'Lifetime Financial Partner' which redefines its brand identity anew and expresses its will and pledge to enhance customer value.

Through cooperation at the group level, we will seek to enhance the competitiveness of the WM and CIB operations and, in retirement pension business, develop services models that are uniquely KB and firmly establish in the minds of customers the Group's image as their lifetime financial partner.



2015 Financial Highlights by Subsidiary

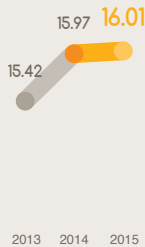
* KB Kookmin Bank

- Total assets grew 5.4% from 2014 to KRW 290.3 trillion;
- Net income increased 7.6% to KRW 1,107.2 billion;
- NPL ratio decreased 0.19%p to 0.84%, while total loans grew 5.87% in 2015;
- BIS ratio improved 0.04%p to 16.01%.

Total Assets
(KRW in trillions)



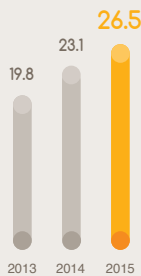
BIS Ratio
(%)



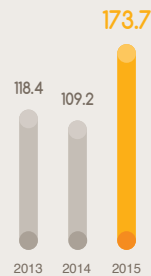
* KB Insurance

- Total assets grew 14.6% to KRW 26.5 trillion;
- Net income jumped 59.1% to KRW 173.7 billion;
- Direct premiums written increased 3.2% to KRW 9,119.4 billion.

Total Assets
(KRW in trillions)



Net Income
(KRW in billions)



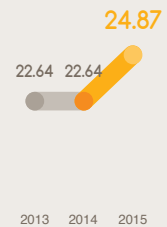
* KB Kookmin Card

- Total assets grew 1.3% to KRW 16.1 trillion;
- Card transaction volume increased 7.8% to KRW 94.8 trillion;
- Net income rose 6.7% to KRW 355.0 billion;
- Delinquency rate dropped to 1.15%, the lowest since inception.

Total Assets
(KRW in trillions)



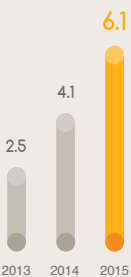
Adjusted Capital Ratio
(%)



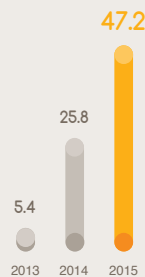
* KB Investment & Securities

- Total assets increased 48.8% to KRW 6.1 trillion;
- Net income soared 82.9% to KRW 47.2 billion, the largest since foundation;
- Ranked No. 1 in DCM, for 5th year in a row.

Total Assets
(KRW in trillions)



Net Income
(KRW in billions)



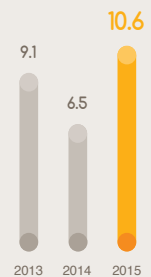
* KB Life Insurance

- Industry-best asset growth performance for 11th year in a row;
- Net income jumped 63% to KRW 10.6 billion;
- CMIP improved 10% to KRW 22.4 billion;
- RBC ratio stood at 244.6%.

Total Assets
(KRW in trillions)



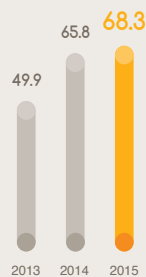
Net Income
(KRW in billions)



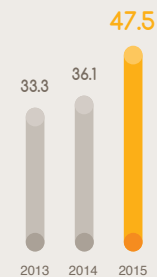
* KB Asset Management

- Operating income and AUM increased, for 3rd year in a row;
- Ranked No. 1 in fixed-income hybrid funds;
- Ranked No. 1 in retirement pension funds.

Operating Income
(KRW in billions)



AUM *
(KRW in trillions)

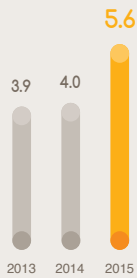


* Including discretionary assets

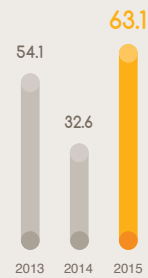
*b KB Capital

- Total assets grew, for 3rd year in a row, due mainly to the stead growth of auto financing sector;
- Operating revenue increased 7.1% to KRW 360.8 billion;
- Net income surged 93.3% to KRW 63.1 billion.

Total Assets
(KRW in trillions)



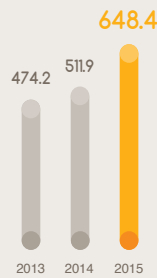
Net Income
(KRW in billions)



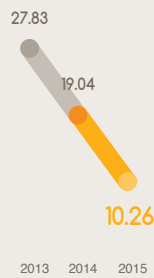
*b KB Savings Bank

- Total loans grew, mainly from non-face-to-face channels;
- Posted net income of KRW 20.6 billion, a first net income since establishment;
- NPL and delinquency ratios each improved by 8.78%p, and 7.76%p.

Total Loans
(KRW in billions)



NPL Ratio
(%)



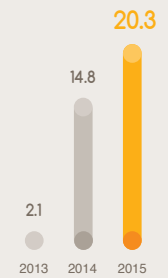
*b KB Real Estate Trust

- Total net revenue grew 3.0% to KRW 51.1 billion;
- Commission income increased 11.2% to KRW 42.7 billion;
- Net income hiked 37.2% to KRW 20.3 billion.

Total Net Revenue
(KRW in billions)



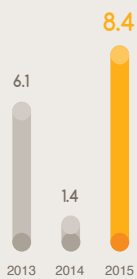
Net Income
(KRW in billions)



*b KB Investment

- Net income jumped 500% to KRW 8.4 billion, a 5-year long growth trend;
- AUM increased 3.9% to KRW 1.3 trillion.

Net Income
(KRW in billions)



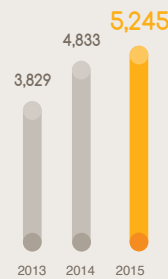
AUM
(KRW in billions)



*b KB Credit Information

- Total commission revenue increased 5.2% to KRW 40.8 billion, outpacing the 3.0% industry average;
- Commission revenue from lease verification increased 15% to a record high of KRW 8.2 billion.

AUM of the Group Subsidiaries
(KRW in billions)



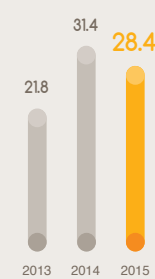
Commission Revenue
(KRW in billions)



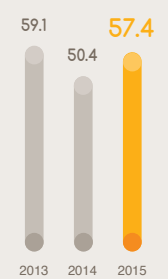
*b KB Data Systems

- Total revenue grew 13.9% to KRW 57.4 billion;
- Total assets dipped to KRW 28.4 billion.

Total Assets
(KRW in billions)



Total Revenues
(KRW in billions)



Retail Banking

KB Kookmin Bank has the largest retail customer base in Korea. As of end of 2015, retail banking customers exceed 29.39 million, more than half the population of Korea, up by 290,000 over the 2014 figure. The Bank's business network is the most extensive as well, comprising 1,138 branches. The Bank holds total deposits and loans at KRW 208.7 trillion and KRW 207.3 trillion, respectively, up by KRW 7.4 trillion and KRW 11.1 trillion. The two figures represent 20.9% and 19.4% in market share, both the industry largest.

Award-winning New Products

In 2015 as before, the Bank introduced a variety of retail banking products, based on its in-depth research of the ever-evolving consumer preferences.

With 11 savings-related products introduced in 2015, we created 705,534 new accounts, of which 564,990 stemmed from 'KB Kookmin One', rolled out on July 29 offering diverse reduced fee services depending on the account user's transaction volume. For its record-breaking performance, the product was selected by a host of industry watchers as New Product of the Year, along with three other products. Another product worthy of note is 'KB DIY Installment': Introduced in November 11, the product with a wide range of options and benefits adjustable to customer preferences attracted 29,007 accounts and over KRW 23 billion. The year-end balance of the 11 products combined stood at KRW 1.8 trillion.

Channel Diversification

We continued to realign the channel network with customer value. The realignment was carried out as a response to such changes in customer banking patterns as the explosive popularity of smart banking. First, we reorganized the branch network into a business district-based 'partnership group' system

of fostering 148 district divisions heads into "deputy CEOs" each commanding six or so branches. We then reconstructed the branch teller structure into a one-stop service center where customers can take care of their banking needs in one visit. In addition, the outbound sales models were revamped for the purpose of fostering changes in the business modes; and with the winning of the armed force card project, the youth customer base was further solidified.

Marketing and Promotion

Our customer focus was fixed on establishing a customer-centric support system. Namely, we bolstered customer segment-based marketing, expanded field-based production development, further sharpened core retail strengths, and took steps toward creating new customer values and improving the sales process.

To enlarge the customer base, we expanded the preferential services of the KB Star Club system, with focus on highlighting the benefits involved; KB Whole Life Love was upgraded into a regular reward program for long-term preferred customers; customers with over 40 years of loyalty were to invited to an annual customer appreciation event reminding them how valuable their contributions are to the growth of the Bank.

We bolstered our leadership in the market catering to younger generations through the revision of the Rock Star blog and the reorganization of the Rock Star Zone channel. 'KB Rock Star Challenge', 'KB Rock Star Concert' and other customer-participatory events were carried out as part of the effort to enhance KB Kookmin Bank's image in the eyes of youth customers.

Record-setting Customer Satisfaction Management

To create a brand value that the people trust the most, we carried out customer-oriented sales support measures and took actions toward creating a brand image that evokes complete trust from

Customer Base and Branches

The Bank served more than 29.39 million retail banking customers, more than half the population of Korea, through Korea's most extensive business network.



Deposits and Loans Market Shares

Deposits and loans in won recorded 20.9% and 19.4%, respectively, in market share, both the industry largest.



the people. First of all, we adopted and executed a PR strategy that centers on brand value aggrandizement and implemented a customer protection policy of putting customer trust above profit in all retail operations. Other brand image enhancement efforts include:

- Community service activities were carried out characteristic of the Bank's corporate culture and spirit;
- Streamlining the process of and bolstering the manpower for, handling customer complaints concerning the efficiency and convenience of such non-face-to-face channels as the Internet and smartphone banking services;
- A 'Consumer Information' portal was created on the homepage of the Bank's website, that offers information and educational programs relevant to financial consumers' right to know and designed to correct information asymmetry;
- Strengthening of education programs regarding complete sales and expansion of the in-house 'mystery shopping' program.

These efforts contributed to slash consumer complaints registered with the Financial Supervisory Service by 23.5%, compared with 2014, and to our winning of the coveted recognition, 'Most Customer Trusted Bank of the Year'.

Other activities of customer satisfaction improvement include:

- A new CS model developed and implemented as part of the effort to help a voluntary CS culture take root;
- The official CS survey questionnaire was updated with more relevant questions as a way to develop a better understanding of the evolving customer needs and preferences, and steps were taken to monitor the implementation of remedial actions in the business process; and
- CS education programs were developed based on the input of CS managers of the industry's highest caliber and administered to all employees and provided to interested institution and corporate clients, free of charge.

As a result of these and other countless efforts, the Bank ranked No.1 in the nation's most prestigious customer satisfaction survey, for ninth year, an industry record. Other awards and recognitions include:

- Best Brand of Consumer Choice in banking (*Forbes Korea*, 4th year)
- Korea's Most Consumer-trusted Brand in banking (Korea Brand Management, 9th year)
- Most Customer-trusted Bank (Korea Finance Consumer Federation)

Wealth Management

In the preparation for the introduction of Individual Savings Account (ISA), we took such steps toward bolstering customer management and enhance efficiencies in the management of WM channels as follows:

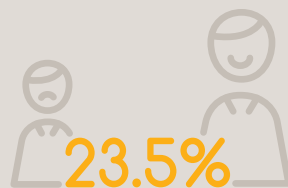
- Applying a 'PB center-branch cooperation' scheme to all branches; and
- Increasing hybrid branches that offer one-stop services comprising banking, securities and insurance, developed exclusively for high net-worth customers.

Moreover, 'Star PB Centers' were opened in areas high in concentration of high net worth customers, and competency training programs were administered to asset managers. Other actions related to asset management include upgrading and propagating asset management systems and identifying potential high net worth customers through segmented marketing.

In addition to these and other efforts, *The Asian Banker* praised KB Kookmin Bank as 'Best WM Bank of the Year' at the 2015 Excellence in Retail Finance Service Awards and *Forbes Korea* as '2015 Customer-Selected Best Brand' in private banking, for third year in a row.

Customer Satisfaction Improvement Index

In 2015, consumer complaints registered with the Financial Supervisory Service slashed by 23.5%.



Award-winning Customer Satisfaction

The Bank ranked No. 1 in the National Customer Satisfaction Index for 9th year, an industry record.



Corporate Banking

KB Kookmin Bank offers a wide range of corporate banking products and services to meet the diverse banking needs of and to build up lasting relationships with, its corporate clients. With these objects in mind, the Bank in 2015 increased corporate loans by 8.62% to KRW 92.0 trillion and SME loans by 9.96% to KRW 75.1 trillion. In addition, we implemented corporate banking-related measures aimed at strengthening proactive risk management, bolstering the operational competitiveness from a mid and long-term perspective, and improving bad asset management. To bolster the operational competitiveness, we sought to diversify income sources by facilitating collaboration among KB affiliates in the development and marketing of hybrid products.

Investment Banking

In investment banking, we focused on solidifying our status as a major player. In an intense competition for a market slice shrinking by virtue of increasing players, we won and successfully arranged the funding of major PF deals of the year, including the Incheon International Airport Railroad refinance project which, arranged in consortium with the asset management and securities affiliates, catapulted us into the No. 1 spot in terms of arranging SOC investment deals. To bolster the PF operations, we in December of 2015 created an infrastructure finance department. Meanwhile, we sought to improve the way in which KB subsidiaries cooperate with one another in executing joint corporate banking projects by creating 'Group CIB Committee', implementing an employee exchange program, and instituting a synergy performance evaluation system. As a result, the number of cooperative projects secured through referral by affiliates jumped from 114 in 2014 to 316 in 2015.

Public Institution Business

In addition to serving individual and corporate customers, we provides financial services as 'Designated Bank' to such

public institutions as regional autonomous governing bodies, state agencies, universities, hospitals and other non-profit organizations. As a designated bank, we provide institutions with diverse financial services handling their day-to-day finances, including payroll account services. By providing the institutions' employees with services handling their wages, we seek to win their trust and as well as to turn their interest toward other products and services our affiliates offer. In 2015, 49 institutions signed up with us, including 'K-water', the government agency managing the nation's water resources with an annual budget of KRW 5 trillion; Sungshin Women's University and 7 other major colleges whose student bodies are expected to be a boon to KB Kookmin Bank's youth customer base; and regional municipal and country governments which can help us pave inroads to their local communities.

'Armed Forces Card' Project

The highlight of the year in public institution banking was the winning of the 'Armed Forces Card' project. The IC-embedded card was developed to simplify the administration of Korea's military affairs, including conscription and the mandatory reservist service. Issued to all current military personnel, reservists as well as those preparing for their military duties, the card is used for verifying the identity and military status and of the carrier as well as for basic banking transactions. The biggest merit of the project is the opportunity for us to attract some 350,000 potential customers who become eligible for the mandatory military service every year. By the end of 2025, in which the project contract expires, we expect to have signed up a minimum 1.2 million youth customers; as such, we created an independent department dedicated to handling a deluge of new customers, and, more importantly, developing means of retaining them throughout their long life spans. Within a month from the launch of the card service, we signed up 73,779 accounts, which accounted for 71.4% of the market.

Cooperative Projects in CIB

The number of cooperative projects initiated through affiliate referral jumped by 177.2%, from 114 in 2014 to 316 in 2015.



'Armed Forces Card' Project

Within a month from the launch of the Armed Forces Card service, the Bank signed up 73,779 accounts, which accounted for 71.4% of the market.



SME Banking

SME banking is one area in which we have long enjoyed a comfortable lead over the runner-up; and 'KB Hidden Star 500' has been an instrument of choice in the maintenance of our market dominance. Launched in 2011, the program provides promising SMEs with both financial and non-financial services customized to accelerate their growth and thus strengthen their loyalty toward us. Having expanded the program in terms of numbers of participating SMEs in the first three years, we in 2013 started to sort out lower performers and channel thus saved resources toward the rest. As of the end of 2015, SMEs participating in the program numbered 261, 43 fewer than in 2013. In contrast, loans to and deposits from 261 SMEs, both outstanding as of the year-end, represent an increase of 10.3% and 35.4%, respectively, over the course of the two years, while incomes generated through the program grew 26.8% in the same period. In addition to financial supports, we provide our hidden-star SMEs with a wide range of non-financial services in partnership with leading state-run institutions dedicated to the growth of Korean industry. As of the end of 2015, eight institutions are in the program, including Korea International Trade Association and Korea Trade-Investment Promotion Agency.

Pension Market

In 2015 we took full advantage of the robust growth of Korea's retirement pension market, recording a healthy increase of 15.3% in retirement pension contributions collected; and made concerted efforts toward diversifying product portfolios and investment strategies. In particular, for investors looking beyond the low-interest-rate-low-growth constraint, we expanded the selection of non-principal-protected products investing in non-traditional investment vehicles. Based on these diversification strategies, we recorded the best yield rates among commercial banks in the 3-, 5- and 7-year categories. We also continued our unrivaled dominance in the DC market, for 9th year in a row, and in the individual IRP market, for a 6th consecutive year.

Corporate Banking for International Customers

In January 2016, we created an 'International Customer' department to establish the infrastructure necessary for attracting and serving quality banking services to non-Korean individual and institutional customers. In particular, the new department will be focusing on developing banking systems and services for fast-growing multicultural communities in Korea and implementing the infrastructure and strengthening support for attracting foreign direct investment and vostro accounts and developing related business opportunities.

Global Operations

In the global operations, we focused on expanding our overseas presence as ways to overcome the limited growth challenge of the domestic financial market, to meet customer demands for overseas products and services, and to secure a stable foreign currency funding base. In December we opened our China subsidiary's fifth branch in Shanghai catering to a large number of Korean corporations as well as sound local businesses based in the commercial hub of the world's second largest economy. We also took steps toward obtaining a branch status for the Hong Kong subsidiary, which we expect to be completed by the end of 2016. Another branch conversion also is underway for the field offices in India and Vietnam, as part of our long-term expansion strategy in the Southeast Asia region.

Custody

KB Kookmin Bank is Korea's leader in the custody services business, ranking No.1 in market share among 11 commercial custody banks, for 13 consecutive years, as well as in the insurance market. As of the end of 2015, about 5,000 funds are under the Bank's custody, entrusted by some 150 asset management, pension fund, insurance and other related institutions, including the National Pensions Service, the fourth largest in the world. Total assets in custody amounted to KRW 154 trillion, up KRW 13 trillion from the year before.

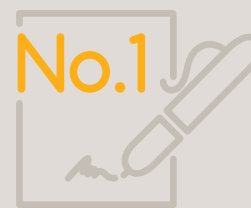
Pension Market Share

The Bank continued its unrivaled dominance in the DC and individual IRP markets, for 9th and 6th year in a row, respectively.



Custody Market Share

The Bank ranked No.1 in market share among 11 commercial custody banks, for 13 consecutive years.



Trust

The Bank offers individual customers a wide range of trust products, from personal pension trust to asset-backed short-term bonds, money market trust (MMT), wealth care trust (WCT), and ELS/ETF products. The trust operations play a key role in the growth of the Group's non-interest revenue as well as future income models.

Our 2015 trust performance was impressive; the year-end balance of money trusts amounted to KRW 23.1 trillion, up 20.8% from 2014, in which we had posted a growth rate of 22.4%; trust fee income rose 18.2% to KRW 211.3 billion; our share of the specified money trust market reached 23.5%, an increase of 1.5%p and the largest among commercial banks. These remarkable achievements can be attributed to a timely release of various money trust products developed to the demands of customers concerned with growing volatility in investment markets.

Capital Markets

Treasury

The Bank on October 14 issued Korea's first covered bond since the Korean Covered Bond Act took effect in April 2014. The bond also is the first legislative covered bond in Asia. Generally regarded as a low-risk investment, legislative covered bonds offer investors recourse to both the issuing bank and the underlying assets in the event of a default.

The five-year USD500 million bonds, rated Aaa by Moody's, are backed by mortgage assets on the Bank's balance sheets. Pricing is fixed at 90bps over mid-swaps. The bonds were subscribed by 32 institutions, of which 85% are of U.S. and EU origin.

Other significances of the bond issuance include:

- The test of Korean and Asian banks' appeal to global investors of secured bank debt;
- The Bank's asset quality will continue to improve as mortgage lending, the underlying asset of the bond program, transforms from a floating to a fixed rate basis;
- A stable long-term funding source as the bond issuance succeeded in attracting investors amid an increasing volatility reflecting growing concerns over US rate hikes and the slowing economies of developing countries;
- The investor base has been expanded to include European and U.S. institutions; and
- Lower funding costs made possible by a bond rate 10~22 bps below the average senior bond rate of commercial banks.

Also in 2015, we succeeded in borrowing USD340 million with maturities ranging from 2 to 3 years through club deals through which we have raised funds overseas since 2013. Of particular note, our overseas funding performance was benchmarked by our peers for the competitive rates at which we raised the funds despite the harsh conditions of global capital markets.

Trading

The trading environment of 2015 was dominated by fears of a global recession fueled by China's growth slowdown and falling oil prices. In response, we pursued stable income generation through expansion of customer flows. Expecting the environment to remain challenging going into 2016, we plan to maintain the current business strategy while cautiously exploring future growth opportunities; specifically, expansion of customer flows will be pursued through collaboration with sales units, and efforts will be made to take part in the Shanghai Won-Yuan exchange market slated to open this year.

Specified Money Trust Market Share

The Bank's share of the specified money trust market reached 23.5%, the largest among commercial banks.



Global Covered Bond Issuance

The Bank issued Korea's first covered bond since the Korean Covered Bond Act took effect in April 2014. The bonds were subscribed by 32 institutions, of which 85% are of U.S. and EU origin.



Smart Banking

Smart Finance

In 2015 we set a few national records in the business of smart banking; in April, we reached the 10 million mark in number of smartphone banking users; in November, exceeded the 20 million mark in Internet banking users; and in July, introduced Korea's first 'Smart one-time-password (OTP)' generating security system, quickly followed by a service that enables the storage of authentication certificates in the IC of OTP cards, which relieves card users of the trouble of having to write down and punch in passwords each time of paying for products or services. These industry firsts mirror our continued commitment to provide customers with more secured and convenient financial services.

Our continued build-up of the non-face-to-face products, each developed to the characteristics of a specific customer segment it targets, has resulted in outstanding performance improvements; our dominance in the smart banking market in balance of savings increased to 35.1%, comfortably outpacing the runner-up at 29.3%. In particular, 'KB Do-it-yourself Installment' exceeded 10,000 accounts in 10 days of its introduction in November, ending the year at 29,077 accounts amounting to KRW 23.5 billion in balance.

These outstanding achievements attracted coveted industry accolades; including 'Overall Best Financial Award' from the Web Awards Korea, for eight year in a row; and Grand Award from the Korea Smart Bank Awards, to name a few but more prestigious recognitions.

IT Planning

In the IT area, we continued to spare neither expense nor effort in our pursuit of an IT edge worthy of the leader of the era of finance and IT conversion. The actions taken in 2015 include:

- Replacing the IBM mainframe-based computer system with the latest far advanced in functionality and in integration;
- Adopting an extension plan of covering increases in customers and transaction volume up to 2020;
- Evaluating overall IT competencies with the help of a professional outfit and identifying such IT governance-related tasks for 2016 as improving the IT purchasing system, creating a unit dedicated to one-stop-business support, enhancing IT transparency and efficiency, fostering IT specialists;
- Maintaining the IT infrastructure to international standards as specified in the ISO 20000 and 22301 certificates; and
- Conducting various projects and investments related to data analysis, including a system of analyzing user information real-time which was named by the Asian Banker 'The Best Data and Analytics Project' at the 2015 Technology Innovation Awards.

Data Protection

In 2015 the Bank approached the issue of security breach prevention through security system fortification, minimum customer data collection and monitoring for questionable trades:

- For security system fortification, such advanced systems were adopted designed to detect at the earliest possible stage and initiate effective responses to internal/external threats as those that control network access (NAC), prevent unauthorized customer data search/retrieval, or react to virus attacks (V3);
- A firewall set up in every employee PC separating the business from the Internet spheres;
- 'KB-PIN', a personal ID system, developed and implemented in February, as an alternative to using the national registration numbers in the management of customer accounts, thereby eliminating the possibility of the sensitive data being stolen;
- A big data-based fraud detection system implemented in April, which has enabled a real-time monitoring and analysis of 45 million transactions per month as well as the analysis of 3.5 billion electronic banking log-ins through which 1.8 million customer profiles have been created and marked for the detection of fraudulent transactions.

Record-setting Smart Banking Services

The numbers of internet and smart banking customers reached 20.1 million and 10.8 million, respectively, or 22.7% and 24.0% in market shares, the largest among commercial banks.



Smart Banking Savings Market Share

Based on the balance of savings, the Bank's smart banking market share increased to 35.1%, comfortably outpacing the runner-up at 29.3%.



2015 Performance

KB Insurance is the newest subsidiary of KB Financial Group. Armed with an insurance expertise that dates from 1959, the Company seeks to reclaim the status as the No. 1 in non-life insurance by leveraging synergies it generates together with other KB affiliates.

In 2015, KB Insurance collected KRW 9,119.4 billion in direct premiums written, up 3.2% from 2014, and posted a net income of KRW 173.7 billion and total assets of KRW 26,503.6 billion, 14.6% more than the year before.

Commercial Insurance

In commercial insurance, we improved the loss ratio, to 107.9%, up 10.4%p from 2014; the increase can be ascribed mainly to a boost effect from the U.S. branches. The loss ratio in the domestic market also remained stable. The efforts made over the past years to rationalize the property holdings have contributed to improve the loss ratios of all sectors except in marine insurance.

Long-term Insurance

In long-term insurance, we reported KRW 453.9 billion in profit, an increase of 21.1% from 2014, the result of an increase in profits following the improvement of the loss ratio. Over the year, we improved the risk loss ratio by 5.3%p, to 82.3% on the strengths of sound new policies secured through thorough underwriting practices, the rationalized payment process, and a MERS-induced reduction in losses.

Auto Insurance

The loss ratio of auto insurance came to 88.3% at the end of 2015, 1.3%p down from 2014, a laudable feat in the light of the fact that a rapid increase in high-priced import automobiles led to a surge in repair costs and a drop in profit for the whole auto insurance industry.

Asset Management

We recorded KRW 679.7 billion in investment profit in the face of the protracted low-growth-low-interest-rate environment. The yield rate of assets under management came to 3.55%, 0.44%p lower than in 2014, while invested assets rose 13.7% to KRW 20,738.1 billion.

2016 Plans

In 2016, while the low interest rate trend is likely to continue, the insurance industry is expected to undergo a sweeping reshuffle following a scheduled adoption of a system designed to liberalize the price of insurance products. In anticipation of such a challenging development, KB Insurance seeks to turn the looming crisis into an opportunity to grow further by executing such actions as follows:

Commercial Insurance

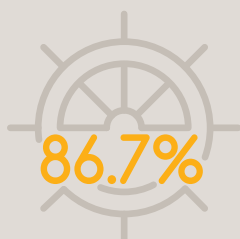
As the commercial insurance market enters the matured growth stage, we expect that our peers will conduct business more from the profit/loss perspective; and accordingly plan to focus on securing a cost-based business structure and to gradually establish a pricing model as a main objective for 2016. In the area of underwriting, by developing an underwriting check list, setting up a system of managing feedbacks on claim adjustments, and executing other steps toward improving the compensation payout system, we will proactively respond to market changes in sales, underwriting, and indemnity.

Long-term Insurance

In accelerating the growth of our long-term insurance business, we plan to strengthen new product R&D functions, increase opportunities to develop ideas, and secure a pool of products with which to address changes in the market environment. Through these, we will offer products optimized to the

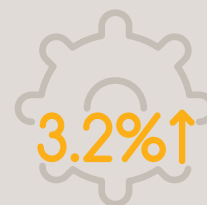
Loss Ratio

The loss ratio, a key indicator of business competitiveness, stood at 86.7% thanks to quality growth.



Direct Premiums Written

In 2015, KB Insurance collected KRW 9,119.4 billion in direct premiums written, up 3.2% from 2014.



characteristics of each channel in a timely manner and thus to speed up the momentum we have gained in enlarging the market share in new guarantees. In addition, to establish a value-oriented management structure, we will adopt a system of evaluating the value of new business and strengthen portfolio management by channel and product.

In improving profit, we plan to strengthen the process of analyzing the profitability of new products, to continue proactive base rate operations, and to take every step possible to prepare for the adoption of the second phase of IFRS4, in an effort to secure a stable long-term insurance profit stream and to better manage risk in the long run. Moreover, to grow mortality profit in a stable manner and to secure the upper hand in the race for better loss ratios, we are pursuing higher competencies in underwriting and claims evaluation, closing on the frontrunner in loss ratio and leaving the rest of the pack farther behind.

Auto Insurance

The auto insurance industry will likely continue its focus on profit in response to rising costs owing to increases in auto traffic and imported automobiles fueled by low oil prices. In addition, the adoption of the one-company-three-price system is likely to spur the growth momentum centering on online channels.

In response to these likely developments, KB Insurance will focus on reducing auto insurance losses and plans to devise execution strategies for all business areas. To improve the channel structure, we will pursue portfolio differentiation by channel; to gain advantage in pricing, secure suitable prices based on the risk; and in the underwriting area, fine-tune the standards for classifying properties and thus differentiate the underwriting principles.

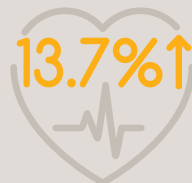
Asset Management

Expecting the lingering uncertainties to continue over global financial markets and the 2nd phase of IFRS4 to contribute to more procedural restraints, we plan to upgrade the asset management systems in the following manners:

- Secure stable income and maintain assets and liabilities in balance by expanding the proportion of fixed income assets;
- Improve the stability of asset operations by managing the asset portfolio within set limits and thoroughly evaluating the feasibility of all new investment plans, and following all related process guidelines;
- Identify growth investment targets by expanding the investment network to include diverse alternative investment opportunities.

Invested Assets

Despite the protracted low-growth-low-interest-rate environment, invested assets rose 13.7%, continuing the growth trend of the past few years.



Credit Ratings

Rated A- by A.M Best, a world-famous ratings agency specializing in insurance, for 11th year in a row.



2015 Performance

In 2015 KB Kookmin Card focused on fortifying its market leadership to great success. The Company rolled out a series of big data-based products targeting youth customers; upgraded 'Kmotion', a mobile-based app, in response to the emergence of fin-tech-based services; pursued strategic partnership with various ICT and startups in line with its corporate slogan, 'Partner for the Happy Lifestyles of the People'. In addition, we established the industry's most-advanced customer information protection systems, including virtual PC environment and segregated Internet network, to prevent a repeat of the data theft of 2014; and made a measurable progress in winning back the public trust through various social contributions.

These achievements and efforts are reflected in the improvements we made in 2015 performance figures, compared with 2014:

- Transaction volume increased 7.8% to KRW 94.8 trillion;
- Net income rose 6.7% to KRW 355.0 billion; and
- The delinquency rate dropped to 1.15% (1.26%, with factoring and similar services included), the lowest since inception.

In addition to financial performance improvements, we introduced many industry firsts in product and service. Some of the more noteworthy are as follows:

'Point Tree-Bitcoin Conversion'

Developed in alliance with 'Coinplug', 'Point Tree-Bitcoin Conversion' enables the Company's customers to convert their mileage points into Bitcoin, through the Company website or a mobile app, an industry first. As of 2015, Bitcoin online and off-line merchants are over 100,000 worldwide, and Korea has some 7,000 ATMs at major convenient stores and subway stations that convert Bitcoin into cash. Also, Bitcoin holders can remit their Bitcoin to accounts at KB Kookmin Bank and other commercial banks for cash withdrawal or use Coinplug's digital wallet to settle payments.

UnionPay Mobile Card

'KB Kookmin UnionPay Mobile Card' was rolled out last year which can be used at over six million participating merchants in China and other countries. As UnionPay's touch-based settlement system is embedded in the USIM in LG Uplus smartphones, it require neither chip replacement nor annual membership fees.

'Smart OTP'

An improvement of the conventional personal authentication system, the 'Smart OTP' system uses smartphones to generate one-time passwords and authenticate 'Smart OTP'-loaded cards. Another innovative feature of 'Smart OTP' is that it can be used even if the card itself has expired or been cancelled.

Speech-to-text Conversion System

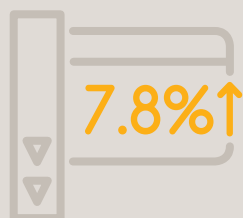
Speech-to-text conversion technology was adopted into our voice consulting system, as part of the plan to apply to various operations the vast amount of voice data collected from the consultations conducted between employees and customers. As employees now can access such a trove of customer information and preferences with ease whenever they need to, the technology is expected not only to contribute a great deal to the prevention of mis-selling sales, but also to play a huge role in the development of AI-based customized consulting; knowing what business vocabulary customers use in their conversations with telemarketers or card sales personnel alone can go a long way toward making complete sales. An analysis of the voice records of customers requesting contract termination or registering complaints can help supplement sales scripts or eliminate sources of complaints.

Mobile App-based Cards

Four mobile app-based card products were rolled out to replace the existing plastic cards of the same name: 'KB Kookmin Good Day', 'KB Kookmin Good Shopping', 'KB Kookmin Wise', and 'Homeplus KB Kookmin'. Carrying an annual membership fee similar to mobile cards of the competition, the new products are

Total Transaction Volume

Transaction volume increased 7.8% as a result of the fortification of the market leadership.



Mobile Card Subscribers

Mobile card members surpassed 4 million in 2015 since its introduction in 2011.



available for download at the Company website, free of charge to customers carrying the same plastic cards.

In addition to industry-leading products and services, we formed business alliances with diverse entities, public and private, in 2015.

Big Data/Cloud Computing-based Smart Finance Alliance

An alliance was formed with KT, the leader in telecommunication and Internet services, to cooperate in the business of converging finance and ICT. The alliance covers the following:

- Establishing an ICT platform based on big data and cloud computing;
- Developing diverse pay settlement and certification services; and
- Cultivating new cooperative business models, all geared toward creating new customer values and improving customer convenience in the use of financial services.

Fin-tech Business Alliance Agreement

A fin-tech business alliance was formed with NHN Entertainment, a leader in online games. In addition to the plan to roll-out 'FINTECHCARD', an alliance card targeting youth customers, the agreement binds both parties to the following joint actions:

- Developing off-line pay settlement solutions;
- Establishing NFC-based online/off-line infrastructure for mobile pay settlement, including subscription of online merchants and supply of settlement devices to off-line merchants;
- Introducing alliance cards linked to online-to-offline services targeting youth customers; and
- Pursuing overseas alliance based on fin-tech services.

Big Data Analysis Support Agreement with Seoul City

A big data agreement was signed with the City of Seoul with respect to developing big data-based policies aimed at improving public services. Specifically, we

- analyze big data related to the usage of public transportation systems, including the use of transportation cards;
- support the city in formulating effective policies regarding route selection, service frequency, and other related matters;
- assist, together with other affiliates, the city in policy development.

KB Kookmin Bank has accumulated a great deal of data related to local business statistics such as real estate price information, which can shed light on areas from/to which the Seoul people are moving or setting up shops, which in return is vital to urban development planning.

Samsung Pay Service Expanded as First Mover

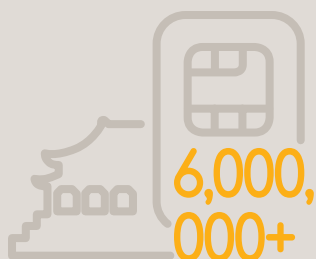
A strategic partnership was developed with the Samsung Pay system as part of the pursuit of being the first mover of fin-tech. In August 2015, Samsung Pay off-line settlement services were launched; in November, upgraded settlement standards for offering alliance services of cards registered with Samsung Pay, launched overseas settlement services, and added transportation card services to its Samsung Pay services; and in January 2016, introduced a Samsung Pay mobile-only card and launched a Samsung Pay online settlement service. We plan to further bolster our Samsung Pay partnership through development of more linked services and to solidify our leadership in the settlement market.

Fin-tech Alliance with Vietnamese IT Firm

A fin-tech business alliance agreement was signed with Vietnam's GNC Telecom specializing in pay settlement services. The agreement has created opportunities for the Company to develop online-to-offline settlement services to local circumstances, to offer mobile settlement and authentication services, to develop mobile-based new business models and introduce fin-tech-based financial services linked with local ICT. Moreover, with Vietnam as a first stepping stone, we plan to form ties with ICT and telecom businesses in Southeast Asian countries and together develop fin-tech business models to the characteristics of each local market.

UnionPay Mobile Card

'KB Kookmin UnionPay Mobile Card' can be used at over six million participating merchants in China and other countries.



Overseas Fin-tech Business Alliance

KB Kookmin Card agreed a fin-tech business alliance with Vietnam's GNC Telecom, a first stepping stone to Southeast Asian countries.



2015 Performance

The year 2015 saw volatility surge in global financial markets surge on the back-to-back plunges of the Chinese stock market, the much-speculated U.S. interest rate hike and many other worrisome developments. Against such a volatile backdrop, KB Investment & Securities focused on maintaining its core strengths and developing new income sources. Also by rationalizing under-performing units, the Company put all of its operations on a profitable footing and thus turned in the best income performance since its foundation.

New Income Sources Secured

In investment banking, the Company solidified the income base and stabilized its core operations; the SPAC, project financing and M&A finance operations all generated a solid profit; WM, a relative laggard, improved its business efficiencies on the back of a large-scale infusion of resources, and, as a result, tuned in a profit for the first time; and operating profitability improved following, among many, the creation of a products operating division.

Core Competiveness Maintained

The Company ranked No. 1 in DCM market share (20.59% as of December), despite an IB market reshuffle led by big players. We sought to maintain our hold on key income sources by minimizing the impact of market changes: In the fixed-income operations, we recalibrated the sales and income strategies to market conditions; and in corporate business, strived to maintain the ratings of major large trading institutions.

Performance Review by Business

In 2015, total income before sales & general administrative expenses amounted to KRW 187.5 billion, up 28% from 2014; of this figure, KRW 45.0 billion stemmed from IB (up 17%), KRW 59.3 billion from WS (up 19%), KRW 45.9 billion from WM (up 65%), and KRW 37.3 billion from cross sell.

DCM Dominance Preserved

In DCM, we also ranked No.1 in the Bloomberg league table, the result of the development of new income sources and expansion of coverage: We led the underwriting of the corporate bonds and ABS of all LG Group affiliates as well as other large corporations. Another contributing factor was the expansion of cross sales we conducted together with other KB affiliates, which led to the lead-management of the issuance of ABS for the Incheon Airport rail authority.

Hybrid Branches Opened in Link with KB Kookmin Bank

By focusing resources and energy on the WM network, the Company succeeded in securing a viable business network and turning the fledgling business into a profitable operation. In particular, to generate hybrid branch synergies between KB Kookmin Bank branches and ours, we promoted more active interactions and cross-sales among RMs and VMs of all regional divisions, thereby greatly expanding Bank-linked sales.

Mobile Competiveness Strengthened

To strengthen our mobile competitiveness, we carried out a complete overhaul of the mobile trading system (MTS) with focus on enhancing user convenience and increasing the speed at which we execute customer requests for stock trade. By opening 'KB WM Cast', we provided mobile contents of financial tips and information on managing individual assets. The MTS' coverage also was expanded through the launching of stock trade services covering the Hong Kong and China stock markets.

Stock Trade Accounts Increased

The number of stock trade accounts, both active and passive, increased markedly, the result of concerted efforts we exerted at expanding WM sales competencies, improving the business infrastructure, promoting Bank-linked sales, and other related actions. As of the end of 2015, the number of active accounts stood at 191,000, up 44,000 from the year before, and that of passive accounts at 42,000, up 11,000.

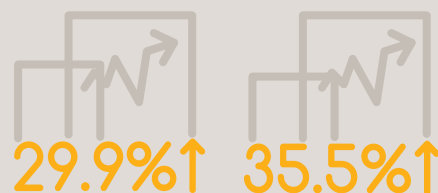
Debt Capital Market Share

Ranked No. 1 in DCM at 20.6% and in the Bloomberg league table



Stock Trade Accounts

The number of active accounts increased 29.9%, and that of passive accounts rose 35.5%.



2015 Performance

In 2015 KB Life Insurance stayed focused on growing into a leader in the Korean life insurance industry.

Improving Business Support Systems

The Company primarily focused on strengthening the efficacy of business support systems and thus fortifying the sales basis:

- A new support system was built dedicated to helping consultants optimize their sales competencies;
- The FC channel was reorganized with an eye toward promoting ethical business conducts;
- A comprehensive policy implemented of reducing customer complaints and promoting complete sales practices; and
- A new voice of customer system adopted that allows customer opinions to be heard as is and enables prompt quicker responses.

As a result of these actions, the number of customer complaints dropped about 45% and the mis-selling ratio decreased by 1.5%, from 2014.

Improving Profitability

Steps were taken to improve profitability:

- Sales of protection insurance, the basic function of insurance, and alternative investment were expanded in proportion;
- Diverse products and risk rates were developed with an eye toward strengthening product competitiveness;
- The one-stop business support process was rationalized with the creation of a sale support division for the main purpose of facilitating communication between HQ units and frontline sales personnel.

Creating More Synergies

The new growth basis was expanded through synergy creation:

- Cross-selling and joint corporate business were carried out in cooperation with KB Insurance; and

- An online channel and multi-branches were opened, in collaboration with other KB affiliates, that offer insurance and related products.

Managing Change and Innovation

Actions were taken to better manage change and innovation:

- A quarterly session was introduced in which all executives, including the CEO, and employees can share the latest business status and exchange ideas of work cooperation; and
- The main office was relocated to Yoido, Korea's financial hub to improve customer access and project a better corporate image.

The actions thus mentioned were instrumental in making 2015 a productive year for KB Life Insurance:

- CMIP improved 10% year-on-year to KRW 22.4 billion;
- Net income leaped 63% to KRW 10.6 billion;
- The RBC ratio remained in a stable range at 244.6%; and
- Total assets increased 10.9% to KRW 8,516.8 billion, the industry's best growth rate, for 11th year in a row.

2016 Plans

KB Life Insurance plans to improve profits by implementing the following tasks:

- Develop products conducive to meeting market and channel needs, render the work process more customer-oriented;
- Devise sales channel strategies more attuned to market changes, expand the sales support system company-wide;
- Establish a value-focus management structure, strengthen risk management in response to toughening capital requirements, construct platforms for enhancing employee competencies;
- Carry forward the general change and innovation based on strong teamwork.

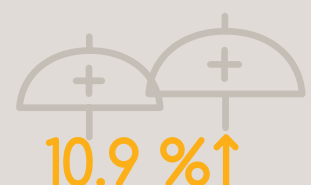
Customer Complaints Resolution

The number of customer complaints dropped about 45% and the mis-selling ratio decreased by 1.5%, from 2014.



Asset Growth

Total assets increased 10.9%, the industry's best growth rate, for 11th year in a row.



2015 Performance

KB Asset Management's 2015 highlight is ranking No.1 in sales of fixed-income hybrid funds. By introducing a series of innovative fixed-income funds that project yield rates higher than normal bank savings accounts, the Company effectively appealed to investors increasingly impatient of the current low interest rate environment.

- The total 2015 year-end balance of fixed-income hybrid funds amounted to KRW 4,977.6 billion, which represents a 158% increase from the year before.
- Of the industry total of KRW 3,160.8 billion, the Company's share accounts for 96% (KRW 3,046.9 billion).

In addition, most of the funds reported an annualized return rate of over 4%, compared with the average annualized rate of 1.6% for bank savings accounts.

- KB Value Dividend 40 (KRW 1,480.4 billion): 4.20%
- KB Value Focus 30 (KRW 426.6 billion): 4.92%

Another highlight is setting an industry record in retirement pension funds by breaking through the KRW 2 trillion mark.

- Retirement pension funds grew 81% to KRW 2,001.7 billion.
- The share of the fast-growing market expanded to 24.6%, the largest of the market pie.
- KB Retirement Pension Dividend 40, the flagship fund, attracted over KRW 800 billion, reflecting its top 1% percentile 5-year return rate of 43.09% in contrast to the benchmark rate of 20.41%.

To review overseas performances, the Company continued to do well overseas in 2015, particularly in the greater China region.

- KB Unified China High Dividend, which invests in high-dividend stocks in China and Hong Kong, attracted KRW 190.7 billion in 11 months since its February launch.

- Fund products investing in the greater China region increased by KRW 650 billion in AIM, of which KRW 450 billion was raised through public funding.

In addition, the Company developed overseas infrastructure fund markets as alternative investment targets.

- Partnerships were formed with leading asset managers of many countries, with the help of the global network of KB Financial Group, the most extensive in Korea.
- Canadian, Australian and European infrastructure markets were plowed.

In recognition of these and other stellar performances, the Company was awarded coveted accolades as follows:

- Best Pension Fund Award (*Korea Economic Daily*)
- Overall Best Award, Outstanding Award in fixed-income hybrid fund, Special Award in best performing fund at 2014 Korea Funds Award (ZeroIn)
- Best Fund Awards (*Asia Business Daily, Korea Herald Business, Seoul Economic Daily, Money Today*)

2016 Plans

In 2016, KB Asset Management plans to focus on the following areas:

- Strengthening the competitive advantage of the passive market;
- Diversifying sales channels and bolstering the long-term income base;
- Expanding overseas investments;
- Fostering the growth of solutions business;
- Solidifying the market position in equity-type/alternative investment; and
- Improving the expense structure through reorganizing manpower operations and systems.

Fixed-Income Hybrid Funds Growth

The balance of fixed-income hybrid funds increased 158%, ranking No.1 in sales.



Retirement Pension Funds Market Share

Retirement pension funds reached the KRW 2 trillion mark for the first time in the industry, garnering the largest market share, at 24.6%.



2015 Performance

In 2015, KB Capital focused on enhancing the profitability of existing operations in general and expanding its auto finance market share in particular.

In the new auto business, KB Capital strengthened its role as the exclusive financing agency of Jaguar Land Rover Korea; which contributed to increase to 66.6% the Company's share of the market comprising new vehicles sold by the importer, an increase of 8.3% from 2014. The increase of the market share raised related auto financing to KRW 339.5 billion, a whopping KRW 152.1 billion jump. Of the total, sales in new auto financing/leasing grew 24% to KRW 2,069.0 billion: The Company fine-tuned its business process to the sales practices of Mercedes Benz, BMW and other import car dealers and established ties with Maserati and other importers.

In the used auto business, the Company signed up more used car dealers and expanded the sales base of the sector; and in the rental car financing business, launched in 2013, sales soared KRW 29.5 billion, or 60%, to KRW 79.0 billion, thanks mainly to effective cross-selling.

Other contributing factors of sales growth include free auto insurance services developed and marketed in collaboration with KB Insurance; and a partnership formed with SK Planet in the areas of mobile payment services and FinTech, both of which contributed to further enhance customer satisfaction. In addition, the Company's role in the development of new insurance and card products contributed to turning group synergies into business models.

Personal financing in general and durable goods financing in particular also enjoyed robust growth, the latter surging 88% to KRW 88.8 billion in sales on the back of an increase of partner outlets from 31 to 64.

Launching a Ssangyong Motors-exclusive Financing Company

In 2015 KB Capital created an auto financing company in a 49% partnership with Ssangyoung Motor, a first of its kind in Korea. The joint venture aims to secure 50% of the market comprising Ssangyong vehicles only.

Another industry milestone will be set once the Company soon has entered the Laotian auto lease market together with KB Kookmin Card in the near future.

Risk Management Strengthened

In 2015 the Company adopted advanced risk management practices in an effort to better prepare for diverse changes looming over the auto finance business horizon: For credit risk, the integrated risk management system was upgraded; for operational risk, the self-diagnosis evaluation system was fine-tuned and key risk management indexes were recalibrated; and for liquidity risk, a liquidity management monitoring system was developed and implemented. In addition, the system of grading delinquent customers was improved and more manpower assigned to the management of high-risk accounts.

2016 Plans

In 2015 KB Capital plans to carry out the following actions:

- Expand the market share and sales of the joint venture with Ssangyong Motor and improve business ties with foreign auto dealers;
- Create a comprehensive used car web site in response to the growing presence of the direct used car market;
- Continue to improve upon the credit evaluation process and bad debt management and to strengthen pricing power through work process and computer system upgrading; and
- Improve HR development systems including performance-based personnel management and optimize resource allocation.

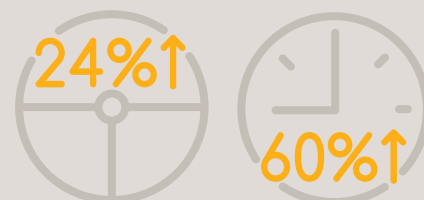
Ssangyong Motors-exclusive financing company

KB Capital created an auto financing company with Ssangyoung Motor, a first of its kind in Korea.



Sales in Auto-Financing

Sales of new auto financing grew 24%, while rental financing business, launched in 2013, soared 60%.



2015 Performance

In 2015 KB Savings Bank focused primarily on carrying out five tasks as follows.

Making Business Channels More Customer-friendly

The Bank sought to improve customer access to its business channels. To make non-face-to-face channels more customer-friendly and efficient, the latest in smart banking technology was employed: A mobile app was developed and introduced that enables customers to apply for and get loans fast. In six months of the app's introduction, KRW 5.9 billion worth of loans was extended to app users. Also newly introduced is a web site through which customers can apply for loans, check their loan application status, and conduct other loan-related affairs. Other new features include a revamped blog through which the Bank keeps customers informed of events developing within and without, offers tips on improving the quality of their daily lives, and lists cases of how 'KB Kind Loan' and other products have helped people reduce their high interest rate burden.

Making Products More Customer-oriented

Product improvement and development were carried out from the customer perspective. To offer products that are easy to understand, simple to apply, and quick to get, the Bank bolstered its popular "kind loan" product lineup with the adoption of web scraping. By using this FinTech technique, the Bank developed a credit-based low-interest loan product that requires neither documents nor interviews.

Brand Image Reinforced through Promotional Activities

The Bank sought to reinforce its brand image. A large-scale promotion campaign was launched using voice announcements on public buses and highlighting the superior products and services of the Bank. The campaign proved successful, for the Bank received 11 industry awards given in recognition of its coming first in various customer awareness surveys.

Business Organization and Strategies Streamlined

The Bank's organization was revised and business strategies reexamined toward strengthening sales competencies. HQ offices were slimmed down and frontline sales forces bolstered. Some branches were consolidated and three new field offices opened specializing in lending. In a proactive response to the impending emergence of Internet banks and commercial banks rolling out mid-range interest rate products, the Bank launched a TF to explore ways to improve efficiencies in its non-face-to-face channels.

Creating More Synergies with KB Affiliates

Efforts paid off to strengthen the sale of loan products linked with those of KB affiliates, for loans extended through such products grew 36%. With the help of KB Insurance was the Bank able to introduce a loan guarantee service, which furthered the strengths of its "Kind Loan" product lineup.

As a result of above-mentioned efforts and improvements, the Bank turned in a profit, amounting to KRW 20.6 billion, for the first time since its establishment.

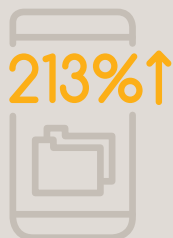
2016 Plans

In 2016, the Bank plans to focus on the following areas:

- Advancing non-face-to-face channels with focus on enhancing customer convenience and introducing fintech-based products;
- Fine-tuning the accuracy of the loan screening process through use of the credit data bases of quick-loan operations;
- Strengthening the management of growing lending operations and short-term loans in arrear; and
- Bolstering branch competitiveness through increasing interactions with local SOHOs.

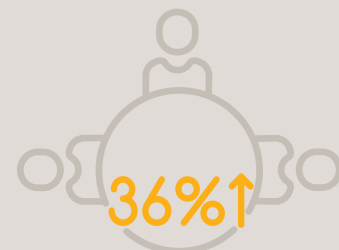
'KB Kind Loan' Sales Growth

Sales of "kind loan" grew 213% YoY, due to its extended product lineup with the adoption of web scraping.



Loans Linked with Other Affiliates

Loan products linked with fellow KB affiliates increased 36% year on year.



2015 Performance

In 2015, KB Real Estate Trust focused on rationalizing business guidelines and improving the business process, in an effort to stay ahead of the evolving market changes; and on integrating interposing units and creating new ones, to enhance efficiencies in the organizational operation. These efforts proved effective; at year-end, the Company recorded a commission income of KRW 42.7 billion, a 11.2% increase versus 2014, and total entrusted assets of KRW 18.7 billion, a 5.1% increase, maintaining a top position.

Maintaining Leadership in REITs in Housing Sector

By creating a new REIT unit and signing up seasoned professionals, we introduced the nation's first REIT in housing sector. With three more REITs in housing sector underway, we have firmly established KB Real Estate as an unrivaled REIT in housing sector specialist.

Diversifying Income Sources

We also focused on diversifying income sources by taking steps toward creating or investing in PFVs for urban development, multi-unit housing and multi-purpose building projects. In 2015, we invested in two PFVs.

Improving Collaboration with the Group's Other Affiliates

A collateral trust developed in collaboration with KB Kookmin Bank and other affiliates generated KRW 12.6 billion in commission, accounting for the largest market share of 16.4% among 11 trust companies.

Bolstering Market Leadership in Trust Business

To bolster our market leadership in trust business, we developed such high-return stable products as a land trust in which we take on full responsibility in land development and management; in the

leased land trust, which carries relatively high risk, we thoroughly evaluated the feasibility of possible projects and took on seven promising projects in areas relatively high in housing demand.

2016 Plans

As the recent revision of housing-related laws is scheduled to take effect in March 2016 and thus allow real estate trust companies to take part in remodeling and rebuilding apartment complexes, we are making preparatory steps, including launching a TF to take an active part in the excellent business opportunity.

Also in 2016, the Company plans to take the following actions:

- Strengthen business competencies in the loan-type land trust area, one of few sectors enjoying growing demand
- Increase sales in non-land trust, a relatively low-risk business, by strengthening the sales network and improving the sales environment;
- Fortify our dominance in the REITs market by reinforcing sales competencies and expanding the collaboration with other KB subsidiaries;
- Strengthen risk management by expanding the scope of contingency plans, adopting better ways to monitor projects in progress, and expanding the education of employees on risk management;
- Enhance business efficiencies by expanding the performance-oriented culture, fostering the growth of a business support mindset, and improving the stability of the organization; and
- Develop new income models by expanding into redevelopment business and rental housing REITs.

Commission Income Growth

Commission income increased 11.2% YoY, continuing the stable growth of the past few years.



Collateral Trust Market Share

A collateral trust accounted for the largest market share of 16.4% among 11 trust companies.



2015 Performance

Korean Venture Investment Market

In 2015 the Korean venture investment market surpassed the KRW 2 trillion mark in annual investments, reflective of vigorous government policies promoting “creativity economy”. Newly established venture firms conducted robust investment performances throughout the year, plowing over KRW 2 trillion in the future of Korean industry. The number of venture firms newly listed on KOSDAQ increased 40% from 2014 (excluding relisting, foreign origin and SPAC).

By business category, ICT services accounted for the largest slice of the investment pie, at 19.3%, followed by bio medical at 15.2 %, continuing the momentum gathered the year before.

The number of venture capital firms created in 2015 exceeded that of 2014 by 12, further intensifying the competition of forming new venture groups or developing viable deals.

The PE market, in contrast, failed to generate as much interest, other than a couple of large-scale M&As, due mainly to market liquidity being high, yield rates remaining uninspiring, and industry restructuring slow in execution. The lackadaisical PE market kept, among many things, the growth capital market, a core strength of KB Investment, in the doldrums.

Expanding Venture Investment and IPOs

With these challenges in the backdrop, KB Investment concentrated on expanding venture investment and IPOs in 2015.

To expand investment in bio, ICT services and other new growth areas, the Company renewed its evaluation arm with an infusion of new blood and bolstered the investment competencies with various programs designed to boost evaluation.

As a result, the Company invested KRW 60.7 billion—a record high since 2005—led 8 KOSDAQ IPOs, or a 14% market share, and turned in a profit, for fifth year in a row. In addition, a KRW 50 billion investment vehicle was formed which invests in venture firms armed with promising technology or patents.

Support for SMEs in Growth Industries

In 2015, the Company invested in 34 SMEs including two FinTech firms and KRW 60.7 billion in venture firms. Many of the invested are engaged in bio, ICT services, and other growth industries that received extensive governmental supports, which clearly reflects the Company’s efforts to diversify its investment portfolio. Venture firms seven years and younger accounted for 41.2% of total investments, a 2.5% increase from the year before.

Ministry of Health & Welfare’s Healthcare Fund

In 2015, KB Investment was selected as the managing firm of the Ministry of Health & Welfare’s ‘Global Healthcare’, a KRW 150 billion fund of funds, the largest in the Company history. The Company was selected in part for the outstanding investment strategy its key fund managers had developed working in the running of many funds, with Solidus Investment, the other joint managing firm of the government fund. The awarding of the fund is expected to catapult the Company into the fifth place in venture investments under management and to accelerate its drive to diversify investment strategies.

Mandated to invest in overseas expansions of bio, medical, pharmaceutical, cosmetic and other healthcare-related companies, the fund also is expected to be instrumental in KB Investment’s solidifying of its market leadership in key growth industries.

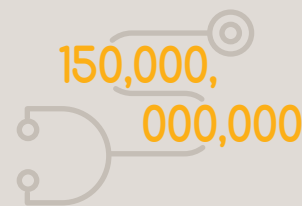
KOSDAQ IPOs Market Share

Eight KOSDAQ IPOs were performed, which represented a 14% market share.



Record-breaking Healthcare Fund

KB Investment was selected to manage the Ministry of Health & Welfare’s ‘Global Healthcare’, a KRW 150 billion fund of funds, the largest in its history.



2015 Performance

In 2015 the business of collecting debt had more than its share of economy-related challenges. Anticipating a sharp contraction in the economy, the government put financial services institutions on an industry diet of higher capital requirements, exhorting the institutions to shore up their asset basis; subsequently, delinquency dropped across the board to record lows, an intended result which caught the debt collection industry by surprise. In the face of such a sweeping development, KB Credit Information nevertheless made progress in business performance, attesting, once again, the trade acumen it has developed over the years.

The Company recorded a total commission revenue of KRW 40.8 billion, up 5.2% from 2014. The growth rate shines brighter in comparison with the industry's average rate of 3.0%. Of the total revenue figure, KRW 34.0 billion was generated within KB Financial Group, while KRW 6.8 billion without.

Debt Collection Business Process Enhanced

In the business of debt collection, the Company recorded KRW 31.3 billion in revenue, an increase of KRW 800 million from 2014. The increase can be attributed to improvements made in the debt collection process:

- A system established of managing card debts by type;
- New units created dedicated to KB Capital and KB Insurance accounts;
- The KPI readjusted toward promoting a healthy intra-departmental competition;
- New means of promotion developed to the characteristics of each type of debt;
- A higher rate of debt collection applied across the board;
- The debt propensity analysis system ungraded; and
- A new system implemented of monitoring debt management.

Of special note, the total amount of debts the Company collected in 2015 on behalf of its KB affiliates stood at KRW 244.7 billion, 7% less than that of 2014; but related commissions amounted to KRW 24.709 billion, 6% more, even though the total of debts commissioned by affiliates in 2015 was 29% less than that of the previous year.

The Company also increased its contributions to the Group's financial stability by accepting a compensation debt worth some KRW 18 billion from the newly affiliated KB Insurance and expanding the scope of debts commissioned by KB Capital. As a result, the amount of recovered debts commissioned by KB affiliates other than the two in banking and card increased 250% compared with 2014, and generated a 267% jump in commission.

Lease Verification Business Maintained Growth Trend

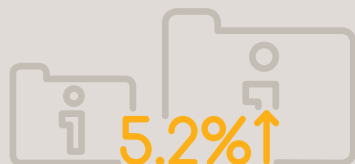
In the business of lease verification, the Company continued the growth trend that dates to 2000. Commission revenue increased 15% to a new high of KRW 8.2 billion on the back of a loan modification policy implemented in the first half of 2015 and of growing household debts. Other contributing factors included the mobile work system adopted in 2014, which has contributed a great deal to improving customer satisfaction, and continued efforts to improve the business process.

Business Systems Reorganized or Restructured

The Company also fine-tuned its organization structure, HR management and business systems, all in an effort to solidify the mid/long-term growth foundation in response to changes looming on the business horizon. As a result, average commission revenue per debt manager increased by over 24%, while the ratio of managers generating a monthly commission of KRW 2 million and more rose by 20%.

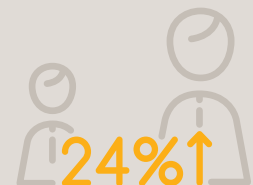
Total Commission Revenue

Total commission revenue increased 5.2% from 2014, compared with that of 3.0% for the industry.



Productivity Per Debt Manager

Average commission revenue per debt manager increased by 24%, while the ratio of managers generating a monthly commission of KRW 2 million and more rose by 20%.



KB Data Systems provides first-rate IT services, mostly for financial institutions, based on its extensive experience accumulated from the wide range of projects undertaken to advance the IT-based services of KB Financial Group. The IT services include financial IT consulting; integration of the entire process ranging from system analysis and design to development and testing; and IT outsourcing that requires stable maintenance and management of customer information systems and IT resources in accordance with customer needs.

To provide optimal IT solutions in the ever-changing IT environment, we have segmented our business areas into IT systems integration and IT systems management, and established an optimal organizational system accordingly. By focusing on thorough quality management, we seek to build the most optimal IT systems and identify the effective operation measures for our KB affiliates.

2015 Performance

The growing volatility in the financial market had a direct impact on financial IT investments, resulting in a decrease, compared with the year before, in the range in which KB Data Systems and its industry peers conduct IT services business; while many of KB affiliates' IT projects were put on hold, the emergence of mobile or fin-tech firms added to an already intensive industry competition. By hiring talent and thus securing a technical edge in data security, smart banking and other IT areas where investment was active among the affiliates, we carried out a number of system integration projects. Also in the system management area, we provided IT services distinguished from those of our peers, and expanded the business sphere, based on our responsibility and pride as the IT arm of KB Financial Group. Through these business activities, we reported KRW 57.4 billion in revenue for 2015, a performance similar to that of the year before.

Employing a clear business strategy of expanding the SM business and selecting core SI operations, we focused on enhancing the stability of the IT systems of KB affiliates, bolstering our contributions to construct the Group's key IT systems, and strengthening the Group's IT competency; in the operation of KB affiliates' IT systems, we sought to seal any leak of customer information, business data and financial IT knowhow by gradually taking over the management of systems that have been outsourced. Moreover, as illustrated by its role as the affiliate in charge of the Group's integrated information security center, we displayed our best of technical and operational prowess and met expectations of the affiliates in the provision of IT solutions for smart finance, ALM, risk management and other areas so sensitive and vital to the Group's overall competency as require a minimum outside involvement.

As a result, we were able to construct a framework more definitive for continuing our growth in step with the rest of the affiliates. In particular, the direction has been clearly defined for us to take as far as expanding our role and strengthening the expertise within the Group are concerned with respect to the Internet, mobile, security, risk management and other high-growth areas.

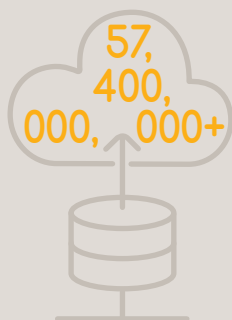
2016 Plans

In 2016 KB Data Systems will focus on the following tasks:

- Securing talent and strengthening competencies in the Internet, mobile, data security and other areas of high IT activity among KB affiliates in order to provide IT services on demand;
- Gradually expanding the SM business in anticipation of a surge in demand for next-generation system development;
- Increasing services support for non-banking affiliates in step with the Group's shift of its IT focus toward non-banking sectors.

Total Revenue

Despite market setbacks, total revenue grew by 13.9% to KRW 57.4 billion.



Financial Section

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Independent Auditor's Report



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

We have audited the accompanying separate financial statements of KB Financial Group Inc. ("the Company"), which comprise the separate statements of financial position as of December 31, 2015 and 2014, and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of KB Financial Group Inc. as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended accordance with the Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 10, 2016

This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

December 31, 2015 and 2014

KB Financial Group Inc.

(In millions of Korean won)

	Notes	2015	2014
Assets			
Cash and due from financial institutions	4,5,6,28	₩ 324,947	₩ 30,739
Financial assets at fair value through profit or loss	4,5,7	99,118	-
Loans	4,5,8	-	10,000
Investments in subsidiaries	9	18,557,566	18,557,566
Investment in associate	10	883,065	-
Property and equipment	11	578	514
Intangible assets	12	8,428	8,684
Deferred income tax assets	13	4,515	4,089
Other assets	4,5,14	137,954	598,929
Total assets		₩ 20,016,171	₩ 19,210,521
Liabilities			
Debentures	4,5,15	₩ 1,647,117	₩ 628,837
Net defined benefit liabilities	16	591	803
Current income tax liabilities		17,178	222,639
Other liabilities	4,5,17	123,281	71,568
Total liabilities		1,788,167	923,847
Equity			
Share capital	18	1,931,758	1,931,758
Capital surplus	18	13,513,809	13,513,809
Accumulated other comprehensive loss	18	(4,979)	(4,238)
Retained earnings	18	2,787,416	2,845,345
Total equity		18,228,004	18,286,674
Total liabilities and equity		₩ 20,016,171	₩ 19,210,521

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

Separate Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014

KB Financial Group Inc.

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

	Notes	2015	2014
Interest income		₩ 2,185	₩ 2,391
Interest expense		(27,929)	(19,149)
Net interest income	20	(25,744)	(16,758)
Fee and commission income		-	-
Fee and commission expense		(8,228)	(6,658)
Net fee and commission income	21	(8,228)	(6,658)
Net gains on financial assets at fair value through profit or loss	22	1,658	-
Net other operating income	23	315,527	493,782
General and administrative expenses	24	(39,916)	(36,342)
Operating profit before provision for credit losses		243,297	434,024
Provision for credit losses		-	-
Net operating profit		243,297	434,024
Net non-operating expenses	25	(62)	(473)
Profit before income tax		243,235	433,551
Income tax benefit(expense)	26	190	(600)
Profit for the year		243,425	432,951
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities		(741)	(1,523)
Other comprehensive income(loss) for the year, net of tax		(741)	(1,523)
Total comprehensive income for the year		₩ 242,684	₩ 431,428
Earnings per share			
Basic earnings per share	27	₩ 630	₩ 1,121
Diluted earnings per share	27	627	1,116

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

Separate Statements of Changes in Equity

Years Ended December 31, 2015 and 2014

KB Financial Group Inc.

(In millions of Korean won)

	Share Capital	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at January 1, 2014	₩ 1,931,758	₩ 13,513,809	₩ (2,715)	₩ 2,605,570	₩ 18,048,422
Comprehensive income	-	-	-	432,951	432,951
Profit for the year	-	-	(1,523)	-	(1,523)
Remeasurements of net defined benefit liabilities	-	-	(1,523)	432,951	431,428
Total comprehensive income					
Transactions with shareholders	-	-	-	(193,176)	(193,176)
Dividends	-	-	-	(193,176)	(193,176)
Total transactions with shareholders					
Balance at December 31, 2014	₩ 1,931,758	₩ 13,513,809	₩ (4,238)	₩ 2,845,345	₩ 18,286,674
Balance at January 1, 2015	₩ 1,931,758	₩ 13,513,809	₩ (4,238)	₩ 2,845,345	₩ 18,286,674
Comprehensive income					
Profit for the year	-	-	-	243,425	243,425
Remeasurements of net defined benefit liabilities	-	-	(741)	-	(741)
Total comprehensive income	-	-	(741)	243,425	242,684
Transactions with shareholders					
Dividends	-	-	-	(301,354)	(301,354)
Total transactions with shareholders	-	-	-	(301,354)	(301,354)
Balance at December 31, 2015	₩ 1,931,758	₩ 13,513,809	₩ (4,979)	₩ 2,787,416	₩ 18,228,004

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

Separate Statements of Cash Flows

Years Ended December 31, 2015 and 2014

KB Financial Group Inc.

(In millions of Korean won)

	Notes	2015	2014
Cash flows from operating activities			
Profit for the year		₩ 243,425	₩ 432,951
Adjustment for non-cash items			
Depreciation and amortization		846	931
Share-based payments		1,799	801
Net interest expense(income)		224	(201)
Net Loss from valuation on financial assets at fair value through profit or loss"		882	-
Impairment losses on investments in subsidiaries		-	14,747
Net other expense		2,594	2,704
		6,345	18,982
Changes in operating assets and Liabilities			
Deferred income tax assets		(426)	114
Other assets		315,222	(299,688)
Other liabilities		(16,697)	(5,962)
		298,099	(305,536)
Net cash inflow from operating activities		547,869	146,397
Cash flows from investing activities			
Acquisition of investments in subsidiaries		-	(279,870)
Acquisition of investment in associate		(883,065)	-
Acquisition of financial assets at fair value through profit or loss		(100,000)	-
Collection of loans		10,000	-
Acquisition of property and equipment		(401)	(225)
Acquisition of intangible assets		(486)	(165)
Disposal of intangible assets		157	939
Net decrease in guarantee deposits paid		3,651	282
Others		85	(81)
Net cash outflow from investing activities		(970,059)	(279,120)
Cash flows from financing activities			
Increase in debentures		1,017,752	279,340
Distribution of dividends		(301,354)	(193,176)
Net cash inflow from financing activities		716,398	86,164
Net increase(decrease) in cash and cash equivalents		294,208	(46,559)
Cash and cash equivalents at the beginning of the year	28	30,736	77,295
Cash and cash equivalents at the end of the year	28	₩ 324,944	₩ 30,736

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. The Parent Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfers with the former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 84, Namdaemunro, Jung-gu, Seoul. The Company's paid-in capital as of December 31, 2015, is ₩1,931,758 million. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Company established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Company acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. In addition, the Company included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015.

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

2. Basis of Preparation

2.1 Application of Korean IFRS

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

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

The Company's separate financial statements have been prepared in accordance with Korean IFRS. Korean IFRS are the standards and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

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

The Company's separate financial statements as of and for the year ended December 31, 2015, have been prepared in accordance with Korean IFRS.

The Company newly applied the following amended and enacted standards and interpretations for the annual period beginning on January 1, 2015, and application of these amendment and improvements does not have a material impact on its separate financial statements.

- Amendment to Korean IFRS 1019, Employee Benefits
- Annual improvements to Korean IFRSs 2010–2012 cycle
- Annual improvements to Korean IFRSs 2011–2013 cycle

The Company expects that the following amended standards and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted would not have a material impact on its financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements*
- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*
- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*
- Korean IFRS 1110, *Consolidated Financial Statements*, and Korean IFRS 1028, *Investments in Associates and Joint Arrangements*
- Korean IFRS 1111, *Joint Agreements*
- Annual Improvements to Korean IFRS 2012-2014 Cycle

Also, new standards and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted are as follows:

- Korean IFRS 1109, *Financial Instruments*

The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. This amendment has been partially reflected, which is consistent with the risk management of companies for hedge accounting. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Company is in the process of determining the effects resulting from the adoption of the new Standard.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, *Revenue*, Korean IFRS 1011, *Construction Contracts*, and related Interpretations. Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Company is in the process of determining the effects resulting from the adoption of the new Standard.

2.2 Measurement Basis

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

2.3 Functional and Presentation Currency

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

2.4 Significant Estimates

The preparation of separate 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.

The significant accounting estimates and assumptions are consistently applied to all periods presented, except for the assumptions for income tax expense and fair value of financial instruments.

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 financial statements are as follows:

2.4.1 Income taxes

The Company 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 Company 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 Company'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 (Note 5).

2.4.3 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 16).

3. Significant Accounting Policies

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

3.1 Cash and cash equivalents

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

3.2 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 Company 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 Company 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 Company is provided internally on that basis to the Company's key management personnel.
- A contract contains one or more embedded derivatives; the Company may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss if allowed by Korean IFRS 1039, *Financial Instruments: Recognition and measurement*.

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

3.3 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 Company does not intend to sell immediately or in the near term.
- Those that the Company, upon initial recognition, does not designate as available for sale or as at fair value through profit or loss.

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

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

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

The amount of the reversal is recognized in profit or loss.

3.4 Investments in subsidiaries

Investments in subsidiaries are accounted at cost method in accordance with Korean IFRS 1027. The Company determines at each reporting date whether there is any objective evidence that the investments in the subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and its carrying value.

3.5 Property and equipment

Recognition and Measurement

All property and equipment that qualify for recognition as an asset are measured at its 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.

Depreciation

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

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

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

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

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

3.6 Intangible assets

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

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

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

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

3.7 Impairment of non-financial assets

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

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

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

3.8 Provisions

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

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

3.9 Equity instrument issued by the company

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

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

3.10 Revenue recognition

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

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

Interest income and expense

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

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

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

Fee and commission income

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

Dividend income

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

3.11 Employee compensation and benefits

Post-employment benefit: Defined benefit plans

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

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

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

Past service cost arises when the Company introduces a defined benefit plan that attributes to past service or changes the benefits payable for past service under an existing defined benefit plan. Such past service cost is recognized immediately in profit or loss.

Short-term employee benefits

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

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

Share-based payment

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

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

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

Termination benefits

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

3.12 Income tax expenses

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

Current income tax

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation or expenses that is not deductible in determining taxable profit (tax loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable

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

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

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

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

Uncertain tax positions

Uncertain tax positions arise from a claim for rectification brought by the Company, an appeal for a refund of tax levied by the tax authorities, or others due to different

interpretation of tax laws or others. The Company recognizes its uncertain tax positions in the separate financial statements based on the guidance in Korean IFRS 1012. 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 IFRS 1037.

3.13 Earnings per share

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bond and share option.

3.14 Operating segments

The Company is composed of a single operating segment. Therefore, disclosures on segments are omitted in accordance with Korean IFRS 1108, *Operating Segments*.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of Financial Risk Management Policy

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

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

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

4.1.2 Risk Management Organization

Risk Management Committee

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

Risk Management Council

The Risk Management Council 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 Company's risk management.

Risk Management Division

The Risk Management Division is responsible for managing work processes, procedures and detailed policies.

4.2 Credit Risk

4.2.1 Overview of Credit Risk

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

4.2.2 Credit Risk Management

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

4.2.3 Maximum Exposure to Credit Risk

The Company's maximum exposures of financial instruments to credit risk without consideration of collateral values as of December 31, 2015 and 2014, are as follows:

	(In millions of Korean won)	
	2015	2014
Due from financial institutions	₩ 324,947	₩ 30,739
Loans	-	10,000
Other financial assets	16,704	319,973
	₩ 341,651	₩ 360,712

4.2.4 Credit Risk of Loans

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

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

Loans are classified as follows:

(In millions of Korean won)

Loans	2015				2014			
	Corporate loans		Percentage(%)		Corporate loans		Percentage(%)	
Neither past due nor impaired	₩	-	₩	-	₩	10,000	₩	10,000
Past due but not impaired		-		-		-		-
Impaired		-		-		-		-
		-		-		10,000		10,000
Allowances		-		-		-		-
Carrying amount	₩	-	₩	-	₩	10,000	₩	10,000

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

(In millions of Korean won)

	2015		2014	
	Grade 1	₩	-	₩
Grade 2		-		-
Grade 3		-		-
Grade 4		-		-
Grade 5		-		-
	₩	-	₩	10,000

Credit quality of loans graded according to the probability of default are as follows:

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

4.2.5 Credit Risk Concentration Analysis

The details of the Company's loans by country, as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Corporate loans	%	Allowances	Carrying amount
Korea	₩	-	₩	-
	₩	-	₩	-

(In millions of Korean won)

	2014			
	Corporate loans	%	Allowances	Carrying amount
Korea	₩	10,000	100.00	₩
	₩	10,000	100.00	₩

The details of the Company's corporate loans by industry as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ -	-	₩ -	₩ -
	₩ -	-	₩ -	₩ -

(In millions of Korean won)

	2014			
	Corporate loans	%	Allowances	Carrying amount
Financial institutions	₩ 10,000	100.00	₩ -	₩ 10,000
	₩ 10,000	100.00	₩ -	₩ 10,000

4.3 Liquidity Risk

4.3.1 Overview of Liquidity Risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Company manages its liquidity risk through analysis of the contractual maturity of all financial assets and liabilities. The Company discloses them by maturity group: On demand, up to one month, between over one month and three months, between over three months and 12 months, between over one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and, thus, differs from the amount in the financial statements which are based on the present value of expected cash flows in some cases. The amount of interest to be received 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

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

4.3.3 Analysis of Remaining Contractual Maturity of Financial Assets and Liabilities

The remaining contractual maturity of financial assets and liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Financial assets								
Cash and due from financial institutions ¹	₩ 325,199	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 325,199
Financial assets designated at fair value through profit or loss ²	-	-	-	-	-	99,118	-	99,118
Other financial assets	-	1	-	16,565	-	-	-	16,566
	₩ 325,199	₩ 1	₩ -	₩ 16,565	₩ -	₩ 99,118	₩ -	₩ 440,883
Financial liabilities								
Debentures	₩ -	₩ -	₩ 10,868	₩ 181,428	₩ 1,295,080	₩ 320,804	₩ -	₩ 1,808,180
Other financial liabilities	-	3,288	-	-	-	-	-	3,288
	₩ -	₩ 3,288	₩ 10,868	₩ 181,428	₩ 1,295,080	₩ 320,804	₩ -	₩ 1,811,468

(In millions of Korean won)

	2014							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Financial assets								
Cash and due from financial institutions ¹	₩ 30,771	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 30,771
Loans	-	26	51	10,077	-	-	-	10,154
Other financial assets	-	28	300,012	20,258	-	-	-	320,298
	₩ 30,771	₩ 54	₩ 300,063	₩ 30,335	₩ -	₩ -	₩ -	₩ 361,223
Financial liabilities								
Debentures	₩ -	₩ -	₩ 5,175	₩ 15,525	₩ 557,408	₩ 124,104	₩ -	₩ 702,212
Other financial liabilities	-	1,119	-	-	-	-	-	1,119
	₩ -	₩ 1,119	₩ 5,175	₩ 15,525	₩ 557,408	₩ 124,104	₩ -	₩ 703,331

¹ The amount of ₩ 3 million, representing the restricted amount due from the financial institutions as of December 31, 2015 and 2014, is excluded.

² Financial assets designated at fair value through profit or loss, hybrid capital instruments, are included in the 'Over 5 years' category which includes their remaining contractual maturity, owing to uncertain point of sale.

4.4 Market Risk

4.4.1 Concept

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate and other market. The most significant risks are interest rate risks.

4.4.2 Interest Rate Risk

Definition of interest rate risk

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

Observation method and management indicator on interest rate risk

The main objective of interest rate risk management is to protect asset values against interest rate fluctuations. The Company manages the risk through measurement and management of interest rate VaR.

Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk at a 99.94% confidence level. The measurement results of risk as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Interest rate VaR	₩ 43,091	₩ 16,819

4.5 Capital adequacy

The Company complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011, and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 4.5%(2014: 4.0%), a minimum Tier 1 ratio of 6.0%(2014: 5.5%) and a minimum Total Regulatory Capital ratio 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 5 years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

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

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

Economic Capital is the amount of capital to prevent the inability of payment due to unexpected loss in the future. The Group measures, allocates and monitors economic capital by risk type and subsidiaries.

The Risk Management Council of the Company determines the Group's risk appetite and allocates economic capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated economic capital. The Risk Management Department of the Company monitors the limit on economic capital and reports the results to management and the Risk Management Council. The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the economic capital is expected to exceed the limits due to new business or business expansion. The Group and its subsidiaries complied with external capital adequacy requirements as of December 31, 2015 and 2014. The Group complied with the capital adequacy standard as of December 31, 2015 and 2014.

The details of the Group's capital adequacy ratios based on Basel III, as of December 31, 2015 and 2014, are as follows:

	(In millions of Korean won)	
	2015	2014
Equity Capital:	₩ 29,140,025	₩ 28,347,675
Tier 1 Capital	25,585,979	24,248,598
Common Equity Tier 1 Capital	25,351,910	24,062,475
Additional Tier 1 Capital	234,069	186,123
Tier 2 Capital	3,554,046	4,099,077
Risk-weighted assets:	188,212,825	182,485,957
Equity Capital (%):	15.48	15.53
Tier 1 Capital (%)	13.59	13.29
Common Equity Tier 1 Capital (%)	13.47	13.19

5. Financial Assets and Financial Liabilities

5.1 Classification and Fair value of Financial Instruments

The carrying amounts and fair value of financial assets and liabilities by category as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Carrying amount		Fair value	
Financial assets				
Financial assets designated at fair value through profit or loss				
Loans and receivables	₩	99,118	₩	99,118
Cash and due from financial institutions		324,947		324,947
Other financial assets		16,704		16,704
	₩	440,769	₩	440,769
Financial liabilities				
Financial liabilities at amortized cost				
Debentures	₩	1,647,117	₩	1,678,308
Other financial liabilities		6,501		6,501
	₩	1,653,618	₩	1,684,809

(In millions of Korean won)

	2014			
	Carrying amount		Fair value	
Financial assets				
Loans and receivables				
Cash and due from financial institutions	₩	30,739	₩	30,739
Loans		10,000		10,000
Other financial assets		319,973		319,973
	₩	360,712	₩	360,712
Financial liabilities				
Financial liabilities at amortized cost				
Debentures	₩	628,837	₩	649,476
Other financial liabilities		3,041		3,041
	₩	631,878	₩	652,517

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

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

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using a DCF model.
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, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
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 Company uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method and the Monte Carlo Simulation or independent third-party valuation service.
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.
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.

Fair value hierarchy

The Company believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

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

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

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

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

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Fair value hierarchy of financial assets and liabilities measured at fair value in the statement of financial position

The fair value hierarchy of financial assets measured at fair value in the statement of financial position as of December 31, 2015, is as follows:

(In millions of Korean won)

	2015							
	Fair value hierarchy							Total
	Level 1	Level 2	Level 3					
Financial assets								
Financial assets designated at fair value through profit or loss								
Derivative linked securities	₩	-	₩	-	₩	99,118	₩	99,118

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

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2015 and 2014, is as follows:

(In millions of Korean won)

	2015							
	Fair value hierarchy							Total
	Level 1	Level 2	Level 3					
Financial assets								
Cash and due from financial institutions ¹	₩	-	₩	324,947	₩	-	₩	324,947
Other financial assets		-		-		16,704		16,704
	₩	-	₩	324,947	₩	16,704	₩	341,651
Financial liabilities								
Debentures	₩	-	₩	1,678,308	₩	-	₩	1,678,308
Other financial liabilities		-		-		6,501		6,501
	₩	-	₩	1,678,308	₩	6,501	₩	1,684,809

(In millions of Korean won)

	2014							
	Fair value hierarchy							Total
	Level 1	Level 2	Level 3					
Financial assets								
Cash and due from financial institutions ¹	₩	-	₩	30,739	₩	-	₩	30,739
Loans ²		-		-		10,000		10,000
Other financial assets		-		-		319,973		319,973
	₩	-	₩	30,739	₩	329,973	₩	360,712
Financial liabilities								
Debentures	₩	-	₩	649,476	₩	-	₩	649,476
Other financial liabilities		-		-		3,041		3,041
	₩	-	₩	649,476	₩	3,041	₩	652,517

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

² Because loans classified as level 3 are loans with interest rate reset period of up to three months, we regarded the carrying amount as representative of fair value.

5.2 Level 3 of the Fair Value Hierarchy Disclosure

5.2.1 Valuation Policy and Process of Level 3 Fair Value

The Company uses external, independent and qualified independent third-party valuation service in addition to internal valuation models to determine the fair value of the Company's assets at the end of every reporting period.

5.2.2 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 year ended December 31, 2015, is as follows:

(In millions of Korean won)

	2015	
	Financial assets at fair value through profit or loss	
	Designated at fair value through profit or loss	
Beginning balance	₩	-
Total gains or losses		
- Profit or loss		(882)
- Other comprehensive income		-
Purchases		100,000
Sales		-
Issues		-
Settlements		-
Transfers into Level 3		-
Transfers out of Level 3		-
Ending balance	₩	99,118

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the statement of comprehensive income for the year ended December 31, 2015, is as follows:

(In millions of Korean won)

	2015		
	Expense from financial investments at fair value through profit or loss	Other operating income	Net interest income
Total gains or losses included in profit or loss for the period	₩ (882)	₩ -	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	(882)	-	-

5.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs

(In millions of Korean won)

	2015					
	Fair value	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	₩ 99,118	Hull and White Model, Monte Carlo Simulation, DCF Model	Discount rate, Volatility of interest rate	Discount rate Volatility of interest rate	2.75~5.07 0.45	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation

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:

(In millions of Korean won)

	2015			
	Recognition in profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative linked securities ¹	₩ 6,422	₩ (5,867)	₩ -	₩ -

¹ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate(2.75~5.07%), the correlation of rates of long-term interest rate and short-term interest rate, or the volatility of the interest rate is shifted by ± 1%.

6. Due from Financial Institution

The details of due from financial institution as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

		Financial Institution	Interest rate (%) (Dec. 31, 2015)	2015	2014
Due from financial institution in Korean won	Due from banking institution	Kookmin Bank	0.00 ~ 1.30	₩ 324,947	₩ 30,739

The maturities of due from financial institution, excluding restricted due from financial institution, as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 324,944	₩ -	₩ -	₩ -	₩ -	₩ 324,944

(In millions of Korean won)

	2014					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 30,736	₩ -	₩ -	₩ -	₩ -	₩ 30,736

Restricted due from financial institution as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Financial Institution	2015	2014	Reason for restriction
Due from financial institution in Korean won	Kookmin Bank	₩ 3	₩ 3	Pledged as collateral for the overdraft facility
		₩ 3	₩ 3	

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or losses as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Financial assets designated at fair value through profit or loss		
Derivative linked securities	₩ 99,118	₩ -

8. Loans

Loans as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Loans	₩	-	₩	10,000
Less: Allowances for loan losses		-		-
Carrying amount	₩	-	₩	10,000

9. Subsidiaries

The details of subsidiaries as of December 31, 2015, are as follows:

Name of subsidiary	Industry	Location
Kookmin Bank	Banking and domestic, foreign exchange transaction	Korea
KB Kookmin Card Co., Ltd.	Credit card	Korea
KB Investment & Securities Co., Ltd.	Financial investment	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Asset Management Co., Ltd.	Investment advisory and collective investment	Korea
KB Capital Co., Ltd.	Financial Leasing	Korea
KB Savings Bank Co., Ltd.	Savings Banking	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea

Investments in subsidiaries as of December 31, 2015 and 2014, are as follows:

Name of subsidiary	Number of Issued Shares	Ownership(%)	Carrying amount (In millions of Korean won)			
			(Dec. 31, 2015)			
			2015	2014		
Kookmin Bank	404,379,116	100.00	₩	14,821,721	₩	14,821,721
KB Kookmin Card Co., Ltd.	92,000,000	100.00		1,953,175		1,953,175
KB Investment & Securities Co., Ltd.	31,588,314	100.00		507,212		507,212
KB Life Insurance Co., Ltd.	91,200,000	100.00		485,314		485,314
KB Asset Management Co., Ltd.	7,667,550	100.00		96,312		96,312
KB Capital Co., Ltd. ¹	11,180,630	52.02		279,870		279,870
KB Savings Bank Co., Ltd.	8,001,912	100.00		157,544		157,544
KB Real Estate Trust Co., Ltd.	16,000,000	100.00		121,553		121,553
KB Investment Co., Ltd.	8,951,797	100.00		104,910		104,910
KB Credit Information Co., Ltd.	1,252,400	100.00		23,621		23,621
KB Data System Co., Ltd.	800,000	100.00		6,334		6,334
			₩	18,557,566	₩	18,557,566

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

The changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

(In millions of Korean won)

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

¹ The industry environment of savings banks has deteriorated continuously and their performance fell short of expectations primarily due to a decline of benchmark interest rate. Considering the recent downturn, the Company recognized the impairment loss on investment in of KB Savings Bank Co., Ltd.

10. Investment in Associate

The details of investment in associate as of December 31, 2015, are as follows:

(In millions of Korean won)

Name of associate	2015					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
KB Insurance Co., Ltd.	33.29	₩ 883,065	₩ 1,077,380	₩ 883,065	Non-life insurance	Korea

The changes in investments in associates for the years ended December 31, 2015, are as follows:

(In millions of Korean won)

Name of associate	2015				
	Beginning	Acquisition	Disposal	Impairment	Ending
KB Insurance Co., Ltd.	₩ -	₩ 883,065	₩ -	₩ -	₩ 883,065

11. Property and Equipment

The details of property and equipment as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 771	₩ (573)	₩ -	₩ 198
Equipment and vehicles	₩ 4,903	₩ (4,523)	₩ -	₩ 380
	₩ 5,674	₩ (5,096)	₩ -	₩ 578

(In millions of Korean won)

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

The changes in property and equipment for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015							
	Beginning		Acquisition		Depreciation		Ending	
Leasehold improvements	₩	104	₩	250	₩	(156)	₩	198
Equipment and vehicles		410		151		(181)		380
	₩	514	₩	401	₩	(337)	₩	578

(In millions of Korean won)

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

12. Intangible Assets

The details of intangible assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015							
	Acquisition cost		Accumulated depreciation		Accumulated impairment losses		Carrying amount	
Software	₩	2,612	₩	(2,237)	₩	-	₩	375
Membership rights		9,439		-		(2,060)		7,379
Other intangible assets		3,657		(2,983)		-		674
	₩	15,708	₩	(5,220)	₩	(2,060)	₩	8,428

(In millions of Korean won)

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

The changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Beginning	Acquisition	Disposal	Amortization	Impairment ¹	Ending
Software	₩ 549	₩ 42	₩ -	₩ (216)	₩ -	₩ 375
Membership rights	7,509	102	(157)	-	(75)	7,379
Other intangible assets	626	342	-	(294)	-	674
	₩ 8,684	₩ 486	₩ (157)	₩ (510)	₩ (75)	₩ 8,428

(In millions of Korean won)

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

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

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Beginning	Impairment	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (1,988)	₩ (75)	₩ 3	₩ (2,060)

(In millions of Korean won)

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

13. Deferred Income Tax Assets and Liabilities

The details of deferred income tax assets and liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Assets		Liabilities		Net amount	
Share-based payments	₩	2,270	₩	-	₩	2,270
Membership rights		499		-		499
Defined benefit obligation		1,308		-		1,308
Plan assets		-		(502)		(502)
Short-term employee benefits		309		-		309
Others		631		-		631
		5,017		(502)		4,515
Offsetting of deferred tax assets and liabilities		(502)		502		-
	₩	4,515	₩	-	₩	4,515

(In millions of Korean won)

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

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million, ₩ 66,162 million and ₩ 51,742 million associated with investments in subsidiaries, tax loss carryforwards and impairment losses on investments in subsidiaries, respectively, as of December 31, 2015, due to the uncertainty that all these will be realized in the future.

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 2,395,805 million associated with investments in subsidiaries as of December 31, 2015, due to the following reasons:

- The Company is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the foreseeable future.

The changes in cumulative temporary differences for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 9,136	₩ 1,555	₩ 1,799	₩ 9,380
Membership rights	1,989	3	75	2,061
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	6,401	4,178	3,182	5,405
Short-term employee benefits	1,179	1,179	1,279	1,279
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Others	1,749	1,743	2,602	2,608
	3,034,522	₩ 8,658	₩ 8,937	3,034,801
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses on investments in subsidiaries	51,742			51,742
	20,454			20,733
Tax rate (%)	24.2			24.2
Deferred income tax assets from deductible temporary differences	₩ 4,950			₩ 5,017
Taxable temporary differences				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ -	₩ (2,395,805)
Plan assets	(3,556)	(4,179)	(2,696)	(2,073)
	(2,399,361)	₩ (4,179)	₩ (2,696)	(2,397,878)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(3,556)			(2,073)
Tax rate (%)	24.2			24.2
Deferred income tax liabilities from taxable temporary differences	₩ (861)			₩ (502)

(In millions of Korean won)

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

14. Other Assets

The details of other assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Other financial assets				
Other receivables	₩	-	₩	300,041
Accrued income		341		37
Guarantee deposits		16,363		19,895
		16,704		319,973
Other assets				
Other receivables		120,511		278,190
Prepaid expenses		673		681
Guarantee deposits		43		-
Advance payments		23		85
		121,250		278,956
	₩	137,954	₩	598,929

15. Debentures

The details of debentures as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates (%) (Dec. 31, 2015)	2015	2014
Unguaranteed debentures No. 3-1	2013.08.13	2016.08.13	3.14	₩ 150,000	₩ 150,000
Unguaranteed debentures No. 3-2	2013.08.13	2018.08.13	3.46	130,000	130,000
Unguaranteed debentures No. 3-3	2013.08.13	2020.08.13	3.65	70,000	70,000
Unguaranteed debentures No. 4	2014.03.17	2017.03.17	3.02	150,000	150,000
Unguaranteed debentures No. 5-1	2014.03.19	2019.03.19	3.31	80,000	80,000
Unguaranteed debentures No. 5-2	2014.03.19	2021.03.19	3.50	50,000	50,000
Unguaranteed debentures No. 6	2015.02.26	2022.02.26	2.38	30,000	-
Unguaranteed debentures No. 7	2015.06.23	2018.06.23	1.98	150,000	-
Unguaranteed debentures No. 8	2015.06.23	2020.06.23	2.34	100,000	-
Unguaranteed debentures No. 9	2015.06.23	2022.06.23	2.52	150,000	-
Unguaranteed debentures No. 10	2015.09.17	2020.09.17	2.16	20,000	-
Unguaranteed debentures No. 11	2015.09.23	2020.09.23	2.06	30,000	-
Unguaranteed debentures No. 12-1	2015.11.27	2018.11.27	2.07	80,000	-
Unguaranteed debentures No. 12-2	2015.11.27	2020.11.27	2.26	110,000	-
Unguaranteed debentures No. 12-3	2015.11.27	2022.11.27	2.38	50,000	-
Unguaranteed debentures No. 13	2015.12.04	2018.12.04	2.09	130,000	-
Unguaranteed debentures No. 14-1	2015.12.09	2020.12.09	2.27	140,000	-
Unguaranteed debentures No. 14-2	2015.12.09	2022.12.09	2.38	30,000	-
				1,650,000	630,000
				(2,883)	(1,163)
				₩ 1,647,117	₩ 628,837

The maturities of debentures as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ -	₩ -	₩ 150,000	₩ 640,000	₩ 860,000	₩ 1,650,000

(In millions of Korean won)

	2014					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ -	₩ -	₩ -	₩ 300,000	₩ 330,000	₩ 630,000

The changes in debentures based on face value for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Beginning	Issuance	Repayment	Ending
Debentures in Korean won	₩ 630,000	₩ 1,020,000	₩ -	₩ 1,650,000

(In millions of Korean won)

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

16. Net Defined Benefit Liabilities

Defined benefit plan

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

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

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

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

Actuarial assumptions may differ from actual result due to change in the market, economic trend and mortality trend which may impact defined benefit obligation liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income(loss).

The changes in the defined benefit obligation for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 13,117	₩ (12,314)	₩ 803
Current service cost	1,835	-	1,835
Interest cost(income)	403	(378)	25
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(616)	-	(616)
Actuarial gains and losses by changes in financial assumptions	(309)	-	(309)
Actuarial gains and losses by experience adjustments	1,751	-	1,751
Return on plan assets (excluding amounts included in interest income)	-	151	151
Contributions by the employer	-	(3,089)	(3,089)
Payments from plans	(1,687)	1,687	-
Payments from the Company	(79)	-	(79)
Transfer in	3,462	(3,343)	119
Transfer out	(2,492)	2,492	-
Ending	₩ 15,385	₩ (14,794)	₩ 591

(In millions of Korean won)

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

The details of the net defined benefit liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Present value of defined benefit obligation	₩	15,385	₩	13,117
Fair value of plan assets		(14,794)		(12,314)
Net defined benefit liabilities	₩	591	₩	803

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Current service cost	₩	1,835	₩	1,523
Interest expenses of net defined benefit liabilities		25		57
Post-employment benefits	₩	1,860	₩	1,580

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income(loss) for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(151)	₩	(103)
Actuarial gains and losses		(826)		(1,906)
Income tax effects		236		486
Remeasurements after income tax	₩	(741)	₩	(1,523)

Plan assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 14,794	₩ 14,794

(In millions of Korean won)

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

Key actuarial assumptions used as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate (%)	2.50	3.10
Future salary increase rate (%)	4.00	4.55
Turnover (%)	1.00	0.70

Mortality assumptions are based on the 8th experience-based mortality table(retirement pension) of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as of December 31, 2015, is as follows:

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5%p.	5.58% decrease	6.02% increase
Salary increase rate (%)	0.5%p.	5.90% increase	5.53% decrease
Turnover (%)	0.5%p.	0.59% decrease	0.61% 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, are as follows:

(In millions of Korean won)

	2015					
	Up to 1 year	1 ~ 2 years	2 ~ 5 years	5 ~ 10 years	Over 10 years	Total
Pension benefits	₩ 305	₩ 268	₩ 1,679	₩ 8,880	₩ 46,847	₩ 57,979

The weighted average duration of the defined benefit obligation is 11.9 years.

Expected contribution to plan assets for periods after December 31, 2015, is estimated to be approximately ₩ 2,100 million.

17. Other Liabilities

The details of other liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Other financial liabilities		
Other payables	₩ 901	₩ 360
Accrued expenses	5,600	2,681
	6,501	3,041
Other non-financial liabilities		
Other payables	59,744	16,291
Accrued expenses	56,759	51,978
Withholding taxes	277	258
	116,780	68,527
	₩ 123,281	₩ 71,568

18. Equity

18.1 Share capital

The details of share capital as of December 31, 2015 and 2014, are as follows:

	2015		2014	
Type	Ordinary share		Ordinary share	
Number of authorized shares	1,000,000,000		1,000,000,000	
Par value per share	₩	5,000	₩	5,000
Number of issued shares	386,351,693		386,351,693	
Share capital ¹	₩	1,931,758	₩	1,931,758

¹ In millions of Korean won.

The changes in shares outstanding for the years ended December 31, 2015 and 2014, are as follows:

	2015		2014	
	(Number of issued shares)			
Beginning	386,351,693		386,351,693	
Increase	-		-	
Decrease	-		-	
Ending	386,351,693		386,351,693	

18.2 Capital Surplus

The details of capital surplus as of December 31, 2015 and 2014, are as follows:

	2015		2014	
	(In millions of Korean won)			
Share premium	₩	12,226,597	₩	12,226,597
Other capital surplus	1,287,212		1,287,212	
	₩	13,513,809	₩	13,513,809

18.3 Accumulated other comprehensive loss

The details of accumulated other comprehensive loss as of December 31, 2015 and 2014, are as follows:

	2015		2014	
	(In millions of Korean won)			
Remeasurements of net defined benefit liabilities	₩	(4,979)	₩	(4,238)
	₩	(4,979)	₩	(4,238)

The changes in accumulated other comprehensive loss for the years ended December 31, 2015 and 2014, are as follows:

	2015							
	Beginning		Changes		Tax effect		Ending	
Remeasurements of net defined benefit liabilities	₩	(4,238)	₩	(977)	₩	236	₩	(4,979)
	₩	(4,238)	₩	(977)	₩	236	₩	(4,979)

(In millions of Korean won)

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

18.4 Retained Earnings

The details of retained earnings as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Legal reserves	₩	251,517	₩	208,221
Voluntary reserves		982,000		982,000
Regulatory reserve for credit losses		2,942		1,295
Retained earnings before appropriation		1,550,957		1,653,829
	₩	2,787,416	₩	2,845,345

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

Appropriation of retained earnings

(Expected Date of appropriation for 2015: March 25, 2016)

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

(In millions of Korean won)

	2015		2014	
Unappropriated retained earnings				
Balance at the beginning of year	₩	1,307,532	₩	1,220,878
Profit for the year		243,425		432,951
		1,550,957		1,653,829
Transfers such as discretionary reserves				
Regulatory reserve for credit losses		2,338		-
		2,338		-
Appropriation of retained earnings				
Legal reserve		24,343		43,296
Regulatory reserve for credit losses		-		1,647
Cash dividends		378,625		301,354
(Dividends per common share:₩ 980 (19.6%) in 2015)				
(Dividends per common share:₩ 780 (15.6%) in 2014)				
		402,968		346,297
Unappropriated retained earnings to be carried over to subsequent year	₩	1,150,327	₩	1,307,532

Regulatory Reserve for Credit Losses

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

The details of the regulatory reserve for credit losses as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Beginning	₩	2,942	₩	1,295
Amounts estimated to be appropriated		(2,338)		1,647
Ending	₩	604	₩	2,942

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2015 and 2014, are as follows:

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

	2015		2014	
Provision(Reversal) of regulatory reserve for credit losses	₩	(2,338)	₩	1,647
Adjusted profit after provision of regulatory reserve for credit losses ¹		245,763		431,304
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ¹		636		1,116
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ¹		633		1,112

¹ Adjusted profit after provision(reversal) of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision(reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit for the period.

19. Dividends

The dividends paid to the shareholders of the Company in 2015 and 2014 were ₩ 301,354 million (₩ 780 per share) and ₩ 193,176 million (₩ 500 per share), respectively. The dividend to the shareholders 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 meeting on March 25, 2016. The Company's separate financial statements as of December 31, 2015, do not reflect this dividend payable.

20. Net Interest Income

Interest income and interest expense for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Interest income	₩	1,836	₩	1,478
Due from financial institutions		45		373
Loans		304		540
Others		2,185		2,391
Interest expense				
Debts		71		-
Debentures		27,858		19,149
		27,929		19,149
Net interest income	₩	(25,744)	₩	(16,758)

21. Net Fee and Commission Income

Fee and commission income and fee and commission expense for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Fee and commission income		
Fees in Korean won	₩ -	₩ -
Fee and commission expense		
Fees paid in Korean won	8,094	6,548
Fees paid in foreign currency	134	110
	8,228	6,658
Net fee and commission income	₩ (8,228)	₩ (6,658)

22. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

Net gains or losses on financial instruments 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Gains related to financial instruments at fair value through profit or loss		
Financial assets designated at fair value through profit or loss	₩ 2,540	₩ -
	2,540	-
Losses related to financial instruments at fair value through profit or loss		
Financial assets designated at fair value through profit or loss	(882)	-
	(882)	-
Net Gains on financial instruments at fair value through profit or loss	₩ 1,658	₩ -

23. Net Other Operating Income

Other operating income and other operating expense for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Other operating income		
Dividend income from subsidiaries	₩ 315,527	₩ 508,529
Other operating expense		
Impairment losses on investments in subsidiaries	-	14,747
Net other operating income	₩ 315,527	₩ 493,782

24. General and Administrative Expenses

The details of general and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Employee Benefits				
Salaries and other short-term employee benefits - Salaries	₩	20,870	₩	19,381
Salaries and other short-term employee benefits - Others		4,016		3,429
Termination benefits		163		-
Post-employment benefits - defined benefit plans		1,860		1,580
Post-employment benefits - defined contribution plans		6		-
Share-based payments		1,799		801
		28,714		25,191
Depreciation and amortization		846		931
Other general and administrative expenses				
Travel		343		56
Communications		394		399
Tax and dues		233		191
Publication		175		170
Rental expense		1,519		1,772
Vehicle		146		219
Service fees		1,959		1,972
Advertising		653		641
Training		305		142
Others		4,629		4,658
		10,356		10,220
	₩	39,916	₩	36,342

Share-Based Payments

The details of share based payments of December 31, 2015, is as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
(KB Financial Group Inc.)			
Series 4	2010.07.13	180,707	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,3}
Series 8	2012.01.01	13,471	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,4}
Series 9	2013.07.17	37,904	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,4}
Series 10	2014.01.01	19,042	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,4}
Series 11	2013.07.13	69,892	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,3}
Series 12	2014.11.21	32,449	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}

(In number of shares)

	Grant date	Number of granted shares¹	Vesting conditions
Series 13	2015.01.01	36,210	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.6}
Series 14	2015.07.17	23,525	Services fulfillment, Achievement 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
		439,878	
(Kookmin Bank)			
Series 48	2013.07.23	14,470	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 49	2013.07.24	36,495	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 50	2013.07.24	9,214	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 52	2013.08.01	10,278	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 57	2014.01.01	8,853	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 58	2014.01.01	78,700	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 60	2015.01.01	349,984	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 61	2015.04.14	8,390	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 62	2015.01.12	15,965	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 63	2015.08.01	9,969	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 64	2015.07.24	35,069	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 65	2015.08.26	13,828	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2.7}
Series 66	2014.11.21	28,392	Services fulfillment, Achievement 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
		828,106	

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
(Other subsidiaries, etc)			
	Share granted in 2010	2,487	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
	Share granted in 2011	6,464	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
	Share granted in 2012	16,436	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
	Share granted in 2013	104,394	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
	Share granted in 2014	81,882	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
	Share granted in 2015	212,768	Services fulfillment, Achievement of targets on the basis of market and non-market performance ⁸
		424,431	
		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

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
(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
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.

Share-based payment arrangement for the employees of subsidiaries was transferred to the Company from the subsidiaries in 2010 and the related compensation cost paid to the executives and employees of subsidiaries is reimbursed from the subsidiaries. As of December 31, 2015 and 2014, the accrued expenses related to share-based payments including share grants amounted to ₩ 53,678 million and ₩ 48,734 million, respectively, and the receivables to be reimbursed from the subsidiaries for the compensation costs are ₩ 44,299 million and ₩ 39,598 million, respectively. Also, the compensation costs from share grants amounting to ₩ 1,799 million and ₩ 801 million were incurred during the years ended December 31, 2015 and 2014, respectively.

25. Net Non-Operating Expense

The details of non-operating income and expenses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Non-operating income		
Others	₩ 1,070	₩ 628
Non-operating expenses		
Impairment losses on intangible assets	75	1
Donation	1,057	999
Others	-	101
	1,132	1,101
Net non-operating expenses	₩ (62)	₩ (473)

26. Income Tax Benefit(expense)

The details of income tax benefit(expense) for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Tax payable		
Current tax expense	₩ -	₩ -
Change in deferred tax assets(liabilities)		
Origination and reversal of temporary differences	426	(114)
Income tax recognized directly in equity		
Remeasurements of net defined benefit liabilities	(236)	(486)
Tax benefit(expense)	₩ 190	₩ (600)

The analysis of profit before tax and income tax benefit(expense) for the years ended December 31, 2015 and 2014, follows:

(In millions of Korean won)

	2015		2014	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 243,235		₩ 433,551
Tax at the applicable tax rate ¹	24.01	58,401	24.09	104,457
Non-taxable income	(29.00)	(70,542)	(27.30)	(118,358)
Non-deductible expense	0.22	532	0.12	514
Consolidated tax effect	4.85	11,799	2.95	12,787
Average effective tax rate and tax benefit(expense)	(0.08)	₩ 190	0.14	₩ (600)

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

The details of current tax assets (income tax refund receivable) and current tax liabilities (income tax payable), as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Income tax refund receivable prior to offsetting	₩ -	₩ -
Tax payable prior to offsetting	-	-
Adjustment on consolidated tax payable	17,178	222,639
Current tax payable	₩ 17,178	₩ 222,639

27. Earnings per Share

27.1 Basic earnings per share

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

Weighted average number of ordinary shares outstanding:

(In number of shares)

	2015		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding (B = A / 365)			386,351,693

(In number of shares)

	2014		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares (a) x (b)
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding (B = A / 365)			386,351,693

Basic earnings per share:

(In Korean won and in number of shares)

	2015	
Profit attributable to ordinary shares ¹ (C)	₩	243,425,139,280
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share (E = C / D)	₩	630

(In Korean won and in number of shares)

	2014	
Profit attributable to ordinary shares ¹ (C)	₩	432,950,644,908
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share (E = C / D)	₩	1,121

¹ Profit attributable to ordinary shares is the same as profit for the year in the statements of comprehensive income.

27.2 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 Company's dilutive potential ordinary shares include share grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the share grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of share grants.

Adjusted profit for diluted earnings per share:

(In Korean won)

	2015		2014	
Profit attributable to ordinary shares	₩	243,425,139,280	₩	432,950,644,908
Adjustment		-		-
Adjusted profit for diluted earnings per share	₩	243,425,139,280	₩	432,950,644,908

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

(In number of shares)

	2015	2014
Weighted average number of ordinary shares outstanding	386,351,693	386,351,693
Adjustment		
Share grants	1,741,558	1,589,706
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	388,093,251	387,941,399

Diluted earnings per share:

(In Korean won and in number of shares)

	2015		2014	
Adjusted profit for diluted earnings per share	₩	243,425,139,280	₩	432,950,644,908
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		388,093,251		387,941,399
Diluted earnings per share	₩	627	₩	1,116

28. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Due from financial institutions	₩	324,947	₩	30,739
Restricted due from financial institutions		(3)		(3)
	₩	324,944	₩	30,736

Significant non-cash transactions for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Changes in receivables and payables from consolidated tax	₩	(162,380)	₩	(28,589)
Changes in other receivables and other payables relating to share grants		4,700		(1,003)
Changes in other payables relating to KB Insurance Co., Ltd.		550		-

Cash inflow and outflow due to interest and dividends for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Activity	2015		2014	
Prepaid Income tax expense	Operating	₩	290	₩	-
Interest received	Operating		1,662		2,099
Interest paid	Operating		26,110		18,466
Dividends received	Operating		617,994		208,517
Dividends paid	Financing	₩	301,354	₩	193,176

29. Contingent Liabilities and Commitments

The commitments made with financial institutions as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

		2015		2014	
		Amount of commitment	Amounts borrowed	Amount of commitment	Amounts borrowed
General loans	Hana Bank	₩ 50,000	₩ -	₩ 50,000	₩ -
	Korea Development Bank	-	-	300,000	-
Discounting of bills	Korea Exchange Bank	100,000	-	100,000	-
		₩ 50,000	₩ -	₩ 450,000	₩ -

Other Matters(including litigation)

a) The Company faces two lawsuits (as the defendant) involving damages of ₩ 56 million, which is still pending as of December 31, 2015.

b) In 2013, Kookmin Bank underwent a tax investigation for the fiscal years 2008 to 2012 by the Seoul Regional Tax Office. As a result, Kookmin Bank was fined a total of ₩124,357 million for income taxes (including local income taxes), paid ₩ 123,330 million, excluding local income taxes, and recognized local income taxes amounting to ₩ 1,027 million as other payables. Meanwhile, the Company and Kookmin Bank, a subsidiary of the Company, appealed to the tax tribunal over the ₩ 114,283 million in fines. The Company's claim for this appeal amounts to ₩ 89,284 million as of December 31, 2015.

30. Related Party Transactions

Significant related party transactions for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

			2015	2014
Subsidiaries	Kookmin Bank	Interest income	₩ 2,429	₩ 2,006
		Net other operating income	230,496	158,517
		General and administrative expenses	1,718	1,718
	KB Kookmin Card Co., Ltd.	Net other operating income	-	300,102
		General and administrative expenses	85	162
		Net non-operating income	2	2
	KB Investment & Securities Co., Ltd.	Fee and commission expense	71	234
		General and administrative expenses	254	68
	KB Life Insurance Co., Ltd.	General and administrative expenses	62	109
	KB Asset Management Co., Ltd.	Net other operating income	80,000	50,000
General and administrative expenses		25	-	
KB Capital Co., Ltd.	Gains on financial instruments at fair value through profit or loss	2,540	-	
	Losses on financial instruments at fair value through profit or loss	882	-	
	Net other operating income	5,031	-	
	General and administrative expenses	-	72	
	Interest Income	45	373	
KB Data Systems Co., Ltd.	General and administrative expenses	1,092	975	
Associate	KB Insurance Co., Ltd.	General and administrative expenses	205	-

Significant receivables and payables, and related allowance for loan losses arising from the related party transactions as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

			2015	2014
Subsidiaries	Kookmin Bank	Cash and due from financial institutions	₩ 324,947	₩ 30,739
		Other assets	54,619	224,755
		Other liabilities	41,442	465
	KB Kookmin Card Co., Ltd.	Other assets	55,418	352,273
		Other liabilities	304	267
	KB Investment & Securities Co., Ltd.	Other assets	4,908	3,038
		Other liabilities	3,500	3,563
	KB Life Insurance Co., Ltd.	Other assets	1,313	826
		Other liabilities	14,462	11,967
	KB Asset Management Co., Ltd.	Other assets	11,394	9,617
	KB Capital Co., Ltd.	Financial Assets at Fair Value		
		Through Profit or Loss	99,118	-
		Other assets	437	172
	KB Savings Bank Co., Ltd.	Other assets	3,072	81
		Other liabilities	-	21
	KB Real Estate Trust Co., Ltd.	Other assets	4,532	6,120
	KB Investment Co., Ltd.	Loans	-	10,000
		Other assets	706	715
	KB Credit Information Co., Ltd.	Other assets	296	238
		Other liabilities	15	68
KB Data Systems Co., Ltd.	Other assets	302	216	
	Other liabilities	94	97	
Associate	KB Insurance Co., Ltd.	Other assets	281	-

According to Korean IFRS 1024, the Company includes subsidiaries and key management (including family members) in the scope of related parties. Additionally, the Company discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the separate financial statements. Refer to Note 9 for details on subsidiaries and Note 10 for investment in associate.

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

Unused commitments by related parties as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

			2015	2014
Subsidiaries	KB Kookmin Card Co., Ltd.	Commitments in Korean won	₩ 1,696	₩ 1,133

Compensation to key management for the years ended December 31, 2015 and 2014, consists of:

(In millions of Korean won)

	2015				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 625	₩ 1	₩ -	₩ 293	₩ 919
Registered directors (non-executive)	544	-	-	-	544
Non-registered directors	2,230	37	163	1,506	3,936
	₩ 3,399	₩ 38	₩ 163	₩ 1,799	₩ 5,399

(In millions of Korean won)

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

31. Approval of Issuance of the Financial Statements

The issuance of the Company's separate financial statements as of and for the year ended December 31, 2015, was approved by the Board of Directors on February 4, 2016.

Report of Independent Auditor's Review of Internal Accounting Control System

To the President of
KB Financial Group Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of KB Financial Group Inc. (the "Company") as of December 31, 2015. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2015, the Company's IACS has been designed and is operating effectively as of December 31, 2015, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Our review is based on the Company's IACS as of December 31, 2015, and we did not review management's assessment of its IACS subsequent to December 31, 2015. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 10, 2016

Report on the Operations of Internal Accounting Control System

To the Board of Directors and Audit Committee of
KB Financial Group Inc.

I, as the Internal Accounting Control Officer ("IACO") of KB Financial Group Inc. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2015.

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

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2015, in all material respects, in accordance with the IACS standards.

March 10, 2016

Dong Cheol Lee, Internal Accounting Control Officer

Jong Kyoo Yoon, Chief Executive Officer

Independent Auditor's Report



Samil PricewaterhouseCoopers, 92, Hangang-daero,
Yongsan-gu, Seoul 140-702, Korea
(Yongsan P.O Box 266, 140-600), www.samil.com

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

We have audited the accompanying consolidated financial statements of KB Financial Group Inc. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KB Financial Group Inc. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years ended December 31, 2015 and 2014, in accordance with the Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 10, 2016

This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

December 31, 2015 and 2014

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2015	2014
Assets			
Cash and due from financial institutions	4,6,7,8,39	₩ 16,316,066	₩ 15,423,847
Financial assets at fair value through profit or loss	4,6,8,12	11,174,064	10,757,910
Derivative financial assets	4,6,9	2,278,112	1,968,190
Loans	4,6,8,10,11	245,005,370	231,449,653
Financial investments	4,6,8,12	39,136,759	34,960,620
Investments in associates	13	1,737,840	670,332
Property and equipment	14	3,287,383	3,082,985
Investment property	14	211,815	377,544
Intangible assets	15	466,828	488,922
Current income tax assets	33	18,525	306,313
Deferred income tax assets	16,33	8,373	15,562
Assets held for sale	17	48,628	70,357
Other assets	4,6,18	9,375,704	8,783,473
Total assets		₩ 329,065,467	₩ 308,355,708
Liabilities			
Financial liabilities at fair value through profit or loss	4,6,19	₩ 2,974,604	₩ 1,818,968
Derivative financial liabilities	4,6,9	2,325,756	1,797,390
Deposits	4,6,20	224,268,185	211,549,121
Debts	4,6,21	16,240,743	15,864,500
Debentures	4,6,22	32,600,603	29,200,706
Provisions	23	607,860	614,347
Net defined benefit liabilities	24	73,197	75,684
Current income tax liabilities	33	30,920	231,907
Deferred income tax liabilities	16,33	179,243	93,211
Other liabilities	4,6,25	20,861,634	19,597,202
Total liabilities		300,162,745	280,843,036
Equity			
Share capital	26	1,931,758	1,931,758
Capital surplus	26	15,854,510	15,854,510
Accumulated other comprehensive income	26,35	430,244	461,679
Retained earnings	26	10,464,109	9,067,145
Equity attributable to shareholders of the parent company		28,680,621	27,315,092
Non-controlling interests		222,101	197,580
Total equity		28,902,722	27,512,672
Total liabilities and equity		₩ 329,065,467	₩ 308,355,708

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

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2015 and 2014

KB Financial Group Inc. and Subsidiaries

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

	Notes	2015	2014
Interest income		₩ 10,375,823	₩ 11,635,296
Interest expense		(4,172,624)	(5,219,521)
Net interest income	5,27	6,203,199	6,415,775
Fee and commission income		2,971,095	2,666,185
Fee and commission expense		(1,436,112)	(1,283,456)
Net fee and commission income	5,28	1,534,983	1,382,729
Net gains on financial assets/liabilities at fair value through profit or loss	5,29	359,727	439,198
Net other operating income(expenses)	5,30	(715,960)	(1,040,909)
General and administrative expenses	5,14,15,24,31	(4,523,584)	(4,009,694)
Operating profit before provision for credit losses	5	2,858,365	3,187,099
Provision for credit losses	5,11,18,23	(1,037,231)	(1,227,976)
Net operating profit	5	1,821,134	1,959,123
Share of profit(loss) of associates	.5,13	203,097	13,428
Net other non-operating income(expenses)	5,32	140,464	(71,126)
Net non-operating profit (loss)		343,561	(57,698)
Profit before income tax	5	2,164,695	1,901,425
Income tax expense	5,33	(437,389)	(486,314)
Profit for the year	5	1,727,306	1,415,111
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	24	(22,906)	(99,594)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		45,143	17,280
Valuation gains(losses) on financial investments		(28,969)	248,880
Shares of other comprehensive income of associates		222	(32,206)
Cash flow hedges		725	(10,497)
Losses on hedges of a net investment in a foreign operator		(25,477)	-
Other comprehensive income for the year, net of tax		(31,262)	123,863
Total comprehensive income for the year		₩ 1,696,044	₩ 1,538,974
Profit attributable to:			
Shareholders of the parent company	5	₩ 1,698,318	₩ 1,400,722
Non-controlling interests	5	28,988	14,389
	5	₩ 1,727,306	₩ 1,415,111
Total comprehensive income for the year attributable to:			
Shareholders of the parent company		₩ 1,666,883	₩ 1,526,089
Non-controlling interests		29,161	12,885
		₩ 1,696,044	₩ 1,538,974
Earnings per share	36		
Basic earnings per share		₩ 4,396	₩ 3,626
Diluted earnings per share		4,376	3,611

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

Consolidated Statements of Changes in Equity

Years Ended December 31, 2015 and 2014

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to shareholders of the parent company					
	Share Capital	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Non-controlling Interests	Total Equity
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
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 a 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

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2015	2014
Cash flows from operating activities			
Profit for the year		₩ 1,727,306	₩ 1,415,111
Adjustment for non-cash items			
Net loss(gain) on financial assets/liabilities at fair value through profit or loss		(63,319)	(151,483)
Net loss(gain) on derivative financial instruments for hedging purposes		47,466	27,088
Adjustment of fair value of derivative financial instruments		1,771	(2,040)
Provision for credit loss		1,037,231	1,227,976
Net loss(gain) on financial investments		(166,911)	109,461
Share of loss(profit) of associates		(203,097)	(13,428)
Depreciation and amortization expense		257,457	261,197
Other net losses on property and equipment/intangible assets		9,458	41,115
Share-based payments		17,429	11,422
Policy reserve appropriation		659,501	666,155
Post-employment benefits		187,882	166,671
Net interest expense		431,157	360,500
Loss(gains) on foreign currency translation		228,727	116,035
Net other expense(income)		88,518	(17,076)
		2,533,270	2,803,593
Changes in operating assets and liabilities			
Financial asset at fair value through profit or loss		(418,431)	(1,364,780)
Derivative financial instruments		124,687	104,333
Loans		(14,847,214)	(10,027,349)
Current income tax assets		287,788	40,597
Deferred income tax assets		9,223	(140)
Other assets		(682,627)	427,501
Financial liabilities at fair value through profit or loss		1,296,333	704,389
Deposits		12,602,806	10,668,675
Deferred income tax liabilities		105,752	(27,242)
Other liabilities		(545,262)	(1,467,942)
		(2,066,945)	(941,958)
Net cash inflow from operating activities		2,193,631	3,276,746

(In millions of Korean won)

	Notes	2015	2014
Cash flows from investing activities			
Disposal of financial investments		21,648,312	19,632,047
Acquisition of financial investments		(25,688,235)	(19,463,101)
Disposal in investments in associates		40,350	81,321
Acquisition of investments in associates		(904,399)	(17,650)
Disposal of property and equipment		2,951	223
Acquisition of property and equipment		(229,210)	(202,007)
Acquisition of investment property		(4,289)	(211,995)
Disposal of intangible assets		3,761	4,590
Acquisition of intangible assets		(52,126)	(30,755)
Business combination, net of cash acquired		-	(266,899)
Others		107,555	(1,210,071)
Net cash outflow from investing activities		(5,075,330)	(1,684,297)
Cash flows from financing activities			
Net cash flows from derivative financial instruments for hedging purposes		(61,543)	(204,563)
Net increase in debts		178,497	1,129,837
Increase in debentures		80,263,530	43,135,390
Decrease in debentures		(77,062,704)	(43,816,790)
Increase in other payables from trust accounts		242,827	124,904
Dividends paid to shareholders of the parent company		(301,354)	(193,176)
Dividends paid to non-controlling interests		(4,640)	-
Changes in interest in subsidiaries		-	(95)
Others		652	(930,573)
Net cash inflow(outflow) from financing activities		3,255,265	(755,066)
Effect of exchange rate changes on cash and cash equivalents		65,557	12,227
Net increase in cash and cash equivalents		439,123	849,610
Cash and cash equivalents at the beginning of the year	39	7,018,796	6,169,186
Cash and cash equivalents at the end of the year	39	₩ 7,457,919	₩ 7,018,796

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 share capital 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 Korean IFRS

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

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

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. Korean IFRS are the standards and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

The Group newly applied the following new and amended standards and interpretations for the annual period beginning on January 1, 2015, and this application does not have a material impact on the financial statements.

- Amendment to Korean IFRS 1019, *Employment Benefits*
- Annual improvements to Korean IFRS 2010-2012 Cycle
- Annual improvements to Korean IFRS 2011-2013 Cycle

The Group expects that the following amended standards and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements*
- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*
- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*
- Korean IFRS 1110, *Consolidated Financial Statements*, and Korean IFRS 1028, *Investments in Associates and Joint Arrangements*
- Korean IFRS 1111, *Joint Agreements*
- Annual Improvements to Korean IFRS 2012-2014 Cycle

Also, new standards and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted are as follows:

- Korean IFRS 1109, *Financial Instruments*

The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*. Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. This amendment has been partially reflected, which is consistent with the risk management of companies for hedge accounting. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, *Revenue*, Korean IFRS 1011, *Construction Contracts*, and related Interpretations. Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

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 of the Group's interest in associates.

If associates use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

After the carrying amount of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as 'share of profit or loss of associates' in the statements of comprehensive income.

3.1.3 Structured entity

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

3.1.4 Trusts and funds

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

3.1.5 Intra-group transactions

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

3.2 Foreign Currency

3.2.1 Foreign currency transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous 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 entirety and recognize a financial liability for the consideration received.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

3.3.4 Offsetting

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

3.4 Cash and cash equivalents

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

3.5 Non-derivative financial assets

3.5.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

3.5.2 Financial Investments

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

Available-for-sale financial assets

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

However, interest 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 uncollectable, it is written off against the related allowance account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

3.6.2 Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) that had been recognized in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, a portion of the impairment loss is reversed up to

but not exceeding the previously recorded impairment loss, with the amount of the reversal recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income. However, impairment losses recognized in profit or loss for an available-for-sale equity instrument classified as available for sale are not reversed through profit or loss.

3.6.3 Held-to-maturity financial assets

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss as part of other operating income and expenses. The impairment loss on held-to-maturity financial assets is directly deducted from the carrying amount.

In the case of a financial asset classified as held to maturity, if, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment is recognized, a portion of the previously recognized impairment loss is reversed up to but not exceeding the 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 Korean IFRS 1039, *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 Korean 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 Korean 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 Korean IFRS 1039, Financial Instruments: Recognition and measurement to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to Korean IFRS 1104, *Insurance Contracts*. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the statements of financial position, and as other operating income (expenses) in the statements of comprehensive income, respectively.

3.16.1 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 unearned 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 Korean IFRS 1104. If the assessment shows that the carrying amount of its insurance liabilities is inadequate in light of the estimated future cash flows, the entire deficiency is recognized in profit or loss and reserved as insurance liabilities. Future cash flows from long-term insurance are discounted at a future rate of return on operating assets, whereas future cash flows from general insurance are not discounted to present value. For liability adequacy tests of premium and unearned premium reserves, the Group considers all cash flow factors such as future insurance premium, deferred acquisition costs, operating expenses and operating premiums. In relation to the reserve for outstanding claims, the Group elects a model that best reflects the trend of paid claims among several statistical methods to perform the adequacy test.

3.16.4 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 Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets* and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IFRS 1018, *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 Korean IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits over 12 months after the reporting period are discounted to present value.

3.22 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 Korean IFRS 1012. 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 IFRS 1037.

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.

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, 2015 and 2014, are as follows:

	(In millions of Korean won)	
	2015	2014
Financial assets		
Due from financial institutions	₩ 13,844,754	₩ 12,878,430
Financial assets at fair value through profit or loss		
Financial assets held for trading ¹	9,393,203	9,763,553
Financial assets designated at fair value through profit or loss	943,432	442,960
Derivatives	2,278,112	1,968,190
Loans ²	245,005,370	231,449,653
Financial investments		
Available-for-sale financial assets	21,610,663	19,359,822
Held-to-maturity financial assets	14,149,528	12,569,154
Other financial assets ²	7,907,940	7,559,631
	315,133,002	295,991,393
Off-balance sheet items		
Acceptances and guarantees contracts	8,932,463	8,957,888
Financial guarantee contracts	4,021,013	4,459,645
Commitments	97,602,903	96,162,693
	110,556,379	109,580,226
	₩ 425,689,381	₩ 405,571,619

¹ Financial instruments indexed to the price of gold amounting to ₩ 69,060 million and ₩ 51,345 million as of December 31, 2015 and 2014, 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 Korean 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:

(In millions of Korean won)

	2015							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
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
	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	

(In millions of Korean won)

	2014							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 116,956,042	98.04	₩ 100,542,430	97.64	₩ 11,155,710	95.90	₩ 228,654,182	97.76
Past due but not impaired	1,576,365	1.32	331,780	0.32	276,875	2.38	2,185,020	0.93
Impaired	765,751	0.64	2,097,041	2.04	199,711	1.72	3,062,503	1.31
	119,298,158	100.00	102,971,251	100.00	11,632,296	100.00	233,901,705	100.00
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	

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:

(In millions of Korean won)

	2015						
	Retail		Corporate		Credit card		Total
	Amount	%	Amount	%	Amount	%	Amount
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
	₩ 122,397,940		₩ 108,822,470		₩ 11,640,909		₩ 242,861,319

(In millions of Korean won)

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

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

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

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

(In millions of Korean won)

	2015				
	1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	90 days or more	Total
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
	₩ 1,371,560	₩ 257,043	₩ 99,989	₩ 2,198	₩ 1,730,790

(In millions of Korean won)

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

Impaired loans are as follows:

(In millions of Korean won)

	2015			
	Retail	Corporate	Credit card	Total
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)
	₩ 374,052	₩ 894,489	₩ 70,866	₩ 1,339,407

(In millions of Korean won)

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

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						Total
	Impaired Loans			Non-impaired Loans			
	Individual	Collective	Past due	Not past due			
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		
	₩ 307,751	₩ 655,657	₩ 1,228,209	₩ 180,731,294	₩ 182,922,911		

(In millions of Korean won)

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

4.2.5 Credit quality of securities

The financial assets at fair value through profit or loss and financial investments excluding equity securities that are exposed to credit risk are as follows:

(In millions of Korean won)

	2015		2014	
	₩		₩	
Securities that are neither past due nor impaired	₩ 46,022,194		₩ 42,077,873	
Impaired securities	5,572		6,271	
	₩ 46,027,766		₩ 42,084,144	

The credit quality of securities, excluding equity securities, that are neither past due nor impaired as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	
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
	₩ 43,000,451	₩ 2,946,938	₩ 74,805	₩ -	₩ -	₩ 46,022,194

(In millions of Korean won)

	2014					Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	
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
	₩ 39,552,140	₩ 2,461,802	₩ 63,931	₩ -	₩ -	₩ 42,077,873

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

Credit quality	Domestic			Foreign		
	KAP	KIS	NICE 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Deposits and savings, securities and others	₩	424,559	₩	329,482
	₩	424,559	₩	329,482

4.2.7 Credit risk concentration analysis

The details of the Group's loans by country as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
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
	₩ 124,235,913	₩ 111,215,586	₩ 12,135,925	₩ 247,587,424	100.00	₩ (2,582,054)	₩ 245,005,370

(In millions of Korean won)

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

The details of the Group's corporate loans by industry as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Loans	%	Allowances	Carrying amount
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
	₩ 111,215,586	100.00	₩ (1,692,352)	₩ 109,523,234

(In millions of Korean won)

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

The details of the Group's retail and credit card loans by type as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Loans	%	Allowances	Carrying amount
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
	₩ 136,371,838	100.00	₩ (889,702)	₩ 135,482,136

(In millions of Korean won)

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

The details of the Group's securities (excluding equity securities) and derivative financial instruments by industry as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	
	Amount	%
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
	9,324,143	100.00
Financial assets designated at fair value through profit or loss		
Banking and insurance	943,432	100.00
	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
	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
	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
	14,149,528	100.00
	₩	48,305,878

(In millions of Korean won)

	2014	
	Amount	%
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
	9,712,208	100.00

(In millions of Korean won)

	2014	
	Amount	%
Financial assets designated at fair value through profit or loss		
Banking and insurance	442,960	100.00
	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
	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
	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
	12,569,154	100.00
	₩	44,052,334

The details of the Group's securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	
	Amount	%
Financial assets held for trading		
Korea	₩ 9,292,386	99.66
Others	31,757	0.34
	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
	943,432	100.00
Derivative financial assets		
Korea	1,286,340	56.47
United States	300,257	13.18
Others	691,515	30.35
	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
	21,610,663	100.00

(In millions of Korean won)

	2015	
	Amount	%
Held-to-maturity financial assets		
Korea	13,774,488	97.35
Others	375,040	2.65
	14,149,528	100.00
	₩	48,305,878

(In millions of Korean won)

	2014	
	Amount	%
Financial assets held for trading		
Korea	₩ 9,653,123	99.39
Others	59,085	0.61
	9,712,208	100.00
Financial assets designated at fair value through profit or loss		
Korea	442,960	100.00
	442,960	100.00
Derivative financial assets		
Korea	791,704	40.22
United States	274,608	13.95
Others	901,878	45.83
	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
	19,359,822	100.00
Held-to-maturity financial assets		
Korea	12,569,154	100.00
	12,569,154	100.00
	₩	44,052,334

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
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
	₩ 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
	₩ 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
	₩ 101,623,916	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 101,623,916

(In millions of Korean won)

	2014						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
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
	₩ 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
	₩ 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
	₩ 100,622,338	-	-	-	-	-	₩ 100,622,338

¹ The amounts of ₩ 7,127,248 million and ₩ 7,136,623 million which are restricted amounts due from the financial institutions as of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
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)

(In millions of Korean won)

	2014					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
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)

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, 2015 and 2014, are as follows:

Kookmin Bank

(In millions of Korean won)

	2015							
	Average		Minimum		Maximum		Ending	
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

(In millions of Korean won)

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

KB Investment & Securities Co., Ltd.

(In millions of Korean won)

	2015							
	Average		Minimum		Maximum		Ending	
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

(In millions of Korean won)

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

KB Life Insurance Co., Ltd.

(In millions of Korean won)

	2015							
	Average		Minimum		Maximum		Ending	
Interest rate risk	₩	64	₩	33	₩	127	₩	106
Deduction of diversification effect								-
Total VaR	₩	64	₩	33	₩	127	₩	106

(In millions of Korean won)

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

KB Investment Co., Ltd.

(In millions of Korean won)

	2015							
	Average		Minimum		Maximum		Ending	
Foreign exchange rate risk	₩	43	₩	24	₩	49	₩	42
Deduction of diversification effect								-
Total VaR	₩	43	₩	24	₩	49	₩	42

(In millions of Korean won)

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

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR as of December 31, 2015 and 2014, is as follows:

Kookmin Bank

(In millions of Korean won)

	2015		2014	
	Interest rate risk	₩	34	₩
Stock price risk		118		1,101
Foreign exchange rate risk		-		9,387
	₩	152	₩	11,280

KB Investment & Securities Co., Ltd.

(In millions of Korean won)

	2015		2014	
	Interest rate risk	₩	12,351	₩
Stock price risk		1,077		2,590
	₩	13,428	₩	11,455

KB Investment Co., Ltd.

(In millions of Korean won)

	2015		2014	
Stock price risk	₩	1,736	₩	1,979

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Kookmin Bank	₩	94,500	₩	112,500
KB Kookmin Card Co., Ltd.		55,304		55,101
KB Investment & Securities Co., Ltd.		11,115		3,489
KB Life Insurance Co., Ltd.		30,964		103,424
KB Savings Bank Co., Ltd.		7,581		4,649
KB Capital Co., Ltd.		5,798		3,685

4.4.4 Financial assets and liabilities in foreign currencies

Financial assets and liabilities in foreign currencies as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	USD	JPY	EUR	GBP	CNY	Others	Total
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
	₩ 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
	₩ 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

(In millions of Korean won)

	2014						
	USD	JPY	EUR	GBP	CNY	Others	Total
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
	₩ 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
	₩ 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

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, 2015 and 2014.

The details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Equity Capital:	₩	29,140,025	₩	28,347,675
Tier 1 Capital		25,585,979		24,248,598
Common Equity Tier 1 Capital		25,351,910		24,062,475
Additional Tier 1 Capital		234,069		186,123
Tier 2 Capital		3,554,046		4,099,077
Risk-weighted assets:		188,212,825		182,485,957
Equity Capital (%):		15.48		15.53
Tier 1 Capital (%)		13.59		13.29
Common Equity Tier 1 Capital (%)		13.47		13.19

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, 2015, is as follows:

(In millions of Korean won)

	Banking business				Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total						
Operating revenues from external customers	₩ 1,667,927	₩ 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)	-
	₩ 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

Financial information by business segment for the year ended December 31, 2014, is as follows:

(In millions of Korean won)

	Banking business				Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total						
Operating revenues from external customers	₩ 1,710,416	₩ 2,211,969	₩ 1,480,838	₩ 5,403,223	₩ 1,280,628	₩ 141,355	₩ 105,255	₩ 266,332	₩ -	₩ 7,196,793
Segment operating revenues(expenses)	70,271	(48,256)	211,993	234,008	(223,878)	5,218	(30,498)	166,503	(151,353)	-
	₩ 1,780,687	₩ 2,163,713	₩ 1,692,831	₩ 5,637,231	₩ 1,056,750	₩ 146,573	₩ 74,757	₩ 432,835	₩ (151,353)	₩ 7,196,793
Net interest income	2,448,966	2,079,834	442,646	4,971,446	993,806	18,136	227,344	203,443	1,600	6,415,775
Interest income	4,008,584	4,432,760	1,261,283	9,702,627	1,353,704	45,404	227,372	326,366	(20,177)	11,635,296
Interest expense	(1,559,618)	(2,352,926)	(818,637)	(4,731,181)	(359,898)	(27,268)	(28)	(122,923)	21,777	(5,219,521)
Net fee and commission income	237,229	524,784	316,032	1,078,045	95,132	76,268	253	134,154	(1,123)	1,382,729
Fee and commission 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

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Banking service	₩	5,398,554	₩	5,403,223
Credit card service		1,310,628		1,280,628
Investment & securities service		184,880		141,355
Life insurance service		142,885		105,255
Other service		345,002		266,332
	₩	7,381,949	₩	7,196,793

5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2015 and 2014, and major non-current assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				2014			
	Revenues from external customers		Major non-current assets		Revenues from external customers		Major non-current assets	
Domestic	₩	7,305,697	₩	3,821,634	₩	7,093,068	₩	3,807,792
United States		11,847		276		11,655		256
New Zealand		5,143		209		6,684		193
China		30,590		6,949		46,892		7,518
Japan		10,709		1,547		19,842		1,391
Argentina		-		-		573		-
Vietnam		3,358		239		3,130		287
Cambodia		5,072		350		5,364		564
United Kingdom		9,533		130		9,585		108
Intra-group adjustment		-		134,692		-		131,342
	₩	7,381,949	₩	3,966,026	₩	7,196,793	₩	3,949,451

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from financial institutions	₩ 16,316,066	₩ 16,316,953	₩ 15,423,847	₩ 15,425,123
Financial assets held for trading	10,035,096	10,035,096	10,121,570	10,121,570
Debt securities	9,324,143	9,324,143	9,712,208	9,712,208
Equity securities	641,893	641,893	358,017	358,017
Others	69,060	69,060	51,345	51,345
Financial assets designated at fair value through profit or loss	1,138,968	1,138,968	636,340	636,340
Debt securities	145,542	145,542	-	-
Equity securities	195,536	195,536	134,172	134,172
Derivative linked securities	797,890	797,890	502,168	502,168
Derivatives held for trading	2,165,971	2,165,971	1,858,637	1,858,637
Derivatives held for hedging	112,141	112,141	109,553	109,553
Loans	245,005,370	245,244,958	231,449,653	232,084,413
Available-for-sale financial assets	24,987,231	24,987,231	22,391,466	22,391,466
Debt securities	21,610,663	21,610,663	19,359,822	19,359,822
Equity securities	3,376,568	3,376,568	3,031,644	3,031,644
Held-to-maturity financial assets	14,149,528	14,505,959	12,569,154	13,050,574
Other financial assets	7,907,940	7,907,940	7,559,631	7,559,631
	₩ 321,818,311	₩ 322,415,217	₩ 302,119,851	₩ 303,237,307
Financial liabilities				
Financial liabilities held for trading	₩ 586,923	₩ 586,923	₩ 836,542	₩ 836,542
Financial liabilities designated at fair value through profit or loss	2,387,681	2,387,681	982,426	982,426
Derivatives held for trading	2,282,794	2,282,794	1,775,341	1,775,341
Derivatives held for hedging	42,962	42,962	22,049	22,049
Deposits	224,268,185	224,949,129	211,549,121	211,946,808
Debts	16,240,743	16,297,523	15,864,500	15,944,770
Debentures	32,600,603	33,274,914	29,200,706	29,849,158
Other financial liabilities	12,278,613	12,255,921	11,918,820	11,911,835
	₩ 290,688,504	₩ 292,077,847	₩ 272,149,505	₩ 273,268,929

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, 2015 and 2014, is as follows:

(In millions of Korean won)

	2015							
	Fair value hierarchy					Total		
	Level 1		Level 2		Level 3			
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
	₩	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								
Derivatives held for trading		15,139		2,134,427		133,228		2,282,794
Derivatives held for hedging		-		42,465		497		42,962
	₩	602,062	₩	2,745,194	₩	1,953,104	₩	5,300,360

(In millions of Korean won)

	2014							
	Fair value hierarchy					Total		
	Level 1	Level 2	Level 3					
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
	₩	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
	₩	837,688	₩	1,771,385	₩	1,007,285	₩	3,616,358

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 ₩ 121,683 million and ₩ 93,435 million as of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	2015	2014		
Financial assets				
Financial assets held for trading	₩ 6,289,558			
Debt securities	5,949,872	5,341,103	DCF Model	Discount rate
Equity securities	339,686	109,328	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
Financial assets designated at fair value through profit or loss	752,130	134,172		
Debt securities	145,542	-	DCF Model, Hull-White Model	Discount rate, Volatility
Equity securities	195,536	134,172	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	2,120,097	1,793,894	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	110,930	109,293	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets	16,080,653	12,555,519		
Debt securities	15,461,551	12,377,142	DCF Model, One Factor Hull-White Model	Discount rate, Interest rate, Volatility of interest rate
Equity securities	619,102	178,377	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
	₩ 25,353,368	₩ 20,043,309		
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	2,134,427	1,751,617	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	42,465	19,768	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	₩ 2,745,194	₩ 1,771,385		

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, 2015 and 2014, is as follows:

(In millions of Korean won)

	2015				
	Fair value hierarchy			Total	
	Level 1	Level 2	Level 3		
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	
	₩ 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	
	₩ -	₩ 133,057,582	₩ 153,719,905	₩ 286,777,487	

(In millions of Korean won)

	2014				
	Fair value hierarchy			Total	
	Level 1	Level 2	Level 3		
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	
	₩ 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	
	₩ -	₩ 112,471,955	₩ 157,180,616	₩ 269,652,571	

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair values.

² The ₩ 7,970,940 million and ₩ 7,559,631 million of other financial assets included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2015 and 2014, respectively.

³ The ₩ 9,884 million and ₩ 408,984 million of debts included in Level 2 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2015 and 2014, respectively.

⁴ The ₩ 11,957,239 million and ₩ 11,682,571 million of other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	2015	2014		
Financial assets				
Held-to-maturity financial assets	₩ 12,717,045	₩ 10,411,022	DCF Model	Discount rate
Financial liabilities				
Debts	424,750	-	DCF Model	Discount rate
Debentures	₩ 32,532,277	₩ 29,353,766	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, 2015 and 2014, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs	Unobservable Inputs
	2015	2014			
Financial assets					
Cash and due from financial institutions	₩ 2,434,342	₩ 1,956,800	DCF Model	Credit spread,	Credit spread,
Loans				Other spread,	Other spread
	245,244,958	232,084,413	DCF Model	Interest rate	
				Credit spread,	Credit spread,
				Other spread,	Other spread,
				Prepayment rate,	Prepayment rate
				Interest rate	
	₩ 247,679,300	₩ 234,041,213			
Financial liabilities					
Deposits	₩ 124,858,458	₩ 129,237,603	DCF Model	Other spread,	Other spread,
				Prepayment rate,	Prepayment rate
				Interest rate	
Debts	15,862,889	15,535,786	DCF Model	Other spread,	Other spread
				Interest rate	
Debentures	742,637	495,392	DCF Model	Other spread,	Other spread,
				Implied default	Implied default
				probability,	probability
				Interest rate	
Other financial liabilities	298,682	229,264	DCF Model	Other spread,	Other spread
				Interest rate	
	₩ 141,762,666	₩ 145,498,045			

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	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	
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	

(In millions of Korean won)

	2014					
	Financial assets at fair value through profit or loss		Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging	
Beginning balance	₩ 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)	

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Net income from financial investments at fair value through profit or loss	Other operating income	Net interest income
Total gains or losses included in profit or loss for the year	₩ 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

(In millions of Korean won)

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

6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs

(In millions of Korean won)

	2015					
	Fair value	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	₩ 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, Correlation between underlying asset	0.65~70.06 -14.20~89.98	The higher the volatility, the higher the fair value fluctuation 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, Correlation between asset	5.60~49.65 6.80~51.07	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

	2015					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
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 Volatility of the stock price Volatility of the interest rate Volatility of the underlying asset Correlation between underlying asset	5.56~100.00 40.02 0.45 13.80~46.56 3.42~89.98	The higher the loss given default, the lower the fair value The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation 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
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, Model, Discounted cash flows to equity	Growth rate, Discount rate, Volatility of interest rate, Liquidation value, Recovery rate of receivables' acquisition cost	Growth rate Discount rate Volatility of interest rate Liquidation value Recovery rate of receivables' acquisition cost	0.00~3.00 1.72~20.65 24.90~27.20 0.00 155.83	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation The higher the liquidation value, the higher the fair value The higher the recovery rate of receivables' acquisition cost, the higher the fair value
	₩ 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 Correlation between underlying asset	0.65~70.06 -14.20~89.98	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

		2015				
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
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
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
	₩ 1,953,104					

(In millions of Korean won)

		2014				
	Fair value	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

(In millions of Korean won)

2014						
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
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 Correlation between underlying asset	4.80~45.82 -3.27~59.13	The higher the volatility, the higher the fair value fluctuation 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
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 Discount rate Volatility of interest rate Volatilities of real estate selling price Liquidation value Recovery rate of receivables' acquisition cost	0.00~3.00 2.29~23.25 16.25~21.45 1.10 0.00 155.83	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation The higher the selling price, the higher the fair value The higher the liquidation value, the higher the fair value The higher the recovery rate of receivables' acquisition cost, the higher the fair value
	₩ 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 Correlation between underlying asset	3.42~48.89 -7.75~59.13	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

	2014					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
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, Correlation between underlying asset	11.15~41.79 -3.83~68.20	The higher the volatility, the higher the fair value fluctuation 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
	₩	1,007,285				

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:

(In millions of Korean won)

	2015							
	Recognition in profit or loss		Other comprehensive income or loss					
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes				
Financial assets								
Financial assets designated at fair value through profit or loss	₩	9,211	₩	(11,642)	₩	-	₩	-
Derivative linked securities ¹		2,800		(3,891)		-		-
Derivatives held for trading ²		81		(71)		-		-
Derivatives held for hedging ²								
Available-for-sale financial assets								
Debt securities ³		-		-		20		(19)
Equity securities ⁴		-		-		189,271		(88,066)
	₩	12,092	₩	(15,604)	₩	189,291	₩	(88,085)

(In millions of Korean won)

	2015							
	Recognition in profit or loss				Other comprehensive income or loss			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
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)		-		-
	₩	87,557	₩	(84,787)	₩	-	₩	-

(In millions of Korean won)

	2014							
	Recognition in profit or loss				Other comprehensive income or loss			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
Financial assets								
Financial assets designated at fair value through profit or loss	₩	6,006	₩	(10,768)	₩	-	₩	-
Derivative linked securities ¹		9,851		(8,194)		-		-
Derivatives held for trading ²		17		(15)		-		-
Derivatives held for hedging ²								
Available-for-sale financial assets								
Debt securities ³		-		-		20		(18)
Equity securities ⁴		-		-		388,278		(147,164)
	₩	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)		-		-
	₩	27,580	₩	(22,136)	₩	-	₩	-

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:

(In millions of Korean won)

	2015		2014	
Balance at the beginning of the year	₩	1,376	₩	4,190
New transactions		5,400		(853)
Amounts recognized in profit or loss during the year				
Amortization		(2,563)		(891)
Settlement		(158)		(1,070)
Balance at the end of the year	₩	4,055	₩	1,376

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	Financial assets at fair value through profit or loss		Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Derivatives held for hedging	Total
Held for trading	Designated at fair value through profit or loss						
Financial assets							
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
	₩ 12,201,067	₩ 1,138,968	₩ 269,229,376	₩ 24,987,231	₩ 14,149,528	₩ 112,141	₩ 321,818,311

(In millions of Korean won)

	2015									
	Financial assets at fair value through profit or loss				Financial liabilities at amortized cost	Derivatives held for hedging	Total			
	Held for trading	Designated at fair value through profit or loss								
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
	₩	2,869,717	₩	2,387,681	₩	285,388,144	₩	42,962	₩	290,688,504

(In millions of Korean won)

	2014													
	Financial assets at fair value through profit or loss				Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Derivatives held for hedging	Total					
	Held for trading	Designated at fair value through profit or loss												
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			
	₩	11,980,207	₩	636,340	₩	254,433,131	₩	22,391,466	₩	12,569,154	₩	109,553	₩	302,119,851

(In millions of Korean won)

	2014					
	Financial assets 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	
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
	₩ 2,611,883	₩ 982,426	₩ 268,533,147	₩ 22,049	₩	272,149,505

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
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
			₩ 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.

(In millions of Korean won)

	2014			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
KR ABS Co., Ltd.	Subordinate debt	Available-for-sale financial assets	₩ 4,921	₩ 4,921
KR ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	22,219	22,219
EAK ABS Co., Ltd.	Subordinate debt	Available-for-sale financial assets	11,211	11,211
AP ABS First Co., Ltd.	Senior debt	Loans and receivables	9,762	9,842
	Subordinate debt	Available-for-sale financial assets	17,346	17,346
Discovery ABS First Co., Ltd.	Senior debt	Loans and receivables	1,175	1,194
	Subordinate debt	Available-for-sale financial assets	22,591	22,591
EAK ABS Second Co., Ltd. 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
			₩ 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.**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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	
	Carrying amount of assets (Underlying assets)	Carrying amount of the associated liabilities (Senior debentures)
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

(In millions of Korean won)

	2015	
	Carrying amount of assets (Underlying assets)	Carrying amount of the associated liabilities (Senior debentures)
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
	₩ 2,561,595	₩ 2,187,623

(In millions of Korean won)

	2014	
	Carrying amount of assets (Underlying assets)	Carrying amount of the associated liabilities (Senior debentures)
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
	₩ 3,224,993	₩ 2,295,177

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Carrying amount of transferred assets		Carrying amount of related liabilities	
Repurchase agreements	₩	1,938,091	₩	1,817,754
Loaned securities				
Government bond		200,389		-
Stock		313		-
Others		20,091		-
	₩	2,158,884	₩	1,817,754

(In millions of Korean won)

	2014			
	Carrying amount of transferred assets		Carrying amount of related liabilities	
Repurchase agreements	₩	1,080,804	₩	1,019,071
Loaned securities				
Government bond		162,408		-
Stock		2,378		-
	₩	1,245,590	₩	1,019,071

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	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		
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	
	₩ 27,822,781	₩ (18,460,062)	₩ 9,362,719	₩ (6,496,118)	₩ (22,221)	₩ 2,844,380	

(In millions of Korean won)

	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		
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	
	₩ 26,469,528	₩ (16,483,341)	₩ 9,986,187	₩ (7,365,199)	₩ (1,635)	₩ 2,619,353	

The details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	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		
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
	₩ 26,203,136	₩ (18,460,062)	₩ 7,743,074	₩ (7,033,347)	₩ (4,632)	₩ 705,095

(In millions of Korean won)

	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		
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
	₩ 22,658,574	₩ (16,483,341)	₩ 6,175,233	₩ (5,595,638)	₩ -	₩ 579,595

¹ Includes repurchase agreements sold to customers.

7. Due from financial institutions

The details of due from financial institutions as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

		Financial Institutions	Interest rate(%)	2015	2014
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~1.50	₩ 6,376,961	₩ 6,283,230
	Due from banking institutions	KEB Hana Bank and others	0.00~3.30	1,610,649	1,191,877
	Due from others	Kyobo Securities Co., Ltd. and others	0.00~1.93	3,406,289	3,750,163
				11,393,899	11,225,270
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	-	1,211,342	899,080
	Time deposits in foreign currencies	KEB Hana Bank and others	0.00~4.79	1,131,816	708,926
	Due from others	Bank of Japan and others	-	107,697	45,154
				2,450,855	1,653,160
				₩ 13,844,754	₩ 12,878,430

Restricted due from financial institutions as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

		Financial Institutions	2015	2015	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 6,376,961	₩ 6,283,230	Bank of Korea Act
	Due from banking institutions	KEB Hana Bank and others	96,708	393,824	Agreement for allocation of deposit
	Due from others	The Korea Securities Finance Corporation and others	86,915	137,327	Market entry deposit and others
			6,560,584	6,814,381	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	501,379	293,067	Bank of Korea Act and others
	Time deposits in foreign currencies	KEB Hana Bank and others	17,580	16,488	Bank Act of the State of New York
	Due from others	Samsung Future Inc. and others	44,698	8,158	Derivatives margin account and others
			563,657	317,713	
			₩ 7,124,241	₩ 7,132,094	

8. Assets pledged as collateral

The details of assets pledged as collateral as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	2015	
		Carrying amount	Reason of pledge
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
		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
	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
	2,235,986		
Mortgage loans	Others	1,745,823	Covered bond
		₩ 8,737,561	

(In millions of Korean won)

Assets pledged	Pledgee	2014	
		Carrying amount	Reason of pledge
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
		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
	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
	4,419,283		
	₩ 6,764,319		

The fair value of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2015 and 2014, are as follows:

(In number of shares)

	2015		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 2,045,575	₩ -	₩ 2,045,575

(In number of shares)

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

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Notional amount	Assets	Liabilities
Interest rate			
Futures ¹	₩ 1,412,251	₩ -	₩ -
Swaps	92,008,910	910,744	892,601
Options	5,874,500	73,724	133,087
	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
	60,386,500	1,111,426	1,095,021

(In millions of Korean won)

	2015		
	Notional amount	Assets	Liabilities
Stock and index			
Futures ¹	177,781	486	81
Swaps	1,297,420	9,690	122,188
Options	471,095	35,543	17,554
	1,946,296	45,719	139,823
Credit			
Swaps	600,000	13,408	13,413
Commodity			
Futures ¹	2,885	31	-
Swaps	5,074	638	699
	7,959	669	699
Other	793,200	10,281	8,150
	₩ 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.

(In millions of Korean won)

	2014		
	Notional amount	Assets	Liabilities
Interest rate			
Futures ¹	₩ 678,798	₩ -	₩ -
Swaps	101,610,724	924,189	957,504
Options	8,398,000	86,277	128,185
	110,687,522	1,010,466	1,085,689
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
	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
	3,140,036	61,813	15,174
Commodity			
Futures ¹	765	7	9
Other	150,000	24,067	9,049
	₩ 155,022,413	₩ 1,858,637	₩ 1,775,341

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	3,108,538	₩	91,341	₩	21,461
Currency						
Forwards		331,533		800		7,637
Other		140,000		1,211		497
	₩	3,580,071	₩	93,352	₩	29,595

(In millions of Korean won)

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

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
	Gains(losses) on hedging instruments	₩	(47,491)	₩
Gains(losses) on the hedged item attributable to the hedged risk		48,265		42,393
	₩	774	₩	16,073

Cash flow hedge

The details of derivatives designated as cash flow hedging instruments as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	498,000	₩	-	₩	13,367
Currency						
Swaps		351,600		18,789		-
	₩	849,600	₩	18,789	₩	13,367

(In millions of Korean won)

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

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Gains(losses) on hedging instruments	₩	24,047	₩	(8,289)
Gains(losses) on the hedged item attributable to the hedged risk		23,368		(7,765)
Ineffectiveness recognized in profit or loss	₩	679	₩	(524)

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Amount recognized in other comprehensive income	₩	23,368	₩	(7,765)
Amount reclassified from equity to profit or loss		(22,118)		(5,426)
Tax effect		(525)		2,694
	₩	725	₩	(10,497)

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:

(In millions of Korean won)

	2015	
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:

(In millions of Korean won)

	2015	
Financial debentures in foreign currencies	₩	582,205

10. Loans

Loans as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Loans	₩	246,911,148	₩	233,300,563
Deferred loan origination fees and costs		676,276		601,142
Less: Allowances for loan losses		(2,582,054)		(2,452,052)
Carrying amount	₩	245,005,370	₩	231,449,653

Loans to banks as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Loans	₩	6,779,962	₩	6,208,391
Less: Allowances for loan losses		(39)		-
Carrying amount	₩	6,779,923	₩	6,208,391

Loans to customers other than banks as of December 31, 2015 and 2014, consist of:

(In millions of Korean won)

	2015							
		Retail	Corporate	Credit card	Total			
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
		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)
	₩	123,744,561	₩	102,743,311	₩	11,737,575	₩	238,225,447

(In millions of Korean won)

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

The changes in deferred loan origination fees and costs for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Increase	Decreases	Others	Ending
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
	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
	83,640	52,947	75,411	9	61,185
	₩ 601,142	₩ 513,533	₩ 438,390	₩ (9)	₩ 676,276

(In millions of Korean won)

	2014					
	Beginning	Increase	Decreases	Business Combination	Others	Ending
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
	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
	88,033	61,742	97,059	30,917	7	83,640
	₩ 423,245	₩ 381,366	₩ 277,108	₩ 73,646	₩ (7)	₩ 601,142

11. Allowances for Loan Losses

The changes in the allowances for loan losses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Retail	Corporate	Credit card	Total
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

(In millions of Korean won)

	2014			
	Retail	Corporate	Credit card	Total
Beginning	₩ 580,510	₩ 1,870,874	₩ 409,800	₩ 2,861,184
Written-off	(576,084)	(1,087,897)	(427,059)	(2,091,040)
Recoveries from written-off loans	139,131	260,574	131,046	530,751
Sale	(6,736)	(65,163)	-	(71,899)
Provision 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

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Financial assets held for trading				
Debt securities:				
Government and public bonds	₩	2,509,783	₩	3,067,490
Financial bonds		3,973,387		4,049,449
Corporate bonds		2,106,163		1,826,682
Asset-backed securities		316,485		318,893
Others		418,325		449,694
Equity securities:				
Stocks		38,124		69,736
Beneficiary certificates		603,769		288,281
Others		69,060		51,345
		10,035,096		10,121,570
Financial assets designated at fair value through profit or loss				
Debt securities:				
Corporate bonds		145,542		-
Equity securities:				
Beneficiary certificates		195,536		134,172
Derivative linked securities		797,890		502,168
		1,138,968		636,340
Total financial assets at fair value through profit or loss	₩	11,174,064	₩	10,757,910
Available-for-sale financial assets				
Debt securities:				
Government and public bonds	₩	3,756,819	₩	4,702,036
Financial bonds		7,241,493		6,980,846
Corporate bonds		4,979,535		6,119,889
Asset-backed securities		5,215,974		1,211,343
Others		416,842		345,708
Equity securities:				
Stocks		2,045,381		2,402,675
Equity investments and others		66,246		74,596
Beneficiary certificates		1,264,941		554,373
		24,987,231		22,391,466
Held-to-maturity financial assets				
Debt securities:				
Government and public bonds		2,592,221		3,556,913
Financial bonds		1,863,810		1,262,187
Corporate bonds		5,529,595		7,277,779
Asset-backed securities		4,163,902		472,275
		14,149,528		12,569,154
Total financial investments	₩	39,136,759	₩	34,960,620

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (227,588)	₩ 265	₩ (227,323)

(In millions of Korean won)

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

13. Investments in associates

Investments in associates as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
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						
Ejade Co., Ltd. ⁹	38.62	-	339	-	Wholesale of paper products	Korea
KB Star office Private real estate Investment Trust No.1	25.67	-	591	-	Wholesale of underwears	Korea
NPS KBIC Private Equity Fund No. 1 ²	21.05	20,000	20,328	19,915	Investment finance	Korea
KBIC Private Equity Fund No. 3 ²	2.56	3,393	-	-	Investment finance	Korea
Sawnics Co., Ltd.	2.00	2,050	2,348	2,348	Investment finance	Korea
KB-Glenwood Private Equity Fund ²	26.93	1,500	1,397	1,397	Manufacture of mobile phone parts	Korea
KB No.5 Special Purpose Acquisition Company ^{2,4}	0.03	10	10	10	Investment finance	Korea
KB No.6 Special Purpose Acquisition Company ^{2,5}	0.19	10	20	20	Special Purpose Acquisition Company	Korea
KB No.7 Special Purpose Acquisition Company ^{2,6}	0.25	40	78	78	Special Purpose Acquisition Company	Korea
KB No.8 Special Purpose Acquisition Company ^{2,7}	0.93	50	88	88	Special Purpose Acquisition Company	Korea
KB No.9 Special Purpose Acquisition Company ²	0.10	10	19	19	Special Purpose Acquisition Company	Korea
SY Auto Capital Co., Ltd.	4.97	16	15	15	Special Purpose Acquisition Company	Korea
	49.00	9,800	9,481	9,481	Automobile installment	Korea
		₩ 2,456,962	₩ 1,718,840	₩ 1,737,840		

(In millions of Korean won)

	2014					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
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 Fund2	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 ³	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
		₩ 1,579,889	₩ 681,250	₩ 670,332		

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, 2015 and 2014, 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, 2015 and 2014, are ₩ 21,863 million and ₩ 42,945 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, 2015 and 2014, 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, 2015 and 2014, amounts to ₩ 74 million and ₩ 84 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:

(In millions of Korean won)

	2015 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount
Associates							
KB Insurance Co., Ltd. (initial acquisition 22.59%) (additional acquisition 10.70%)	₩ 29,007,556	₩ 25,769,760	₩ 30,000	₩ 3,237,796	724,599	₩ (366)	1,077,014
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

(In millions of Korean won)

	2015 ¹				
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends
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.

(In millions of Korean won)

	2014 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains	Consolidated carrying amount
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

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.

(In millions of Korean won)

	2014 ¹				
	Operating income	Profit (Loss)	Other comprehensive income(loss)	Total comprehensive income(loss)	Dividends
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.

The changes in investments in associates for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015							
	Beginning	Acquisition	Disposal	Dividends	Gains (losses)	Other comprehensive income	Others	Ending
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
	₩ 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.

(In millions of Korean won)

	2014									
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses)	Other comprehensive income	impairment loss	Ending		
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		
	₩ 755,390	₩ 17,650	₩ (24,596)	₩ (59,819)	₩ 14,523	₩ (32,448)	₩ (368)	₩ 670,332		

Accumulated unrecognized share of losses in investments in associates due to discontinuation of applying the equity method for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
	Unrecognized loss	Accumulated unrecognized loss	Unrecognized loss	Accumulated unrecognized loss
JSC Bank CenterCredit	₩ 103,453	₩ 103,453	₩ -	₩ -
Incheon Bridge Co., Ltd.	163	1,879	1,287	1,716
Shinla Construction Co., Ltd.	14	148	34	134
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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
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
	₩ 5,737,588	₩ (2,443,328)	₩ (6,877)	₩ 3,287,383

(In millions of Korean won)

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 1,970,010	₩ -	₩ -	₩ 1,970,010
Buildings	1,231,645	(373,306)	(2,117)	856,222
Leasehold improvements	602,438	(549,942)	-	52,496
Equipment and vehicles	1,725,901	(1,561,480)	-	164,421
Construction in-progress	7,946	-	-	7,946
Financial lease assets	32,965	(1,075)	-	31,890
	₩ 5,570,905	₩ (2,485,803)	₩ (2,117)	₩ 3,082,985

The changes in property and equipment for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Others	Ending
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
	₩ 3,082,985	₩ 229,764	₩ 163,613	₩ (3,565)	₩ (189,521)	₩ 4,107	₩ 3,287,383

(In millions of Korean won)

	2014							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩ 1,991,831	₩ 11,371	₩ (37,017)	₩ -	₩ -	₩ 3,850	₩ (25)	₩ 1,970,010
Buildings	864,549	12,884	2,044	-	(29,335)	6,159	(79)	856,222
Leasehold improvement	56,024	3,854	30,420	(605)	(40,570)	791	2,582	52,496
Equipment and vehicles	139,539	110,269	1,947	(333)	(90,200)	2,285	914	164,421
Construction in-progress	-	63,629	(55,683)	-	-	-	-	7,946
Financial lease assets	8,900	40,873	(1,947)	-	(15,936)	-	-	31,890
	₩ 3,060,843	₩ 242,880	₩ (60,236)	₩ (938)	₩ (176,041)	₩ 13,085	₩ 3,392	₩ 3,082,985

¹ Including transfers with investment property and assets held for sale.

² Including depreciation cost and others ₩ 94 million and ₩ 82 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2015 and 2014, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Impairment	Reversal	Others	Ending
	₩ (2,117)	₩ (557)	₩ -	₩ (4,203)	₩ (6,877)

(In millions of Korean won)

	2014				
	Beginning	Impairment	Reversal	Others	Ending
	₩ (2,117)	₩ -	₩ -	₩ -	₩ (2,117)

The details of investment property as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 125,291	₩ -	₩ (738)	₩ 124,553
Buildings	97,676	(10,414)	-	87,262
	₩ 222,967	₩ (10,414)	₩ (738)	₩ 211,815

(In millions of Korean won)

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 229,437	₩ -	₩ (738)	₩ 228,699
Buildings	157,885	(9,040)	-	148,845
	₩ 387,322	₩ (9,040)	₩ (738)	₩ 377,544

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:

(In millions of Korean won)

	2015		
	Fair value	Valuation technique	Inputs
Land and buildings	₩ 404,713	Cost Approach Method	- Price per square meter - Replacement cost

As of December 31, 2015 and 2014, fair values of the investment properties amount to ₩ 404,713 million and ₩ 379,812 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, 2015 and 2014, amounts to ₩ 22,201 million and ₩ 7,107 million, respectively.

The changes in investment property for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Acquisition	Transfers	Depreciation	Ending
Land	₩ 228,699	₩ 21	₩ (104,167)	₩ -	₩ 124,553
Buildings	148,845	4,268	(62,499)	(3,352)	87,262
	₩ 377,544	₩ 4,289	₩ (166,666)	₩ (3,352)	₩ 211,815

(In millions of Korean won)

	2014					
	Beginning	Acquisition	Transfers	Depreciation	Business combination	Ending
Land	₩ 94,708	₩ 132,924	₩ (262)	₩ -	₩ 1,329	₩ 228,699
Buildings	71,551	79,071	288	(2,065)	-	148,845
	₩ 166,259	₩ 211,995	₩ 26	₩ (2,065)	₩ 1,329	₩ 377,544

15. Intangible Assets

The details of intangible assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Goodwill	₩ 331,707	₩ -	₩ (69,315)	₩ 262,392
Other intangible assets	935,686	(705,039)	(26,211)	204,436
	₩ 1,267,393	₩ (705,039)	₩ (95,526)	₩ 466,828

(In millions of Korean won)

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Goodwill	₩ 331,707	₩ -	₩ (69,315)	₩ 262,392
Other intangible assets	900,951	(649,723)	(24,698)	226,530
	₩ 1,232,658	₩ (649,723)	₩ (94,013)	₩ 488,922

The details of intangible assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	1,202	1,202	1,202
KB Investment Securities	70,265	58,889	70,265	58,889
KB Capital Co., Ltd.	79,609	79,609	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
	₩ 331,707	₩ 262,392	₩ 331,707	₩ 262,392

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

2015			
Beginning	Impairment	Others	Ending
₩ 69,315	₩ -	₩ -	₩ 69,315

(In millions of Korean won)

2014			
Beginning	Impairment	Others	Ending
₩ 46,533	₩ 22,782	₩ -	₩ 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:

(In millions of Korean won)

	Housing & Commercial Bank					KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.	Total
	Retail Banking	Corporate Banking	KB Cambodia Bank	KB Investment Securities	KB Capital Co., Ltd.		
Carrying amounts	₩ 49,315	₩ 15,973	₩ 1,202	₩ 58,889	₩ 79,609	₩ 57,404	₩ 262,392
Recoverable amount exceeded carrying amount	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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
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
	₩ 935,686	₩ (705,039)	₩ (26,211)	₩ 204,436

(In millions of Korean won)

	2014			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 1,470	₩ (1,079)	₩ -	₩ 391
Software	644,485	(564,887)	-	79,598
Other intangible assets	213,927	(83,190)	(24,698)	106,039
Finance leases assets	41,069	(567)	-	40,502
	₩ 900,951	₩ (649,723)	₩ (24,698)	₩ 226,530

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	Beginning	Acquisition	Disposal	Transfer	Amortization ¹	Others	Ending
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
	₩ 226,530	₩ 52,773	₩ (3,619)	₩ (300)	₩ (64,584)	₩ (6,364)	₩ 204,436

(In millions of Korean won)

	2014							
	Beginning	Acquisition	Disposal	Transfer	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 469	₩ 74	₩ -	₩ -	₩ (151)	₩ -	₩ (1)	₩ 391
Software	113,797	24,516	-	4,528	(62,805)	364	(802)	79,598
Other intangible assets 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
	₩ 237,639	₩ 76,060	₩ (4,455)	₩ -	₩ (83,091)	₩ 2,414	₩ (2,037)	₩ 226,530

¹ Including ₩ 56 million and ₩ 59 million recorded in other operating expenses and others in the statements of comprehensive income for the years ended December 31, 2015 and 2014.² 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (24,698)	₩ (6,627)	₩ 360	₩ 4,754	₩ (26,211)

(In millions of Korean won)

	2014				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (23,217)	₩ (1,888)	₩ 411	₩ (4)	₩ (24,698)

The changes in emissions rights for year ended December 31, 2015, are as follows:

(KAU, in millions of Korean won)

	Applicable under 2015		Applicable under 2016		Applicable under 2017		Total	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Assets	Liabilities	Net amount			
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
		1,636,968		(1,807,838)		(170,870)
Offsetting of deferred income tax assets and liabilities		(1,628,595)		1,628,595		-
	₩	8,373	₩	(179,243)	₩	(170,870)

(In millions of Korean won)

	2014					
	Assets		Liabilities		Net amount	
Other provisions	₩	99,369	₩	-	₩	99,369
Allowances for loan losses		2,416		(1,900)		516
Impairment losses on property and equipment		5,590		(358)		5,232
Interest on equity index-linked deposits		183		-		183
Share-based payments		8,134		-		8,134
Provisions for guarantees		50,115		-		50,115
Losses(gains) from valuation on derivative financial instruments		3,714		(52,714)		(49,000)
Present value discount		8,078		(10,694)		(2,616)
Losses(gains) from fair value hedged item		12,834		-		12,834
Accrued interest		-		(79,385)		(79,385)
Deferred loan origination fees and costs		9,265		(132,815)		(123,550)
Gains from revaluation		-		(274,947)		(274,947)
Investments in subsidiaries		12,635		(74,504)		(61,869)
Derivative linked securities		336,025		(338,587)		(2,562)
Others		703,497		(363,600)		339,897
		1,251,855		(1,329,504)		(77,649)
Offsetting of deferred income tax assets and liabilities		(1,236,293)		1,236,293		-
	₩	15,562	₩	(93,211)	₩	(77,649)

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Beginning	Decrease	Increase	Ending
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
	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
	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)
	(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)
	(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)

(In millions of Korean won)

	2014			
	Beginning	Decrease	Increase	Ending
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
	5,291,733	₩ 3,597,794	₩ 4,298,156	5,992,095
Unrecognized deferred income tax assets:				
Share-based payments	-	-	-	-
Other provisions	250	-	-	199
Loss on SPE repurchase	80,204	-	-	80,204
Investments in subsidiaries and others	603,097	-	-	563,040
Others	94,786	-	-	172,199
	4,513,396	-	-	5,176,453
Tax rate (%)	24.2	-	-	24.2
Total deferred income tax assets from deductible temporary differences	₩ 1,095,876	-	-	₩ 1,251,855
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)
	(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)
	(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)

17. Assets held for sale

The details of assets held for sale as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land	₩ 35,997	₩ (8,531)	₩ 27,466	₩ 28,659
Buildings	37,115	(15,953)	21,162	21,621
	₩ 73,112	₩ (24,484)	₩ 48,628	₩ 50,280

(In millions of Korean won)

	2014			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land	₩ 47,418	₩ (9,442)	₩ 37,976	₩ 40,530
Buildings	52,774	(20,393)	32,381	33,752
	₩ 100,192	₩ (29,835)	₩ 70,357	₩ 74,282

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:

(In millions of Korean won)

	2015				
	Fair value	Valuation technique ¹	Unobservable input ²	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Land and buildings	₩ 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.
	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.
	₩ 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, 2015 and 2014, are as follows:

(In millions of Korean won)

2015				
Beginning	Provision	Reversal	Others	Ending
₩ (34,066)	₩ (2,110)	₩ 399	₩ 11,293	₩ (24,484)

(In millions of Korean won)

2014				
Beginning	Provision	Reversal	Others	Ending
₩ (23,439)	₩ (16,592)	₩ -	₩ 5,965	₩ (34,066)

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Other financial assets		
Other receivables	₩ 3,652,481	₩ 3,185,783
Accrued income	1,163,368	1,166,555
Guarantee deposits	1,204,474	1,339,572
Domestic exchange settlement debits	2,145,654	2,096,804
Others	52,258	119,733
Allowances for loan losses	(308,699)	(347,918)
Present value discount	(1,596)	(898)
	7,907,940	7,559,631
Other non-financial assets		
Other receivables	5,238	1,469
Prepaid expenses	280,563	327,633
Guarantee deposits	4,232	4,081
Insurance assets	112,489	127,493
Separate account assets	852,648	689,701
Others	236,571	96,759
Allowances on other asset	(23,977)	(23,294)
	1,467,764	1,223,842
	₩ 9,375,704	₩ 8,783,473

The changes in allowances for loan losses on other assets for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Other financial assets	Other non-financial assets	Total
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

(In millions of Korean won)

	2014		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 580,651	₩ 16,402	₩ 597,053
Written-off	(293,614)	(2,436)	(296,050)
Provision	38,091	3,930	42,021
Business combination	1,085	-	1,085
Others	21,705	5,398	27,103
Ending	₩ 347,918	₩ 23,294	₩ 371,212

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Financial liabilities held for trading		
Securities sold	₩ 517,458	₩ 784,892
Other	69,465	51,650
	586,923	836,542
Financial liabilities designated at fair value through profit or loss		
Derivative linked securities	2,387,681	982,426
	2,387,681	982,426
Total financial liabilities at fair value through profit or loss	₩ 2,974,604	₩ 1,818,968

The details of credit risk of financial liabilities designated at fair value through profit or loss as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Financial liabilities designated at fair value through profit or loss	₩ 2,387,681	₩ 982,426
Changes in fair value resulting from changes in the credit risk	(15,602)	(4,848)
Accumulated changes in fair value resulting from changes in the credit risk	(30,112)	(14,510)

20. Deposits

The details of deposits as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Demand deposits				
Demand deposits in Korean won	₩	91,678,321	₩	75,835,847
Demand deposits in foreign currencies		4,147,646		3,019,063
		95,825,967		78,854,910
Time deposits				
Time deposits in Korean won		120,225,483		128,627,173
Fair value adjustments on fair value hedged time deposits in Korean won		(201)		(958)
		120,225,282		128,626,215
Time deposits in foreign currencies		3,623,160		2,484,949
Fair value adjustments on fair value hedged time deposits in foreign currencies		(17,671)		-
		3,605,489		2,484,949
		123,830,771		131,111,164
Certificates of deposits		4,611,447		1,583,047
	₩	224,268,185	₩	211,549,121

21. Debts

The details of debts as of December 31, 2015 and 2014, consist of:

(In millions of Korean won)

	2015		2014	
Borrowings	₩	12,304,226	₩	11,908,698
Repurchase agreements and others		1,845,611		1,074,146
Call money		2,090,906		2,881,656
	₩	16,240,743	₩	15,864,500

The details of borrowings as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

		Lenders	Annual interest rate (%)	2015	2014
Borrowings in Korean won	Borrowings from the Bank of Korea	Bank of Korea	0.50~0.75	₩ 1,421,375	₩ 1,002,796
	Borrowings from the government	KEA (Korea Energy Agency) and others	0.00~3.00	1,156,670	611,378
	Borrowings from banking institutions	Industrial Bank of Korea and others	1.18	180	37,874
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	0.20~2.70	374,369	212,452
	Other borrowings	The Korea Gas Safety Corporation	0.00~4.35	3,360,593	3,980,812
				6,313,187	5,845,312

(In millions of Korean won)

		Lenders	Annual interest rate (%)	2015	2014
Borrowings in foreign currencies	Due to banks	JPMorgan Chase Bank. NA and others	-	9,884	3,313
	Borrowings from banking institutions	Commerzbank and others	0.08~1.30	3,530,562	3,522,159
	Other borrowings	The Export-Import Bank of Korea and others	0.86~1.78	212,507	34,460
	Other borrowings	Standard Chartered Bank and others	-	2,238,086	2,503,454
				5,991,039	6,063,386
			₩ 12,304,226	₩ 11,908,698	

The details of repurchase agreements and others as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	2015	2014
Repurchase agreements	Individuals, Groups and Corporations	1.45~3.84	₩ 1,817,754	₩ 1,019,071
Bills sold	Counter sale	0.80~1.50	27,857	55,075
			₩ 1,845,611	₩ 1,074,146

The details of call money as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	2015	2014
Call money in Korean won	KEB Hana Bank and others	1.33~1.62	₩ 1,006,400	₩ 1,882,000
Call money in foreign currencies	Central Bank Uzbekistan and others	0.24~5.00	1,084,506	999,656
			₩ 2,090,906	₩ 2,881,656

22. Debentures

The details of debentures as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	2015	2014
Debentures in Korean won			
Structured debentures	0.21~8.62	₩ 909,788	₩ 1,239,238
Subordinated fixed rate debentures in Korean won	3.08~7.51	4,586,829	4,761,124
Fixed rate debentures in Korean won	1.63~5.04	22,500,223	18,839,553
Floating rate debentures in Korean won	1.83~2.09	448,000	1,133,000
		28,444,840	25,972,915
Fair value adjustments on fair value hedged debentures in Korean won		40,171	53,916
Discount on debentures in Korean won		(17,740)	(43,291)
		28,467,271	25,983,540

(In millions of Korean won)

	Annual interest rate (%)	2015	2014
Debentures in foreign currencies			
Floating rate debentures	0.07~1.57	1,829,124	1,648,175
Fixed rate debentures	0.98~3.63	2,325,537	1,578,980
		4,154,661	3,227,155
Fair value adjustments on fair value hedged debentures in foreign currencies			
		(10,416)	75
Discount on debentures in foreign currencies			
		(10,913)	(10,064)
		4,133,332	3,217,166
		₩ 32,600,603	₩ 29,200,706

The changes in debentures based on face value for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Issues	Repayments	Others	Ending
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
	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
	3,227,155	1,193,524	(490,516)	224,498	4,154,661
	₩ 29,200,070	₩ 80,282,524	₩ (77,107,591)	₩ 224,498	₩ 32,599,501

(In millions of Korean won)

	2014					
	Beginning	Issues	Repayments	Business combination	Others	Ending
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
	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
	3,478,419	1,887,806	(2,275,545)	-	136,475	3,227,155
	₩ 27,189,131	₩ 43,233,006	₩ (44,098,542)	₩ 2,740,000	₩ 136,475	₩ 29,200,070

23. Provisions

The details of provisions as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Provisions for unused loan commitments	₩	195,385	₩	209,964
Provisions for acceptances and guarantees		158,454		207,927
Provisions for financial guarantee contracts		3,809		2,718
Provisions for asset retirement obligation		75,351		73,442
Other		174,861		120,296
	₩	607,860	₩	614,347

The changes in provisions for unused loan commitments, acceptances and guarantees for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Provisions for unused loan commitments	Provisions for acceptances and guarantees	Total
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

(In millions of Korean won)

	2014		
	Provisions for unused loan commitments	Provisions for acceptances and guarantees	Total
Beginning	₩ 226,110	₩ 209,118	₩ 435,228
Effects of changes in foreign exchange rate	548	3,358	3,906
Reversal	(16,694)	(4,549)	(21,243)
Ending	₩ 209,964	₩ 207,927	₩ 417,891

The changes in provisions for financial guarantee contracts for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Beginning	₩	2,718	₩	2,699
Provision		1,091		19
Ending	₩	3,809	₩	2,718

The changes in provisions for asset retirement obligation for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Beginning	₩	73,442	₩	76,608
Provision		3,916		5,231
Reversal		(537)		(6,047)
Used		(4,207)		(5,701)
Unwinding of discount		2,042		2,936
Effects of changes in discount rate		695		70
Business combination		-		345
Ending	₩	75,351	₩	73,442

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse Gas Emission liabilities ¹	Others	Total
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.

(In millions of Korean won)

	2014				
	Membership rewards program	Dormant accounts	Litigations	Others	Total
Beginning	₩ 5,402	₩ 16,839	₩ 23,455	₩ 117,842	₩ 163,538
Increase	21,442	49,040	2,965	3,352	76,799
Decrease	(15,570)	(31,883)	(1,914)	(70,947)	(120,314)
Business Combination	-	-	-	273	273
Ending	₩ 11,274	₩ 33,996	₩ 24,506	₩ 50,520	₩ 120,296

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
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

(In millions of Korean won)

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 985,195	₩ (920,722)	₩ 64,473
Current service cost	163,997	-	163,997
Interest cost(income)	39,208	(36,545)	2,663
Past service cost	11	-	11
Remeasurements			
Actuarial gains and losses by changes in demographic assumptions	(36)	-	(36)
Actuarial gains and losses by changes in financial assumptions	112,550	-	112,550
Actuarial gains and losses by experience adjustments	6,303	-	6,303
Return on plan assets (excluding amounts included in interest income)	-	12,576	12,576
Contributions	-	(288,212)	(288,212)
Payments from plans (settlement)	(43,108)	43,054	(54)
Payments from the Group	(3,567)	-	(3,567)
Transfer in	3,788	(3,788)	-
Transfers out	(3,788)	3,661	(127)
Effect of exchange rate changes	(27)	-	(27)
Others	10,552	(5,418)	5,134
Ending	₩ 1,271,078	₩ (1,195,394)	₩ 75,684

The details of the net defined benefit liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Present value of defined benefit obligation	₩ 1,413,600	₩ 1,271,078
Fair value of plan assets	(1,340,403)	(1,195,394)
Net Defined benefit liabilities	₩ 73,197	₩ 75,684

The details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Current service cost	₩ 185,710	₩ 163,997
Past service cost	(47)	11
Net interest expenses of net defined benefit liabilities	2,219	2,663
Post-employment benefits ¹	₩ 187,882	₩ 166,671

¹ Post-employment benefits amounting to ₩ 1,143 million and ₩ 971 million for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(12,051)	₩	(12,576)
Actuarial gains and losses		(18,167)		(118,817)
Income tax effects		7,312		31,799
Remeasurements after income tax	₩	(22,906)	₩	(99,594)

The details of fair value of plan assets as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩	-	₩ 1,340,403
			₩ 1,340,403

(In millions of Korean won)

	2014		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩	-	₩ 1,195,394
			₩ 1,195,394

Key actuarial assumptions used as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate (%)	1.90 ~ 2.50	2.20 ~ 3.10
Salary increase rate (%)	0.00 ~ 7.50	0.00 ~ 8.50
Turnover (%)	0.00 ~ 27.00	0.00 ~ 32.00

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:

(In millions of Korean won)

	Changes in principal assumption	Effect on net defined benefit obligation	
		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:

(In millions of Korean won)

	Up to 1 year	1~2 years	2~5 years	5~10 years	Over 10 years	Total
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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Other financial liabilities		
Other payables	₩ 5,156,880	₩ 4,712,587
Prepaid card and debit card	18,233	19,578
Accrued expenses	2,718,654	3,123,144
Financial guarantee liabilities	12,446	13,237
Deposits for letter of guarantees and others	501,188	351,041
Domestic exchange settlement credits	127,562	128,739
Foreign exchanges settlement credits	53,367	69,440
Borrowings from other business accounts	47,707	40,383
Other payables from trust accounts	2,791,404	2,548,577
Liability Incurred from agency relationships	488,325	505,664
Account for agency businesses	321,557	340,062
Dividend payables	476	477
Other payables from factored receivables	40,178	37,734
Others	636	28,157
	12,278,613	11,918,820
Other non-financial liabilities		
Other payables	80,167	72,370
Unearned revenue	146,798	154,066
Accrued expenses	257,817	208,226
Deferred revenue on credit card points	123,615	115,658
Withholding taxes	115,092	106,291
Insurance liabilities	6,924,699	6,265,198
Separate account liabilities	860,946	698,832
Others	73,887	57,741
	8,583,021	7,678,382
	₩ 20,861,634	₩ 19,597,202

26. Equity

26.1 Share capital

The details of outstanding shares of the Parent Company as of December 31, 2015 and 2014, are as follows:

	Ordinary shares	
	2015	2014
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
Share capital 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
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
	₩ 15,854,510	₩ 15,854,510

26.3 Accumulated other comprehensive income

The details of accumulated other comprehensive income as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Remeasurements of net defined benefit liabilities	₩ (133,876)	₩ (110,814)
Exchange differences on translating foreign operations	32,990	(12,153)
Change in value of available-for-sale financial assets	653,130	680,900
Change in value of held-to-maturity financial assets	2,731	3,823
Shares of other comprehensive income of associates	(89,081)	(89,303)
Cash flow hedges	(10,173)	(10,774)
Hedges on hedges of a net investment in a foreign operation	(25,477)	-
	₩ 430,244	₩ 461,679

26.4 Retained earnings

The details of retained earnings as of December 31, 2015 and 2014, consist of:

(In millions of Korean won)

	2015	2014
Legal reserves ¹	₩ 251,517	₩ 208,221
Voluntary reserves	982,000	982,000
Retained earnings before appropriation	9,230,592	7,876,924
	₩ 10,464,109	₩ 9,067,145

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.

Regulatory Reserve for Credit Losses

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

The details of the regulatory reserve for credit losses as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Regulatory reserve for credit losses attributable to:				
Shareholders of the Parent Company	₩	2,454,463	₩	2,456,352
Non-controlling interests		28,468		16,808
	₩	2,482,931	₩	2,473,160

The adjustments to the regulatory reserve for credit losses as of December 31, 2015 and 2014, are as follows:

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

	2015		2014	
Provision(reversal) of regulatory reserve for credit losses ¹	₩	(1,889)	₩	167,694
Adjusted profit after provision(reversal) of regulatory reserve for credit losses ²		1,700,207		1,233,028
Adjusted basic earnings per share after provision (reversal) of regulatory reserve for credit losses ²		4,401		3,191
Adjusted diluted earnings per share after provision (reversal) of regulatory reserve for credit losses ²	₩	4,381	₩	3,178

¹ Excluding the ₩ 8,753 million increase in regulatory reserve during the year ended December 31, 2014 for credit losses due to the business combination of KB Capital Co., Ltd..

² Adjusted profit after provision(reversal) of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision(reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit.

27. Net Interest Income

The details of interest income and interest expense for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Interest income				
Due from financial institutions	₩	151,681	₩	190,302
Loans		9,102,433		10,168,304
Financial investments				
Available-for-sale financial assets		497,476		571,755
Held-to-maturity financial assets		491,429		548,361
Other		132,804		156,574
		10,375,823		11,635,296
Interest expenses				
Deposits		3,035,425		3,845,468
Debts		195,021		265,773
Debentures		866,801		1,032,111
Other		75,377		76,169
		4,172,624		5,219,521
Net interest income	₩	6,203,199	₩	6,415,775

Interest income recognized on impaired loans is ₩ 73,290 million (2014: ₩ 108,968 million) for the year ended December 31, 2015. Interest income recognized on impaired financial investments is ₩ 235 million (2014: ₩ 242 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Fee and commission income		
Banking activity fees	₩ 168,389	₩ 167,452
Lending activity fees	87,790	74,133
Credit card related fees and commissions	1,223,221	1,106,601
Debit card related fees and commissions	340,509	291,723
Agent activity fees	168,135	158,022
Trust and other fiduciary fees	270,664	230,839
Fund management related fees	104,924	89,264
Guarantee fees	30,121	29,811
Foreign currency related fees	97,146	96,018
Commissions from transfer agent services	164,916	148,583
Other business account commission on consignment	30,525	25,311
Securities brokerage fees	88,111	68,249
Lease fee	38,403	16,050
Other	158,241	164,129
	2,971,095	2,666,185
Fee and commission expenses		
Trading activity related fees ¹	11,050	7,938
Lending activity fees	20,507	9,958
Credit card related fees and commissions	1,093,538	979,913
Outsourcing related fees	87,875	76,604
Foreign currency related fees	12,419	12,812
Management fees of written-off loans	4,065	9,853
Other	206,658	186,378
	1,436,112	1,283,456
Net fee and commission income	₩ 1,534,983	₩ 1,382,729

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Gains related to financial instruments held for trading		
Financial assets held for trading	₩	₩
Debt securities	376,738	471,048
Equity securities	62,326	68,024
	439,064	539,072
Derivatives held for trading		
Interest rate	1,007,933	1,327,839
Currency	2,326,371	1,919,287
Stock or stock index	179,570	153,863
Credit	25,402	-
Commodity	1,279	568
Other	1,752	6,894
	3,542,307	3,408,451
Financial liabilities held for trading	69,844	35,645
Other financial instruments	2,167	47
	4,053,382	3,983,215
Losses related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	65,939	38,888
Equity securities	44,699	85,808
	110,638	124,696
Derivatives held for trading		
Interest rate	1,036,573	1,411,540
Currency	2,224,261	1,796,605
Stock or stock index	269,401	101,267
Credit	21,974	-
Commodity	1,127	547
Other	339	841
	3,553,675	3,310,800
Financial liabilities held for trading	131,125	97,621
Other financial instruments	2,214	50
	3,797,652	3,533,167
Net gains or losses on financial instruments held for trading	₩ 255,730	₩ 450,048

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Gains related to financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss	₩	46,051	₩	28,496
Financial liabilities designated at fair value through profit or loss		188,392		34,468
		234,443		62,964
Losses related to financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss		42,690		22,521
Financial liabilities designated at fair value through profit or loss		87,756		51,293
		130,446		73,814
Net gains or losses on financial instruments designated at fair value through profit or loss	₩	103,997	₩	(10,850)

30. Other operating income and expenses

The details of other operating income and expenses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Other operating income				
Revenue related to available-for-sale financial assets				
Gains on redemption of available-for-sale financial assets	₩	312	₩	-
Gains on sale of available-for-sale financial assets		404,144		91,925
Reversal for Impairment on available-for-sale financial assets		265		260
		404,721		92,185
Revenue related to available-for-sale held-to-maturity investments				
Gains on sale of available-for-sale held-to-maturity investments		-		1,668
		-		1,668
Gains on foreign exchange transactions		2,464,723		1,490,797
Income related to insurance		1,373,373		1,215,031
Dividend income		96,829		78,298
Others		258,888		221,745
		4,598,534		3,099,724
Other operating expenses				
Expense related to available-for-sale financial assets				
Loss on redemption of available-for-sale financial assets		114		7
Loss on sale of available-for-sale financial assets		10,108		7,381
Impairment on available-for-sale financial assets		227,588		195,929
		237,810		203,317
Loss on foreign exchanges transactions		2,406,683		1,456,918
Expense related to insurance		1,478,987		1,352,384
Others		1,191,014		1,128,014
		5,314,494		4,140,633
Net other operating income (expenses)	₩	(715,960)	₩	(1,040,909)

31. General and administrative expenses

31.1 General and administrative expenses

The details of general and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Employee Benefits				
Salaries and short-term employee benefits - salaries		1,764,459		1,700,120
Salaries and short-term employee benefits - others	₩	755,829	₩	706,309
Post-employment benefits - defined benefit plans		186,739		165,700
Post-employment benefits - defined contribution plans		10,262		8,821
Termination benefits		391,549		1,124
Share-based payments		17,429		11,422
		3,126,267		2,593,496
Depreciation and amortization		257,306		261,056
Other general and administrative expenses				
Rental expense		273,531		297,656
Tax and dues		142,272		150,443
Communication		37,136		38,661
Electricity and utilities		28,752		27,988
Publication		18,337		19,642
Repairs and maintenance		15,777		16,892
Vehicle		10,291		11,579
Travel		6,784		5,489
Training		23,544		17,362
Service fees		115,919		106,403
Others		467,668		463,027
		1,140,011		1,155,142
	₩	4,523,584	₩	4,009,694

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, 2015 and 2014, are as follows:

(In Korean won, except shares)

	2015					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
Series 22	657,498	657,498	-	-	₩	-
Series 23	15,246	15,246	-	-	-	-
	672,744	672,744	-	-	-	-
Weighted average exercise price	₩ 77,268	₩ 77,268	₩	-	₩	-

(In Korean won, except shares)

	2014					
	Number of granted shares			Number of exercisable shares	Exercise price per share	Remaining contractual life(Years)
	Beginning	Expired	Ending			
Series 19	751,651	751,651	-	- ₩	-	-
Series 20	25,613	25,613	-	-	-	-
Series 21	18,987	18,987	-	-	-	-
Series 22	657,498	-	657,498	657,498	77,100	0.11
Series 23	15,246	-	15,246	15,246	84,500	0.22
	1,468,995	796,251	672,744	672,744		
Weighted average exercise price	₩ 77,235 ₩	₩ 77,207 ₩	₩ 77,268 ₩	₩ 77,268 ₩		

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:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
(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
		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}

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
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
		828,106	
(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
		424,431	
		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

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
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
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, 2015 and 2014, the accrued expenses related to share-based payments including share grants amounted to ₩ 53,678 million and ₩ 48,734 million, respectively, and the compensation costs from share grants amounting to ₩ 17,429 million and ₩ 11,422 million were incurred during the years ended December 31, 2015 and 2014, respectively. There is no intrinsic value of the vested share options as of December 31, 2015 and 2014.

32. Other non-operating income and expenses

The details of other non-operating income and expenses for the years ended December 31, 2015 and 2014, are as follows:

	(In millions of Korean won)	
	2015	2014
Other non-operating income		
Gains of disposal in property and equipment	₩ 514	₩ 491
Rent received	24,366	10,035
Others	266,278	62,041
	291,158	72,567
Other non-operating expenses		
Losses of disposal in property and equipment	1,128	1,297
Donation	47,602	52,330
Restoration cost	514	2,242
Others	101,450	87,824
	150,694	143,693
Net other non-operating income(expenses)	₩ 140,464	₩ (71,126)

33. Income tax expense

Income tax expense for the years ended December 31, 2015 and 2014, consist of:

	(In millions of Korean won)	
	2015	2014
Tax payable		
Current tax expense	₩ 342,066	₩ 512,536
Adjustments recognized in the period for current tax of prior years	(17,939)	(11,721)
Changes in deferred income tax assets (liabilities)	93,221	31,255
Income tax recognized directly in equity		
Remeasurements of net defined benefit liabilities	7,363	31,386
Change in value of available-for-sale financial assets	5,177	(79,473)
Change in value of held-to-maturity financial assets	349	198
Share of other comprehensive income of associates	(816)	(6)
Cash flow hedges	(486)	2,619
Gains on hedging investment of A net investment in a foreign operation	8,134	-
Others	320	(480)
Tax expense	₩ 437,389	₩ 486,314

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2015 and 2014, follows:

(In millions of Korean won)

	2015		2014	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Net profit before income tax		₩ 2,164,695		₩ 1,901,425
Tax at the applicable tax rate ¹	24.18	523,394	24.18	459,683
Non-taxable income	(3.92)	(84,835)	(0.59)	(11,171)
Non-deductible expense	0.75	16,186	0.78	14,916
Tax credit and tax exemption	(0.02)	(427)	(0.06)	(1,192)
Temporary difference for which no deferred tax is recognized	0.27	5,772	1.30	24,682
Deferred tax relating to changes in recognition and measurement	(0.01)	(251)	(0.08)	(1,593)
Income tax refund for tax of prior years	(0.92)	(19,894)	(0.35)	(6,654)
Income tax expense of overseas branch	0.18	3,827	0.33	6,202
Effects from change in tax rate	(0.03)	(671)	0.09	1,642
Others	(0.26)	(5,712)	(0.01)	(201)
Average effective tax rate and tax expense	20.21	₩ 437,389	25.58	₩ 486,314

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, 2015 and 2014.

The details of current tax assets (income tax refund receivables) and current tax liabilities (income tax payables), as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables ¹	₩ (309,168)	₩ 309,168	₩ -
Income tax payables	340,088	(309,168)	30,920

(In millions of Korean won)

	2014		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables ¹	₩ (286,363)	₩ 286,363	₩ -
Income tax payables	518,270	(286,363)	231,907

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 2015 and 2014 were ₩ 310,354 million (₩ 780 per share) and ₩ 193,176 million (₩ 500 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
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)
	₩ 461,679	₩ 213,724	₩ (264,880)	₩ 19,721	₩ 430,244

(In millions of Korean won)

	2014				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (12,523)	₩ (129,677)	₩ -	₩ 31,386	₩ (110,814)
Exchange differences on translating foreign operations	(29,433)	17,280	-	-	(12,153)
Change in value of available-for-sale financial assets	430,976	403,828	(74,431)	(79,473)	680,900
Change in value of held-to-maturity financial assets	4,904	(1,276)	(3)	198	3,823
Shares of other comprehensive income of associates	(57,097)	(32,448)	248	(6)	(89,303)
Cash flow hedges	(515)	(7,452)	(5,426)	2,619	(10,774)
	₩ 336,312	₩ 250,255	₩ (79,612)	₩ (45,276)	₩ 461,679

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, 2015 and 2014.

Weighted average number of ordinary shares outstanding:

(In millions of Korean won)

	2015		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding [(B) =(A)/365]			386,351,693

(In millions of Korean won)

	2014		
	Number of shares (a)	Days outstanding (b)	Total outstanding shares [(a) x (b)]
Beginning (A)	386,351,693	365	141,018,367,945
Weighted average number of ordinary shares outstanding [(B) =(A)/365]			386,351,693

Basic earnings per share:

(In Korean won and in number of shares)

	2015	
	Profit attributable to ordinary shares (C)	₩
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	4,396

(In Korean won and in number of shares)

	2014	
	Profit attributable to ordinary shares (C)	₩
Weighted average number of ordinary shares outstanding (D)		386,351,693
Basic earnings per share [(E)=(C)/(D)]	₩	3,626

36.2 Diluted earnings per share

Diluted earnings per share is calculated using the weighted average number of ordinary shares outstanding which is adjusted by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares include share grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Group's outstanding shares for the period) based on the monetary value of the subscription rights attached to the share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of share grants.

Adjusted profit for diluted earnings per share:

(In Korean won)

	2015	
Profit attributable to ordinary shares	₩	1,698,317,850,139
Adjustment		-
Adjusted profit for diluted earnings per share	₩	1,698,317,850,139

(In Korean won)

	2014	
Profit attributable to ordinary shares	₩	1,400,722,065,239
Adjustment		-
Adjusted profit for diluted earnings per share	₩	1,400,722,065,239

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

(In number of shares)

	2015	2014
Weighted average number of ordinary shares outstanding	386,351,693	386,351,693
Adjustment		
Share grants	1,741,558	1,589,706
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	388,093,251	387,941,399

Diluted earnings per share:

(In Korean won and in number of shares)

	2015	
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

(In Korean won and in number of shares)

	2014	
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

37. Insurance Contracts

37.1 Insurance liabilities

The details of insurance liabilities presented within other liabilities as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Individual insurance				
Pure Endowment insurance	₩	4,840,555	₩	4,334,823
Death insurance		156,179		112,858
Joint insurance		1,906,777		1,800,468
Group insurance		1,895		1,417
Other		19,293		15,632
	₩	6,924,699	₩	6,265,198

The changes in insurance liabilities for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Individual insurance					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others ¹	Total
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

(In millions of Korean won)

	2014					
	Individual insurance					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others ¹	Total
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

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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Reinsurance assets	₩	5,844	₩	4,482
Deferred acquisition costs		106,645		123,011
	₩	112,489	₩	127,493

The changes in reinsurance assets for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Beginning	₩	4,482	₩	5,245
Increase (decrease)		1,362		(763)
Ending	₩	5,844	₩	4,482

The changes in deferred acquisition costs for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Beginning	₩	123,011	₩	151,909
Increase		58,732		52,386
Amortization		(75,098)		(81,284)
Ending	₩	106,645	₩	123,011

37.3 Insurance premiums and insurance expenses

The details of insurance premiums for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
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

(In millions of Korean won)

	2014					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance premiums earned	₩ 756,697	₩ 55,035	₩ 350,076	₩ 5,271	₩ 37,481	₩ 1,204,560
Reinsurance premiums paid	(502)	(2,674)	(306)	(2,366)	(7,072)	(12,920)
Net premiums earned	₩ 756,195	₩ 52,361	₩ 349,770	₩ 2,905	₩ 30,409	₩ 1,191,640

The details of reinsurance transactions for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Reinsurance expense	Reinsurance revenue		
		Reinsurance premium paid	Reinsurance claims recovered	Reinsurance commission
Individual	₩ 3,475	₩ 1,913	₩ 793	₩ 2,706
Group	2,198	2,159	9	2,168
Others	7,084	5,494	-	5,494
	₩ 12,757	₩ 9,566	₩ 802	₩ 10,368

(In millions of Korean won)

	2014							
	Reinsurance expense		Reinsurance revenue			Total		
	Reinsurance premium paid	Reinsurance claims recovered	Reinsurance commission					
Individual	₩	3,482	₩	2,461	₩	555	₩	3,016
Group		2,366		2,652		47		2,699
Others		7,072		4,756		-		4,756
	₩	12,920	₩	9,869	₩	602	₩	10,471

Insurance expenses for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015											
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total						
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
		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

(In millions of Korean won)

	2014											
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total						
Insurance expense	₩	6,078	₩	3,006	₩	10,837	₩	5,006	₩	4,757	₩	29,684
Dividend expense		417		21		-		-		-		438
Refund expense		346,740		7,588		201,029		238		-		555,595
Provision(Reversal)		473,459		27,735		165,878		78		(995)		666,155
		826,694		38,350		377,744		5,322		3,762		1,251,872
Reinsurance claims		(202)		(2,205)		(55)		(2,651)		(4,756)		(9,869)
Net insurance expense(income)	₩	826,492	₩	36,145	₩	377,689	₩	2,671	₩	(994)	₩	1,242,003

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, 2015 and 2014, follows:

(In millions of Korean won)

	2015			
	Before reinsurance mitigation		After reinsurance mitigation	
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
	₩	16,261	₩	10,516

(In millions of Korean won)

	2014			
	Before reinsurance mitigation		After reinsurance mitigation	
Mortality	₩	10,736	₩	6,321
Disability		950		545
Hospitalization		767		490
Operation and diagnosis		1,516		998
Actual losses for medical expense		279		89
Others		232		189
	₩	14,480	₩	8,632

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, 2015 and 2014, were 69% and 70%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				2014			
	Policyholders reserve		Guarantee reserve		Policyholders reserve		Guarantee reserve	
Variable annuity	₩	518,849	₩	5,312	₩	535,749	₩	5,153
Variable universal		319,595		2,658		110,766		458
Others		-		-		26,573		118
	₩	838,444	₩	7,970	₩	673,088	₩	5,729

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
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

(In millions of Korean won)

	2014						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 381,413	₩ 548,410	₩ 1,385,847	₩ 352,039	₩ 440,581	₩ 3,076,824	₩ 6,185,114
Unearned premium reserves	690	1	2	1	1	3	698

38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015				2014			
	Total assets		Operating revenues		Total assets		Operating revenues	
Consolidated	₩	3,754,063	₩	125,392	₩	3,614,835	₩	150,598
Unconsolidated		34,216,814		1,334,526		28,062,557		1,230,286
	₩	37,970,877	₩	1,459,918	₩	31,677,392	₩	1,380,884

¹ Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, Trust Accounts, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant transactions between the Group and the trust accounts for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Revenues				
Fees and commissions from trust accounts	₩	270,664	₩	230,839
Interest income from loans on trust accounts		3,126		8,798
Commissions from early termination in trust accounts		171		129
	₩	273,961	₩	239,766
Expenses				
Interest expenses due to trust accounts	₩	48,293	₩	52,664
Receivables				
Accrued trust fees	₩	50,336	₩	43,493
Due from trust accounts		29,186		92,678
	₩	79,522	₩	136,171
Payables				
Due to trust accounts	₩	2,791,404	₩	2,548,578
Accrued interest on due to trust accounts		6,354		5,790
	₩	2,797,758	₩	2,554,368

39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Cash	₩	2,074,357	₩	2,019,965
Checks with other banks		396,955		525,452
Due from Bank of Korea		6,791,990		6,508,623
Due from other financial institutions		7,052,764		6,369,807
		16,316,066		15,423,847
Restricted due from financial institutions		(7,124,241)		(7,132,094)
Due from financial institutions with original maturities over three-months		(1,733,906)		(1,272,957)
		(8,858,147)		(8,405,051)
	₩	7,457,919	₩	7,018,796

Significant non-cash transactions for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Decrease in loans due to the write-offs	₩ 1,418,960	₩ 2,091,040
Changes in accumulated other comprehensive income due to valuation of financial investments	(28,969)	248,880
Decrease in accumulated other comprehensive income from measurement of investment securities in associates	222	(32,206)
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

Cash inflow and outflow from income tax, interests and dividends for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	Activity	2015	2014
Income tax paid	Operating	₩ 218,215	₩ 491,962
Interest received	Operating	10,976,847	12,250,845
Interest paid	Operating	4,569,076	5,342,297
Dividends received	Operating	160,562	124,021
Dividends paid	Financing	301,354	193,176

40. Contingent liabilities and commitments

Acceptances and guarantees as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Confirmed acceptances and guarantees	₩	₩
Confirmed acceptances and guarantees in Korean won		
Acceptances and guarantees for KB purchasing loan	422,316	428,815
Other acceptances and guarantees	609,034	669,233
	1,031,350	1,098,048
Confirmed acceptances and guarantees in foreign currency		
Acceptances of letter of credit	250,647	327,963
Letter of guarantees	51,500	61,081
Bid bond	62,402	43,362
Performance bond	1,006,304	1,087,394
Refund guarantees	1,924,030	1,494,023
Other acceptances and guarantees	1,444,618	959,685
	4,739,501	3,973,508
Financial guarantees		
Guarantees for Debenture-Issuing	51,200	51,200
Acceptances and guarantees for mortgage	27,805	75,651
Overseas debt guarantees	374,769	392,021
International financing guarantees in foreign currencies	11,893	35,949

(In millions of Korean won)

	2015	2014
Other financial guarantees	6,897	21,846
	472,564	576,667
	6,243,415	5,648,223
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	2,142,496	2,825,919
Refund guarantees	1,019,116	1,060,413
	3,161,612	3,886,332
	₩ 9,405,027	₩ 9,534,555

Acceptances and guarantees by counterparty as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
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
	₩ 6,243,415	₩ 3,161,612	₩ 9,405,027	100.00

(In millions of Korean won)

	2014			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
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
	₩ 5,648,223	₩ 3,886,332	₩ 9,534,555	100.00

Acceptances and guarantees by industry as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
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
Whole sale & 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
	₩ 6,243,415	₩ 3,161,612	₩ 9,405,027	100.00

(In millions of Korean won)

	2014						
	Confirmed guarantees		Unconfirmed guarantees		Total	Proportion (%)	
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
Whole sale & 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
	₩	5,648,223	₩	3,886,332	₩	9,534,555	100.00

Commitments as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
Commitments				
Corporate loan commitments	₩	39,022,521	₩	42,823,583
Retail loan commitments		15,160,930		13,886,999
Credit line on credit cards		41,439,061		37,584,381
Private placement commitments		110,858		121,300
Purchase of other security investment		1,869,533		1,746,430
		97,602,903		96,162,693
Financial Guarantees				
Credit line		3,449,749		3,809,478
Purchase of security investment		98,700		73,500
		3,548,449		3,882,978
	₩	101,151,352	₩	100,045,671

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 ₩ 11,254 million and ₩ 26,487 million as of December 31, 2015 and 2014, 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 customer personal information, the KB Kookmin Card received a notification from the Financial Services Commission that the KB Kookmin Card is subject to a temporary three-month operating suspension 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.

41. Subsidiaries

The details of subsidiaries as of December 31, 2015, are as follows:

	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

	Investee	Ownership interests(%)	Location	Date of financial statements	Industry
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
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
	09-5 KB Venture Fund ⁵	33.33	Korea	Dec. 31	Capital investment
KB Investment Co., Ltd.	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

	Investee	Ownership interests(%)	Location	Date of financial statements	Industry
KB Kookmin Card Co., Ltd.	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 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
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, 2015 and 2014 is as follows:

(In millions of Korean won)

	2015					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period	Total comprehensive income(loss) for the period
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)

(In millions of Korean won)

	2014					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period	Total comprehensive income(loss) for the period
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)

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.

For the year ended December 31, 2015, the following table summarizes the information relating to the Group's subsidiaries that have material non-controlling interests, before any intra-group eliminations, are as follows:

(In millions of Korean won)

	2015		2014	
Non-controlling interests percentage (%)		47.98%		47.98%
Non-controlling interests				
Assets of subsidiaries	₩	5,563,402	₩	4,023,965
Liabilities of subsidiaries		5,003,278		3,612,150
Equity of subsidiaries		560,124		411,815
Non-controlling interests		222,101		197,580
Profit attributable to non-controlling interests				
Operating profit of subsidiaries		78,779		39,666
Profit of subsidiaries		60,419		29,990
Profit attributable to non-controlling interests		28,988		14,389
Cash flows of subsidiaries				
Cash flows from operating activities		(1,140,145)		71,813
Cash flows from investing activities		(9,646)		(6,742)
Cash flows from financing activities		1,351,623		(33,312)
Net increase in cash and cash equivalents	₩	201,832	₩	31,759

42. 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 Fees earned as services to SPC, such as providing lines of credit and ABCP purchase commitments	Fulfillment of Asset-backed securitization plan Purchase and transfer of securitization assets Issuance and repayment of ABS and ABCP	Issuance of ABS and ABCP based on securitization assets

Nature	Purpose	Activities	Methods of Financing
Project financing	Granting PF loans to SOC and real estate Granting loans to ships/aircrafts SPC	Construction of SOC and real estate Building ships/ construction and purchase of aircrafts	Loan commitments through Credit Line, providing lines of credit and investment agreements
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 Investment in PEF and partnerships	Management of fund assets Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments Investment of general partners and limited partners

As of December 31, 2015 and 2014, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities, are as follows:

(In millions of Korean won)

	2015					
	Asset-backed securitization	Project Financing	Trusts	Investment funds	Others	Total
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
	₩ 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
	₩ 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	Investments / loans and capital commitments Loan commitments	Investments / loans and capital commitments Loan commitments

(In millions of Korean won)

	2014					
	Asset-backed securitization	Project Financing	Trusts	Investment funds	Others	Total
Total assets of unconsolidated Structured Entity	₩ 13,013,795	₩ 21,102,639	₩ 1,986,277	₩ 17,919,480	₩ 6,484,363	₩ 60,506,554
Carrying amount on financial statements						
Assets						
Loans	223,771	2,965,239	-	1,609	252,195	3,442,814
Financial investments	716,462	93,505	-	627,554	66,943	1,504,464
Investment in associates	-	-	-	390,337	-	390,337
Other assets	47	27	92,678	8,324	-	101,076
	₩ 940,280	₩ 3,058,771	₩ 92,678	₩ 1,027,824	₩ 319,138	₩ 5,438,691
Liabilities						
Deposits	₩ 300,015	₩ 500,538	₩ -	₩ 6,067	₩ 32,986	₩ 839,606
Other liabilities	12	-	-	-	-	12
	₩ 300,027	₩ 500,538	₩ -	₩ 6,067	₩ 32,986	₩ 839,618
Maximum exposure to loss 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	

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.

43. Finance/Operating Lease

43.1 Finance lease

43.1.1 The Group as finance lessee

The future minimum lease payments arising as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Net carrying amount of finance lease assets	₩ 52,204	₩ 72,392
Minimum lease payment		
Within 1 year	3,069	18,765
1-5 years	4,122	5,472
Over 5 years	-	1,148
	7,191	25,385
Present value of minimum lease payment		
Within 1 year	3,022	18,367
1-5 years	3,824	5,169
Over 5 years	-	996
	6,846	24,532

43.1.2 The Group as finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015		2014	
	Total lease investment	Present value of minimum lease payment	Total lease investment	Present value of minimum lease payment
Within 1 year	₩ 461,842	₩ 388,995	₩ 348,579	₩ 294,643
1-5 years	840,534	764,368	577,998	525,590
	₩ 1,302,376	₩ 1,153,363	₩ 926,577	₩ 820,233

Unearned interest income of finance lease as of December 31, 2015 and 2014, is as follows:

(In millions of Korean won)

	2015	2014
Total lease investment	₩ 1,302,376	₩ 926,577
Net lease investment		
Present value of minimum lease payment	1,153,363	820,233
Unearned interest income	₩ 149,013	₩ 106,344

43.2 Operating lease

43.2.1 The Group as operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Minimum lease payment		
Within 1 year	₩ 126,428	₩ 124,183
1-5 years	109,853	103,595
Over 5 years	34,679	34,439
	₩ 270,960	₩ 262,217
Minimum sublease payment	₩ (374)	₩ (382)

The lease payment reflected in profit or loss for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015	2014
Lease payment reflected in profit or loss		
Minimum lease payment	₩ 194,173	₩ 218,635
Sublease payment	(167)	(156)
	₩ 194,006	₩ 218,479

43.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)				
	2015		2014	
Minimum lease receipts				
Within 1 year	₩	41,544	₩	27,613
1-5 years		77,336		52,621
Over 5 years		738		-
	₩	119,618	₩	80,234

44. Related Party Transactions

Income and expenses arising from transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)			
		2015	2014
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	7,975	7,851
Korea Credit Bureau Co., Ltd.	Interest expense	73	66
	Fee and commission income	1,822	1,051
	Fee and commission expense	1,900	1,739
	General and administrative expenses	2,199	2,046
UAMCO., Ltd.	Interest expense	8	12
	Fee and commission income	14	14
KoFC KBIC Frontier Champ 2010-5 (PEF)	Fee and commission income	548	778
Semiland Co., Ltd. ¹	Interest income	-	8
	Gains on financial assets/liabilities at fair value through profit or loss	-	613
	Reversal for credit loss	-	4
United PF 1st Recovery Private Equity Fund	Interest income	49	-
KB GwS Private Securities Investment Trust	Fee and commission income	894	926

(In millions of Korean won)

		2015	2014
Incheon Bridge Co., Ltd.	Interest income	12,843	13,226
	Interest expense	436	543
	Reversal for credit loss	2	-
	Provision for credit loss	4	2
KoFC POSCO HANHWA	Fee and commission income	675	636
KB Shared Growth Private Equity Fund	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	370	562
	Interest expense	92	50
	Fee and commission income	435	435
NPS KBIC Private Equity Fund No. 1	Fee and commission income	-	236
	Provision for credit loss	-	133
KBIC Private Equity Fund No. 3	Interest expense	23	38
	Fee and commission income	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	62	30
	Interest expense	5	6
	Fee and commission income	-	350
	Gains on financial assets/liabilities at fair value through profit or loss	4,077	1,462
	Reversal for credit loss	14	-
	Provision for credit loss	-	14
KB No.4 Special Purpose Acquisition Company ¹	Interest income	78	24
	Interest expense	25	9
	Fee and commission income	-	350
	Gains on financial assets/liabilities at fair value through profit or loss	172	1,751
	Reversal for credit loss	14	-
	Provision for credit loss	-	14
KB No.5 Special Purpose Acquisition Company	Interest income	68	13
	Interest expense	44	4
	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	16	14
KB No.6 Special Purpose Acquisition Company	Interest income	53	9
	Interest expense	66	4

		(In millions of Korean won)	
		2015	2014
KB No.6 Special Purpose Acquisition Company	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	955	788
	Fee and commission income	611	448

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, 2015 and 2014, are as follows:

		(In millions of Korean won)	
		2015	2014
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	2,039	2,002
Korea Credit Bureau Co., Ltd.	Loans and receivables (Gross amount)	19	19
	Deposits	19,435	24,715
	Other liabilities	368	17
UAMCO., Ltd.	Loans and receivables (Gross amount)	5	2
	Deposits	815	1,654
JSC Bank CenterCredit	Cash and due from financial institutions	1,225	178
KoFC KBIC Frontier Champ 2010-5 (PEF)	Other assets	137	139
KB GwS Private Securities Investment Trust	Other assets	641	673

(In millions of Korean won)

		2015	2014
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	231,674	247,885
	Allowances for loan losses	301	302
	Other assets	970	1,144
	Deposits	35,916	35,421
	Provisions	2	-
	Other liabilities	153	249
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	Other assets	346	634
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	137	155
	Deposits	7,446	6,067
	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	76	151
	Deposits	850	1,400
	Other liabilities	9	24
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
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	2,024	2,143
	Loans and receivables (Gross amount)	1,869	1,816
	Deposits	2,323	2,389
	Other liabilities	39	1
KB No.6 Special Purpose Acquisition Company	Derivative financial assets	1,366	1,837
	Loans and receivables (Gross amount)	1,492	1,438
	Deposits	4,195	4,406
	Other liabilities	68	3

(In millions of Korean won)

		2015	2014
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)	2,305	2,527
	Other assets	3	3
	Deposits	4,189	18,462
	Insurance contract liability	485	1,292
	Other liabilities	30	173
Other			
Retirement pension	Other assets	264	191
	Deposits	51,920	41,412
	Other liabilities	37,969	246

¹ Not considered to be the Group's related party as of December 31, 2015.

According to Korean IFRS 1024, 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, 2015 and 2014, are as follows:

(In millions of Korean won)

	2015 ¹				
	Beginning	Loans	Repayments	Others	Ending
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

(In millions of Korean won)

	2014 ¹				
	Beginning	Loans	Repayments	Others	Ending
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

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, 2015 and 2014, are as follows:

(In millions of Korean won)

		2015		2014	
		₩		₩	
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	18,098		21,744	
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	15		18	
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	

(In millions of Korean won)

		2015	2014
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	38,963	33,163
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund	Unused commitments of credit card	79	85
SY Auto Capital Co., Ltd.	Purchase of security investment	16,300	23,750
KB No.3 Special Purpose Acquisition Company ¹	Unused commitments of credit card	116	-
KB No.5 Special Purpose Acquisition Company	Unused commitments of credit card	-	24
KB No.6 Special Purpose Acquisition Company	Unused commitments of credit card	2	-
KB No.7 Special Purpose Acquisition Company	Unused commitments of credit card	8	-
KB No.8 Special Purpose Acquisition Company	Unused commitments of credit card	5	-
KB No.9 Special Purpose Acquisition Company	Unused commitments of credit card	10	-
Key management	Loan commitments in Korean won	1	-
		223	372

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, 2015 and 2014, consists of:

(In millions of Korean won)

	2015				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
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
	₩ 8,633	₩ 154	₩ 163	₩ 5,245	₩ 14,195

(In millions of Korean won)

	2014			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 1,580	₩ 136	₩ (15)	₩ 1,701
Registered directors (non-executive)	1,203	-	(15)	1,188
Non-registered directors	7,517	406	5,678	13,601
	₩ 10,300	₩ 542	₩ 5,648	₩ 16,490

The details of assets pledged as collateral to a related party as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won)

Associate		2015		2014	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
KB Insurance Co., Ltd.	Land and buildings	₩ 216,284	₩ 26,000	₩ -	₩ -

Collateral received from related parties as of December 31, 2015 and 2014, is as follows:

(In millions of Korean won)

		2015	2014
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	249	296
	Real estate	2,662	3,583

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.

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.

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Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

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

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments; Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.