BS Financial Group

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements
As of and For the Years Ended
December 31, 2014 and 2013

ATTACHMENT: INDEPENDENT AUDITOR’S REPORT

BS FINANCIAL GROUP INC.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 18, 2015.

To the Shareholders and the Board of Directors of
BS Financial Group Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BS Financial Group Inc. (the "Company") and its subsidiaries (the "Consolidated Entity") which comprise the consolidated statements of financial position as of December 31, 2014 and December 31, 2013, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements

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

Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). 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.

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Member of Deloitte Touche Tohmatsu Limited

Opinion

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

Others

We conducted our audit of consolidated financial statements of BS Financial Group Inc. and its subsidiaries as of December 31, 2013 in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

Deloitte Anjin LLC

Notice to Readers

This report is effective as of March 18, 2015, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, BS Financial Group Inc.'s management.

Se-Whan Sung
Chief Executive Officer
BS Financial Group Inc.

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013

	Korean won			
	December 31, 2014		December 31, 2013	
ASSETS:	(In millions)			
Cash and due from banks (Notes 4, 6, 7, 37 and 42)	₩	3,206,317	₩	1,860,886
Investment of financial assets (Notes 4, 6, 8 and 42):				
Financial assets at fair value through profit or loss (“FVTPL”)		885,064		666,355
Available-for-sale (“AFS”) financial assets		4,997,538		2,794,063
Held-to-maturity financial assets		6,343,757		4,373,373
		12,226,359		7,833,791
Loans and receivables (Notes 4, 6, 9, 10, 11 and 42):				
Loans, net of allowance for loan losses		63,488,027		33,803,280
Receivables, net of allowance for loan losses		3,067,866		2,396,914
		66,555,893		36,200,194
Derivative assets (Notes 4, 6 and 13)		338,511		120,021
Tangible assets (Note 14)		793,390		508,722
Intangible assets (Notes 15 and 39)		412,219		134,893
Investment of property (Note 14)		133,509		87,890
Non-current assets held for sale (Note 38)		-		10,659
Other assets (Notes 12, 16 and 42)		383,866		159,835
	₩	84,050,064	₩	46,916,891
LIABILITIES AND SHAREHOLDERS’ EQUITY				
LIABILITIES:				
Deposits (Notes 4, 6, 17 and 42)	₩	59,906,496	₩	31,058,904
Borrowings (Notes 4, 6, 18 and 42)		6,664,307		4,391,127
Debentures (Notes 4, 6, 19 and 42)		7,299,509		4,740,193
Derivative liabilities (Notes 4, 6 and 13)		290,544		90,219
Retirement benefit obligation (Note 20)		60,430		12,388
Provisions (Notes 21 and 34)		195,701		32,946
Current income tax liabilities (Note 31)		52,846		20,434
Deferred income tax liabilities (Note 31)		48,337		77,207
Other liabilities (Notes 4, 6, 22 and 42)		4,067,950		2,892,608
		78,586,120		43,316,026
SHAREHOLDERS’ EQUITY:				
Equity attributable to the owners of controlling equity:				
Capital stock (Note 23)		1,171,899		966,899
Other paid-in capital (Note 23)		353,679		47,024
Other components of equity (Notes 23 and 32)		23,364		25,973
Retained earnings(Note 23)		3,216,741		2,461,118
		4,765,683		3,501,014
Non-controlling equity (Note 23)		698,261		99,851
		5,463,944		3,600,865
	₩	84,050,064	₩	46,916,891

See accompanying notes to consolidated financial statements.

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won	
	2014	2013
	(In millions, except per share amounts)	
NET INTEREST INCOME (Note 24):		
Interest revenues	₩ 2,495,773	₩ 2,117,574
Interest expenses	(1,068,538)	(963,116)
	1,427,235	1,154,458
NET COMMISSION INCOME (Note 25):		
Commission revenues	203,014	150,831
Commission expenses	(88,805)	(65,705)
	114,209	85,126
NET INCOME OF INVESTMENT FINANCIAL ASSETS (Note 26):		
Net income of financial assets at FVTPL	13,731	8,775
Net income of AFS financial assets	33,352	27,426
	47,083	36,201
PROVISION FOR CREDIT LOSS (Note 27)	(266,361)	(232,305)
OTHER OPERATING EXPENSES, NET (Note 29):		
Net income(loss) from foreign exchange trading	29,302	(107,229)
Net income from derivatives (Note 13)	7,976	141,696
General and administrative expenses (Notes 28 and 36)	(751,504)	(573,768)
Other operating revenues	542,240	45,926
Other operating expenses	(209,040)	(137,367)
	(381,026)	(630,742)
OPERATING INCOME	941,140	412,738
NON-OPERATING REVENUES (Note 30)	13,729	12,011
NON-OPERATING EXPENSES (Note 30)	(35,805)	(21,891)
INCOME BEFORE INCOME TAX EXPENSE	919,064	402,858
INCOME TAX EXPENSE (Note 31)	(99,396)	(97,336)

(Continued)

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won	
	2014	2013
	(In millions, except per share amounts)	
NET INCOME (Notes 5 and 23):	₩ 819,668	₩ 305,522
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 32):		
Items that are not subsequently reclassified to profit or loss:		
Remeasurement elements of defined benefit plan	(28,012)	(8,406)
Items that are subsequently reclassified to profit or loss:		
Gain on fair value of AFS financial assets	23,273	5,240
Gain on valuation of cash flow hedges	42	-
Gain (loss) on overseas operations translation	1,013	(348)
	24,328	4,892
	(3,684)	(3,514)
TOTAL COMPREHENSIVE INCOME	815,984	302,008
Net income attributable to:		
Owners of the Company	809,769	304,513
Non-controlling interests	9,899	1,009
	819,668	305,522
Total comprehensive income attributable to:		
Owners of the Company	807,160	300,999
Non-controlling interests	8,824	1,009
	₩ 815,984	₩ 302,008
EARNINGS PER SHARE (Note 33):		
Basic and diluted net earnings per share (in currency units)	₩ 3,809	₩ 1,576

(Concluded)

See accompanying notes to consolidated financial statements.

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won						
Description	Capital stock	Other paid-in capital	Other components of equity	Retained earnings	Controlling interests	Non-Controlling interests	Total
			(In millions)				
Balance at January 1, 2013	₩ 966,899	₩ 44,752	₩ 29,487	₩ 2,220,420	₩ 3,261,558	₩ -	₩ 3,261,558
Annual dividends	-	-	-	(63,815)	(63,815)	-	(63,815)
Disposal of treasury stock	-	2,272	-	-	2,272	-	2,272
Issuing hybrid bonds	-	-	-	-	-	99,851	99,851
Dividends for hybrid bonds	-	-	-	-	-	(1,009)	(1,009)
Comprehensive income:							
Net income	-	-	-	304,513	304,513	1,009	305,522
Other comprehensive income (loss):							
Evaluation of AFS financial assets	-	-	5,241	-	5,241	-	5,241
Foreign currency translation loss	-	-	(348)	-	(348)	-	(348)
Remeasurement elements' defined benefit plans	-	-	(8,407)	-	(8,407)	-	(8,407)
Balance at December 31, 2013	₩ 966,899	₩ 47,024	₩ 25,973	₩ 2,461,118	₩ 3,501,014	₩ 99,851	₩ 3,600,865
Balance at January 1, 2014	₩ 966,899	₩ 47,024	₩ 25,973	₩ 2,461,118	₩ 3,501,014	₩ 99,851	₩ 3,600,865
Annual dividends	-	-	-	(54,146)	(54,146)	-	(54,146)
Increased paid-in capital	205,000	306,655	-	-	511,655	-	511,655
Dividends for hybrid bond	-	-	-	-	-	(8,285)	(8,285)
Effect of business combination	-	-	-	-	-	597,871	597,871
Comprehensive income:			-	-	-		
Net income	-	-	-	809,769	809,769	9,899	819,668
Other comprehensive income (loss):							
Evaluation of AFS financial assets	-	-	22,437	-	22,437	836	23,273
Gains on valuation of cash flow hedge	-	-	24	-	24	18	42
Foreign currency translation gains	-	-	1,013	-	1,013	-	1,013
Remeasurement elements' defined benefit plans	-	-	(26,083)	-	(26,083)	(1,929)	(28,012)
Balance at December 31, 2014	₩1,171,899	₩ 353,679	₩ 23,364	₩ 3,216,741	₩ 4,765,683	₩ 698,261	₩ 5,463,944

See accompanying notes to consolidated financial statements.

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won	
	2014	2013
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 819,668	₩ 305,522
Adjustments to reconcile net income to net cash used in operating activities:		
Loss (gain) on fair value change of financial assets at FVTPL, net	921	(688)
Gain on AFS financial assets, net	(22,008)	(25,017)
Impairment loss on AFS financial assets	10,621	18,344
Provision of allowance for loan losses	261,235	223,286
Provision for severance benefits	29,871	22,643
Depreciation and amortization	76,462	37,120
Gain on valuation of derivatives, net	(15,717)	(30,857)
Loss on valuation of fair value hedged items, net	132	86
Loss (gain) on foreign currency translation, net	(2,805)	29,996
Gain on non-current assets held for sale, net	(1,161)	-
Provision of (reversal of) allowance for losses on acceptance and guarantees, net	10,115	(1,474)
Reversal of allowance for losses on unused credit limits, net	(3,308)	(1,153)
Reversal of allowance for others, net	13,210	8,398
Long-term compensation expense	-	3,156
Gain on bonds payable in foreign currencies	-	(68,139)
Loss (gain) on financial guarantee contract liabilities, net	79	(239)
Income tax expense	99,395	97,336
Interest expense	1,068,538	963,116
Interest income	(2,495,773)	(2,117,574)
Dividend income	(22,317)	(20,765)
Gain on business combination	(447,921)	-
Others, net	35,913	28,113
	(1,404,518)	(834,312)
Changes in working capital:		
Net decrease (increase) due from banks	(1,334,936)	10,917
Net decrease in financial assets at FVTPL	319,509	142,750
Net increase in loans	(3,378,536)	(3,899,603)
Net increase in derivative assets	(184,209)	(3,143)
Net increase in accrued income	(196,733)	(90,403)
Net decrease (increase) in prepaid expenses	(8,970)	2,039
Net increase in other assets	(256,889)	(102,821)
Net increase in deposits	3,717,517	2,456,711
Net decrease in accrued expenses	(294,859)	(140)
Net decrease in unearned revenues	(207)	(11,608)
Net increase (decrease) in financial guarantee contract liabilities	3,193	(471)
Net decrease in taxes withheld	(106)	(1,527)
Net increase in derivative liabilities	185,590	32,337
Net decrease in defined benefit obligation	(16,420)	(7,491)
Net increase in plan assets	(17,399)	(12,886)
Net decrease in allowance for losses on acceptances and guarantees	(3,093)	-
Net decrease in allowance for other liabilities	(4,103)	-
Net increase in deposits for letter of guarantees others	8,533	90,735
	(1,462,118)	(1,394,604)

(Continued)

BS FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Korean won	
	2014	2013
	(In millions)	
Cash received from (paid to) operating activities:		
Interest revenue received	₩ 2,652,633	₩ 2,158,018
Dividend revenue received	22,317	20,765
Interest expense paid	(721,926)	(957,258)
Income tax paid	(36,605)	(92,433)
	1,916,419	1,129,092
Net cash used in operating activities	(130,549)	(794,302)
CASH FLOWS FROM INVESTING ACTIVITIES (Note 38):		
Cash provided by investing activities	4,193,303	3,634,144
Cash used in investing activities	(5,430,772)	(4,009,352)
Net cash used in investing activities	(1,237,469)	(375,208)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 38):		
Cash provided by financing activities	2,909,959	2,332,779
Cash used in financing activities	(1,543,530)	(1,402,202)
Net cash provided by financing activities	1,366,429	930,577
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,589)	(238,933)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	767,118	1,038,587
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12,084	(32,536)
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 38)	₩ 777,613	₩ 767,118

(Concluded)

See accompanying notes to consolidated financial statements.

1. GENERAL:

A general description of BS Financial Group Inc. ("BS Financial Group" or "Parent" or the "Company"), which is a controlling entity in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1110, *Consolidated Financial Statements*, and its subsidiaries (the "Consolidated Entity" or "Group"), is as follows:

(1) BS Financial Group

BS Financial Group was incorporated on March 15, 2011, in accordance with the provisions of the Financial Holding Company Act, whereby holders of the common stock of Busan Bank; BS Securities Co., Ltd.; BS Capital Co., Ltd.; and BS Credit Information Co., Ltd. transferred all of their shares to the Company and in return received shares of the Company's common stock, in order to control, manage and provide financial support to subsidiaries or financial industry-related subsidiaries. Meanwhile, BS Financial Group established BS Information System Co., Ltd., and BS Savings Bank Co., Ltd., as its subsidiary with 100% investment in 2011 and incorporated Kyongnam Bank as its subsidiaries with approval of Financial Services Commissions and acquiring shares of Kyongnam Bank in October 2014. The headquarters of BS Financial Group is located at Busan Nam-gu Munhyeongeumyung-ro, 30.

As of December 31, 2014, the BS Financial Group's capital stock amounted to ₩1,171,899 million and its major shareholders are as follows:

Shareholders	Number of shares owned (*1)	Percentage of ownership (%)
Lotte Confectionery Co., Ltd. (*2)	30,741,736	13.12
National Pension Fund	27,236,753	11.62
Parkland Co., Ltd.	9,435,727	4.03
Aberdeen Global	7,978,620	3.40
The Oakmark International Small Cap Fund	5,481,334	2.34
Samsung Asset Management Corporation	3,638,081	1.55
Saudi Arabian Monetary Agency	3,605,429	1.54
Abu Dhabi Investment Authority Lendi	2,922,865	1.25
The Government of Singapore	2,605,949	1.11
UBS-Hana Asset Management Corporation	2,574,659	1.10
Norges Bank	2,573,672	1.10
Others	135,585,074	57.84
	234,379,899	100.00

(*1) Number of shares as of December 31, 2014, the closing day of stock registry.
(*2) Included related shareholders that the same persons are controlling.

BS Financial Group provides business management services that grant business goals; approve business plan; evaluate the business performance; make decisions of compensation and corporate governance structures; review the operation and the property of the subsidiaries; and engage in financial support, investment, and raising funds for the financial aid of the subsidiaries.

(2) Description of consolidated entities

1) Details of ownership in consolidated entities

Ownerships in consolidated entities as of December 31, 2014 and 2013, are as follows:

Company	Business type	Location	Financial statements as of	Percentage of ownership (%) December 31, 2014	December 31, 2013
BS Financial Group:					
Busan Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
Kyongnam Bank Co., Ltd.	Banking	Korea	December 31	56.97	-
BS Securities Co., Ltd.	Investment brokerage and trading	Korea	December 31	100.00	100.00
BS Capital Co., Ltd.	Specialized credit financial business	Korea	December 31	100.00	100.00
BS Savings Bank Co., Ltd.	Saving bank services	Korea	June 30	100.00	100.00
BS Credit Information Co., Ltd.	Credit investigation and collection agency	Korea	December 31	100.00	100.00
BS Information System Co., Ltd.	System software developing and supply	Korea	December 31	100.00	100.00
Busan Bank:					
Non-restricted money trust account (*1)	Trust business	Korea	December 31	-	-
Development trust account (*1)	Trust business	Korea	December 31	-	-
Retirement pension trust (*1)	Trust business	Korea	December 31	-	-
Personal pension trust (*1)	Trust business	Korea	December 31	-	-
Retirement trust (*1)	Trust business	Korea	December 31	-	-
New private pension trust (*1)	Trust business	Korea	December 31	-	-
Pension trust (*1)	Trust business	Korea	December 31	-	-
Installment money in trust (*1)	Trust business	Korea	December 31	-	-
Household money in trust (*1)	Trust business	Korea	December 31	-	-
Company money in trust (*2)	Trust business	Korea	December 31	-	-
Kyongnam Bank Co., Ltd.:					
Consus 6th LLC (*3)	SPC	Korea	December 31	-	-
Non-restricted money trust account (*1)	Trust business	Korea	December 31	-	-
Retirement pension trust (*1)	Trust business	Korea	December 31	-	-
Personal pension trust (*1)	Trust business	Korea	December 31	-	-
Retirement trust (*1)	Trust business	Korea	December 31	-	-
New private pension trust (*1)	Trust business	Korea	December 31	-	-
Pension trust (*1)	Trust business	Korea	December 31	-	-
Installment money in trust (*1)	Trust business	Korea	December 31	-	-
Household money in trust (*1)	Trust business	Korea	December 31	-	-
Company money in trust (*1)	Trust business	Korea	December 31	-	-
Shinyoung Private Securities Investment Trust KN-1st	Beneficiary certificate	Korea	December 31	100.00	-
Shinyoung Private Securities Investment Trust KN-2nd	Beneficiary certificate	Korea	December 31	100.00	-
Yuri Balance Private Investment Trust 11st	Beneficiary certificate	Korea	December 31	100.00	-
Daishin Balance Private Securities Investment Trust 51th	Beneficiary certificate	Korea	December 31	100.00	-
Daishin Balance Private Securities Investment Trust 55th	Beneficiary certificate	Korea	December 31	100.00	-
Hanhwa Private Securities Investment Trust 72th	Beneficiary certificate	Korea	December 31	100.00	-
HDC Dual Private Securities Investment Trust 1st	Beneficiary certificate	Korea	December 31	100.00	-

Company	Business type	Location	Financial statements as of	Percentage of ownership (%) December 31, 2014	Percentage of ownership (%) December 31, 2013
Samsung Plus Alpha Private Equity Securities 21 th	Beneficiary certificate	Korea	December 31	100.00	-
Hanhwa Private Securities Investment Trust 15th	Beneficiary certificate	Korea	December 31	100.00	-
BS Securities Co., Ltd.:					
KJM Partners Co., Ltd. 10th (*3)	SPC	Korea	December 31	-	-
BS Capital Co., Ltd.:					
KSBC(Cambodia) Plc	Specialized credit financial business	Cambodia	December 31	100.00	-
BS Capital Myanmar Co., Ltd.	Specialized credit financial business	Myanmar	December 31	99.99	-
BS Savings Bank Co., Ltd.:					
Plus Private Real Estate Investment Trust 6	Beneficiary certificate	Korea	December 31	80.00	80.00

(*1) They are money trust accounts in accordance with the Trust Business Act and there is no equity relationship. However, considering the power related with the investee's activity, exposure of variable profit and ability to use the power to affect the variable profit of the Consolidated Entity, they are included in the scope of consolidation.
(*2) This was included in the scope of consolidation for the year ended December 31, 2013, but liquidated current year.
(*3) This is a structured entity for asset-backed securitization. Considering the power related with the investee's activity, exposure of variable profit and ability to use the power to affect the variable profit of the Consolidated Entity, they are included in the scope of consolidation.

2) Changes in consolidated entities

There were no subsidiaries newly included in scope of consolidation for the year ended December 31, 2013. The subsidiaries newly included in scope of consolidation for the year ended December 31, 2014, are as follows:

December 31, 2014

Company	Reason
Kyongnam Bank Co., Ltd.	Incorporating Kyongnam Bank as its subsidiaries
Consus 6th LLC (*3) Non-restricted money trust account (*1) Retirement pension trust (*1) Personal pension trust (*1) Retirement trust (*1) New private pension trust (*1) Pension trust (*1) Installment money in trust (*1) Household money in trust (*1) Company money in trust (*1) Shinyoung Private Securities Investment Trust KN-1st Shinyoung Private Securities Investment Trust KN-2nd Yuri Balance Private Investment Trust 11st Daishin Balance Private Securities Investment Trust 51th Daishin Balance Private Securities Investment Trust 55th Hanhwa Private Securities Investment Trust 72th HDC Dual Private Securities Investment Trust 1st Samsung Plus Alpha Private Equity Securities 21th Hanhwa Private Securities Investment Trust 15th	The subsidiaries of Kyongnam Bank
KJM Partners Co., Ltd. the 10th (*3)	BS Securities newly establishes a subsidiary
KSBC (Cambodia) Plc BS Capital Myanmar Co., Ltd.	BS Capital establishes the overseas subsidiaries

The subsidiary excluded in scope of consolidation for the years ended December 31, 2014 and 2013, is as follows:

December 31, 2014

Company	Reason
Company money in trust	Liquidation of Busan Bank's ownership

December 31, 2013

Company	Reason
Golden Bridge Private Equity Fund IV	Liquidation of BS Savings Bank's ownership

3) Major financial information of subsidiaries for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

December 31, 2014

	Assets	Liabilities	Controlling equity	Non-controlling equity	Operating income	Net income	Total comprehensive income
Busan Bank and its Subsidiaries	₩46,398,613	₩ 42,969,746	₩ 3,428,867	₩ -	₩ 456,848	₩ 355,202	₩ 355,297
Kyongnam Bank and its Subsidiaries	32,854,636	30,707,871	2,146,765	-	13,934	8,696	6,196
BS Securities Co., Ltd. and its Subsidiaries	511,957	394,374	117,583	-	7,932	5,734	5,645
BS Capital Co., Ltd. and its Subsidiaries	3,583,253	3,160,583	422,670	-	46,972	36,311	35,991
BS Savings Bank Co., Ltd. and its Subsidiaries	736,087	617,368	118,719	-	14,056	10,456	10,523
BS Credit Information Co., Ltd.	7,111	375	6,736	-	638	488	488
BS Information System Co., Ltd.	6,797	1,961	4,836	-	953	724	724

December 31, 2013

	Assets	Liabilities	Controlling equity	Non-controlling equity	Operating income	Net income	Total comprehensive income
Busan Bank and its Subsidiaries	₩42,882,024	₩ 39,402,843	₩ 3,479,181	₩ -	₩ 411,137	₩ 318,619	₩ 316,663
BS Securities Co., Ltd.	495,505	383,566	111,939	-	1,447	320	(1,245)
BS Capital Co., Ltd.	2,809,835	2,503,114	306,721	-	38,294	28,548	28,301
BS Savings Bank Co., Ltd. and its Subsidiaries	743,419	635,222	108,197	-	(9,122)	(11,138)	(10,885)
BS Credit Information Co., Ltd.	6,605	357	6,248	-	946	716	716
BS Information System Co., Ltd.	5,109	997	4,112	-	884	744	744

4) Busan Bank

Busan Bank was incorporated on October 10, 1967, as a regional bank, under the laws of the Republic of Korea, to engage in the commercial banking and trust business. Busan Bank has been appointed as a manager of Busan City Government's Budgetary Funds (General Account and several Special Accounts) since January 1, 2001. Busan Bank changed its name from Pusan Bank to Busan Bank on January 3, 2009. The Bank's headquarters is located at Busan. The Bank has 270 branches and offices in Korea, and has one branch and one office overseas.

Busan Bank became a publicly traded financial institution upon listing its common shares on the Korea Exchange ("KRX") on June 15, 1972. The Bank became a wholly owned subsidiary of BS Financial Group through comprehensive stock transfer as of March 15, 2011. The Bank's listed shares on the KRX were delisted as of March 30, 2011. Busan Bank's issued and outstanding common stock as of December 31, 2014, amounted to ₩9,484 hundred million and the controlling company has 100% of shares. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary's financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

5) Kyongnam Bank Co., Ltd.

Kyongnam Bank Co., Ltd. (KNB Financial Group Inc.: OLD) was incorporated on May 1, 2014, by spinning off from Woori Financial Group Inc. in order to control, manage and provide financial support to subsidiaries. The Company listed its common shares on the KRX on May 22, 2014. Meanwhile, the Company changed the corporate name into "Kyongnam Bank Co., Ltd." on August 1, 2014, after merging the subsidiary company "Kyongnam Bank Co., Ltd." The Company is approved trust business in accordance with Trust Business Act and is engaged in the commercial banking, foreign exchange and trust business. The Bank's headquarters is located at Kyongnam Chanwon-si Masanhoewon-gu 3, 15ro, 642. The Bank has 161 branches and offices in Korea.

The Company's issued and outstanding common stock as of December 31, 2014, amounted to ₩3,921 hundred million and the controlling company has 56.97% of shares. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary's financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

6) BS Securities Co., Ltd.

BS Securities Co., Ltd. was established on June 2, 1997, and commenced operations concurrently, with the opening of the KRX, to be engaged in the futures transaction business under the Futures Business Law. During November 2009, BS Securities Co., Ltd. received approval for securities business in addition to its futures business from the Financial Supervisory Commission in the Republic of Korea, resulting in its name change from PB Futures Co., Ltd. to BS Securities Co., Ltd. It is wholly owned by BS Financial Group, with a capital of ₩85 billion as of December 31, 2014. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary's financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

7) BS Capital Co., Ltd.

BS Capital Co., Ltd. was established on July 15, 2010, to operate installment financing, facilities lease and new technology financing under the Regulation on Supervision of Specialized Credit Financial Business Law. BS Capital Co., Ltd. is wholly owned by BS Financial Group, with a capital of ₩213 billion as of December 31, 2014. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary's financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

8) BS Savings Bank Co., Ltd.

BS Savings Bank Co., Ltd. was established on December 13, 2011, to operate savings bank business. At the end of the reporting period, the capital stock amounted to ₩31 billion and is wholly owned by BS Financial Group. As the reporting period-end date of the subsidiary is June 30, 2014, the Company used the subsidiary's financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

9) BS Credit Information Co., Ltd.

BS Credit Information Co., Ltd. was established on June 17, 2003, to be managed in a credit check and debt collection business. At the end of the reporting period, the capital stock amounted to ₩3 billion and is wholly owned by BS Financial Group. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary’s financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

10) BS Information System Co., Ltd.

BS Information System Co., Ltd. was established on May 20, 2011, to operate in financial information technology (“IT”). At the end of the reporting period, the capital stock amounted to ₩3 billion and is wholly owned by BS Financial Group. As the reporting period-end date of the subsidiary is December 31, 2014, the Company used the subsidiary’s financial statements as of December 31, 2014, which were audited by an external auditor, in order to prepare the consolidated financial statements.

The Consolidated Entity’s consolidated financial statements for the years ended December 31, 2014 and 2013, consisted of BS Financial Group and its subsidiaries.

2. BASIS OF FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statement preparation

The Consolidated Entity has prepared the consolidated financial statements in accordance with the requirements of K-IFRS.

Major accounting policies used for the preparation of the consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

The accounts of the consolidated financial statements have been arranged in proportion to liquidity, which is based on common nature of a financial company and the importance of the business affairs of the Company.

The consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given.

1) Amendments to K-IFRS affecting amounts reported in the consolidated financial statements

The following amendments to K-IFRS have been applied in the current year and have affected the amounts reported in the consolidated financial statements.

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

The amendments to K-IFRS 1032 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of setoff’ and ‘simultaneous realization and settlement.’ The amendments require retrospective application. The adoption of the amendments has no significant impact on the Company’s consolidated financial statements.

<u>Amendments to K-IFRS 1110: *Consolidated Financial Statements*; 1112: *Disclosures of Interest in Other Entities*; and K-IFRS 1027: *Consolidated and Separate Financial Statements*</u>

The amendments to K-IFRS 1110 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss ("FVTPL"). The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. Consequential amendments to K-IFRS 1112 and K-IFRS 1027 have been made to introduce new disclosure requirements for investment entities. In general, the amendments require retrospective application, with specific transitional provisions. The adoption of the amendments has no significant impact on the Company's consolidated financial statements.

<u>Amendments to K-IFRS 1036, *Impairment of Assets*</u>

The amendments to K-IFRS 1036 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value, less costs of disposal. The amendments require retrospective application. The adoption of the amendments has no significant impact on the Company's consolidated financial statements.

<u>Amendments to K-IFRS 1039, *Financial Instruments: Recognition and Measurement*</u>

The amendments to K-IFRS 1039 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application. The adoption of the amendments has no significant impact on the Company's consolidated financial statements.

<u>Enactment of K-IFRS 2121, *Levies*</u>

K-IFRS 2121 addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for; in particular, it clarifies that neither economic compulsion nor the going-concern basis of financial statements' preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. K-IFRS 2121 requires retrospective application. The adoption of these amendments has no significant impact on the Company's consolidated financial statements.

2) The Consolidated Entity has not applied the following new and revised K-IFRS that have been issued, but are not yet effective:

<u>K-IFRS 1019, *Defined Benefit Plans: Employee Contributions*</u>

If the amount of the contributions is independent of the numbers of years of service, the Group is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered. The amendments are effective for the annual periods beginning on or after July 1, 2014. Retrospective application is required. The amendments are effective for the annual periods beginning on or after July 1, 2014.

<u>Amendments to K-IFRS 1016: *Property, Plant and Equipment*</u>

The amendments to K-IFRS 1016 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to K-IFRS 1016 are effective for annual periods beginning on or after January 1, 2016

Amendments to K-IFRS 1038: *Intangible Assets*

The amendments to K-IFRS 1038 clarified that the use of revenue-based methods to calculate the amortization of an asset is not appropriate, unless the consumption of the expected future economic benefits is embodied in the asset. The amendments to K-IFRS 1038 are effective for annual periods beginning on or after January 1, 2016.

Amendments to K-IFRS 1111: *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in K-IFRS 1103, *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in K-IFRS 1103 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The amendments to K-IFRS 1111 apply prospectively for annual periods beginning on or after January 1, 2016.

K-IFRS annual improvements 2010-2012 cycle

The annual improvements to K-IFRS 2010-2012 cycle includes separation of definitions of a ‘performance condition’ and a ‘service condition’ (K-IFRS 1102, *Share-Based Payment*), classification and measurement of contingent consideration (K-IFRS 1103), and an amendment that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should be disclosed if such amounts are regularly provided to the chief operating decision maker (K-IFRS 1108). The amendments are effective for annual periods beginning on or after July 1, 2014.

K-IFRS annual improvements 2011-2013 cycle

The annual improvements to K-IFRS 2011-2013 cycle includes the exclusion of the formation of all types of joint arrangements as defined in K-IFRS 1111 (K-IFRS 1103), scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (K-IFRS 1113), and clarification of judgment that is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination (K-IFRS 1040). The amendments are effective for annual periods beginning on or after July 1, 2014.

The Consolidated Entity does not anticipate that the amendments referred above will have a significant effect on the Consolidated Entity’s consolidated financial statements and disclosures.

(2) Significant accounting policies

1) <u>Basis of Consolidation</u>

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Consolidated Entity’s accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Consolidated Entity’s ownership interests in subsidiaries that do not result in the Consolidated Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Entity’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Consolidated Entity loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039, *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012, *Income Taxes,* and K-IFRS 1019, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the *Company* entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102, *Share-Based Payment,* at the acquisition date; and
- assets (or disposal groups) that are *classified* as held for sale in accordance with K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations,* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated Entity's CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4) Foreign currencies

The individual financial statements of each entity in the Consolidated Entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units (KRW), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Consolidated Entity's foreign operations are expressed in currency units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for that period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests, as appropriate).

5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investment assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

6) Financial Assets

A financial asset is recognized when the Consolidated Entity becomes a party to the contract and, at initial recognition, is measured at its fair value, plus or minus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Otherwise, the transaction cost that is directly attributable to the acquisition of the financial asset at FVTPL is recognized in profit or loss immediately when it arises.

A regular purchase and sale of financial assets is recognized and derecognized at trade date or at settlement date. It is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets are classified into the following specified categories: financial assets at 'FVTPL,' held to maturity ("HTM"), available for sale ("AFS") and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a. Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest rate method for debt instruments other than those financial assets classified as at FVTPL.

b. Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated as at FVTPL upon initial recognition. A financial asset is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Financial assets at FVTPL are measured at fair value and the change in value is recognized in profit or loss for assets classified as financial assets measured at FVTPL.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Consolidated Entity manages together and has a recent actual pattern of short-term profit taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated Entity 's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value and any gains or losses arising on remeasurement are recognized in profit or loss.

c. HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Consolidated Entity has the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are measured at amortized cost using the effective interest rate method, less any impairment, with revenue recognized on an effective interest rate method basis.

d. AFS financial assets

Non-derivative financial assets that are not classified as at HTM, held for trading, designated as at FVTPL or loans and receivables are classified as at financial assets AFS.

Financial assets AFS are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognized and accumulated in other comprehensive income, with the exception of interest calculated using the effective interest method and foreign exchange gains and losses on monetary AFS financial assets, which are recognized in profit or loss. Where the AFS financial assets are disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other comprehensive income is recognized in profit or loss.

Dividends from AFS equity instruments are recognized in profit or loss when the Consolidated Entity’s right to receive payment of the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

The AFS investments in equity instruments that do not have a quoted price in an active market for an identical instrument and their fair value are not reliably measurable, and derivative assets that are linked to those investments and must be settled by delivery of such an equity instrument are measured at cost, net of identified impairment losses.

e. Loans and receivables

Non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, other than held for trading or designated on initial recognition as financial assets at FVTPL or as AFS financial assets are classified as ‘loans and receivables.’ Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

The Consolidated Entity classifies the purchased amount as loans when purchasing the financial instrument under repurchase agreements.

f. Recognition and measurement

① Initial recognition
Financial instruments (financial assets and financial liabilities) are recognized when, and only when, the Consolidated Entity becomes a party to the contractual provisions of the instrument; subject to that, the regular purchase or sale (where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned) of financial assets is recognized and derecognized using either trade-date or settlement-date accounting.

Financial assets and financial liabilities are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of financial assets, except for those financial assets classified as at FVTPL, which are initially measured at fair value. Fair value is an estimate of the market value, based on what a reasonable, willing and independent transaction parties would probably exchange assets or pay liabilities in the market. Fair values of financial instruments are generally estimated through the market price (fair values provided or received).

② Subsequent measurement
Subsequently, financial assets and liabilities (including derivatives) should be measured at fair value or amortized cost according to the category of the classification at initial recognition.

i) Amortized cost
Amortized cost is calculated by adjusting the following items on the amount at which the financial asset or financial liability is measured at initial recognition.

- Deduction of principal repayment
- The cumulative amortization of difference between the initial amount and the maturity amount using the effective interest rate method
- Deduction of impairment loss or write-off

ii) Fair value
If a financial instrument is traded in an active market, the best possible estimate of fair value is a quoted price in such a market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group or pricing service and those prices represent market prices in the active market on an arm's-length basis.

If there is no active market for a financial instrument, the Consolidated Entity uses valuation technique to estimate the fair value of the financial instrument. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; and option-pricing models.

The general financial instruments like option, forwards and swaps are valued using common models that use readily observable market parameters as their basis, and the fair value for certain financial instruments is derived using internally developed models as valuation techniques.

In this case, the fair values of those financial instruments are determined using internally developed valuation techniques, which use sufficient data, including observable inputs from market data, such as market prices or market interest rates, or unobservable inputs, such as management or business assumptions.

The Consolidated Entity classifies financial instruments at fair values in consolidated statements of financial position by reference to the source of inputs used to derive the fair values. The classification is as follows:

Classification	Details
(Level 1)	Quoted prices (unadjusted) in active markets for identical assets or liabilities
(Level 2)	Inputs other than quoted prices, included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
(Level 3)	Inputs for the asset or liability that are not based on the observable market data (unobservable inputs)

The fair value level is determined by the lowest level of input data among significant parameters when measuring fair value. For our purposes, the significance of the input data is considered for all the measures to assess the fair value. The Consolidated Entity maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. However, in circumstances where market prices are limited or unavailable, valuations may require significant management judgments or adjustments that utilize significant unobservable inputs, to determine fair value. In these cases, the applicable financial instruments are classified as Level 3.

In addition, the Consolidated Entity has made certain amendments to the techniques in measuring the fair value of financial instruments when the techniques do not reflect all the observable inputs that market participants consider in valuation. The adjustment is based on market-based measures, including the probability of default ("PD") of a counterparty, bid-ask quotes and liquidity risk.

The Consolidated Entity's valuation techniques are consistent with accepted economic methodologies for pricing financial instruments and maximize the use of observable market inputs, and rely as little as possible on the Consolidated Entity-specific inputs. Periodically, the Consolidated Entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any observable market data.

g. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. However, as a result of future events, the expected impairment is recognized only when incurred.

Objective evidence that a financial asset is impaired includes the following loss events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons related to the borrower's financial difficulty, granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or financial reorganization;
- the disappearance of an active market for the financial asset due to financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets after initial recognition, although the decrease in the estimated future cash flows of individual financial assets included in the group is not identifiable.

For listed and unlisted equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

If there is an objective evidence of impairment, impairment loss should be recognized by each category as described below:

① Loans and receivables
For loans and receivables measured at amortized cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's original effective interest rate. The Consolidated Entity first assesses whether objective evidence of impairment exists individually for the financial assets that are individually significant.

For financial assets that are not individually significant, the Consolidated Entity assesses whether the objective evidence of impairment exists individually or collectively. If the Consolidated Entity 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.

i) Allowance for losses on credits by individual assessment
Allowance for losses on credits is recognized as the difference between the asset's carrying amount and the present value of future cash flows expected to be collected by considering borrower's management performance, financial position, overdue period and mortgage amount.

ii) Allowance for losses on credits by collective assessment
Allowance for losses on credits is recognized by adjusting PD and loss given, default from Basel II for the purpose of accounting and applying that to the carrying amount. Such approach considers various elements, including borrower type, credit rating, size of portfolio, loss emergence period and collection period, and applies consistent assumptions so as to model the measurement of inbuilt loss and determine variables based on historical loss experience and current conditions.

Impairment loss is deducted from allowance for losses on credits when it is considered unrecoverable. If it is subsequently recovered, allowance for losses on credits increases and the changes are recognized in profit or loss.

② AFS financial assets
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in that period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

③ HTM financial assets
For HTM financial assets measured at amortized cost, impairment loss is measured by 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 and directly deducted from the carrying amount.

In case the impairment loss decreases in a subsequent period and such decrease is objectively related to the events occurring after recognition of impairment, the impairment loss previously recognized is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

h. Derecognition of financial assets

The Consolidated Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

If the Consolidated Entity derecognizes the entire financial asset, the difference between total received amount, plus the sum of cumulative income recognized in other comprehensive income and the book value of the asset is recognized in profit or loss.

7) <u>Financial liabilities</u>

a. Classification

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities in accordance with the substance of the contractual arrangement and definitions of financial liabilities when the Consolidated Entity becomes a party to the contractual provisions of the instrument.

① Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Consolidated Entity manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other operating expenses’ line item in the consolidated statements of comprehensive income.

② Other financial liabilities
Financial liabilities that are not classified as at FVTPL are classified as other financial liabilities, which consist of deposits, borrowings and debentures. Other financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The Consolidated Entity classifies hybrid bonds issued by the bank as financial liabilities due to which the Consolidated Entity has no unconditional right to avoid the transfer of financial assets by contracts.

The Consolidated Entity recognizes the selling amount as borrowings if the financial instrument was sold under repurchase agreements.

b. Derecognition

The Consolidated Entity derecognizes financial liabilities when, and only when, the Consolidated Entity’s obligations are discharged, canceled or expired.

c. Offset

Financial assets and liabilities shall be offset only when the Consolidated Entity has the legal right to set off assets and liabilities and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

8) Derivative instruments

The Consolidated Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

a. Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

b. Hedge accounting

The Consolidated Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

c. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line item of the consolidated statements of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

d. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss related to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statements of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

9) Tangible assets

Tangible assets are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of tangible assets directly attributable to their purchase or construction 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. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Consolidated Entity and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Consolidated Entity does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Tangible assets	Estimated useful life (Years)	Depreciation method
Construction	50	Straight line
Leasehold improvements	5	Straight line
Equipment	5	Straight line
Fixtures	5	Straight line
Vehicles	5	Straight line

If each part of an item of tangible assets has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Consolidated Entity reviews the depreciation method, the estimated useful lives and residual values of tangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

10) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 5–50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of investment properties, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income in the period in which the asset is derecognized.

11) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

b. The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see Note 2. (12)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12) Intangible assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

b. Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products, and the Company can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

c. Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

d. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

13) Impairment of non-financial assets

All non-financial assets are tested for impairment when there is an objective indication that the carrying amount may not be recoverable, and if the indication exists, the Consolidated Entity estimates the recoverable amount. Intangible assets with indefinite useful lives or intangible assets that are not yet available for use are tested for impairment annually, regardless of whether or not there is any indication of impairment.

If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the CGUs. A CGU 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.

Recoverable amount is the higher of fair value, less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense. When an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

14) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value, less costs to sell.

The Consolidated Entity does not depreciate (or amortize) 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.

The Consolidated Entity recognizes a gain for any subsequent increase in fair value, less costs to sell an asset, but not in excess of the cumulative impairment loss that has been recognized in accordance with K-IFRS 1036, *Impairment of Assets*.

15) Provisions

Provisions are recognized when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event and it is probable that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Consolidated Entity maintains an allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, acceptances, standby and commercial letters of credit and other financial instruments to absorb estimated probable losses related to these unfunded credit facilities. The allowance is estimated based on the assessment of the probability of commitment usage and credit risk factors for loans outstanding to the same customers.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during that period.

If the Consolidated Entity has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. An onerous contract occurs when the unavoidable costs to meet the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under the contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

16) Financial guarantee contracts

A financial guarantee contract refers to the contract that requires an issuer to pay specified amounts to reimburse the holder for a loss because the specified debtor fails to make payment when due under original or revised contractual terms of debt instruments. The financial guarantee contract is measured on initial recognition at the fair value, and the fair value is amortized over the financial guarantee contract term.

After initial recognition, financial guarantee contract is measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets;* or
- the amount initially recognized, less cumulative amortization recognized in accordance with K-IFRS 1018, *Revenue.*

17) Employee benefits

a. Short-term employee benefits

Short-term employee benefits are defined as employee benefits that fall due within 12 months after the end of the reporting period in which the employees render the related service. The Consolidated Entity recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services when the employee renders services. The Consolidated Entity also recognizes relevant liabilities and expenses in accordance with accumulating compensated absences when the services that increase the future paid-leave right are rendered. The Consolidated Entity recognizes the expected cost of profit sharing and bonus payments when the Consolidated Entity has a present legal or constructive obligation to make such payments as a result of past events, and only when a reliable estimate of the obligation can be made.

b. Other long-term employee benefits

If the Consolidated Entity does not pay employee benefits within 12 months from the end of the reporting period after providing services, other long-term employee benefits are discounted by present value of future benefits based on current and past terms. These benefits are also recognized as liabilities after deducting fair value of plan assets that can directly pay relevant liabilities. The liabilities are determined after discounting estimated future cash flows by using interest rate of sound finance bonds that have similar maturity with related benefits. Gains and losses arising from fluctuation of actuarial assumption and experiential adjustment are recognized as amount of total gains and losses during the period of events.

c. Retirement benefit costs and termination benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income), and remeasurement.

The Consolidated Entity presents the service cost and net interest expense (income) components in profit or loss, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Consolidated Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

d. Share-based payments

For cash-settled share-based payments, a liability is recognized for the goods or services acquired and is measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

18) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated Entity are recognized as the proceeds, net of direct issue costs received.

a. Common shares

Common shares are classified as capital. On issuing common shares or exercising stock options, additional costs incurred on the issue of common shares or the exercise of stock options are subtracted from capital by net amounts reflecting tax effect.

b. Hybrid equity securities

The Consolidated Entity classifies capital instruments as financial liabilities or equities in accordance with the terms of contract. The Consolidated Entity can indicate a part of equities as classifying equity instruments in case of hybrid equity securities that have an unconditional right to avoid the transfer of financial assets by contracts.

19) Revenue and expense recognition

a. Interest income and expense

Using the effective interest rate method, the Consolidated Entity recognizes interest income and expense in the consolidated statements of comprehensive income. The amortized cost of financial assets or liabilities is calculated based on the effective interest rate method and the interest income and expenses are allocated over the relevant period.

The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or, if appropriate, through shorter period and net carrying amount of financial assets or liabilities. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instruments, except for the loss on future credit risk. Also, the effective interest rate calculation includes redemption costs, points (if it is a part of the effective interest rate) that are paid or earned between contracting parties, transaction costs and other premiums and discounts.

b. Commission revenue

① Fees that are a part of the financial instruments' effective yield
Fees that are a part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Such fees 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 as well as origination fees received on issuing financial liabilities measured at amortized cost. These fees are deferred and recognized as an adjustment to the effective interest rate. However, in case the financial instrument is classified as a financial asset at FVTPL, the relevant fee is recognized as revenue when the instrument is initially recognized.

② Commission from rendering services
Commission revenue from rendering services, such as asset management, trustee business and financial guarantee, is recognized as the services are provided. When it is not probable that specific loan agreement is contracted and agreed commission is not applied to K-IFRS 1039, those services will be recognized on a straight-line basis as the work is performed.

③ Commission from significant act performed
The recognition of revenue is postponed until the significant act is executed. On performing significant transactions, the earned commissions are recognized as gains and losses at the time the transactions are completed.

The commissions and sales commissions that are paid for the participation in negotiations for the third party are recognized as gains and losses at the time the transactions of the third party are completed.

The Consolidated Entity either arranges a syndicated loan, but does not participate in the syndicate or has the same effective gains and losses with other participants; fees on syndicated loan are recognized as gains and losses when the transactions of syndicated loan are completed.

④ Unearned revenue from point programs (customer loyalty program)
The Consolidated Entity operates customer loyalty program to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards, such as free or discounted goods or services. The award credits are accounted separately as identifiable component of the sales transaction(s) in which they are granted (the 'initial sales'). The fair value of the consideration received or receivable with respect to the initial sale shall be allocated between the award credits and the other components of the sale.

If the Consolidated Entity supplies the awards itself, it shall recognize the consideration allocated to award credits as revenue when award credits are redeemed and it fulfills its obligation to supply awards. The amount of revenue recognized shall be based on the number of award credits that have been redeemed in exchange for awards, related to the total number expected to be redeemed.

If the third party supplies the awards, the Consolidated Entity shall assess whether it is collecting the consideration allocated to the award credits on its own account (as the principal in the transaction) or on behalf of the third party (as agent for the third party). The amount of revenue recognized shall be net amount retained on its own account.

c. Dividend income

Dividend income is recognized when the shareholders are entitled to receive dividends. According to classification of equity securities, dividend income is indicated in the consolidated statements of comprehensive income.

20) Repurchase and reverse repurchase transactions

In a reverse repurchase agreement, securities received are not recognized in the consolidated statements of financial position, and the cash delivered is recorded as loans and receivables. In a repurchase agreement, securities delivered are reclassified from financial assets to financial assets pledged as collateral in the consolidated statements of financial position, and the cash received is recorded as financial liabilities because the risks and rewards of ownership are still retained. Accrued interest related to a reverse repurchase agreement and a repurchase agreement is recognized as interest income and expense.

21) Securities lending and borrowing transactions

The Consolidated Entity performs securities lending and borrowing transactions. In lending transactions where the Consolidated Entity transfers owned securities and where the borrower is granted the right to sell or repledge them, the securities are reclassified in the consolidated statements of financial position from financial assets to financial assets pledged as collateral. In borrowing transactions where the Consolidated Entity borrows securities, the securities are not recognized. The cash received and delivered related to such transactions is recognized as loans and receivables and deposits. If borrowed securities are sold, they are recognized as financial liabilities at FVTPL. Changes in fair value at the end of the reporting period and differences between carrying amounts and payment upon redemption of securities are recorded in profit and loss.

22) Earnings per share

Basic earnings per share are calculated by dividing net profit from the period available to common shareholder by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of common equivalent shares outstanding.

23) Income tax expense

Income tax expense consists of current and deferred taxes. The Company recognizes it in current operations, except for tax amount arising from transactions or events recognized in other comprehensive income or capital.

In accordance with the Korean Corporate Tax Act, the Company and its 100%-owned domestic subsidiaries have filed a consolidated tax return.

Accordingly, the Company recognizes total corporate income tax due as a current tax liability and the amounts due from subsidiaries as loans and receivables. The Company applies the consolidated taxation system, the way that the Company reports and pays income tax based on the total amount of income regarding the Company and all domestic subsidiaries on which the Company completely controls over as a single taxation unit. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate tax system. The Company recognizes total amount of tax payables in accordance with the consolidated corporate tax system as a parent company and recognizes receivables, which will be received from subsidiaries.

a. Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit or loss before tax expenses as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods. The Consolidated Entity’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the taxable or deductible temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit (taxable deficit) nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Consolidated Entity is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, 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 tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Consolidated Entity shall offset deferred tax assets and deferred tax liabilities if, and only if, the Consolidated Entity has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current 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 tax liabilities or assets are expected to be settled or recovered.

If a deferred tax liability or asset arises from investment property that is measured using the fair value model in K-IFRS 1040, *Investment Property*, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

24) <u>Accounting for trust accounts</u>

In accordance with the Financial Investment Services and Capital Market Act, the Consolidated Entity establishes savings accounts under trust agreements (“trust account”) separately from its bank accounts and administers the funds for the benefit of one or more beneficiaries. Funds transferred between a bank account and trust accounts are recognized as due to/from trust accounts. The fees and commissions received from trust accounts are recognized when the Consolidated Entity provides services to the trust accounts.

With respect to certain trust account products, the Consolidated Entity guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the Consolidated Entity accounts and receiving compensating contributions from the Consolidated Entity accounts of the Consolidated Entity. If the Consolidated Entity pays compensating contributions to the trusts with the guaranteed return to cover such deficiencies, these contributions are reflected as operating expense of the Consolidated Entity accounts and as other income of the trust accounts.

25) <u>Fair value</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, *Share-Based Payment*, leasing transactions that are within the scope of K-IFRS 1017, *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002, *Inventories*, or value in use in K-IFRS 1036, *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

26) Operating segments

The Consolidated Entity makes a decision about resources to be allocated within segments and divides segments based on internal reports for management to evaluate performances regularly. Each segment consists of the Consolidated Entity's own strategic business units. The segments provide their products and services and they are separately operated by their business units due to the difference between technical and marketing strategies.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Consolidated Entity's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Significant accounting judgment in the process of applying accounting policies

The items below are important judgment that is different from other items related to estimations [refer to Note 3. (2)]. The judgment is determined in the process of applying accounting policies and is the most important matter to recognize the amounts in the consolidated financial statements.

1) Impairment of AFS financial assets

As described in Note 2. '6) Impairment of financial assets' of significant accounting policies, the decrease in the fair value of AFS financial assets significantly or continuously below cost represents an objective evidence of the impairment loss. Accordingly, the Consolidated Entity is basically regarded as a "significant fall" if the fair value decreases more than 30% of the acquisition cost and "continuous fall" if the fair value of AFS financial assets continuously decreases for more than six months.

2) Fair value of financial assets

As described in Note 2. '25) Fair value' of significant accounting policies, the Consolidated Entity exercises various methods from general valuation models to advance valuation models, if valuation models to determine the fair value of financial assets are used. At this time, various input variables and assumptions are applied.

3) Effective hedge relationships

As described in Note 2. '8) Derivative instruments' of significant accounting policies, the Consolidated Entity designates certain derivatives as either hedges of highly probable forecast transactions, hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges) when the Consolidated Entity expects that hedge relationship is effective during the reporting period.

(2) Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of the estimation uncertainty at the end of the reporting period that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

1) Fair value of financial instruments

In order to determine fair values of financial assets and liabilities without observable market values, valuation methods are necessary. For the valuation of the financial instruments for which transactions do not occur frequently and prices that are not transparent, an extensive judgment is required with regard to liquidity, concentrativeness, uncertainty of market factors, assumptions related to price determination and other risks because fair values lack objectivity.

2) Allowance for credit losses (allowance for losses on loans, allowance for losses on acceptances and guarantees and allowance for losses on unused credit limits)

The Consolidated Entity recognizes allowance for losses on individual loans and receivables by assessing the occurrence of loss events, or it assesses impairment for the group of loans and receivables with similar credit risk characteristics. The Consolidated Entity maintains allowance for credit losses on off-balance-sheet credit instruments, including commitments to extend credit, guarantees, acceptances, standby and commercial letters of credit and other financial instruments, to absorb estimated probable losses related to these unused credit facilities. The provision for the allowances can vary due to the borrower's expected cash flows for the individually assessed loans and receivables and the changes in assumptions and parameters for the collectively assessed loans and receivables, the acceptances and guarantees and the unused credit limits.

3) Measurement of defined benefit obligation

The defined benefit obligation is computed with the projected unit credit method by an independent actuary considering actuarial assumptions and variables, such as wage rate, retirement rate, discount rate and others. The amount of defined benefit obligation amounted to ₩148,847 million and ₩121,664 million as of December 31, 2014 and 2013, respectively, the details of which are provided in Note 20.

4) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

4. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS:

(1) General

1) General risk management policy

The Consolidated Entity is exposed to various financial risks, such as credit risk, liquidity risk, market risk and operational risk, associated with financial instruments.

This outline indicates the level of exposure to such risks and objectives, policies, risk assessment, management procedures and capital management of the Consolidated Entity. Additional quantitative information is disclosed in the consolidated financial statements.

The Consolidated Entity's risk management system has focused on increasing the transparency of risk and supporting the long-term strategy and management decision making to deal with rapid changes in the financial environment. The Consolidated Entity realizes the important risks, such as credit risk, market risk, operational risk, credit concentration risk, interest rate risk, liquidity risk, strategy risk and reputation risk. It measures and manages the quantitative economic capital or value at risk ("VaR") by using the statistical method.

2) Organization of risk management

a. Risk management committee

The risk management committee establishes a risk management strategy in accordance with the strategic direction chosen by the Board of Directors, determines the possible level of risk and manages the level of risk that the Consolidated Entity faced and the condition of risk management activities as a top decision-making organization.

b. Risk management council

Risk management council is responsible for coordinating with the risk management units of subsidiaries to ensure that they implement the policies, guidelines and limits established by the risk management committee. The Consolidated Entity's risk management council is composed of the Company's chief risk management officer and the chief risk management officers of subsidiaries, BS Securities Co., Ltd. and BS Capital Co., Ltd. It operates independently from all business units and reports directly to the risk management committee. Its responsibilities include reviewing the level of risks the Consolidated Entity is exposed to and the appropriateness of the Consolidated Entity's risk management policies, systems and operational responsibilities.

c. Risk management division

The Consolidated Entity's risk management division performs detailed risk policies, procedures and business processes of risk management, and is responsible for managing and monitoring the limit of the Consolidated Entity's economic capital.

(2) Credit Risk

1) General

The credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Consolidated Entity's loan, card assets and securities. The Consolidated Entity considers all the elements of individual borrower's credit risk exposure, including default and breach.

2) Risk management framework

The Consolidated Entity assesses its required expected loss and economic capital by managing all credit exposures on or off balance sheet.

The Consolidated Entity establishes and manages total exposure limits for borrowers and industries in order to optimize the use of credit availability and avoid excessive risk concentration.

The credit management division and management planning division manage the credit risk by integrating and establishing credit policy, monitoring loan portfolios and restructuring the loans independently from the marketing division. The risk management division conducts the measurement of the economic capital, total exposure management, credit evaluation and approval and reviews the credit evaluation model.

3) Maximum exposure to credit risk

The Consolidated Entity's maximum exposure to credit risk that does not consider value of collateral as of December 31, 2014 and 2013, is summarized as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Cash and due from banks	₩ 2,428,704	₩ 1,093,768
Financial assets at FVTPL	808,905	584,228
AFS financial assets	4,066,773	2,136,243
HTM financial assets	6,343,757	4,373,373
Loans	63,488,027	33,803,280
Receivables	3,067,866	2,396,914
Derivative assets	338,511	120,021
Guarantees and acceptances	1,924,886	1,208,241
Loan commitments	12,648,660	7,504,656
	₩ 95,116,089	₩ 53,220,724

4) Credit risk by impairment of loans and receivables as of December 31, 2014 and 2013, is summarized as follows (Unit: Korean won in millions):

	December 31, 2014						
	Loans in local currency						
Classification	Household	Corporates	Public sector	Subtotal	Other loans	Receivables	Total
Assets neither past due nor impaired	₩ 16,490,796	₩ 39,736,488	₩ 1,741,350	₩ 57,968,634	₩ 4,843,198	₩ 3,089,104	₩ 65,900,936
Assets past due but not impaired	100,723	125,153	2,999	228,875	52,214	-	281,089
Impaired assets	75,307	785,254	13,996	874,557	64,781	1,327	940,665
	16,666,826	40,646,895	1,758,345	59,072,066	4,960,193	3,090,431	67,122,690
Loan origination fees and costs	58,958	39,092	1,222	99,272	20,550	-	119,822
Allowance for loan losses	(56,740)	(509,149)	(9,792)	(575,681)	(88,373)	(9,469)	(673,523)
Present value discounts (leasehold deposits)	-	-	-	-	-	(13,096)	(13,096)
	₩ 16,669,044	₩ 40,176,838	₩1,749,775	₩ 58,595,657	₩ 4,892,370	₩ 3,067,866	₩ 66,555,893

	December 31, 2013						
	Loans in local currency						
Classification	Household	Corporates	Public sector	Subtotal	Other loans	Receivables	Total
Assets neither past due nor impaired	₩ 7,409,541	₩ 21,088,370	₩ 1,258,930	₩ 29,756,841	₩ 3,963,282	₩ 2,408,681	₩ 36,128,804
Assets past due but not impaired	29,024	65,265	272	94,561	18,680	20	113,261
Impaired assets	38,599	255,352	3,401	297,352	37,859	70	335,281
	7,477,164	21,408,987	1,262,603	30,148,754	4,019,821	2,408,771	36,577,346
Loan origination fees and costs	26,005	17,085	640	43,730	33,308	-	77,038
Allowance for loan losses	(32,887)	(358,088)	(9,601)	(400,576)	(41,757)	(2,123)	(444,456)
Present value discounts (leasehold deposits)	-	-	-	-	-	(9,734)	(9,734)
	₩ 7,470,282	₩ 21,067,984	₩ 1,253,642	₩ 29,791,908	₩ 4,011,372	₩ 2,396,914	₩ 36,200,194

5) Analysis of creditworthiness of financial assets

a. Creditworthiness of loans and receivables

Creditworthiness of loans and receivables neither past due nor impaired as of December 31, 2014 and 2013, is summarized as follows (Unit: Korean won in millions):

	December 31, 2014						
Credit rating	Loans in local currency				Other loans	Receivables	Total
	Household	Corporates	Public sector	Subtotal			
1	₩ 1,780,482	₩ 171,121	₩ 626,430	₩ 2,578,033	₩ 179,415	₩ -	₩ 2,757,448
2	2,116,983	574,099	238,608	2,929,690	147,973	13	3,077,676
3	2,467,670	1,574,558	977	4,043,205	176,516	-	4,219,721
4	3,805,792	3,427,861	156,957	7,390,610	565,179	77	7,955,866
5	2,290,447	15,451,313	319,030	18,060,790	1,165,386	50	19,226,226
6	2,171,771	16,777,833	334,402	19,284,006	1,156,454	4	20,440,464
7	1,455,929	689,424	1,636	2,146,989	144,709	-	2,291,698
Unrated	401,722	1,070,279	63,310	1,535,311	1,307,566	3,088,960	5,931,837
	₩ 16,490,796	₩ 39,736,488	₩ 1,741,350	₩ 57,968,634	₩ 4,843,198	₩ 3,089,104	₩ 65,900,936

	December 31, 2013						
Credit rating	Loans in local currency				Other loans	Receivables	Total
	Household	Corporates	Public sector	Subtotal			
1	₩ 1,182,949	₩ 116,774	₩ 616,137	₩ 1,915,860	₩ 239,467	₩ -	₩ 2,155,327
2	966,922	709,493	158,738	1,835,153	636,391	-	2,471,544
3	1,191,827	1,324,248	1,687	2,517,762	194,886	-	2,712,648
4	1,796,645	2,225,724	29,106	4,051,475	359,384	-	4,410,859
5	898,484	3,216,653	117,388	4,232,525	406,293	-	4,638,818
6	795,013	12,262,993	308,064	13,366,070	1,090,328	-	14,456,398
7	340,978	545,528	472	886,978	152,988	-	1,039,966
Unrated	236,723	686,957	27,338	951,018	883,545	2,408,681	4,243,244
	₩ 7,409,541	₩ 21,088,370	₩ 1,258,930	₩ 29,756,841	₩ 3,963,282	₩ 2,408,681	₩ 36,128,804

Creditworthiness is classified based on internal creditworthiness grade as below.

	Household	Corporates
Grade 1	1	AAA
Grade 2	2	AA+, AA
Grade 3	3	AA-
Grade 4	4	A
Grade 5	5	BBB
Grade 6	6	BB+, BB, BB-
Grade 7	7-10	B, C, D

Details of loans and receivables past due but not impaired as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

	December 31, 2014						
	Loans in local currency						
Credit rating	Household	Corporates	Public sector	Subtotal	Other loans	Receivables	Total
Less than 1 month	₩ 74,876	₩ 104,576	₩ 2,462	₩ 181,914	₩ 35,880	₩ -	₩ 217,794
Less than 2 months	15,773	13,386	248	29,407	9,458	-	38,865
Less than 3 months	10,074	7,191	289	17,554	6,876	-	24,430
	₩ 100,723	₩ 125,153	₩ 2,999	₩ 228,875	₩ 52,214	₩ -	₩ 281,089

	December 31, 2013						
	Loans in local currency						
Credit rating	Household	Corporates	Public sector	Subtotal	Other loans	Receivables	Total
Less than 1 month	₩ 16,951	₩ 36,965	₩ 250	₩ 54,166	₩ 6,872	₩ 20	₩ 61,058
Less than 2 months	6,348	12,044	15	18,407	7,133	-	25,540
Less than 3 months	5,725	16,256	7	21,988	4,675	-	26,663
	₩ 29,024	₩ 65,265	₩ 272	₩ 94,561	₩ 18,680	₩ 20	₩ 113,261

b. Creditworthiness of securities

Creditworthiness of securities neither past due nor impaired as December 31, 2014 and 2013, is summarized as follows (Unit: Korean won in millions):

	December 31, 2014						
	AAA	AA	A	BBB	BB	Unrated	Total
Financial assets held for trading	₩ 418,668	₩ 86,122	₩ 41,178	₩ 3,101	₩ 1,012	₩ -	₩ 550,081
AFS financial assets	3,022,751	952,498	91,524	-	-	-	4,066,773
HTM financial assets	6,265,936	77,807	-	-	-	14	6,343,757
	₩ 9,707,355	₩ 1,116,427	₩ 132,702	₩ 3,101	₩ 1,012	₩ 14	₩ 10,960,611

	December 31, 2014					
Classification	A1	A2	A3	B	Unrated	Total
Financial assets at FVTPL						
Financial assets held for trading (bills bought, etc.)	₩ 38,491	₩ 220,333	₩ -	₩ -	₩ -	₩ 258,824

	December 31, 2013					
Classification	AAA	AA	A	BBB	Unrated	Total
Financial assets held for trading	₩ 214,434	₩ 16,268	₩ 39,563	₩ 15,137	₩ 66,309	₩ 351,711
AFS financial assets	1,203,871	862,538	69,834	-	-	2,136,243
HTM financial assets	4,235,360	138,013	-	-	-	4,373,373
	₩ 5,653,665	₩ 1,016,819	₩ 109,397	₩ 15,137	₩ 66,309	₩ 6,861,327

	December 31, 2013					
Classification	A1	A2	A3	B	Unrated	Total
Financial assets at FVTPL						
Financial assets held for trading (bills bought, etc.)	₩ 46,597	₩ 176,466	₩ 9,454	₩ -	₩ -	₩ 232,517

6) Allowance for credit loss and bad debts written off

To ensure the creditworthiness of asset quality and maintain the sufficiency of equity, the Consolidated Entity manages and sets up allowance for credit loss on loans accompanying credit risk.

The Consolidated Entity realizes profits and losses for current term after estimating impairment losses if there is an objective evidence that the book value of loans is impaired at closing date. As impairment losses are only recognized when incurred, the Consolidated Entity does not realize losses for future impairment event, although impairment is likely to occur. Impairment of loans can be directly subtracted from the book value of assets and by using allowance for credit loss. The Consolidated Entity estimates the incurred losses that are inherent in financial assets and records them in the consolidated financial statements by deducting book value of assets as the account of allowance for credit loss.

7) Loans and receivables by impairment assessment methods

Loans and receivables by impairment assessment methods as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

	December 31, 2014								
	Individual assessment			Collective assessment			Total		
Classification	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)
Loans in Korean won	₩ 878,381	₩ 226,565	25.79	₩58,193,685	₩ 353,580	0.61	₩59,072,066	₩ 580,145	0.98
Loans in foreign currencies (*1)	5,118	2,334	45.60	1,519,890	14,719	0.97	1,525,008	17,053	1.12
Others	27,897	17,013	60.99	6,497,719	59,312	0.91	6,525,616	76,325	1.17
	₩ 911,396	₩ 245,912	26.98	₩66,211,294	₩ 427,611	0.65	₩67,122,690	₩ 673,523	1.00

(*1) Includes offshore loans and domestic import usance bill.

	December 31, 2013								
	Individual assessment			Collective assessment			Total		
Classification	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)	Loans	Allowance	Allowance rate (%)
Loans in Korean won	₩ 353,954	₩ 119,303	33.71	₩29,794,800	₩ 281,273	0.94	₩30,148,754	₩ 400,576	1.33
Loans in foreign currencies (*1)	6,129	4,871	79.47	1,099,982	13,426	1.22	1,106,111	18,297	1.65
Others	7,468	4,506	60.34	5,315,013	21,077	0.4	5,322,481	25,583	0.48
	₩ 367,551	₩ 128,680	35.01	₩36,209,795	₩ 315,776	0.87	₩36,577,346	₩ 444,456	1.22

(*1) Includes offshore loans and domestic import usance bill.

8) Details of pledged assets and estimated fair value

The fair value of collaterals pledged for loans in Korean won as of December 31, 2014 and 2013, is summarized as follows (Unit: Korean won in millions):

	December 31, 2014			
Classification	Household	Corporates	Public sector	Total
Movables and real estate	₩ 8,285,043	₩18,066,250	₩ 302,948	₩ 26,654,241
Securities and bonds	367,325	1,082,145	87,091	1,536,561
Guarantee	2,153,306	1,779,985	25,362	3,958,653
Others	1,226,686	1,842,845	55,532	3,125,063
	₩ 12,032,360	₩22,771,225	₩ 470,933	₩ 35,274,518

Classification	December 31, 2013 Household	Corporates	Public sector	Total
Movables and real estate	₩ 4,001,395	₩ 8,796,736	₩ 169,077	₩ 12,967,208
Securities and bonds	229,782	504,821	8,168	742,771
Guarantee	491,163	1,494,688	3,902	1,989,753
Others	17,461	160,190	-	177,651
	₩ 4,739,801	₩ 10,956,435	₩ 181,147	₩ 15,877,383

9) Concentration analysis of credit risk

a. The details of loans and receivables by borrower's country as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

Classification	December 31, 2014		December 31, 2013	
	Amount	Rate (%)	Amount	Rate (%)
The Republic of Korea	₩ 66,785,529	99.50	₩ 36,545,011	99.91
China	67,167	0.10	8,400	0.02
Others	269,994	0.40	23,935	0.07
	₩ 67,122,690	100.00	₩ 36,577,346	100.00

b. Loans in local currency and foreign currencies by industry as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

	December 31, 2014				
	Loans in Korean won and foreign currencies	Financial assets at FVTPL	AFS financial assets	HTM financial assets	Total
Mining	₩ 50,895	₩ -	₩ 20,049	₩ 40,000	₩ 110,944
Manufacturing	20,914,749	26,091	163,846	90,077	21,194,763
Electricity, gas, steam and water service	229,211	-	145,324	240,771	615,306
Construction	2,826,278	1,005	242,022	273,962	3,343,267
Wholesale and retail	4,301,650	2,045	-	-	4,303,695
Transportation	2,284,271	7,346	153,346	194,105	2,639,068
Lodging and restaurant business	1,267,540	-	-	-	1,267,540
Publishing, visual entertainment, broadcasting and information	313,634	-	2,000	-	315,634
Financial and insurance business	723,241	342,481	921,029	1,199,918	3,186,669
Real estates and lease business	6,393,389	-	488,063	221,268	7,102,720
Business facility management and business support services	173,010	-	91,460	151,475	415,945
Public, national defence and social security system	1,134,116	79,144	1,569,402	3,611,211	6,393,873
Associations, organizations and household	606,996	-	121,295	100,218	828,509
Others	19,378,093	350,793	148,937	220,752	20,098,575
	₩ 60,597,073	₩ 808,905	₩ 4,066,773	₩ 6,343,757	₩ 71,816,508

	December 31, 2013				
	Loans in Korean won and foreign currencies	Financial assets at FVTPL	AFS financial assets	HTM financial assets	Total
Mining	₩ -	₩ -	₩ -	₩ 40,000	₩ 40,000
Manufacturing	9,489,728	37,910	71,294	-	9,598,932
Electricity, gas, steam and water service	-	-	11,405	109,146	120,551
Construction	2,055,416	37	554,103	323,624	2,933,180
Wholesale and retail	2,508,474	2,058	-	-	2,510,532
Transportation	1,635,077	15	129,752	398,909	2,163,753
Lodging and restaurant business	602,655	-	-	-	602,655
Publishing, visual entertainment, broadcasting and information	-	-	10,106	-	10,106
Financial and insurance business	601,510	382,089	890,591	1,092,984	2,967,174
Real estates and lease business	3,385,654	-	-	-	3,385,654
Business facility management and business support services	-	-	-	-	-
Public, national defence and social security system	1,012,366	157,216	409,043	2,368,348	3,946,973
Associations, organizations and household	7,477,164	-	59,949	40,362	7,577,475
Others	2,486,821	4,903	-	-	2,491,724
	₩ 31,254,865	₩ 584,228	₩ 2,136,243	₩ 4,373,373	₩ 38,348,709

c. Financial loans in foreign currencies by country as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

	December 31, 2014		December 31, 2013	
Classification	Amount	Percentage (%)	Amount	Percentage (%)
Republic of Korea	₩ 459,884	30.16	₩ 1,073,776	97.08
China	-	0.00	8,400	0.76
Others	1,065,124	69.84	23,935	2.16
	₩ 1,525,008	100.00	₩ 1,106,111	100.00

(3) Liquidity Risk

1) General

Liquidity risk is the risk that the Consolidated Entity is unable to meet its payment obligations arising from financial liabilities as they fall due. The Consolidated Entity classifies and discloses contractual maturity of all financial liabilities into six categories in relation to liquidity risk, such as immediately payable, less than one month, one to three months, three months to one year, less than one year, one to five years and more than five years. Although off-balance-sheet items, such as loan commitment and financial guarantees, have contractual maturities, they are separately disclosed as the Consolidated Entity will pay them immediately upon counterparty's request for payment.

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest payments, which resulted in disagreement with the discounted cash flows included in the consolidated statements of financial position.

2) Liquidity risk management

General principles and the overall framework for managing liquidity risk across the Consolidated Entity are defined in the liquidity risk policy by risk management regulation, risk management instruction and liquidity risk manual.

All transactions that affect inflows and outflows of Korean/foreign currency funds across the Consolidated Entity are subject to the liquidity risk management. Liquidity risk is centrally managed and controlled by the Financial Planning Department, which reports its analysis and statics of the liquidity, including liquidity gap, liquidity ratio, maturity mismatch ratio and liquidity risk situation, to the asset-liability management committee ("ALCO"). The financial strategies that are required to achieve the Consolidated Entity's risk management goal, including liquidity risk management, are set out and overseen by the ALCO.

3) Remaining contractual maturity analysis of financial assets and liabilities

a. The Consolidated Entity's non-derivative financial liabilities as of December 31, 2014 and 2013, are summarized by remaining contractual maturity as follows (Unit: Korean won in millions):

	December 31, 2014					
	Less than 1 month	1–3 months	3–12 months	1–5 years	More than 5 years	Total
Due from banks:						
Due from banks in Korean won	₩ 623,797	₩ 9,208	₩ -	₩ 803	₩ 1,437,038	₩ 2,070,846
Due from banks in foreign currencies	157,867	-	12,641	-	187,350	357,858
	781,664	9,208	12,641	803	1,624,388	2,428,704
Financial assets at FVTPL:						
Government bonds	-	72,178	35,118	30,656	10,336	148,288
Finance bonds	-	59,075	64,059	9,995	-	133,129
Corporate bonds	255	196,427	42,424	29,558	-	268,664
Others	58,360	47,671	124,148	28,645	-	258,824
	58,615	375,351	265,749	98,854	10,336	808,905
AFS financial assets:						
Government bonds	-	-	33,163	698,631	139,926	871,720
Finance bonds	-	20,034	30,125	231,785	-	281,944
Corporate bonds	30,034	40,139	492,999	1,827,139	10,466	2,400,777
Financial assets in foreign currencies	-	-	5,651	11,522	-	17,173
Borrowing securities and securities pledged as collateral	-	-	158,152	337,007	-	495,159
	30,034	60,173	720,090	3,106,084	150,392	4,066,773
HTM financial assets:						
Government bonds	8,105	55,368	429,912	2,262,779	-	2,756,164
Finance bonds	-	-	72,095	296,574	21,191	389,860
Corporate bonds	103,383	203,475	493,287	1,832,905	100,642	2,733,692
Borrowing securities and securities pledged as collateral	9,989	27,762	138,702	267,588	20,000	464,041

	December 31, 2014					
	Less than 1 month	1–3 months	3–12 months	1–5 years	More than 5 years	Total
	121,477	286,605	1,133,996	4,659,846	141,833	6,343,757
Loans:						
Loans in Korean won	3,052,895	6,379,147	23,188,267	18,379,053	8,072,704	59,072,066
Loans in foreign currencies (*1)	199,268	447,330	691,502	146,221	40,687	1,525,008
Call loan	-	71,250	-	-	-	71,250
Bills bought in local currency	82,564	35,700	24,561	-	-	142,825
Bills bought in foreign currencies	186,439	237,367	104,476	-	419	528,701
Advances for customers	9,792	-	-	-	1,100	10,892
Credit card accounts	280,700	148,168	29,928	196,631	11,313	666,740
Bonds purchased under resale agreement	230,000	-	-	-	-	230,000
Privately placed bonds	15,000	94,800	180,650	97,656	1,843	389,949
Finance lease receivables and others	27,518	83,397	366,116	910,319	7,478	1,394,828
	4,084,176	7,497,159	24,585,500	19,729,880	8,135,544	64,032,259
Financial liabilities (*2):						
Deposits	18,056,786	10,084,261	23,256,031	8,159,929	349,489	59,906,496
Borrowings	1,304,582	883,550	1,486,025	2,407,524	582,626	6,664,307
Debentures	191,072	254,978	1,352,297	4,067,202	1,433,960	7,299,509
Other liabilities	3,333,094	13,677	61,928	193,392	389,801	3,991,892
	22,885,534	11,236,466	26,156,281	14,828,047	2,755,876	77,862,204
Derivative assets:						
Derivatives for trading	338,511	-	-	-	-	338,511
	338,511	-	-	-	-	338,511
Derivative liabilities:						
Derivatives for hedging	-	-	-	428	-	428
Derivatives for trading	290,116	-	-	-	-	290,116
	290,116	-	-	428	-	290,544
Total	₩ 28,250,127	₩ 19,464,962	₩ 52,874,257	₩ 42,423,942	₩ 12,818,369	₩ 156,171,657

(*1) Include offshore loans, interbank loans in foreign currencies and domestic import usance bill.
(*2) Consist of accounts payable, accrued expenses and leasehold deposits received and others.

	December 31, 2013					
	Less than 1 month	1–3 months	3–12 months	1–5 years	More than 5 years	Total
Due from banks:						
Due from banks in Korean won	₩ 20,549	₩ -	₩ -	₩ 4,719	₩ 1,025,400	₩ 1,050,668
Due from banks in foreign currencies	1,078	-	13,909	-	28,113	43,100
	21,627	-	13,909	4,719	1,053,513	1,093,768
Financial assets at FVTPL:						
Government bonds	-	3,498	3,596	53,606	-	60,700
Finance bonds	10,000	-	-	-	-	10,000
Corporate bonds	11,577	31,399	11,172	21,483	-	75,631
Others	82,239	50,301	99,592	34,407	171,358	437,897
	103,816	85,198	114,360	109,496	171,358	584,228
AFS financial assets:						
Government bonds	-	-	10,039	237,271	-	247,310
Finance bonds	-	-	19,943	119,765	-	139,708
Corporate bonds	20,031	40,137	120,909	1,337,664	-	1,518,741
Financial assets in foreign currencies	-	10,553	21,201	16,977	-	48,731
Borrowing securities and securities pledged as collateral	-	10,008	40,342	131,403	-	181,753
	20,031	60,698	212,434	1,843,080	-	2,136,243
HTM financial assets:						
Government bonds	-	73,797	235,796	1,879,937	-	2,189,530
Finance bonds	-	30,054	110,067	102,227	-	242,348
Corporate bonds	-	133,812	577,318	1,210,363	-	1,921,493
Borrowing securities and securities pledged as collateral	-	-	-	20,002	-	20,002
	-	237,663	923,181	3,212,529	-	4,373,373
Loans:						
Loans in Korean won	1,603,680	3,230,901	11,758,041	9,554,332	4,001,800	30,148,754
Loans in foreign currencies (*1)	121,177	339,137	405,231	209,083	31,483	1,106,111
Call loan	290,420	284,931	-	-	-	575,351
Bills bought in local currency	9,655	5,000	7,000	-	-	21,655
Bills bought in foreign currencies	64,249	62,274	20,293	-	219	147,035
Advances for customers	-	-	-	4	5,609	5,613
Credit card accounts	384,408	863	907	669	5,038	391,885
Bonds purchased under resale agreement	100,000	-	-	-	-	100,000
Privately placed bonds	-	6,000	1,500	61,670	866	70,036
Finance lease receivables and others	44,336	86,304	384,963	1,075,106	11,426	1,602,135
	2,617,925	4,015,410	12,577,935	10,900,864	4,056,441	34,168,575
Financial liabilities (*2):						
Deposits	12,534,900	5,343,135	11,275,322	1,680,998	224,549	31,058,904
Borrowings	646,189	591,617	1,016,785	1,755,433	381,103	4,391,127
Debentures	318,161	151,402	745,920	2,902,782	621,928	4,740,193
Other liabilities	2,488,735	11,809	52,153	192,722	100,304	2,845,723
	15,987,985	6,097,963	13,090,180	6,531,935	1,327,884	43,035,947
Derivative liabilities:						
Derivatives for hedging	-	-	-	236	-	236
Derivatives for trading	89,983	-	-	-	-	89,983
	89,983	-	-	236	-	90,219
Total	₩ 18,841,367	₩ 10,496,932	₩ 26,931,999	₩ 22,602,860	₩ 6,609,196	₩ 85,482,354

(*1) Include offshore loans, interbank loans in foreign currencies and domestic import usance bill.
(*2) Consist of accounts payable, accrued expenses and leasehold deposits received and others.

c. Guarantees, loan commitments and other credit facilities provided by the Consolidated Entity have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled. The off-balance-sheet items as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Guarantees	₩ 1,924,886	₩ 1,208,241
Loan commitments	12,648,660	7,504,656
	₩ 14,573,546	₩ 8,712,897

(4) Market Risk

1) General

Market risk is the risk to the Consolidated Entity's earnings arising from changes in interest rates, stock price, currency exchange rates and commodity prices. It is derived from loans, deposits, securities and derivatives and generated through both trading and non-trading positions. The trading market risk that the Consolidated Entity is mainly exposed to is the interest rate risk arising from the change in the value of debt instruments and interest rate-embedded securities due to changes in market interest rate. The Consolidated Entity is additionally exposed to stock price and foreign exchange rate fluctuation risk arising from loans, receivables, deposits, securities and financial derivatives.

2) Market risk management

The Consolidated Entity monitors and sets up the economic capital limit of market risk and interest rate risk to manage trading and non-trading positions. To manage market risk effectively, trading position enforces trading policy regulation and market risk manual, while non-trading position enforces interest rate risk manual, risk management system and procedure. All such processes are approved by the Consolidated Entity's ALCO and risk management council.

The Consolidated Entity's risk management council establishes overall market risk management principles. It has delegated the responsibility of the market risk management for trading activities to the Market Risk Management Subcommittee of the Consolidated Entity. Based on the policies approved by the Consolidated Entity's risk management council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and VaR results from the trading activities.

Determination of interest rate and commission rate, enactment and amendment of asset-liability management ("ALM") risk management policy and interest rate and commission rate guidelines and analysis of monthly ALM risk are the responsibilities of the ALCO. Interest rate risk limits are determined based on asset-liability position and expected interest rate volatility considering annual operational planning, and are centrally measured and monitored by the financial planning team. Responsibility for management of interest rate risks, such as interest rate gap, duration gap, sensitivity and compliance, with interest rate risk limits policy resides with the Risk Management department, which reports the results to the ALCO on a monthly basis.

3) Market risk management for trading activities

a. Definition of trading position

The trading position in accordance with 'Regulation of Trading Policy' is subject to the trading market management. The basic requirements of the trading position are as follows:

- The target position is not restricted to the sale. It is daily evaluated at fair value and should be a hedge against important risks in the market.
- The trading position should be controlled by the instruction of the trading policy and managed by a separate trading department.
- The target position is operated in accordance with a documented trading strategy and the limit of trading should be controlled.
- Without the prior approval, a professional dealer or an operation division for the target position should be authorized to handle transactions within the predetermined limit.
- The target position to control risk should be periodically reported to management.

b. Measurement of market risk occurring at trading position

The Consolidated Entity measures market risk as VaR, which is calculated by market risk management system. It generally manages market risk arising from the trading position at the level of the portfolio.

To manage the market risk, the Consolidated Entity monitors and sets up the economic capital limit based on VaR. It sets up and monitors the economic capital limit, position limit and loss cut within the economic capital limit. According to the regulations and rules of the Financial Supervisory Service, the Consolidated Entity controls and manages risks of derivative transactions.

c. VaR

① VaR measurement
The Consolidated Entity uses daily VaR to measure market risk. Daily VaR is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Consolidated Entity uses a 99% single-tail confidence level, based on past 250 business days, to measure daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique; however, this approach does have some shortcomings.

The VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in actual loss timing and size due to the changes in assumptions used in the calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be sufficient holding periods 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.

② Back testing
The Consolidated Entity conducts back testing on a daily basis to validate the adequacy of market risk. In back testing, the Consolidated Entity compares both the actual and hypothetical profit and loss with the VaR calculations, and analyzes any results that fall outside its predetermined confidence interval of 99%.

③ Stress testing
The Consolidated Entity uses stress testing to assess market risk exposure to abnormal market fluctuations, such as interest rate, equity price, exchange rate and implied volatility of derivatives. The Consolidated Entity uses not only historical scenarios as a main scenario, but also hypothetical scenarios as a supplementary analysis. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. Stress testing is conducted at least more than once within a quarter.

i) Busan Bank
The following table shows VaR as of December 31, 2014 and 2013, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities (Unit: Korean won in millions):

	December 31, 2014							
Classification	High		Low		Average		Ending	
Interest rate risk	₩	826	₩	64	₩	354	₩	171
Equity price risk		1,333		144		539		379
Foreign exchange rate risk		849		20		131		218
Total VaR	₩	1,453	₩	304	₩	718	₩	548

	December 31, 2013							
Classification	High		Low		Average		Ending	
Interest rate risk	₩	491	₩	82	₩	206	₩	103
Equity price risk		388		-		51		-
Foreign exchange rate risk		3,156		33		1,117		45
Total VaR	₩	3,209	₩	95	₩	1,189	₩	101

ii) Kyongnam Bank
The following table shows VaR as of December 31, 2014 and 2013, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities (Unit: Korean won in millions):

	December 31, 2014							
Classification	High		Low		Average		Ending	
Interest rate risk	₩	585	₩	19	₩	259	₩	106
Equity price risk		529		144		342		379
Foreign exchange rate risk		337		3		16		50
Total VaR	₩	625	₩	243	₩	436	₩	373

The total VaR becomes smaller than the total of interest rate risk, equity price risk and foreign exchange rate risk due to diversification effect.

d. Details by risk factors

① Interest rate risk
Interest rate risk from trading activities arises mainly from the Consolidated Entity’s trading of Korean won-denominated debt securities. The Consolidated Entity’s trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As the Consolidated Entity’s trading accounts are marked to market daily, it manages the interest risk related to its trading accounts using market value-based tools, such as VaR and sensitivity analysis.

② Equity price risk

Equity prick risk results from the Consolidated Entity's equity trading portfolio in Korean won since it does not have any trading exposure to shares denominated in foreign currencies. The equity trading portfolio in Korean won consists of exchange-traded stocks and nearest month or second nearest month futures contracts under the strict diversified investment limits. The Consolidated Entity's risk management council sets annual and monthly stop-loss limits, position limits and sensitivity limits that are daily monitored by its Risk Management department.

③ Foreign exchange rate risk

Foreign exchange rate risk arises because the Consolidated Entity has assets and liabilities that are denominated in currencies other than Korean won, as well as off-balance-sheet items, such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese yen and Euro are typically accounted for the majority of the Consolidated Entity's foreign currency assets and liabilities. The Consolidated Entity oversees its foreign exchange rate exposure for both trading and non-trading purposes by establishing a limit for net foreign currency open position, together with stop-loss limits.

4) <u>Market risk management for non-trading activities</u>

a. Definition of non-trading position

The Consolidated Entity's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or repricing periods of the rate-sensitive assets and liabilities. The Consolidated Entity measures interest rate risk for Korean won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal-guaranteed trust accounts. Most of its interest-earning assets and interest-bearing liabilities are denominated in Korean won, and its foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

b. Measurement of market risk occurring at non-trading position

The Consolidated Entity's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Consolidated Entity principally manages this risk for its non-trading activities by analyzing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities.

(5) Operational risk

1) <u>General</u>

The Consolidated Entity defines operational risk broadly to include all financial and non-financial risks that may arise from its operations that could negatively affect its capital.

2) <u>Operational risk management</u>

The Consolidated Entity's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the encouragement of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Consolidated Entity.

(6) Capital management

In accordance with financial holding company regulations, the Consolidated Entity is required to maintain a minimum 8% of the capital adequacy ratio. The capital adequacy ratio must correspond to the standard of capital regulation of the Bank for International Settlements (BIS), and is calculated by dividing own capital by asset (weighted with a risk premium – risk-weighted assets) based on the consolidated financial statements of a holding company. The Consolidated Entity calculates its capital adequacy ratio under Basel I, according to the Regulation on the Supervision of Financial Holding Companies.

The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Consolidated Entity bears. The Consolidated Entity computes the risk-weighted asset by risk (credit risk, market risk and operational risk) and uses it for calculation of BIS capital ratio.

In accordance with financial holding company regulations, the Consolidated Entity must maintain the capital stock-common ratio of 3.5%, Tier 1 capital ratio of 4.5% and total capital ratio of 8% as of December 31, 2014.

The Consolidated Entity has calculated the risk-weighted asset based on the standardized approach and managed BIS capital ratio since BS Financial Group was established in March 2011. The Consolidated Entity's BIS capital ratios as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014	December 31, 2013
Capital stock-common (A)	₩ 4,736,042	₩ 3,199,342
Other basic capital (B)	297,122	100,000
Tier 2 capital (C)	2,304,313	1,385,600
Total capital (D)	7,337,477	4,684,942
Credit risk-weighted assets	57,607,887	31,430,232
Market risk-weighted assets	232,788	140,425
Operational risk-weighted assets	3,773,438	2,252,200
Total risk-weighted assets (E)	₩ 61,614,112	₩ 33,822,857
Capital stock-common ratio (A/E)	7.69	9.46
Tier 1 capital ratio ((A+B)/E) (%)	8.17	9.75
Total capital ratio (D/E) (%)	11.91	13.85

5. SEGMENT INFORMATION:

(1) General

Segment information indicates details of the Consolidated Entity's divisions. Main divisions of business are based on the Consolidated Entity's internal report. The Consolidated Entity consists of four business divisions: bank, securities, credit specialized and others. Such business divisions are divided by products, characteristics of services, customers and organization of the Consolidated Entity. Based on these categories, the main information by divisions is disclosed as follows.

Operations by divisions for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	2014								
Classification	Busan Bank	Kyongnam Bank	BS Securities	BS Capital	BS Savings Bank	Others	Total	Adjustment	Consolidated financial statements
Net interest income	₩ 1,087,325	₩ 173,735	₩ 5,316	₩156,961	₩ 28,745	₩ (26,787)	₩ 1,425,295	₩ 1,940	₩1,427,235
Net commission income	81,247	5,003	17,356	14,639	(90)	(2,702)	115,453	(1,244)	114,209
Net income of investment of financial assets	35,104	780	11,064	-	136	400,043	447,127	(400,044)	47,083
Provision for credit loss	(139,918)	(39,464)	3	(86,492)	(489)	-	(266,360)	(1)	(266,361)
Net loss from foreign exchange trading	31,306	(2,066)	-	3	-	59	29,302	-	29,302
Net income from derivatives	(5,348)	9,924	3,400	-	-	-	7,976	-	7,976
General and administrative expenses	(533,038)	(113,522)	(29,052)	(43,830)	(12,839)	(21,230)	(753,511)	2,007	(751,504)
Other operating expenses, net	(99,829)	(20,457)	(155)	5,691	(1,406)	7,950	(108,206)	441,406	333,200
Income before income tax expense	438,989	12,028	7,718	46,946	10,467	357,983	874,131	44,933	919,064
Income tax expense	83,787	3,332	1,984	10,635	11	357	100,106	(710)	99,396
Net income	355,202	8,696	5,734	36,311	10,456	357,626	774,025	45,643	819,668
Total assets	46,398,613	32,854,717	511,957	3,583,253	736,087	4,553,409	88,638,036	(4,587,972)	84,050,064
Total liabilities	42,969,746	30,707,952	394,374	3,160,583	617,368	990,990	78,841,013	(254,894)	78,586,119

Classification	Busan Bank	BS Securities	BS Capital	BS Savings Bank	Others	Total	Adjustment	Consolidated financial statements
	2013							
Net interest income	₩ 1,001,911	₩ 9,353	₩ 122,337	₩ 35,500	₩ (14,643)	₩ 1,154,458	₩	₩ 1,154,458
Net commission income	65,217	10,524	10,321	(178)	254	86,138	(1,012)	85,126
Net income of investment of financial assets	32,007	6,526	-	(1,468)	-	37,065	(864)	36,201
Provision for credit loss	(138,928)	-	(65,466)	(27,910)	-	(232,304)	(1)	(232,305)
Net loss from foreign exchange trading	(107,233)	-	4	-	-	(107,229)	-	(107,229)
Net income from derivatives	140,066	1,630	-	-	-	141,696	-	141,696
General and administrative expenses	(489,822)	(26,141)	(32,078)	(12,424)	(19,513)	(579,978)	6,210	(573,768)
Other operating expenses, net	(92,082)	(291)	3,287	-	-	(89,086)	(2,355)	(91,441)
Income before income tax expense	406,056	596	37,553	(11,509)	63,045	495,741	(92,883)	402,858
Income tax expense	(87,437)	(276)	(9,005)	(371)	(445)	(97,534)	198	(97,336)
Net income	318,619	320	28,548	(11,880)	62,600	398,207	(92,685)	305,522
Total assets	42,882,024	495,505	2,809,835	743,419	3,519,366	50,450,149	(3,533,258)	46,916,891
Total liabilities	39,402,843	383,566	2,503,114	635,222	771,146	43,695,891	(379,865)	43,316,026

(2) Information on financial services and geographical areas

As the financial products of the Consolidated Entity are categorized as interest bearing, non-interest bearing and others, and the categorization is already reflected in the composition of the reportable segments above, revenue from external customers is not separately disclosed. Revenue by geographical areas is not separately disclosed, as the Consolidated Entity operates its business domestically.

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

(1) The carrying amount of financial instruments by category

All financial instruments (financial assets and financial liabilities) are measured at fair value or at amortized cost in accordance with going-concern assumptions.

The carrying amounts of financial assets and financial liabilities by each category as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

December 31, 2014

Classification	Financial assets at FVTPL: Financial assets held for trading	Financial assets at FVTPL: Derivatives for trading	Loans and receivables	AFS financial assets	HTM financial assets	Derivatives for hedging	Total
Financial assets:							
Cash and due from bank	₩ -	₩ -	₩ 2,428,704	₩ -	₩ -	₩ -	₩ 2,428,704
Financial assets at FVTPL	885,064	-	-	-	-	-	885,064
AFS financial assets	-	-	-	4,997,538	-	-	4,997,538
HTM financial assets	-	-	-	-	6,343,757	-	6,343,757
Loans and receivables	-	-	66,555,893	-	-	-	66,555,893
Derivative assets	-	338,511	-	-	-	-	338,511
	₩ 885,064	₩ 338,511	₩68,984,597	₩ 4,997,538	₩6,343,757	₩ -	₩ 81,549,467

Classification	Financial liabilities at FVTPL: Financial assets held for trading	Financial liabilities at FVTPL: Derivatives for trading	Amortized financial liabilities	Derivatives	Total
Financial liabilities:					
Deposits	₩ -	₩ -	₩ 59,906,496	₩ -	₩59,906,496
Borrowings	-	-	6,664,307	-	6,664,307
Debentures	-	-	7,299,509	-	7,299,509
Derivative liabilities	-	289,992	-	552	290,544
Other liabilities	-	-	3,976,108	-	3,976,108
Total	₩ -	₩ 289,992	₩ 77,846,420	₩ 552	₩78,136,964

December 31, 2013

Classification	Financial assets at FVTPL: Financial assets held for trading	Financial assets at FVTPL: Derivaties on trading	Loans and receivables	AFS financial assets	HTM financial assets	Derivatives	Total
Financial assets:							
Cash and due from bank	₩ -	₩ -	₩ 1,860,886	₩ -	₩ -	₩ -	₩ 1,860,886
Financial assets at FVTPL	666,355	-	-	-	-	-	666,355
AFS financial assets	-	-	-	2,794,063	-	-	2,794,063
HTM financial assets	-	-	-	-	4,373,373	-	4,373,373
Loans and receivables	-	-	36,200,194	-	-	-	36,200,194
Derivative assets	-	120,021	-	-	-	-	120,021
Total	₩ 666,355	₩ 120,021	₩ 38,061,080	₩ 2,794,063	₩ 4,373,373	₩ -	₩ 46,014,892

Classification	Financial liabilities at FVTPL: Financial liabilities held for trading	Financial liabilities at FVTPL: Derivaties on trading	Amortized financial liabilities	Derivatives	Total
Financial liabilities:					
Deposits	₩ -	₩ -	₩ 31,058,904	₩ -	₩ 31,058,904
Borrowings	-	-	4,391,127	-	4,391,127
Debentures	-	-	4,740,193	-	4,740,193
Derivative liabilities	-	-	-	90,219	90,219
Other liabilities (*)	-	-	2,827,971	-	2,827,971
Total	₩ -	₩ -	₩ 43,018,195	₩ 90,219	₩ 43,108,414

(*) Consist of accounts payable, accrued expenses, guarantee deposits received and others.

(2) Fair value assessment method and assumptions are as follows:

Classification	Fair value measurement technique
Securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined by independent third-party pricing services when quoted prices are not available. Pricing services use one or more of the valuation techniques, including Discounted Cash Flow Model ("DCF"), Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk-Adjusted Discount Rate Method and Net Asset Value Method.
Loans and receivables	DCF is used to determine the fair value of loans and receivables. Fair value is determined by using appropriate discount rate to calculate the expected cash flows by contractual cash flows with prepayment rate taken into account. For those loans and receivables with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as fair value.
Derivatives	For exchange-traded derivative, a quoted price in active market is used to determine fair value and for over-the-counter ("OTC") derivative, fair value is determined using valuation techniques. The Consolidated Entity uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives, including options, interest rate swap and currency swap, based on observable market parameters. However, some complex financial instruments are valued using advanced internal valuation model or the results of independent pricing services, where part or all of the inputs are not observable in the market. OTC derivatives with closed-form solution in its valuation are valued using appropriate model. Complex derivative instruments where its valuation method cannot be defined by closed-form solution are valued using techniques, including Finite Difference Method and MonteCarlo Simulation.
Deposits	The carrying amount of demand deposit is regarded as fair value as it does not have maturity and the amount approximates the fair value. Fair value of time deposit is determined using DCF. Fair value is determined by using appropriate discount rate and the expected cash flows by contractual cash flows with prepayment rate taken into account. For those deposits with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Borrowings	Fair value is determined using DCF discounting contractual future cash flows by appropriate discount rate. However, for those borrowings with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Debentures	Fair value is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets.
Other financial liabilities	For financial liabilities with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.

(3) Fair value hierarchy

All of the Consolidated Entity's financial instruments at fair value are categorized into one of the following three fair value hierarchy levels:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) for identical assets or liabilities in an active market. Examples are publicly traded stocks, derivatives and treasury bonds.
- Level 2: Fair value measurements are those derived from valuation techniques, of which all significant inputs are market observable, either directly or indirectly. Examples include bonds denominated in Korean won; bonds denominated in foreign currencies; and general OTC derivative transactions, such as swaps, forward contracts and options.
- Level 3: Fair value measurements are those derived from valuation techniques, which include significant inputs that are not based on observable market data. Examples are unlisted stocks, complex structured bonds and complex OTC derivatives.

(4) Fair value of accounts

1) The book value and the fair value of financial instruments subsequently not measured at fair value as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014				
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Loans	₩ 63,488,027	₩ 63,728,154	₩ -	₩ -	₩ 63,728,154
HTM securities	6,343,757	6,483,996	122,326	6,361,670	-
	₩ 69,831,784	₩ 70,212,150	₩ 122,326	₩ 6,361,670	₩ 63,728,154
Financial liabilities:					
Deposits	₩ 59,906,496	₩ 59,987,636	₩ -	₩ -	₩ 59,987,636
Borrowings	6,664,307	6,658,816	21,101	6,529,260	108,455
Debentures	7,299,509	7,471,924	-	7,471,924	-
	₩ 73,870,312	₩ 74,118,376	₩ 21,101	₩ 14,001,184	₩ 60,096,091

Classification	December 31, 2013				
	Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Loans	₩ 33,803,280	₩ 34,021,174	₩ -	₩ -	₩34,021,174
HTM securities	4,373,373	4,428,979	-	4,428,979	-
	₩ 38,176,653	₩ 38,450,153	₩ -	₩ 4,428,979	₩34,021,174
Financial liabilities:					
Deposits	₩ 31,058,904	₩ 31,246,241	₩ -	₩ -	₩31,246,241
Borrowings	4,391,127	3,958,947	-	3,958,947	-
Debentures	4,740,193	4,975,636	-	4,975,636	-
	₩ 40,190,224	₩ 40,180,824	₩ -	₩ 8,934,583	₩31,246,241

Except for the ones described above, the amortized cost of financial assets and liabilities is considered similar to that of fair value.

2) The fair value of financial instruments, measured at fair value after initial recognition, as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at FVTPL:					
Financial assets held for trading	₩ 885,064	₩ 885,064	₩ 701,741	₩ 183,323	₩ -
AFS financial assets	4,972,982	4,972,982	1,014,072	3,217,843	741,067
Derivative assets	338,511	338,511	25	338,470	16
	₩ 6,196,557	₩ 6,196,557	₩ 1,715,838	₩3,739,636	₩ 741,083
Financial liabilities:					
Derivative liabilities	₩ 290,544	₩ 290,544	₩ 27	₩ 290,517	₩ -

Classification	December 31, 2013 Book value	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Financial assets at FVTPL:					
Financial assets held for trading	₩ 666,355	₩ 666,355	₩ 666,355	₩ -	₩ -
AFS financial assets	2,789,042	2,789,042	275,878	2,025,777	487,387
Derivative assets	120,021	120,021	295	119,681	45
	₩3,575,418	₩ 3,575,418	₩ 942,528	₩2,145,458	₩ 487,432
Financial liabilities:					
Derivative liabilities	₩ 90,219	₩ 90,219	₩ 242	₩ 89,977	₩ -

The table below provides the Consolidated Entity's financial assets and financial liabilities that are carried at cost since the fair values of the financial instruments are not readily determinable in the consolidated statements of financial position as of December 31, 2014 and 2013 (Unit: Korean won in millions):

Classification	Type	December 31, 2014	December 31, 2013
Financial assets:			
AFS financial assets (*1)	Unlisted equity securities	₩ 24,556	₩ 5,021

(*1) They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost.

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. The Consolidated Entity presents a comparative disclosure of fair value and book value by the type of financial assets and financial liabilities. The best evidence of fair value is a quoted price in an active market.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available, with reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option-pricing models. If there is a valuation technique commonly used by market participants to price the instrument and the technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Consolidated Entity uses that technique.

Although the Consolidated Entity believes that the valuation techniques it has used are appropriate and the fair values recorded in the consolidated statements of financial position are reasonably estimated, the application of assumptions and estimates means that any selection of different assumptions and valuation techniques would cause the reported results to differ. Furthermore, as various valuation techniques and assumptions are used in estimating fair values, it might be difficult to compare the Consolidated Entity's results with fair values determined by other financial institutions.

(5) The valuation techniques and the input variables of Level 2 financial instruments

1) The valuation techniques and the input variables of Level 2 financial instruments subsequently not measured at fair value as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014		
Classification	Fair value	Valuation techniques	Input variables
Financial assets:			
HTM securities	₩ 6,361,670	- DCF Model - Hull&White Model	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility
Financial liabilities:			
Borrowings	6,529,260	- DCF Model	- Discount rate
Debentures	7,471,924	- DCF Model - MonteCarlo Simulation	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility

	December 31, 2013		
Classification	Fair value	Valuation techniques	Input variables
Financial assets:			
HTM securities	₩ 4,428,979	- DCF Model - Hull&White Model	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility
Financial liabilities:			
Borrowings	3,958,947	- DCF Model	- Discount rate
Debentures	4,975,636	- DCF Model - MonteCarlo Simulation	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility

2) The valuation techniques and the input variables of Level 2 financial instruments, measured at fair value after initial recognition, as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014		
Classification	Fair value	Valuation techniques	Input variables
Financial assets:			
Financial assets at FVTPL	₩ 183,323		
Debt securities	183,323	- DCF Model - Hull&White Model	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility
AFS financial assets	3,217,843		
Debt securities	3,040,104	- DCF Model - Hull&White Model - MonteCarlo Simulation	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility
Beneficiary certificates	177,739	- Net Asset Value Method	- The price of underlying assets
Derivative assets	338,470	- DCF Model	- Discount rate
Financial liabilities:			
Derivative liabilities	290,517	- DCF Model	- Discount rate

	December 31, 2013		
Classification	Fair value	Valuation techniques	Input variables
Financial assets:			
AFS financial assets	₩ 2,025,777		
Debt securities	1,915,652	- DCF Model - Hull&White Model - MonteCarlo Simulation	- Discount rate - Residual maturities - Credit rating - Yield curve - Volatility
Beneficiary certificates	110,125	- Net Asset Value Method	- The price of underlying assets
Derivative assets	119,681	- DCF Model	- Discount rate
Financial liabilities:			
Derivative liabilities	89,977	- DCF Model	- Discount rate

(6) The valuation techniques and the input variables of Level 3 financial instruments

1) The valuation techniques, the input variables and the latent variables of Level 3 financial instruments subsequently not measured at fair value as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	Fair value					
	December 31, 2014	December 31, 2013	Valuation techniques	Input variables	Latent variables	Range of latent variables
Financial assets:						
Loans	₩ 63,728,154	₩ 34,021,174	- DCF Model	- Discount rate	- Discount rate	0.00%–24.50%
Financial liabilities:						
Deposits	59,987,636	31,246,241	- DCF Model	- Discount rate	- Discount rate	0.00%–7.50%
Debts on borrowing	108,455	-	- DCF Model	- Discount rate	- Discount rate	3.58%

2) The valuation techniques, the input variables and the latent variables of Level 3 financial instruments, measured at fair value after initial recognition, as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions, except for stock price):

	Fair value					
Classification	December 31, 2014	December 31, 2013	Valuation techniques	Input variables	Latent variables	Range of latent variables
Financial assets:						
AFS financial assets	₩ 741,067	₩ 487,387				
Equity securities	450,663	286,362	- Free Cash Flow to Equity Model - Net Asset Value Method - Dividend Discount Model - Comparable Company Analysis - Precedent Transaction Analysis - Binomial Trees - MonteCarlo Simulation	- Discount rate - Growth rate - Liquidating value - Volatility - Stock price	- Discount rate - Growth rate - Liquidating value - Volatility - Stock price	4.14%–21.34% 0.00% 0.00% 4.08%–22.00% ₩837–₩5,129
Beneficiary certificates	290,404	201,025	- Net Asset Value Method	- The price of underlying assets	- The price of underlying assets	-
Derivative assets	16	45	- Binomial Trees	- Stock price - Discount rate	- Stock price - Discount rate	- 2.51%–3.20%

(7) Level 3 financial instruments

1) The changes in Level 3 financial instruments for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014 AFS financial assets		2014 Derivative assets	
Beginning balance	₩	487,387	₩	45
Effect of business combination		267,904		-
Total comprehensive income:		2,876		(29)
Net income (*1)		(8,494)		(29)
Other comprehensive income		11,370		-
Purchases		19,030		-
Sales		(28,019)		-
Other changes		(8,111)		-
Amounts reclassified from other levels (*2)		477		-
Amounts reclassified to other levels (*3)		(8,588)		-
Ending balance	₩	732,956	₩	16

Classification	2013 AFS financial assets		2013 Derivative assets	
Beginning balance	₩	446,139	₩	80
Total comprehensive income:		15,914		(35)
Net income		(10,357)		(35)
Other comprehensive income		26,271		-
Purchases		59,222		-
Sales		(33,888)		-
Other changes		-		-
Amounts reclassified from other levels (*2)		-		-
Amounts reclassified to other levels (*3)		-		-
Ending balance	₩	487,387	₩	45

(*1) Details of changes in Level 3, which are recognized as current income, are as follows (Unit: Korean won in millions):

	AFS financial assets				Loss on valuation			
	Trading income		Impairment loss		of derivatives		Total	
Net income	₩	289	₩	-	₩	-	₩	289
Changes of unrealized loss		-		(8,783)		(29)		(8,812)
	₩	289	₩	(8,783)	₩	(29)	₩	(8,523)

(*2) Reclassified to Level 3, as the valuation method was changed from cost method to external valuation.
(*3) Reclassified to Level 1 from Level 3 as an Initial Public Offering(“ IPO”) of the equity securities.

2) The sensitivity analysis of Level 3 fair value assumptions.

The sensitivity analysis of the financial instruments has been performed by classifying with favorable and unfavorable changes based on how changes in unobservable assumptions have effects on the fluctuations of financial instruments’ value. When the fair value of a financial instrument is affected by more than one unobservable assumption, the below table reflects the most favorable or the most unfavorable changes, which result from varying the assumptions individually. There are two types of Level 3 financial instruments, which should be done through sensitivity analysis. Some instruments, such as equity derivatives and interest rate derivatives, that fair value changes are recognized as current income. Others, such as equity securities, debt securities and beneficiary certificates that fair value changes are recognized as other comprehensive income. Equity securities, of which fair value level is classified as Level 3, measured at cost are excluded from sensitivity analysis.

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments for the year ended December 31, 2014 and 2013(Unit: Korean won in millions):

	December 31, 2014							
	Net income (loss)				Other comprehensive income (loss)			
	Favorable		Unfavorable		Favorable		Unfavorable	
Financial assets:								
AFS financial assets (*1)	₩	-	₩	(2,117)	₩	65,732	₩	(15,200)
Derivative assets (*2)		4		-		-		-
	₩	4	₩	(2,117)	₩	65,732	₩	(15,200)

(*1) Fair value changes of securities are calculated by increasing or decreasing growth rate (0%–1%) and discount rate or liquidation value (-1%–1%) and discount rate. The growth rate, discount rate and liquidation value are major unobservable variables.

(*2) Fair value changes of equity derivatives and financial assets designed at FVTPL are calculated by increasing or decreasing historical fluctuation rate of stock price and correlation by 10%. The historical fluctuation rate of stock price and correlation are major unobservable variables.

	December 31, 2013							
	Net income (loss)				Other comprehensive income (loss)			
	Favorable		Unfavorable		Favorable		Unfavorable	
Financial assets:								
AFS financial assets (*1)	₩	-	₩	-	₩	19,884	₩	(8,207)
Derivative assets (*2)		87		(26)		-		-
	₩	87	₩	(26)	₩	19,884	₩	(8,207)

(*1) Fair value changes of securities are calculated by increasing or decreasing growth rate (0%–1%) and discount rate or liquidation value (-1%–1%) and discount rate. The growth rate, discount rate and liquidation value are major unobservable variables.

(*2) Fair value changes of equity derivatives and financial assets designed at FVTPL are calculated by increasing or decreasing historical fluctuation rate of stock price and correlation by 10%. The historical fluctuation rate of stock price and correlation are major unobservable variables.

3) Gains and losses on valuation at transaction date

If the fair value of financial assets is measured by a method based on information not observable at initial recognition, the Consolidated Entity recognizes the fair value measured in case the fair value measured and the market price differ. The difference between the fair value measured and the market price is not recognized as gains and losses in the period it occurs, but as deferred. The recognition method is as follows:

① Depreciation using straight-line method during the transaction term of financial assets.
② Deferred balance is immediately recognized as gains and losses if the fair value of financial assets is observable.

The differences and the changes in deferred gains or losses arising from remeasurement for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	2014				
Classification	Beginning balance	Increase	Amortization	Realization	Ending balance
Deferred losses on valuation of stock options purchased	₩ 18	₩ -	₩ (2)	₩ -	₩ 16
Deferred gains on valuation of stock options sold	₩ -	₩ -	₩ -	₩ -	₩ -

	2013				
Classification	Beginning balance	Increase	Amortization	Realization	Ending balance
Deferred losses on valuation of stock options purchased	₩ 20	₩ -	₩ (2)	₩ -	₩ 18
Deferred gains on valuation of stock options sold	₩ -	₩ -	₩ -	₩ -	₩ -

The Consolidated Entity used historical volatility rather than implied volatility observed in the market when assessing fair value of stock options purchased and stock options sold. Accordingly, day 1 profit, which is the difference between the fair value measured at the acquisition date and the transaction price, is not recognized as gains and losses in the period it occurs, but deferred.

7. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Account	December 31, 2014	December 31, 2013
Cash and cash equivalents:		
Cash and checks	₩ 657,781	₩ 348,551
Foreign currencies	88,305	69,947
Time deposits		210,000
Other deposits	1,223	69,870
Deposits in foreign currencies	30,304	68,750
	777,613	767,118
Due from banks (*):		
Due from banks in local currency	2,070,846	1,050,668
Due from banks in foreign currencies	357,858	43,100
	2,428,704	1,093,768
	₩ 3,206,317	₩ 1,860,886

(*) The maturity is more than three months.

(2) Due from banks in local currency and foreign currencies as of December 31, 2014 and 2013, consists of the following (Unit: Korean won in millions):

Account	Financial institution	December 31, 2014	December 31, 2013
Due from banks in local currency:	The BOK	₩ 1,937,609	₩ 1,001,500
	The KRX and others	126	126
	Woori bank and others	133,111	49,042
		2,070,846	1,050,668
Due from banks in foreign currencies:	The BOK	344,917	27,990
	Bank of China	12,641	13,909
	The People's Bank of China and others	300	1,201
		357,858	43,100
		₩ 2,428,704	₩ 1,093,768

(3) Restricted cash and due from banks as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Classification	Financial institution	December 31, 2014	December 31, 2013	Reason for restriction
Cash and cash equivalents:				
Other due from banks in local currency	KSFC and KSD (*)	₩ 8,000	₩ 8,000	Deposits from clients
Deposit:				
Due from banks in local currency	The BOK	1,937,609	1,001,500	The BOK Act
	The KRX and others	76,074	25,394	Consignment transaction deposits
	Korea Federation of Savings Banks	20,272	23,774	Reserve deposits and others
Due from banks in foreign currencies	The BOK	344,917	27,990	Reserve deposits
	The People's Bank of China and others	10,745	11,226	Reserve deposits and others
		2,389,617	1,089,884	
		₩ 2,397,617	₩ 1,097,884	

(*) Korea Securities Finance Corporation ("KSFC") and Korea Securities Depository ("KSD")

8. INVESTMENT OF FINANCIAL ASSETS:

(1) Investments of financial assets as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

	December 31, 2014	December 31, 2013
Financial assets at FVTPL:		
Equity securities	₩ 10,614	₩ 7,620
Government and public bonds	148,288	60,700
Finance bonds	133,129	10,000
Corporate bonds in Korean won	268,664	75,631
Bills bought	258,824	232,517
Securities pledged as collateral (*)	-	205,380
Beneficiary certificates	32,781	12,384
Others held for trading	32,764	62,123
	885,064	666,355
AFS financial assets:		
Equity securities	460,623	295,846
Government and public bonds	871,720	247,310
Finance bonds	281,944	139,708
Corporate bonds in local currency	2,400,777	1,518,741
Corporate bonds in foreign currencies	17,173	48,731
Securities pledged as collateral (*)	495,159	181,753
Beneficiary certificates	467,139	359,355
Others	3,003	2,619
	4,997,538	2,794,063
HTM financial assets:		
Government and public bonds	2,756,164	2,189,530
Finance bonds	389,860	242,348
Corporate bonds in local currency	2,733,692	1,921,493
Securities pledged as collateral (*)	464,041	20,002
	6,343,757	4,373,373
	₩ 12,226,359	₩ 7,833,791

(*) Securities pledged as collateral consist of borrowing securities and securities pledged as collateral related to repurchase transactions between agencies.

(2) The equity securities of AFS financial assets as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

a. The securities of AFS financial assets (stocks and equity investments) as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

	December 31, 2014			December 31, 2013		
Company	Acquisition cost	Fair value or net asset value	Book value	Acquisition cost	Fair value or net asset value	Book value
Marketable equity securities	₩ 7,795	₩ 5,870	₩ 5,870	₩ 4,229	₩ 4,920	₩ 4,920
Non-marketable equity securities (*)	307,449	416,197	416,197	228,512	283,895	283,895
Equity investments (*)	47,431	38,556	38,556	7,902	7,031	7,031
	₩ 362,675	₩ 460,623	₩ 460,623	₩ 240,643	₩ 295,846	₩ 295,846

(*) These AFS non-marketable equity securities are recorded at acquisition costs since they are not reliably measured due to the fact that they have neither published quotations in active markets nor similar companies in view of cash flows from operating activities, business, size and so forth.

b. The securities of AFS financial assets (debt securities) as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

	December 31, 2014				
Classification	Par value	Acquisition cost	Amortized cost	Fair value	Book value
Government and public bonds	₩ 861,773	₩ 866,287	₩ 866,679	₩ 871,720	₩ 871,720
Finance bonds	389,860	279,944	279,979	281,944	281,944
Corporate bonds in local currency	2,733,692	2,375,172	2,371,797	2,400,777	2,400,777
Corporate bonds in foreign currencies	16,488	16,513	16,492	17,173	17,173
Securities pledged as collateral (*)	481,500	485,519	483,001	495,159	495,159
	₩ 4,483,313	₩ 4,023,435	₩ 4,017,948	₩ 4,066,773	₩ 4,066,773

(*) Securities pledged as collateral consist of borrowing securities and securities pledged as collateral related to repurchase transactions between agencies.

	December 31, 2013				
Classification	Par value	Acquisition cost	Amortized cost	Fair value	Book value
Government and public bonds	₩ 250,000	₩ 247,883	₩ 247,881	₩ 247,310	₩ 247,310
Finance bonds	140,000	139,778	139,903	139,708	139,708
Corporate bonds in local currency	1,510,000	1,519,522	1,515,670	1,518,741	1,518,741
Corporate bonds in foreign currencies	47,489	47,512	47,497	48,731	48,731
Securities pledged as collateral (*)	180,000	182,849	181,632	181,753	181,753
	₩ 2,127,489	₩ 2,137,544	₩ 2,132,583	₩ 2,136,243	₩ 2,136,243

(*) Securities pledged as collateral consist of borrowing securities and securities pledged as collateral related to repurchase transactions between agencies.

c. The securities of AFS financial assets (beneficiary certificates) as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

	December 31, 2014			
Classification	Par value	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 449,072	₩ 461,901	₩ 467,139	₩ 467,139
Common fund for damages	3,003	3,003	3,003	3,003
	₩ 452,075	₩ 464,904	₩ 470,142	₩ 470,142

	December 31, 2013			
Classification	Par value	Acquisition cost	Fair value	Book value
Beneficiary certificates	₩ 353,398	₩ 358,165	₩ 359,355	₩ 359,355
Common fund for damages	2,619	2,619	2,619	2,619
	₩ 356,017	₩ 360,784	₩ 361,974	₩ 361,974

(3) The HTM financial assets by type as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 2,804,715	₩ 2,669,268	₩ 2,743,293	₩ 2,756,164
Finance bonds	382,000	384,273	383,555	389,860
Corporate bonds in local currency	2,701,099	2,716,623	2,710,586	2,733,692
Securities pledged as collateral (*)	467,750	463,842	464,041	464,041
	₩ 6,355,564	₩ 6,234,006	₩ 6,301,475	₩ 6,343,757

Classification	December 31, 2013 Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 2,245,856	₩ 2,123,499	₩ 2,189,530	₩ 2,189,530
Finance bonds	242,000	243,818	242,348	242,348
Corporate bonds in local currency	1,916,116	1,926,847	1,921,493	1,921,493
Securities pledged as collateral (*)	20,000	20,004	20,002	20,002
	₩ 4,423,972	₩ 4,314,168	₩ 4,373,373	₩ 4,373,373

(*) These HTM non-marketable bond securities are recorded at acquisition costs as they are not reasonably measured due to the fact that they have neither published quotations in active markets nor similar companies in view of cash flows from operating activities, business, size and so forth.

(4) The investments of financial assets provided as collateral as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Collateral	Provided to	Face value December 31, 2014	Face value December 31, 2013	Reason
Monetary stabilization bonds in local currency	The KSD	₩ 150	₩ 150	Settlement of stock charge
	The KRX	120	-	Transaction collateral for central counterparty
	The KRX	200	200	Common fund for damages
Finance bonds in local currency	The KSD	715,965	913,707	Sold under repurchase agreements
	Hyundai Securities and others	6,014	-	Substitute securities for futures margin
Government bonds in local currency	The BOK	700,000	250,000	Overdraft and settlement
	The BOK	600,000	610,000	Borrowing collateral
	The Industrial Bank or Korea and others	160,000	-	Borrowing collateral
	Korea Securities Finance Corp.	20,000	-	Lending transaction
	The KSD	-	35,152	Lending transaction
	Korea Securities Finance Corp.	22,008	60,000	Lending transaction
	Sumitomo Mitsui Trust Bank	97,000	130,000	Sold under repurchase agreements
	Nomura Finance Investment	114,200	-	Sold under repurchase agreements
	Futures Companies and others	34,500	19,500	Collateral for Credit Support Annex
	BOA and others	112,988	-	Margin for futures
	Korea Securities Finance Corp.	-	11,622	Securities for mortgage
		₩2,583,145	₩2,030,331	

9. LOANS AND RECEIVABLES:

(1) Loans and receivables as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Loans:		
Loans in local currency	₩ 59,072,066	₩ 30,148,754
Loans in foreign currencies	742,289	569,171
Offshore loans in foreign currency	6,595	-
Domestic import usance bill	776,124	536,940
Call loans	71,250	575,351
Bills bought in local currency	142,825	21,655
Bills bought in foreign currencies	528,701	147,035
Advances for customers	10,892	5,613
Credit card accounts	666,740	391,885
Bonds purchased under resale agreement	230,000	100,000
Privately placed bonds	389,949	70,036
Finance lease receivables	655,585	694,602
Installment financing receivables	739,243	907,533
	64,032,259	34,168,575
Allowance for loan losses (*1)	(664,054)	(442,333)
Deferred loan origination fees	(25,902)	(20,975)
Deferred loan origination costs	145,724	98,013
	₩ 63,488,027	₩ 33,803,280
Receivables:		
Suspense payments	₩ 2,000	₩ 1,038
Accounts receivable	2,160,247	1,697,655
Domestic exchange settlement debits	108,272	194,797
Guarantee deposits paid	334,153	188,335
Accrued income	483,721	326,048
Deposited money	936	314
Bills unsettled	145	535
Other	957	49
	3,090,431	2,408,771
Allowance for loan losses	(9,469)	(2,123)
Present value discounts (leasehold deposits)	(13,096)	(9,734)
	₩ 3,067,866	₩ 2,396,914

(*1) Present value discounts of ₩4,772million and ₩6,573million are included as of December 31, 2014 and 2013, respectively.

(2) The changes in deferred loan origination fees and costs for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	2014				
	Beginning balance	Effect of business combination	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (20,975)	₩ (7,507)	₩ (19,112)	₩ 21,692	₩ (25,902)
Deferred loan origination costs	98,013	35,601	88,011	(75,901)	145,724
	₩ 77,038	₩ 28,094	₩ 68,899	₩ (54,209)	₩ 119,822

	2013			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (23,528)	₩ (16,686)	₩ 19,239	₩ (20,975)
Deferred loan origination costs	62,112	88,495	(52,594)	98,013
	₩ 38,584	₩ 71,809	₩ (33,355)	₩ 77,038

10. ALLOWANCE FOR LOAN LOSSES:

(1) The changes in allowance for loan losses (excluding present value discounts) for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014				
Classification	Loans in local currency	Loans in foreign currencies	Credit card	Others	Total
Beginning balance	₩ 400,576	₩ 18,297	₩ 10,299	₩ 15,284	₩ 444,456
Effect of business combination	252,233	2,430	9,762	25,009	289,434
Loans written off	(287,552)	(1,735)	(13,902)	(45,444)	(348,633)
Loan sales	(11,487)	(35)	(122)	(450)	(12,094)
Collection of previously written off loans	35,676	1,742	5,028	6,005	48,451
Changes in exchange rates	-	(207)	-	(1)	(208)
Other	(19,510)	(32)	1	10,423	(9,118)
	369,936	20,460	11,066	10,826	412,288
Provision of allowance for loan losses	210,608	(3,406)	10,400	43,633	261,235
Ending balance	₩ 580,544	₩ 17,054	₩ 21,466	₩ 54,459	₩ 673,523

	December 31, 2013				
Classification	Loans in local currency	Loans in foreign currencies	Credit card	Others	Total
Beginning balance	₩ 325,837	₩ 24,470	₩ 9,940	₩ 13,421	₩ 373,668
Loans written off	(147,232)	(986)	(11,557)	(19,850)	(179,625)
Loan sales	(7,721)	(877)	(225)	(2,086)	(10,909)
Collection of previously written off loans	33,368	2,530	4,944	3,109	43,951
Changes in exchange rates	-	(2,086)	-	(28)	(2,114)
Other	(3,644)	(67)	(2)	(87)	(3,800)
	200,608	22,984	3,100	(5,521)	221,171
Provision of allowance for loan losses	199,968	(4,687)	7,199	20,805	223,285
Ending balance	₩ 400,576	₩ 18,297	₩ 10,299	₩ 15,284	₩ 444,456

(2) The percentage of provision for allowance for loan losses as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Loans and receivables	₩ 67,122,690	₩ 36,577,346
Allowance for loan losses	673,523	444,456
Percentage of allowance (%)	1.00	1.22

11. LEASE RECEIVABLES:

(1) Lease receivables as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Lease receivables	₩ 655,585	₩ 694,602
Allowance for loan losses	(11,930)	(8,946)
Deferred lease income	(888)	(1,105)
Deferred lease expenses	4,765	4,130
	₩ 647,532	₩ 688,681

(2) Finance lease receivables

a. The total investment of finance leases and present value of minimum lease payments as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

	December 31, 2014		December 31, 2013	
	Total investment of finance leases	Present value of minimum lease payments	Total investment of finance leases	Present value of minimum lease payments
1 year or less	₩ 323,618	₩ 297,134	₩ 306,735	₩ 280,272
1–5 years	394,375	358,451	454,455	414,330
	₩ 717,993	₩ 655,585	₩ 761,190	₩ 694,602

b. The difference between net investment in finance leases and total investment as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification		December 31, 2014	December 31, 2013
Total investment of leases		₩ 717,993	₩ 761,190
Net investment in finance leases	Present value of minimum lease payments	655,585	694,602
Unrealized interest		₩ 62,408	₩ 66,588

12. LEASE ASSETS:

(1) Lease assets as of December 31, 2014 and 2013, consist of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Operating lease assets:		
Operating lease assets	₩ 285,972	₩ 159,626
Accumulated depreciation	(69,658)	(32,898)
Book value	216,314	126,728
Initial direct costs	11,791	9,007
Terminated lease assets	-	12
	228,105	135,747
Prepaid lease assets	2,952	2,607
	₩ 231,057	₩ 138,354

(2) Operating lease assets

a. Lessee of operating lease assets by industry based on the acquisition cost as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014			December 31, 2013		
Classification	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Transport equipment	₩215,043	₩ (60,165)	₩ 154,878	₩ 146,074	₩ (31,410)	₩ 114,664
General industrial equipment	70,929	(9,493)	61,436	13,552	(1,488)	12,064
	₩285,972	₩ (69,658)	₩ 216,314	₩ 159,626	₩ (32,898)	₩ 126,728

b. The sum of the future minimum lease payments by term structures-related operating leases as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014	December 31, 2013
1 year or less	₩ 70,006	₩ 49,291
1–5 years	161,565	99,194
	₩ 231,571	₩ 148,485

13. DERIVATIVE INSTRUMENTS:

(1) The notional amounts outstanding for derivative contracts as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Type	December 31, 2014			December 31, 2013		
	Trading	Hedging	Total	Trading	Hedging	Total
Currency:						
Currency forwards (*1)	₩ 11,723,916	₩ -	₩ 11,723,916	₩ 7,326,324	₩ -	₩ 7,326,324
Long currency swaps	591,913	-	591,913	155,485	-	155,485
Short currency swaps	591,913	-	591,913	155,485	-	155,485
Long currency futures (*2)	339,785	-	339,785	383,612	-	383,612
Short currency futures (*2)	5,496	-	5,496	16,885	-	16,885
Long currency options	710,902	-	710,902	-	-	-
Short currency options	710,902	-	710,902	-	-	-
	14,674,827	-	14,674,827	8,037,791	-	8,037,791
Interest rate:						
Long interest rate swaps (*1)	43,000	150,000	193,000	-	-	-
Short interest rate swaps (*1)	10,992	5,496	16,488	10,553	5,277	15,830
Long interest rate futures	-	-	-	28,550	-	28,550
Short interest rate futures	48,147	-	48,147	14,844	-	14,844
	102,139	155,496	257,635	53,947	5,277	59,224
Stock:						
Stock futures puchased	7,150	-	7,150	-	-	-
Stock futures sold	2,306	-	2,306	-	-	-
Stock options purchased	-	-	-	2,858	-	2,858
Stock options sold	-	-	-	2,662	-	2,662
	9,456	-	9,456	5,520	-	5,520
	₩ 14,786,422	₩ 155,496	₩ 14,941,918	₩ 8,097,258	₩ 5,277	₩ 8,102,535

(*1) For transactions between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate on the contract amount in foreign currencies. For transactions between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate on the contract amount in foreign currencies purchased.

(*2) Daily settlement of futures transactions is reflected in due from banks.

(2) The valuation of derivatives for trading as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Type	December 31, 2014			
	Gain	Loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 218,534	₩ 209,669	₩ 230,017	₩ 218,492
Currency swaps	25,644	25,167	59,643	58,608
Currency options	4,924	4,415	11,838	11,866
	249,102	239,251	301,498	288,966
Interest rate:				
Interest rate swaps	536	41	189	1,103
Stock:				
Stock options purchased	-	28	62	-
Stock options sold	-	-	-	47
Stock forward	28	28	-	-
Deferred gain on valuation of derivatives	-	2	-	-
	28	58	62	47
Other derivatives	5,211	-	36,762	-
	₩ 254,877	₩ 239,350	₩ 338,511	₩ 290,116

Type	December 31, 2013 Gain	Loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 76,561	₩ 46,468	₩ 91,046	₩ 60,389
Currency swaps	24,161	23,982	28,635	28,084
	100,722	70,450	119,681	88,473
Interest rate:				
Interest rate swaps	510	-	-	1,267
Stock:				
Stock options purchased	-	33	322	-
Stock options sold	-	-	-	243
Deferred gain on valuation of derivatives	-	2	18	-
	-	35	340	243
	₩ 101,232	₩ 70,485	₩ 120,021	₩ 89,983

(3) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The interest rate swap, the currency swap, the currency forwards and others offset changes in the fair value of the hedged items resulting from the fluctuation in interest and exchange rate. Hedged items for fair value hedge accounting purposes are subordinated bonds in Korean won, structured bonds and finance debentures issued in foreign currencies.

1) The valuation of derivatives designated as a hedging instrument as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Type	December 31, 2014 Gain	Loss	Assets	Liabilities
Interest rate:				
Interest rate swaps	₩ 218	₩ -	₩ -	₩ 428

Type	December 31, 2013 Gain	Loss	Assets	Liabilities
Interest rate:				
Interest rate swaps	₩ 110	₩ -	₩ -	₩ 236

2) Gain (loss) on valuation of hedged items and hedging instrument for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Type	December 31, 2014	December 31, 2013
Loss on valuation of hedging instrument	₩ 218	₩ 110
Gain on valuation of hedged items	(132)	(86)
	₩ 86	₩ 24

14. TANGIBLE ASSETS AND INVESTMENT PROPERTY:

(1) Tangible assets as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Account	December 31, 2014 Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 276,580	₩ -	₩ -	₩ 276,580
Buildings	378,339	41,244	-	337,095
Leasehold improvements	97,982	68,498	-	29,484
Equipment and vehicles	386,067	270,043	-	116,024
Construction in progress	8,035	-	-	8,035
Others	26,172	-	-	26,172
	₩ 1,173,175	₩ 379,785	₩ -	₩ 793,390

Account	December 31, 2013 Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 170,686	₩ -	₩ -	₩ 170,686
Buildings	171,794	29,856	-	141,938
Leasehold improvements	63,143	41,544	-	21,599
Equipment and vehicles	303,570	232,448	-	71,122
Construction in progress	77,205	-	-	77,205
Others	26,172	-	-	26,172
	₩ 812,570	₩ 303,848	₩ -	₩ 508,722

(2) The changes in book value of tangible assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Account	December 31, 2014 Beginning Balance	Effect of business combination	Acquisition	Disposal	Reclassification (*)	Depreciation	Others	Ending balance
Land	₩170,686	₩ 105,235	₩ -	₩ (903)	₩ 1,562	₩ -	₩ -	₩ 276,580
Buildings	141,938	79,295	503	(927)	120,817	(4,531)	-	337,095
Leasehold improvements	21,599	7,978	3,057	(420)	5,042	(7,821)	49	29,484
Equipment and vehicles	71,122	33,139	31,978	(142)	9,337	(29,429)	19	116,024
Construction in progress	77,205	33,403	139,014	-	(241,594)	-	7	8,035
Others	26,172	-	-	-	-	-	-	26,172
	₩508,722	₩ 259,050	₩ 174,552	₩ (2,392)	₩ (104,836)	₩ (41,781)	₩ 75	₩ 793,390

(*) Amounts of ₩33,997 million and ₩70,978 million for the year ended December 31, 2014, are transferred to investment property and intangible assets, respectively. In addition, net increase in provision for restoration costs amounting to ₩139 million is included in leasehold improvements.

Account	December 31, 2013						
	Beginning balance	Acquisition	Disposal	Reclassification (*)	Depreciation	Others	Ending balance
Land	₩152,073	₩ 781	₩ (655)	₩ 18,487	₩ -	₩ -	₩ 170,686
Buildings	145,849	2,600	(2,001)	(1,110)	(3,400)	-	141,938
Leasehold improvements	19,246	1,014	(372)	7,721	(6,006)	(4)	21,599
Equipment and vehicles	49,287	25,895	(3,732)	2,836	(3,157)	(7)	71,122
Construction in progress	49,981	73,836	-	(46,609)	-	(3)	77,205
Others	-	26,172	-	-	-	-	26,172
	₩416,436	₩ 130,298	₩ (6,760)	₩ (18,675)	₩ (12,563)	₩ (14)	₩ 508,722

(*) Amounts of ₩13,746 million and ₩5,226 million for the year ended December 31, 2013, are transferred to intangible assets and non-current assets held for sale, respectively, and an amount of ₩297 million is transferred from investment property.

(3) Investment property

Investment property as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 92,903	₩ -	₩ -	₩ 92,903
Buildings	49,979	9,373	-	40,606
	₩ 142,882	₩ 9,373	₩ -	₩ 133,509

Classification	December 31, 2013			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 39,422	₩ -	₩ -	₩ 39,422
Buildings	55,572	7,104	-	48,468
	₩ 94,994	₩ 7,104	₩ -	₩ 87,890

Rent revenues from investment properties are ₩1,450 million and ₩1,239 million for the years ended December 31, 2014 and 2013, respectively. Routine maintenance and repairs are not incurred.

2) The fair value and assessment method of investment property as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	Fair Value		Valuation techniques	Input variables
	December 31, 2014	December 31, 2013		
Land	₩ 104,669	₩ 49,283	- The evaluation method of using officially assessed land pricing - Sales comparison approach.	- Officially assessed land pricing - Sales comparables
Buildings	38,750	49,009	- Evaluation by the prime cost	- Repurchase cost - Durable years
	₩ 143,419	₩ 98,292		

5. The changes in book value of investment property for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014							
Account	Beginning balance	Effect of business combination	Acquisition	Disposal	Reclassification (*)	Depreciation	Impairment loss	Ending balance
Land	₩ 39,422	₩ 9,419	₩ -	₩ -	₩ 44,062	₩ -	₩ -	₩ 92,903
Buildings	48,468	2,522	469	-	(10,065)	(788)	-	40,606
	₩ 87,890	₩ 11,941	₩ 469	₩ -	₩ 33,997	₩ (788)	₩ -	₩ 133,509

	December 31, 2013						
Account	Beginning balance	Acquisition	Disposal	Reclassification (*)	Depreciation	Impairment loss	Ending balance
Land	₩ 32,047	₩ -	₩ -	₩ 7,375	₩ -	₩ -	₩ 39,422
Buildings	43,188	-	-	6,371	(1,091)	-	48,468
	₩ 75,235	₩ -	₩ -	₩ 13,746	₩ (1,091)	₩ -	₩ 87,890

(*) Reclassifications as of December 31, 2014 and 2013, are due to change in lease ratio for investment in real properties.

15. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

	December 31, 2014			
Classification	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Software	₩ 137,331	₩ 52,566	₩ -	₩ 84,765
Right of using donated asset	44,827	-	4,575	40,252
Core deposits	173,287	2,767	1,891	168,629
Others	153,345	33,006	1,766	118,573
	₩ 508,790	₩ 88,339	₩ 8,232	₩ 412,219

	December 31, 2013			
Classification	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Software	₩ 83,179	₩ 30,287	₩ -	₩ 52,892
Right of using donated asset	44,827	-	1,770	43,057
Core deposits	10,173	1,907	1,146	7,120
Others	44,351	11,367	1,160	31,824
	₩ 182,530	₩ 43,561	₩ 4,076	₩ 134,893

(2) The changes in intangible assets for the years ended December 31, 2014 and 2013, were as follows (Unit: Korean won in millions):

	December 31, 2014								
Classification	Beginning Balance	Effect of business combination	Increase	Disposal	Reclassification (*)	Amortization	Impairment loss	Others	Ending balance
Software	₩ 52,892	₩ 13,276	₩ 9,564	₩ -	₩27,535	₩ (18,502)	₩ -	₩ -	₩84,765
Right of using donated asset	43,057	-	-	-	-	-	(2,805)	-	40,252
Core deposits	7,120	167,297	-	-	-	(5,042)	(746)	-	168,629
Others	31,824	46,492	7,925	(444)	43,443	(10,349)	(259)	(59)	118,573
	₩ 134,893	₩227,065	₩17,489	₩ (444)	₩70,978	₩ (33,893)	₩ (3,810)	₩(59)	₩412,219

(*) Transferred from construction in progress.

	December 31, 2013					
Classification	Beginning balance	Increase	Disposal	Reclassification (*)	Amortization	Impairment loss	Ending balance
Software	₩ 57,093	₩ 5,409	₩ -	₩ 5,226	₩ (14,836)	₩ -	₩ 52,892
Right of using donated asset	44,827	-	-	-	-	(1,770)	43,057
Core deposits	8,010	-	-	-	(890)	-	7,120
Others	12,125	28,411	-	-	(7,740)	(972)	31,824
	₩ 122,055	₩ 33,820	₩ -	₩ 5,226	₩ (23,466)	₩ (2,742)	₩ 134,893

(*) Transferred from construction in progress.

16. OTHER ASSETS:

Other assets as December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Guarantee deposits	₩ 4,571	₩ 912
Articles for consumption	1,462	893
Prepaid expenses	31,803	13,225
Operating lease assets (see Note 12)	228,105	135,747
Prepaid lease assets (see Note 12)	2,952	2,607
Others	114,973	6,451
	₩ 383,866	₩ 159,835

17. DEPOSITS:

Deposits as of December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

Account	December 31, 2014	December 31, 2013
Deposits in Korean won:		
Demand deposits	₩ 4,879,693	₩ 2,306,409
Term deposits	54,081,938	28,229,024
Mutual installment deposits	15,826	11,406
Mutual installment for housing	14,763	9,547
Others	424	138
	58,992,644	30,556,524
Deposits in foreign currencies	700,962	436,247
Negotiable certificates of deposit	212,890	66,133
	₩ 59,906,496	₩ 31,058,904

18. BORROWINGS:

(1) Borrowings as of December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

Account	Annual interest rate (%)	December 31, 2014	December 31, 2013
Borrowings in Korean won:			
The BOK	0.50–1.00	₩ 735,200	₩ 581,786
Others	0.00-4.00	3,607,470	2,314,130
		4,342,670	2,895,916
Borrowings in foreign currencies			
Overdraft on our account	4.00–5.00	31,079	981
Banks	0.45–1.11	766,674	417,497
Re-lending loans	0.59–0.73	32,558	
Others	0.55–0.75	629,121	442,035
		1,459,432	860,513
Call money	0.18–2.37	200,000	20,000
Bonds sold under repurchase agreement			
Korean won	1.61–5.00	547,419	405,300
Foreign currencies	0.85	32,204	75,350
		579,623	480,650
Bills sold	1.49–2.62	61,851	43,720
Securities sold	-	21,100	91,543
Deferred expenses from borrowings	-	(369)	(1,215)
		₩ 6,664,307	₩ 4,391,127

(2) Borrowings from financial institutions as of December 31, 2014 and 2013, were as follows (Unit: Korean won in millions):

Classification	December 31, 2014			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 735,200	₩ 1,725,803	₩ 30,000	₩ 2,491,003
Borrowings in foreign currencies	-	1,387,347	32,009	1,419,356
Call money	-	-	200,000	200,000
Bonds sold under repurchase agreement	-	139,309	185,400	324,709
	₩ 735,200	₩ 3,252,459	₩ 447,409	₩ 4,435,068

Classification	December 31, 2013			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 581,786	₩ 257,894	₩ -	₩ 839,680
Borrowings in foreign currencies	-	860,513	-	860,513
Call money	-	20,000	-	20,000
Bonds sold under repurchase agreement	-	75,350	193,707	269,057
Securities sold	-	-	91,543	91,543
	₩ 581,786	₩ 1,213,757	₩ 285,250	₩ 2,080,793

19. DEBENTURES:

Debentures issued by the Consolidated Entity as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	Annual interest rate (%)	Amount December 31, 2014	Amount December 31, 2013
Debentures in Korean won:			
Unsecured coupon bond	2.20-5.25	₩ 4,540,370	₩ 2,790,000
Subordinated bond	3.45-6.70	2,406,000	1,340,000
Hybrid bond	-	-	90
Present value discounts		(7,117)	(4,795)
		6,939,253	4,125,295
Debentures in foreign currencies:			
Senior bond	1.63–4.13	361,965	617,506
Present value discounts		(1,709)	(2,608)
		360,256	614,898
		₩ 7,299,509	₩ 4,740,193

20. NET DEFINED BENEFIT LIABILITIES:

(1) Defined benefit plan

The Consolidated Entity operates a retirement benefit plan, which is an arrangement whereby an entity provides benefits as a lump sum, based on current salary and tenure of employment provided to employees on or after termination of their service. The retirement benefit plan is normally described as a defined benefit plan and its own characteristics are as follows:

- The obligation of the Consolidated Entity is to pay existing and previous employees promised retirement benefits.
- The Consolidated Entity will have the actuarial risk due to the fact that actual retirement benefits exceed expected retirement benefits and investment risk.

The defined benefit obligation recognized in the consolidated financial statements is measured by an independent actuary. The Consolidated Entity uses the projected unit credit method in order to determine defined benefit obligation.

Actuarial assumptions and variables, such as market rate, wage rate, death rate, consumer price index, expected rate of return and others, are based on market information and historical data and are renewed annually.

Profit or loss incurred from the change in actuarial assumptions and the difference between assumptions and actual results are recognized for the period.

(2) As of December 31, 2014 and 2013, the amounts recognized in the consolidated statements of financial position related to retirement benefit obligation are as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	₩ 296,079	₩ 148,847
Fair value of plan assets	(235,649)	(136,459)
Retirement benefit obligation	₩ 60,430	₩ 12,388

(3) Changes in net defined benefit liabilities (assets) for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014					
	Defined benefit obligation		Plan assets		Total	
Beginning balance	₩	148,847	₩	(136,459)	₩	12,388
Effect of business combination		89,568		(74,534)		15,034
Current service cost		28,394		(499)		27,895
Interest expenses (interest revenues)		8,855		(6,879)		1,976
Past service cost, and gains and losses on curtailments and settlements		9		(9)		-
		275,673		(218,380)		57,293
Remeasurement elements:						
Expected return on plan assets		-		1,861		1,861
Actuarial gains and losses arising from changes in demographic assumptions		1,673		-		1,673
Actuarial gains and losses arising from changes in financial assumptions		30,430		2,992		33,422
		32,103		4,853		36,956
Contributions from the employer		-		(32,017)		(32,017)
Benefits paid		(11,654)		9,886		(1,768)
Effort of business combination and business disposal		(43)		9		(34)
Ending balance	₩	296,079	₩	(235,649)	₩	60,430

Classification	December 31, 2013					
	Defined benefit obligation		Plan assets		Total	
Beginning balance	₩	121,664	₩	(119,949)	₩	1,715
Current service cost		21,651		-		21,651
Interest expenses (interest revenues)		6,171		(5,178)		993
		149,486		(125,127)		24,359
Remeasurement elements:						
Actuarial losses		9,530		1,275		10,805
Contributions from the employer		-		(21,518)		(21,518)
Benefits paid		(9,814)		8,911		(903)
Transfer of employees between the Bank and the related companies		(355)		-		(355)
Ending balance	₩	148,847	₩	(136,459)	₩	12,388

(4) Details of fair values of plan assets as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014			December 31, 2013		
	Amount		Ratio (%)	Amount		Ratio (%)
Time deposits	₩	235,421	99.90	₩	128,024	93.82
Others		228	0.10		8,435	6.18
	₩	235,649	100.00	₩	136,459	100.00

(5) Actuarial assumptions as of December 31, 2014 and 2013, are as follows:

Classification	December 31, 2014	December 31, 2013
Discount rate (%)	2.82–4.00	3.77–5.00
Expected rate of salary increase (%)	2.10–4.57	2.30–5.08

(6) Assuming that all the other assumptions remain as they are at the end of the reporting period, the effect of any changes in significant actuarial assumptions which were made within the reasonable limit on retirement benefit obligations is as follows:

Description	1%p Increase	1%p Decrease
Change of discount rate	(30,341)	35,962
Change of future salary increase rate	36,273	(31,114)

21. PROVISIONS:

(1) Provisions as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Allowance for losses on acceptances and guarantees	₩ 11,530	₩ 2,158
Allowance for losses on unused credit limit	22,054	12,331
Allowance for other liabilities	162,117	18,457
	₩ 195,701	₩ 32,946

(2) Allowance for losses on acceptances and guarantees (including bills endorsed) as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014			December 31, 2013		
Classification	Acceptances and guarantees	Allowance	Allowance rate (%)	Acceptances and guarantees	Allowance	Allowance rate (%)
Confirmed acceptances and guarantees	₩ 1,307,848	₩ 10,556	0.81	₩ 840,010	₩ 1,447	0.17
Unconfirmed acceptances and guarantees	617,038	965	0.16	368,231	711	0.19
Endorsed bill	1,822	9	0.49	-	-	-
	₩ 1,926,708	₩ 11,530	0.60	₩ 1,208,241	₩ 2,158	0.18

(3) Allowance for losses on unused credit limit as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

	December 31, 2014			December 31, 2013		
Classification	Unused credit limit	Allowance	Allowance rate (%)	Unused credit limit	Allowance	Allowance rate (%)
Enterprise	₩ 8,172,515	₩ 12,052	0.15	₩ 4,822,438	₩ 8,760	0.18
Household	1,014,768	271	0.03	666,468	290	0.04
Credit card	3,091,290	9,731	0.31	1,904,936	3,281	0.17
	₩ 12,278,573	₩ 22,054	0.18	₩ 7,393,842	₩ 12,331	0.17

(4) The changes in allowance for losses on acceptances and guarantees and allowance for losses on unused credit limit for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Allowance for acceptances and guarantees	December 31, 2014 Allowance for unused credit limit	December 31, 2013 Allowance for acceptances and guarantees	December 31, 2013 Allowance for unused credit limit
Beginning balance	₩ 2,158	₩ 12,331	₩ 3,639	₩ 13,492
Effect of business combination	1,528	13,013	-	-
Foreign currency translation and others	(2,271)	18	(7)	(9)
Provision	10,115	(3,308)	(1,474)	(1,152)
Ending balance	₩ 11,530	₩ 22,054	₩ 2,158	₩ 12,331

(5) Allowance for other liabilities as of and December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Allowance for restoration costs	₩ 5,971	₩ 2,905
Allowance for credit card point	1,877	1,056
Allowance for dormant deposit	4,382	3,143
Allowance for litigation	133,306	50
Others	16,581	11,303
	₩ 162,117	₩ 18,457

(6) The changes in allowance for other liabilities for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Beginning balance	Effect of business combination	Increase	Decrease	Others	Ending balance
Allowance for restoration costs	₩ 2,905	₩ 2,664	₩ 420	₩ -	₩ (18)	₩ 5,971
Allowance for credit card point	1,055	610	213	(1)	-	1,877
Allowance for dormant deposit	3,143	-	845	-	394	4,382
Allowance for litigation	50	123,234	10,022	-	-	133,306
Others	11,304	7,686	11,554	(13,963)	-	16,581
	₩ 18,457	₩ 134,194	₩ 23,054	₩ (13,964)	₩ 376	₩ 162,117

Classification	December 31, 2013 Beginning balance	Increase	Decrease	Others	Ending balance
Allowance for restoration costs	₩ 2,819	₩ 119	₩ -	₩ (33)	₩ 2,905
Allowance for credit card point	1,143	-	(87)	-	1,056
Allowance for dormant deposit	5,127	-	(189)	(1,795)	3,143
Allowance for litigation	25	25	-	-	50
Others	2,655	8,648	-	-	11,303
	₩ 11,769	₩ 8,792	₩ (276)	₩ (1,828)	₩ 18,457

Allowance for restoration costs is the present value of expected settlement cost for the existing leasehold stores as of and for the years ended December 31, 2014 and 2013, which is discounted at an appropriate discount rate.

22. OTHER LIABILITIES:

Other liabilities as of December 31, 2014 and 2013, consisted of the following (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Other financial liabilities:		
Due to trust accounts	₩ 228,625	₩ 199,554
Foreign exchange remittances pending	72,561	17,099
Prepaid card liabilities	13,118	4,143
Debit card liabilities	13,505	52
Deposits for letter of guarantees and others	260,510	246,200
Present value discounts	(15,784)	(17,752)
Accounts payable	2,264,779	1,784,203
Accrued expenses	725,550	419,870
Financial guarantee contract liabilities	5,587	1,518
Agency business accounts	142,957	77,972
Unsettled domestic exchange liabilities	95,230	22,011
Deposits held by agency relationship	115,796	73,046
Guarantee deposits for securities subscription	53,674	55
	3,976,108	2,827,971
Other non-financial liabilities:		
Withholding taxes	17,040	10,762
Unearned revenues	44,390	35,027
Others	30,412	18,848
	91,842	64,637
	₩ 4,067,950	₩ 2,892,608

23. SHAREHOLDERS' EQUITY:

(1) Common stock

As of December 31, 2014, the Consolidated Entity has 700 million common shares authorized with a par value per share of ₩5,000, and 234,379,899 shares have been issued.

(2) Other paid-in capital

As of December 31, 2014 and 2013, other paid-in capital is summarized as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Paid-in capital in excess of par value	₩ 347,853	₩ 41,198
Gain on disposal of treasury stock	5,826	5,826
	₩ 353,679	₩ 47,024

(3) Hybrid equity securities classified as non-controlling equity are as follows (Unit: Korean won in millions):

	Issue date	Maturity	Interest rates (%)	December 31, 2014	December 31, 2013
Local currency	2013.04.25	2043.04.25	4.75	₩ 60,000	₩ -
	2013.05.27	2043.05.27	4.83	40,000	-
	2013.10.25	2043.10.25	5.55	90,000	90,000
	2013.11.07	2043.11.07	5.72	10,000	10,000
	2013.11.11	2043.11.11	6.00	37,000	-
	2013.11.28	2043.11.28	6.14	63,000	-
Issuance cost				(450)	(149)
				₩ 299,550	₩ 99,851

(4) Other components of equity

Other components of equity as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

Classification	December 31, 2014		December 31, 2013	
Accumulated other comprehensive income:				
Gain on valuation of AFS financial assets	₩	97,607	₩	67,099
Foreign currency translation gains (losses) on overseas operations		760		(576)
Remeasurement elements of defined benefit plan		(67,577)		(32,162)
Gain on valuation of cash flow hedges		33		-
Tax effects		(7,459)		(8,388)
	₩	23,364	₩	25,973

(5) Retained earnings

1) Retained earnings as of December 31, 2014 and 2013, are summarized as follows (Unit: Korean won in millions):

Classification	December 31, 2014		December 31, 2013	
Reserve:				
Legal reserve (*)	₩	339,385	₩	236,435
Reserve for bad debts		121,542		131,781
Voluntary reserve		1,525,095		1,369,166
		1,986,022		1,737,382
Retained earnings before appropriations		1,230,719		723,736
	₩	3,216,741	₩	2,461,118

(*) Article 53 of the Financial Holding Company Act requires a parent company to appropriate at least 10% of net income after income tax to legal reserve, until such reserve equals 100% of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

2) Regulatory reserve for bad debts

In accordance with the Regulations for Supervision of Financial Company Holding, if allowances for credit loss under K-IFRS for the accounting purpose do not exceed those for the regulatory purpose, the Consolidated Entity discloses such shortfall amount as regulatory reserve for bad debts. Due to the fact that regulatory reserve for bad debts is a voluntary reserve, amounts exceeding the existing reserve for bad debts are over the compulsory reserve for bad debts at the period-end date and are able to be reversed in profit. In case of accumulated deficit, the Consolidated Entity should set aside reserve for bad debts at the time when accumulated deficit is gone.

Reserve for bad debt as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	December 31, 2014		December 31, 2013	
Accumulated reserve for bad debts (*)	₩	121,542	₩	131,781
Effect of business combination		205,282		-
Expected reserve provided (reversed) for bad debts		56,729		(10,239)
Reserve for bad debts	₩	383,553	₩	121,542
Owners of the Company	₩	280,955	₩	121,542
Non-controlling interests		102,598		-

(*) Accumulated reserve for bad debts as of December 31, 2014 and 2013, is the amount after appropriations of retained earnings.

Net income after the reserve reversed (provided) for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions, except for earnings per share):

Classification		2014		2013
Net income of Owners of the Company	₩	809,769	₩	304,513
Reserve reversed (provided)		(42,461)		10,239
Net income after the reserve is reversed (provided) (*)		767,308		314,752
Earnings per share after the reserve is provided (in currency unit) (*)	₩	3,274	₩	1,628

(*) Net income and earnings per share after reserve for bad debts is not applied to K-IFRS and calculated on the assumption that provision or reversal of reserve for bad debts is adjusted to the net income.

24. NET INTEREST INCOME:

Net interest income, interest income and expense for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification		2014		2013
Interest income:				
Due from banks	₩	8,237	₩	12,475
Financial assets at FVTPL		24,693		22,780
AFS financial assets		79,086		66,201
HTM financial assets		181,962		182,580
Loans		2,087,971		1,743,694
Others		113,824		89,844
		2,495,773		2,117,574
Interest expense:				
Deposits		(752,050)		(665,989)
Borrowings		(96,829)		(94,936)
Debentures		(201,738)		(187,535)
Others		(17,921)		(14,656)
		(1,068,538)		(963,116)
Net interest income	₩	1,427,235	₩	1,154,458

25. NET COMMISSION INCOME:

Net commission income, commission income and expense for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification		2014		2013
Commission income:				
Guarantees	₩	10,735	₩	3,125
Commission received		188,434		138,068
Credit card		3,789		9,637
Received from termination of trust account		56		1
		203,014		150,831
Commission expenses:				
Commission paid		(41,741)		(29,922)
Credit card		(47,064)		(35,783)
		(88,805)		(65,705)
Net commission income	₩	114,209	₩	85,126

26. NET INCOME OR LOSS ON INVESTMENT FINANCIAL ASSETS:

(1) Net income on financial assets at FVTPL

Net income on financial assets at FVTPL for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	2014	2013
Gain on financial assets at FVTPL:		
Financial assets held for trading	₩ 30,589	₩ 23,703
Loss on financial assets at FVTPL:		
Financial assets held for trading	(16,858)	(14,928)
Net income	₩ 13,731	₩ 8,775

(2) Net income of financial assets held for trading

Net income of financial assets held for trading consists of gains and losses related to financial assets for trading. Such net income includes gains and losses of interest, changes in fair value, sales, redemption and dividend income. The amounts for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Gain on financial assets held for trading:		
Gain on disposal of financial assets held for trading	₩ 14	₩ 4
Gain on sales of financial assets held for trading	30,028	21,728
Gain on valuation of financial assets held for trading	195	1,958
Dividend income	352	13
	30,589	23,703
Loss on financial assets held for trading:		
Loss on disposal of financial assets held for trading	(574)	(348)
Loss on sales of financial assets held for trading	(15,046)	(13,259)
Loss on valuation of financial assets held for trading	(1,116)	(1,270)
Others	(122)	(51)
	(16,858)	(14,928)
Net income	₩ 13,731	₩ 8,775

(3) Net income of AFS financial assets for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Gain on AFS financial assets:		
Gain on disposal of AFS financial assets	₩ 2,472	₩ -
Gain on sales of AFS financial assets	19,909	27,499
Stock dividends	21,965	20,752
	44,346	48,251
Loss on AFS financial assets:		
Loss on sales of AFS financial assets	(373)	(2,482)
Impairment loss	(10,621)	(18,343)
	(10,994)	(20,825)
Net income	₩ 33,352	₩ 27,426

27. PROVISION FOR CREDIT LOSS:

Provision for credit loss for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	2014	2013
Reversal of allowance for credit loss and others:		
Reversal of allowance:		
Reversal of allowance for losses on loans	₩ 1,794	₩ -
Reversal of allowance for losses on financial acceptances and guarantees	-	1,474
Reversal of allowance for losses on financial guarantee contract	-	239
Reversal of allowance for losses on unused credit limits	3,312	1,152
	5,106	2,865
Gain on disposal of loans	12,632	31,252
	17,738	34,117
Provision of allowances for credit loss and others:		
Provision for allowances:		
Provision for allowances for losses on loans	(261,235)	(223,285)
Provision for allowance for losses on acceptances and guarantees	(10,115)	-
Provision for allowance for losses on unused credit limits	(4)	-
Provision for allowance for losses on financial guarantee contract	(79)	-
	(271,433)	(223,285)
Loss on disposal of loans	(12,666)	(43,137)
	(284,099)	(266,422)
Provision of allowances for credit loss and others	₩ (266,361)	₩ (232,305)

28. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014		2013	
Employee benefits:				
Salaries and compensation expenses (Note 31)	₩	247,325	₩	207,044
Other employee benefits		166,736		132,281
Provision for severance benefits (Note 20)		29,871		22,643
Honorary retirement allowance		18,230		11,284
		462,162		373,252
Rent		26,638		23,287
Expenditure for business purpose		13,553		11,150
Depreciation expense		42,569		13,654
Amortization expenses on intangible assets		33,893		23,466
Taxes and dues		26,091		16,920
Other administrative expenses		146,598		112,039
	₩	751,504	₩	573,768

29. OTHER OPERATING REVENUES AND EXPENSES:

(1) Net income and loss on foreign currency transactions for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014		2013	
Income on foreign currency transactions:				
Gain on foreign currency transactions	₩	296,829	₩	227,573
Foreign currency translation gains		245,723		5,437
		542,552		233,010
Loss on foreign currency transactions:				
Loss on foreign currency transactions		(270,332)		(304,806)
Foreign currency translation losses		(242,918)		(35,433)
		(513,250)		(340,239)
Net income (loss)	₩	29,302	₩	(107,229)

(2) Net income and loss related to derivatives for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014		2013	
Gains on financial derivatives:				
Gains on derivative transactions	₩	451,914	₩	407,828
Gains on valuation of derivatives		255,095		101,342
Gains on settlement of derivatives		101		247
		707,110		509,417
Losses on financial derivatives:				
Losses on derivative transactions		(459,655)		(297,194)
Losses on valuation of derivatives		(239,350)		(70,485)
Losses on settlement of derivatives		(129)		(42)
		(699,134)		(367,721)
Net income	₩	7,976	₩	141,696

(3) Other operating revenues and expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Other operating revenue:		
Trust fees and commissions received from trust account	₩ 16,809	₩ 11,003
Reversal of allowance for others	9,610	276
Operating lease income	63,527	32,654
Bargain purchase gain	447,921	-
Others	4,373	1,993
	542,240	45,926
Other operating expenses:		
Loss on derivative transactions	(132)	(86)
Credit card charges	(20)	(24)
Contribution to credit guarantee fund	(57,588)	(45,729)
Contribution to housing credit guarantee fund	(15,468)	(10,541)
Insurance fees on deposits	(53,206)	(39,808)
Provision for allowances for others	(22,820)	(8,792)
Operating lease expense	(54,137)	(27,191)
Others	(5,669)	(5,196)
	(209,040)	(137,367)
Other operating income (loss)	₩ 333,200	₩ (91,441)

30. NON-OPERATING REVENUES AND EXPENSES:

Non-operating revenues and expenses for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Non-operating revenues:		
Gain on sale of tangible assets	₩ 422	₩ 227
Gain on sale of Non-current assets held for sale	2,444	-
Gain on sale of operating lease assets	-	8
Rental income	1,073	1,004
Restoration income	162	273
Gain on collection of charge-offs	1,880	-
Other	7,748	10,499
	13,729	12,011
Non-operating expenses:		
Expenses on collection of charge-offs	(424)	(407)
Loss on disposal of tangible assets	(1,077)	(50)
Loss on sale of Non-current assets held for sale	(1,283)	-
Loss on impairment of intangible assets	(3,810)	(2,742)
Loss on sale of operating lease assets	-	(760)
Donations	(25,204)	(14,968)
Other	(3,744)	(2,958)
Restoration loss	(243)	-
Regulation penalty	(1)	(1)
Losses on disposition of intangible assets	(19)	(5)
	(35,805)	(21,891)
Non-operating loss	₩ (22,076)	₩ (9,880)

31. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Income tax currently payable	₩ 112,029	₩ 72,699
Changes in deferred income tax liabilities by temporary difference:		
Opening balance of deferred income tax liabilities	(77,207)	(53,398)
Ending balance of deferred income tax liabilities	(48,337)	(77,207)
	(28,870)	23,809
Effect of business combination	28,126	-
Tax effect	111,285	96,508
Changes in deferred income tax liabilities reflected directly in shareholders' equity:		
Opening balance of deferred income tax liabilities	(8,388)	(9,414)
Ending balance of deferred income tax liabilities	(20,277)	(8,388)
	(11,889)	1,026
Income tax expense reflected directly in shareholders' equity		
Gain on disposal of treasury stock	-	(198)
Adjustments from consolidated taxation system	-	-
Income tax expense	₩ 99,396	₩ 97,336

(2) The details of changes in accumulated temporary differences for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	December 31, 2014	
Classification	Accumulated temporary difference	Deferred tax assets (liabilities)
Temporary difference to be deducted:		
Gains or losses on valuation of financial assets	₩ 52,921	₩ 12,747
Accrued expenses	36,498	8,789
Adjustment of acquisition value for debt-to-equity swap	73,559	17,795
Deferred loan origination fees	18,863	4,547
Allowance for losses on unused credit limits	9,947	2,397
Severance benefits	10,951	2,639
Loss on valuation of derivative instruments	253,984	61,211
Deposits that the statute of limitation expired	3,534	853
Guarantee deposits for leases (discounted present value)	7,045	1,696
Unearned point revenues	10,662	2,575
Other allowance	162,809	39,379
Loss on valuation of unsettled spot transactions	2,045	492
Allowance for possible losses on acceptances and guarantees	14,669	3,548
Allowances for retirement benefits disallowance	151,414	36,539
Unearned revenues (leasehold deposits provided)	15,020	3,635
Impairment of AFS financial assets	61,666	14,907
Claim for reimbursement	133,489	32,304
Others	95,214	22,947
	1,114,290	269,000
Temporary difference to be added:		

Classification	December 31, 2014 Accumulated temporary difference	Deferred tax assets (liabilities)
Interest receivables on securities	₩ (234,035)	₩ (56,379)
Revaluation of excess of land	(60,853)	(14,720)
Gain on valuation of debentures invested (adjustment of book value)	(105,848)	(25,178)
Gain on valuation of derivative instruments	(265,825)	(64,069)
Investments in credit rehabilitation fund	(15,201)	(3,664)
Deferred loan origination costs	(138,748)	(33,512)
Guarantee deposits for leases (prepaid rent)	(6,953)	(1,672)
Discounted present value	(15,400)	(3,727)
Initial direct costs of Lease	(11,791)	(2,853)
Retirement benefit plans	(100,993)	(24,403)
Fair value adjustment by business combination	(167,789)	(40,605)
Others	(109,278)	(26,279)
	(1,232,714)	(297,061)
Net of temporary difference	(118,424)	(28,061)
Temporary difference reflected directly in shareholders' equity:		
Loss on valuation of AFS financial assets (*2)	(167,881)	(40,807)
Foreign currency translation losses on overseas operations	(760)	(184)
Remeasurement elements of defined benefit plan	85,220	20,632
cash flow hedges	341	83
	(83,080)	(20,276)
Deferred income tax liabilities		₩ (48,337)

(*1) The Consolidated Entity applied the expected average tax rate for the anticipated period in which the temporary differences would be utilized when calculating deferred income tax assets (liabilities).
(*2) The Consolidated Entity recognized deferred income tax assets for gains and losses in AFS financial assets (accumulated other comprehensive income).

Classification	December 31, 2013 Accumulated temporary difference	Deferred tax assets (liabilities)
Temporary difference to be deducted:		
Gains or losses on valuation of financial assets	₩ 35,109	₩ 8,446
Accrued expenses	12,079	2,908
Adjustment of acquisition value for debt-to-equity swap	6,652	1,600
Deferred loan origination fees	20,933	5,025
Allowance for losses on unused credit limits	12,327	2,966
Severance benefits	11,284	2,715
Loss on valuation of derivative instruments	89,995	21,653
Deposits that the statute of limitation expired	1,957	471
Guarantee deposits for leases (discounted present value)	9,230	2,217
Unearned point revenues	4,999	1,203
Other allowance	18,457	4,440
Loss on valuation of unsettled spot transactions	752	181
Allowance for possible losses on acceptances and guarantees	2,158	519
Allowances for retirement benefits disallowance	4,269	987

Classification	December 31, 2013 Accumulated temporary difference	December 31, 2013 Deferred tax assets (liabilities)
Unearned revenues (leasehold deposits provided)	₩ 17,379	₩ 4,206
Others	34,372	8,149
	281,952	67,686
Temporary difference to be added:		
Interest receivables on securities	(179,389)	(43,113)
Revaluation of excess of land	(6,064)	(1,459)
Gain on valuation of debentures invested (adjustment of book value)	(54,425)	(13,090)
Gain on valuation of derivative instruments	(119,877)	(28,838)
Investments in credit rehabilitation fund	(14,100)	(3,392)
Deferred loan origination costs	(98,025)	(23,647)
Guarantee deposits for leases (prepaid rent)	(8,563)	(2,060)
Discounted present value	(17,379)	(4,206)
Initial direct costs	(9,007)	(2,180)
Retirement benefit plans	(3,002)	(679)
Others	(57,530)	(13,841)
	(567,361)	(136,505)
Net of temporary difference	(285,409)	(68,819)
Temporary difference reflected directly in shareholders' equity:		
Loss on valuation of AFS financial assets (*2)	(67,099)	(16,285)
Foreign currency translation losses on overseas operations	576	139
Remeasurement elements of defined benefit plan	32,162	7,758
	(34,361)	(8,388)
Deferred income tax liabilities		₩ (77,207)

(*1) The Consolidated Entity applied the expected average tax rate for the anticipated period in which the temporary differences would be utilized when calculating deferred income tax assets (liabilities).
(*2) The Consolidated Entity recognized deferred income tax assets for gains and losses in AFS financial assets (accumulated other comprehensive income).

(3) Reconciliation between income before income tax and income tax expense for the years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Description	2014	2013
Income before income tax	₩ 919,064	₩ 402,858
Taxes payable (*)	221,951	97,030
Reconciliation items:		
Non-taxable income (₩8,958 million in 2014, ₩1,161 million in 2013)	(2,163)	(280)
Non-deductible expenses (₩17,153 million in 2014, ₩11,542 million in 2013)	4,142	2,708
Consolidated tax	(10,995)	(8,355)
Bargain purchase gain	(108,172)	-
Others	(5,367)	6,233
Income tax expense	₩ 99,396	₩ 97,336
Effective tax rate (income tax expense/income before income tax)	10.81%	24.16%

(*)Taxes payable are calculated by applying income tax rate (11% for less than ₩200 million, 22% for ₩200 million to ₩20 billion and 24.2% for more than ₩20 billion) to income before income tax.

(4) The details of current tax liabilities (income tax payable) and current tax assets (income tax refundable) before offsetting as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Income tax refundable prior to offsetting	₩ 62,474	₩ 52,265
Tax payables prior to offsetting	115,320	72,699
Current tax liabilities	₩ 52,846	₩ 20,434

32. OTHER COMPONENTS OF EQUITY:

Other components of equity for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

	2014			
Classification	Beginning balance	Increase	Decrease	Ending balance
Gain on valuation of AFS financial assets:	₩ 50,814	₩ 73,986	₩ (50,814)	₩ 73,986
Gain on cash flow hedges	-	24	-	24
Foreign currency translation gains on overseas operations	(437)	1,013	-	576
Remeasurement elements of defined benefit plan	(24,404)	(26,818)	-	(51,222)
	₩ 25,973	₩ 48,205	₩ (50,814)	₩ 23,364

Classification	2013 Beginning balance		Increase		Decrease		Ending balance	
Gain on valuation of AFS financial assets:	₩	46,308	₩	11,112	₩	(6,606)	₩	50,814
Foreign currency translation gains on overseas operations		(88)		-		(349)		(437)
Remeasurement elements of defined benefit plan		(16,733)		-		(7,671)		(24,404)
	₩	29,487	₩	11,112	₩	(14,626)	₩	25,973

33. EARNINGS PER SHARE:

(1) Earnings per share

Income from continued operations per share and earnings per share as of December 31, 2014and 2013, are computed by income attributable to common shares. Income from continued operations for common shares is calculated by reflecting income tax expense in income from continued operations in the consolidated statements of comprehensive income. After dividing income from continued operations and net income by weighted-average number of common shares, income from continued operations per share and earnings per share are calculated.

Income from continued operations per share and earnings per share as of December 31, 2014 and 2013, are as follows.

1) Weighted-average number of common shares

Classification	2014 Number of shares	Day	Accumulation of days
Common shares			
January 1, 2014	193,379,899	194	37,515,700,406
Increased paid-in capital	234,379,899	171	40,078,962,729
			77,594,663,135
Weighted-average number of common shares			212,588,118

Classification	2013 Number of shares	Day	Accumulation of days
Common shares			
January 1, 2013	193,232,160	365	70,529,738,400
Disposal of treasury stocks			
October 19, 2013	7,739	72	557,208
October 20, 2013	40,000	71	2,840,000
October 21, 2013	5,000	70	350,000
October 22, 2013	5,000	69	345,000
October 29, 2013	50,000	62	3,100,000
October 30, 2013	5,000	61	305,000
November 3, 2013	2,000	57	114,000
December 17, 2013	33,000	13	429,000
			8,040,208
			70,537,778,608
Weighted-average number of common shares			193,254,188

2) Basic net income per share for the years ended December 31, 2014 and 2013, is as follows (Unit: In Korean won):

Classification	2014	2013
Net income owners of the company	₩ 809,768,902,209	₩ 304,513,329,755
Weighted-average number of shares	÷ 212,588,118	÷ 193,254,188
Earnings per share	₩ 3,809	₩ 1,576

Due to no income from discontinued operations for the years ended December 31, 2014 and 2013, income from continued operations for common shares is the same as net income for common shares.

34. CONTINGENCIES AND COMMITMENTS:

(1) Guarantee payments as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	Type	December 31, 2014	December 31, 2013
Confirmed acceptances and guarantees:			
Confirmed acceptances and guarantees in Korean won	Guarantee payment for loans	₩ 135,553	₩ 64,294
	Others	738,972	516,775
		874,525	581,069
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit	66,312	29,306
	Acceptances on letters of guarantee for importers	41,817	21,362
	Others	325,194	208,273
		433,323	258,941
		1,307,848	840,010
Unconfirmed acceptances and guarantees	Letters of credit	586,437	339,986
	Others	30,601	28,245
		617,038	368,231
Others :	Other bill purchase agreement	1,822	-
		₩ 1,926,708	₩ 1,208,241

(2) Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Amount	December 31, 2014 Percentage (%)	December 31, 2013 Amount	December 31, 2013 Percentage (%)
Confirmed acceptances and guarantees:				
Large corporate	₩ 312,178	23.87	₩ 256,485	30.53
Small- and middle-sized corporate (*)	734,232	56.14	573,448	68.27
Household	261,438	19.99	10,077	1.20
	₩ 1,307,848	100.00	₩ 840,010	100.00
Unconfirmed acceptances and guarantees:				
Large corporate	₩ 443,826	71.93	₩ 61,716	16.76
Small- and middle-sized corporate (*)	118,776	19.25	306,515	83.24
Household	54,436	8.82	-	-
	₩ 617,038	100.00	₩ 368,231	100.00

(*) Small- and middle-sized corporate indicates SME in Article 2, Section 1, of Small- and Medium-sized Enterprise Basic Law.

(3) Confirmed and unconfirmed acceptances and guarantees by country as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Amount	December 31, 2014 Percentage (%)	December 31, 2013 Amount	December 31, 2013 Percentage (%)
Confirmed acceptances and guarantees:				
Korea	₩ 1,307,788	99.99	₩ 839,950	99.99
Taiwan	60	0.01	60	0.01
	₩ 1,307,848	100.00	₩ 840,010	100.00
Unconfirmed acceptances and guarantees:				
Korea	₩ 615,164	99.70	₩ 368,231	100.00
China	61	0.01	-	-
Hong Kong	1,813	0.29	-	-
	₩ 617,038	100.00	₩ 368,231	100.00

(4) Unused commitments as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Subject	December 31, 2014	December 31, 2013
Corporates	₩ 8,498,407	₩ 4,822,438
Households	696,964	666,468
Credit card	3,091,290	1,904,936
Securities purchase agreement	361,999	110,814
	₩ 12,648,660	₩ 7,504,656

(5) Lawsuits

As of December 31, 2014 and 2013, the Consolidated Entity's major lawsuits are as follows (Unit: Korean won in millions):

Classification	December 31, 2014 As a plaintiff	December 31, 2014 As a dependent	December 31, 2013 As a plaintiff	December 31, 2013 As a dependent
Number (case)	42 cases	104 cases	26 cases	62 cases
Amount	₩ 104,343	₩ 248,037	₩ 24,074	₩ 41,016
Provisions related to these lawsuits		₩ 132,873		₩ 50

The Consolidated Entity recognized ₩132,873 million of provisions related to these lawsuits.

(6) Ordinary wages

Supreme Court has handed down sentences in ordinary wages. The Consolidated Entity reviewed the effect by Supreme Court ruling on the Consolidated Entity's consolidated financial statements. In addition, the Consolidated Entity determined not to recognize provisions because the Consolidated Entity anticipates that the outflows of resources are unlikely to be realized.

35. TRUST ACCOUNT (Not audited by independent auditor):

Financial information of trust account is prepared in accordance with Korea Financial Accounting Standard 5004 'Trust Account of Trust Vendor' based on the Financial Investment Services and Capital Markets Act and Financial Industry Detailed Regulatory.

(1) Financial summary of trust accounts for which the Consolidated Entity provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	December 31, 2014 Total assets	December 31, 2014 Operating income	December 31, 2013 Total assets	December 31, 2013 Operating income
Trust accounts guaranteeing a fixed rate of return and the repayment of principal (*1)	₩ 2,153	₩ 38	₩ 7	₩ 74
Trust accounts guaranteeing the repayment of principal (*2)	382,059	15,574	300,504	14,910
Mixed trust accounts (*3)	5,285	225	4,434	230
Performance-based trust accounts (*4)	9,427,017	129,993	4,351,093	100,204
	₩ 9,816,514	₩ 145,830	₩ 4,656,038	₩ 115,418

(*1) Non-restricted money trust and development trust
(*2) Retirement pension trust, personal pension trust, retirement trust, new private pension trust and pension trust
(*3) Installment money in trust, household money in trust and company money in trust
(*4) Long-term household trust, newly accumulated trust, national stock trust, specified monetary trust, unit monetary trust, additional monetary trust, workers' preferential trust and pension plan trust

(2) The transactions between the Consolidated Entity and trust accounts for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification		2014	2013
Revenues	Gain on trust account	₩ 18,668	₩ 9,321
Expenses	Interest expense related to borrowings from trust account	₩ 5,740	₩ 2,957

(3) Assets and liabilities of trust accounts as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification		December 31, 2014	December 31, 2013
Assets	Accrued income	₩ 7,751	₩ 2,963
Liabilities	Borrowings from trust account	245,379	143,419
	Accrued expenses	571	477
		₩ 245,950	₩ 143,896

(4) Details of trust accounts for which the Consolidated Entity provides the guarantees for a fixed rate of return and the repayment of principal as December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Trust accounts guaranteeing the repayment of principal:		
Elderly living pension trust	₩ 1,080	₩ 790
Personnel pension trust	181,819	161,947
Retirement trust	6,515	3,156
New personnel pension trust	4,406	2,860
Pension trust	180,920	131,751
	374,740	300,504
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:		
Unspecified monetary trust	₩ 26	₩ 7

36. TRANSACTIONS WITH RELATED PARTIES:

(1) Compensation for key executives for years ended December 31, 2014 and 2013, is as follows (Unit: Korean won in millions):

Classification	2014	2013
Short-term employee benefits:		
Salary	₩ 2,220	₩ 1,634
Social security contributions	71	40
	2,291	1,674
Share-based payment:		
Short-term compensation cost	1,580	2,696
Long-term compensation cost	237	346
Stock options	-	114
	1,817	3,156
	₩ 4,108	₩ 4,830

Key management consists of executives of the Parent and Busan bank.

37. CASH FLOWS:

(1) The Consolidated Entity's cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2014 and 2014, are as follows (Unit: Korean won in millions):

Classification	December 31, 2014	December 31, 2013
Cash on hand	₩ 657,781	₩ 348,551
Foreign currencies	88,305	69,947
Deposits in local currency	2,072,069	1,330,538
Deposits in foreign currencies	388,162	111,850
	3,206,317	1,860,886
Due from banks with maturity exceeding three months (see Note 7)	(2,428,704)	(1,093,768)
	₩ 777,613	₩ 767,118

Cash and cash equivalents in the consolidated statements of cash flows include cash, cash in other branches, deposits in the BOK and deposits in other financial institutions, and are subtracted from deposits with maturity within three months at acquisition and restricted deposits.

(2) Details of cash flows from investing activities for the years ended December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
CASH INFLOWS FROM INVESTING ACTIVITIES:		
Disposal of AFS financial assets	₩ 2,578,227	₩ 2,773,365
Disposal of HTM financial assets	1,390,127	853,789
Decrease in accounts receivable	210,751	-
Decrease in other receivables	17	46
Disposal of tangible assets	1,956	6,944
Disposal of intangible assets	405	-
Disposal of Non-current assets held for sale	11,820	-
	4,193,303	3,634,144
CASH OUTFLOWS FOR INVESTING ACTIVITIES:		
Acquisition of AFS financial assets	(2,758,053)	(2,825,515)
Acquisition of HTM financial assets	(1,306,772)	(747,450)
Increase in domestic exchange uncollected	-	(67,290)
Increase in accounts receivable	(392,535)	(204,979)
Increase in other receivables	(505)	-
Acquisition of tangible assets	(174,552)	(130,298)
Acquisition of intangible assets	(17,489)	(33,820)
Acquisition of investment properties	(469)	-
Net cash outflow by business combination	(780,397)	-
	(5,430,772)	(4,009,352)
Net cash (used in) provided by investing activities	₩ (1,237,469)	₩ (375,208)

(3) Details of cash flows from financing activities as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
CASH INFLOWS FROM FINANCING ACTIVITIES:		
Increase in call money	₩ 180,000	₩ -
Increase in securities sold	18,130	-
Increase in borrowings in local currency	-	317,454
Increase in borrowings in foreign currencies	599,416	47,976
Increase in bonds sold under repurchase agreements	98,975	-
Proceeds from debentures in local currency	1,338,489	1,606,697
Increase in foreign currency exchange payables	55,147	8,040
Increase in payables	108,147	222,317
Increase in trust payable	-	19,600
Increased paid-in capital	511,656	-
Increase in agency business accounts	-	3,022
Increase in sundry liabilities	-	5,550
Disposal of treasury stock	-	2,272
Increased hybrid bonds	-	99,851
	2,909,960	2,332,779
CASH OUTFLOWS FOR FINANCING ACTIVITIES:		
Decrease in call money	-	(10,000)
Decrease in bills sold	-	(4,959)
Decrease in securities sold	(70,443)	(198,251)
Repayment of borrowings in foreign currencies	(995,114)	-
Decrease in bonds sold under repurchase agreements	-	(190,783)
Repayment of debentures in local currency	-	(889,910)
Repayment of debentures in foreign currencies	(278,500)	(40,871)
Decrease in domestic currency exchange payables	(32,405)	(1,553)
Increase in trust payable	(58,234)	-
Decrease in agency business accounts	(7,809)	-
Decrease in agency account	(9,369)	(1,048)
Decrease in sundry liabilities	(29,224)	-
Dividend	(62,432)	(64,827)
	(1,543,530)	(1,402,202)
Net cash provided by (used in) financing activities	₩ 1,366,430	₩ 930,577

(4) Details of material transactions without cash inflow and outflow as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

Classification	2014	2013
Decrease in loans from write-offs	₩ 128,237	₩ 179,625
Reclassification of construction in process	241,594	46,609

38. NON-CURRENT ASSETS HELD FOR SALE:

The Consolidated Entity reclassified buildings and lands, which is intended through a sale transaction rather than through continued use, as non-current assets held for sale as of December 31, 2013. Reclassified buildings and lands amounted to ₩2,043 million and ₩8,616 million, respectively, as of December 31, 2013.
The Consolidated Entity disposed of the buildings and lands for the years ended December 31, 2014.

39. BUSINESS COMBINATION:

The Consolidated Entity entered into an agreement with Korea Deposit Insurance Corporation ("KDIC") to acquire assets and liabilities from Kyongnam Bank Co., Ltd. on October 10, 2014. The Consolidated Entity acquired 44,677,529 shares of common stock by paying 1,226,908 million won to KDIC. With this transaction, the Consolidated Entity acquired 56.97% of the voting shares of kyongnam Bank Ltd and acquired the control of the Kyeongnam bank

(1) The Fair value of the consideration transferred in the business combination above is as follows (Unit: Korean won in millions):

Classification	Amount
Cash	₩ 1,226,908

Acquisition-related costs ₩5,589 million are not included in the consideration transferred in the business combination and recognized as the Commission expenses in Statements of comprehensive income.

(2) The fair value of assets and liabilities acquired from the business combination above is as follows (Unit: Korean won in millions):

Classification	Amount
Fair value of identifiable assets:	
Due from banks	₩ 446,511
Financial assets at FVTPL	565,575
AFS financial assets	1,984,399
HTM financial assets	2,034,542
Loans(*1)	26,907,330
Investment properties	13,448
Tangible assets	256,647
Intangible assets	227,006
Other assets	124,057
Deferred income tax assets	28,126
	₩ 32,587,641
Fair value of identifiable liabilities:	
Financial liabilities at FVTPL	₩ 27,328
Deposits due to customers	25,130,468
Borrowings	2,430,764
Debentures	1,460,220
Net defined benefit liabilities	15,034
Provisions	149,500
Current tax liabilities	28,617
Other financial liabilities	1,034,845
Other liabilities	37,724
Derivative liabilities	441
	₩ 30,314,941
Fair value of identifiable equity:	₩ 2,272,700

(*1) Details of the loans and receivables are as follow (Unit: Korean won in millions):

Classification		Amount
Fair value of the loans and receivables	₩	26,907,330
The total contractual amount of the loans and receivables		27,452,685
The utmost estimation of the cash flows of the loans and receivables	₩	(545,355)

(*2) The intangible assets recorded from the business combination are as follow (Unit: Korean won in millions):

Classification		Amount
Intangible asset related with core deposits(*1)	₩	167,297
Intangible asset related with customer relationship in credit card(*2)		28,523
	₩	195,820

(*1) The method evaluating the fair value of the core deposits is Cost Reduction Methods among the Income Approach Methods. The Cost Reduction Method is the way to evaluate asset value by which calculating cost savings by owning that asset. Each year's cost reduction amount is evaluated by subtracting the cost incurred by funding through existing deposit base from the cost that would have incurred from alternative funding method. This amount is discounted at an appropriate discount rate to evaluate the intangible asset's value.

(*2) The method evaluating the fair value of the customer relationship in credit card is Multi-Period Profit Methods among the Income Approach Methods. The Multi-Period Profit Methods is the way to evaluate asset value by which discounting the excess earnings occurring from the asset in the future. The excess earnings for each year are calculated by deducting the contribution cost of other assets for creating the operating income after tax from the operating income after tax.

(3) Bargain purchase gain from the business combination above is as follows (Unit: Korean won in millions):

Classification		Amount
The consideration transferred in the business combination	₩	1,226,908
Non-controlling equity(*1)		597,871
Fair value of identifiable equity		(2,272,700)
Bargain purchase gain from the business combination	₩	447,921

(*1) Details of the non-controlling equity are as follow (Unit: Korean won in millions) :

Classification		Amount
Non-controlling equity related with common share	₩	398,172
Non-controlling equity related with Hybrid equity securities		199,699
	₩	597,871

The Consolidated Entity calculates the non-controlling equity as fair value.

(4) Net cash outflows from the business combination above are as follows (Unit: Korean won in millions):

Classification		Amount
Cash for the consideration transferred	₩	1,226,908
Acquisition of cash and cash equivalents		446,511
	₩	780,397

(5) Operations by Kyongnam bank after the date of acquisition are as follows (Unit: Korean won in millions):

	Before business combination	Adjustment for business combination differences	Amount
Net interest income	₩ 173,735	₩ 1,940	₩ 175,675
Net commission income	5,003	-	5,003
Net income of investment of financial assets	780	-	780
Provision for credit loss	(39,464)	-	(39,464)
General and administrative expenses	(113,521)	(4,878)	(118,399)
Other operating expenses, net	(12,599)	-	(12,599)
Operating income before income tax expense	13,934	(2,938)	10,996
Other operating income	(1,907)	-	(1,907)
Net income before income tax expense	12,027	(2,938)	9,089
Income tax expense	(3,332)	711	(2,621)
Net income	₩ 8,695	₩ (2,227)	₩ 6,468

(*) The operations if the acquisition date is January 1, 2014, are as follows (Unit: Korean won in millions):

	Amount
Net interest income	₩ 698,057
Net commission income	40,111
Net income of investment of financial assets	48,986
Provision for credit loss	(177,751)
General and administrative expenses	(363,111)
Other operating expenses, net	(120,931)
Operating income before income tax expense	125,361
Other operating income	(6,036)
Net income before income tax expense	119,325
Income tax expense	(27,145)
Net income	₩ 92,180

40. OFFSETTING FINANCIAL INSTRUMENTS:

Details of financial instruments that are set off and subject to an enforceable master netting arrangement or similar agreement as of December 31, 2014 and 2013, are as follows (Unit: Korean won in millions):

(1) Financial assets (Unit: Korean won in millions):

	December 31, 2014					
				Non-offsetting amount		
Classification	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Derivatives	₩ 338,511	₩ -	₩ 338,511	₩ 1,965,483	₩ -	₩ 621,321
Receivable spot exchanges	2,248,293	-	2,248,293			
	2,586,804	-	2,586,804	1,965,483	-	621,321
Bonds purchased under resale agreement	230,000	-	230,000	230,000	-	-
Domestic exchange uncollected	1,447,251	1,338,979	108,272	-	-	108,272
	₩ 4,264,055	₩ 1,338,979	₩ 2,925,076	₩ 2,195,483	₩ -	₩ 729,593

	December 31, 2013					
				Non-offsetting amount		
Classification	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Derivatives	₩ 120,395	₩ 374	₩ 120,021	₩ 1,688,265	₩ 10,164	₩ 79,983
Receivable spot exchanges	1,658,391	-	1,658,391			
	1,778,786	374	1,778,412	1,688,265	10,164	79,983
Bonds purchased under resale agreement	100,000	-	100,000	100,000	-	-
Domestic exchange uncollected	2,234,403	2,039,606	194,797	-	-	194,797
	₩ 4,113,189	₩ 2,039,980	₩ 2,073,209	₩ 1,788,265	₩ 10,164	₩ 274,780

(2) Financial liabilities (Unit: Korean won in millions):

	December 31, 2014					
				Non-offsetting amount		
Classification	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral provided	Net amount
Derivatives	₩ 290,544	₩ -	₩ 290,544	₩ 1,965,483	₩ -	₩ 574,172
Payable spot exchanges	2,249,111	-	2,249,111			
	2,539,655	-	2,539,655	1,965,483	-	574,172
Securities sold	21,100	-	21,100	18,377	2,723	-
Bonds sold under repurchase agreement	579,623	-	579,623	430,962	148,661	-
Domestic currency exchange payables	1,434,209	1,338,979	95,230	-	-	95,230
	₩ 4,574,587	₩ 1,338,979	₩ 3,235,608	₩ 2,414,822	₩ 151,384	₩ 669,402

Classification	December 31, 2013					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Non-offsetting amount: Financial instruments	Non-offsetting amount: Cash collateral provided	Net amount
Derivatives	₩ 90,593	₩ 374	₩ 90,219	₩ 1,688,265	₩ -	₩ 60,402
Payable spot exchanges	1,658,448	-	1,658,448			
	1,749,041	374	1,748,667	1,688,265	-	60,402
Securities sold	91,543	-	91,543	70,001	21,542	-
Bonds sold under repurchase agreement	480,650	-	480,650	480,650	-	-
Domestic currency exchange payables	2,061,617	2,039,606	22,011	-	-	22,011
	₩ 4,382,851	₩ 2,039,980	₩ 2,342,871	₩ 2,238,916	₩ 21,542	₩ 82,413

41. NON-CONSOLIDATED STRUCTURED ENTITIES:

Total asset size of the non-consolidated structured entities, book value for the line items as recognized in the consolidated financial statements, maximum exposure to loss and loss incurred for the year ended December 31, 2014, are as follows (Unit: Korean won in millions):

Classification	Investment fund	PF	Asset-backed securitization
Total assets of non-consolidated structured entity	₩ 1,893,272	₩ 4,270,554	₩ 9,772,410
Recognized assets related to non-consolidated structured entities:			
Financial assets at FVTPL	20,368	-	-
AFS financial assets	128,489	6,624	18,293
HTM financial assets	-	-	122,801
Loans and receivables	-	193,194	-
(Allowance for loan losses)	-	-	-
Total	148,857	199,818	141,904
Recognized liabilities related to non-consolidated structured entities:			
Financial guarantee contract	-	-	15,000
Maximum exposure to loss (*):			
Investment commitments	148,857	198,949	141,094
Loan commitments	-	201,426	-
Purchase commitment	-	-	35,500
Total	₩ 148,857	₩ 400,375	₩ 191,594
Loss on non-consolidated structured entity	₩ 775	₩ -	₩ -

(*) The maximum exposure to loss includes investment amounts recognized in the consolidated financial statements and the amounts that are determined by meeting certain conditions in the future based on the agreements of purchase, granting credit, etc.

42. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY:

Assets and liabilities denominated in foreign currency as of December 31, 2014 and 2013, are summarized as follows (Unit: USD in millions, JPY in millions, CNY in millions, EUR in millions, KRW in millions):

a. December 31, 2014

Classification	USA		Japan		Euro		China		Others	Total
	USD	KRW	JPY	KRW	EUR	KRW	CNY	KRW	KRW	KRW
Assets:										
Cash and due from banks	336	₩ 369,731	3,653	₩ 33,610	27	₩ 36,454	56	₩ 9,873	₩ 18,529	₩ 468,197
AFS financial assets	16	17,173	-	-	-	-	-	-	-	17,173
Loans and receivables	1,644	1,807,272	52,871	486,489	79	106,215	-	-	9,784	2,409,760
Other assets	882	969,625	13,053	120,105	6	8,555	3	594	1,746	1,100,625
	2,878	₩ 3,163,801	69,577	₩ 640,204	112	₩151,224	59	₩10,467	₩ 30,059	₩ 3,995,755
Liabilities:										
Deposits	541	₩ 594,600	6,300	₩ 57,972	29	₩ 38,118	14	₩ 2,401	₩ 7,871	₩ 700,962
Borrowings	900	989,012	58,208	535,597	49	65,343	-	-	6,304	1,596,256
Debentures	298	328,082	3,497	32,174	-	-	-	-	-	360,256
Other liabilities	966	1,062,101	21,980	202,244	68	91,010	1	123	1,559	1,357,037
	2,705	₩ 2,973,795	89,985	₩ 827,987	146	₩194,471	15	₩ 2,524	₩ 15,734	₩ 4,014,511

b. December 31, 2013

Classification	USA		Japan		Euro		China		Others	Total
	USD	KRW	JPY	KRW	EUR	KRW	CNY	KRW	KRW	KRW
Assets:										
Cash and due from banks	107	₩ 113,013	3,225	₩ 32,400	9	₩ 13,568	21	₩ 3,589	₩ 19,227	₩ 181,797
AFS financial assets	46	48,731	-	-	-	-	-	-	-	48,731
Loans and receivables	1,226	1,293,912	48,703	489,301	26	38,542	-	-	6,742	1,828,497
Other assets	836	882,585	26,993	271,191	-	317	12	2,083	1,131	1,157,307
	2,215	₩ 2,338,241	78,921	₩ 792,892	35	₩ 52,427	33	₩ 5,672	₩ 27,100	₩ 3,216,332
Liabilities:										
Deposits	350	₩ 369,470	4,053	₩ 40,719	14	₩ 21,027	4	₩ 748	₩ 4,283	₩ 436,247
Borrowings	530	559,811	36,019	361,870	8	10,971	-	-	3,211	935,863
Debentures	348	366,943	24,680	247,955	-	-	-	-	-	614,898
Other liabilities	759	801,279	14,243	143,093	15	22,117	-	74	9,241	975,804
	1,987	₩ 2,097,503	78,995	₩ 793,637	37	₩ 54,115	4	₩ 822	₩ 16,735	₩ 2,962,812

43 APPROVAL OF SEPARATE FINANCIAL STATEMENTS:

The consolidated financial statements were issued and approved on February 4, 2015, and will get final approval during the shareholders' meeting on March 27, 2015.