

# ONE TRUSTED GROUP

HANA FINANCIAL GROUP  
ANNUAL REPORT 2015

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ANNUAL REPORT 2015

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### FINANCIAL REVIEW

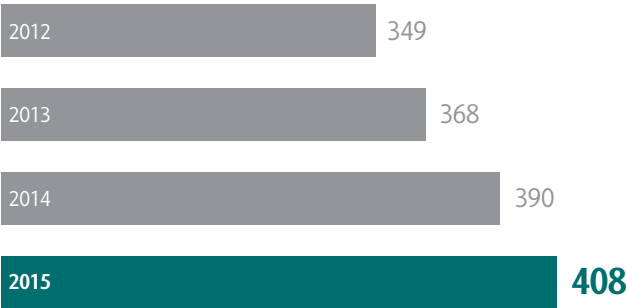
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Hana Financial Group became a trusted financial group with a singular purpose: to be better by expanding into the global market and seizing the domestic market with the leading digital banking system. All of us at Hana Financial Group did our best to improve customer satisfaction and to enhance shareholder value in face of challenging economic circumstances domestically and on a global scale. In 2016, the trusted Hana Financial Group will continue to move forward by creating synergies and improving upon its competencies in banking, securities, credit card, insurance products, retail financing and overseas businesses. We will also do our share in building a better society for all.

# KEY HIGHLIGHTS

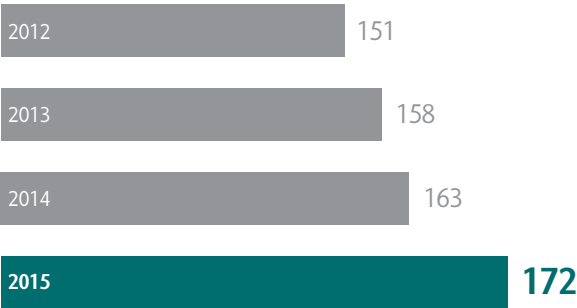
## Total Assets (Consolidated)

408 KRW trillion



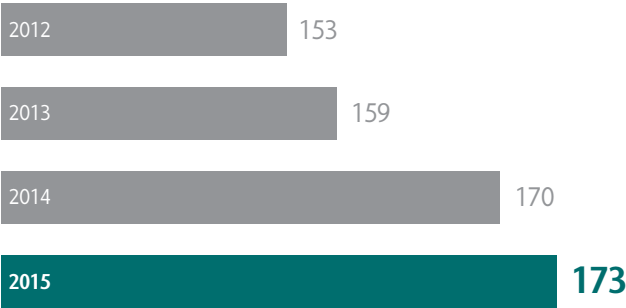
## KRW Loans

172 KRW trillion



## KRW Deposits (Ending Balance)

173 KRW trillion



## Global Awards in 2015

“Bank of the Year in Asia-Pacific”  
*The Banker*  
(the first Korean bank to be selected)

“Bank of the Year in Korea”  
*The Banker*

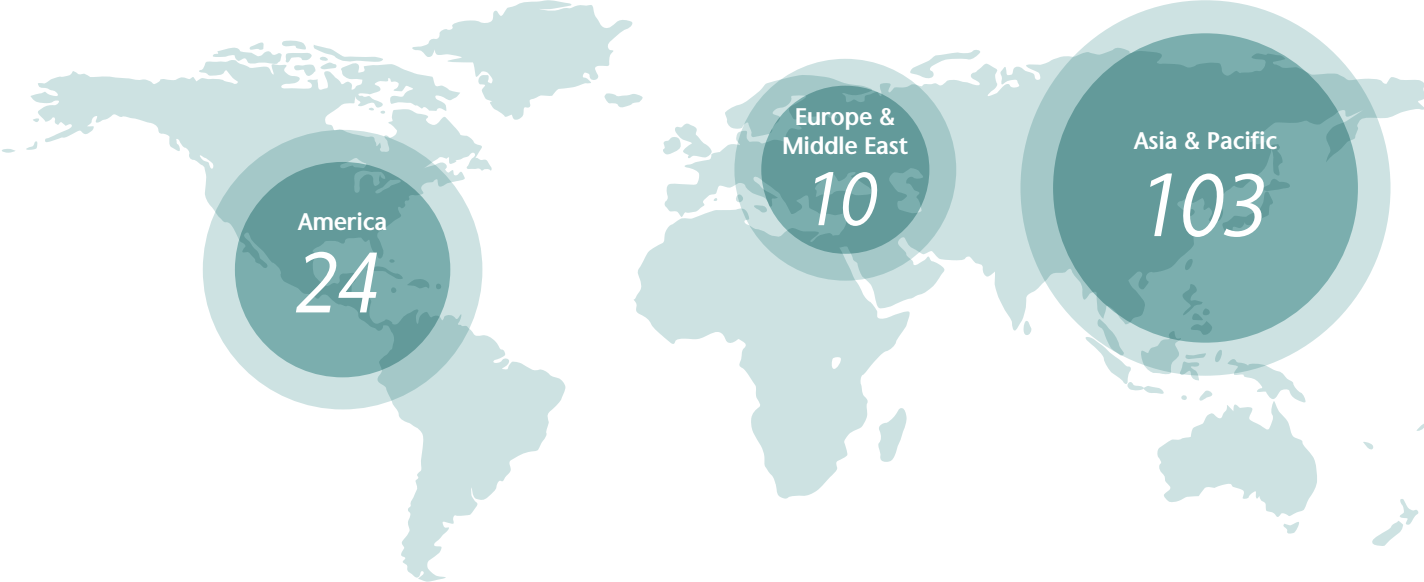
“Best Private Bank in Korea”  
*Euromoney*  
(8 times)

## Global Network

As of Mar. 2016

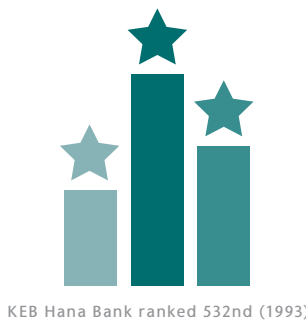
The Industry’s Largest Global Network

137 Points of Operation 24 Countries



The Banker  
“Top 1000 World Banks 2015”  
As of July 2015

82<sup>nd</sup>



Employees  
As of Dec. 2015

20,454



Mobile Banking Users  
As of Dec. 2015

6,041,891



# FINANCIAL HIGHLIGHTS

## Financial Summary

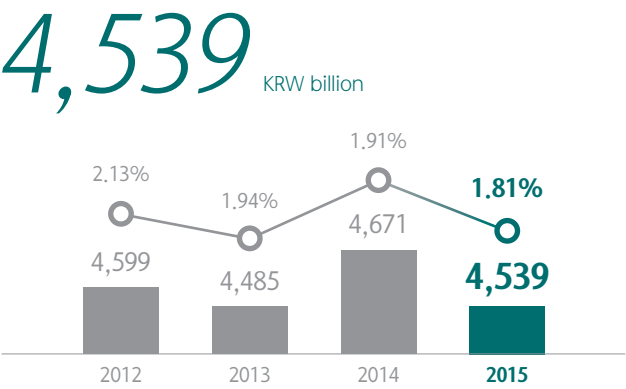
unit: KRW billion

	2015	2014
<strong>Profitability</strong>		
General Operating Income	6,689.6	6,331.6
Operating Income	1,010.5	1,243.4
Consolidated Net Income	909.7	937.7
ROA	0.29%	0.32%
ROE	4.17%	4.55%
EPS (KRW)	3,001	3,177
Cost to Income Ratio	67.73%	62.17%
<strong>Business Volume</strong>		
Total Assets	407,695.6	390,486.7
Total Sales	298,701.4	289,769.6
(Total Deposits)	266,957.2	260,230.6
(Sales of Beneficiary Certificates)	31,744.2	29,539.0
<strong>Asset Soundness</strong>		
Substandard & Below (NPL) Ratio	1.27%	1.35%
Substandard & Below (NPL) Coverage Ratio	131.45%	123.30%
Delinquency Ratio	0.68%	0.62%
<strong>Capital Adequacy*</strong>		
BIS CAR	13.31%	12.63%
Tier 1 Ratio	10.43%	9.67%
Common Equity Tier 1 Ratio	9.79%	9.18%
BPS (KRW)	72,319	71,848

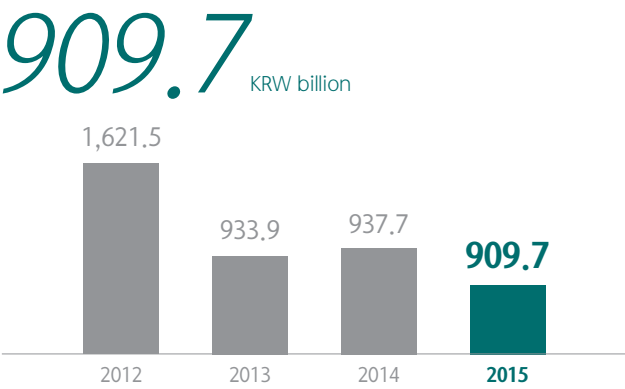
\*Based on Basel III standards

## Net Interest Income (Consolidated)

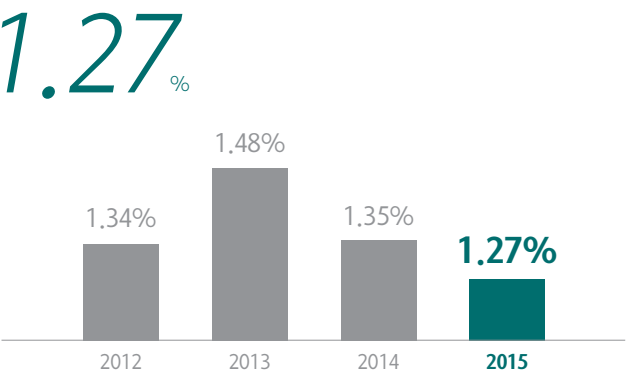
○ NIM  
■ Int. Income



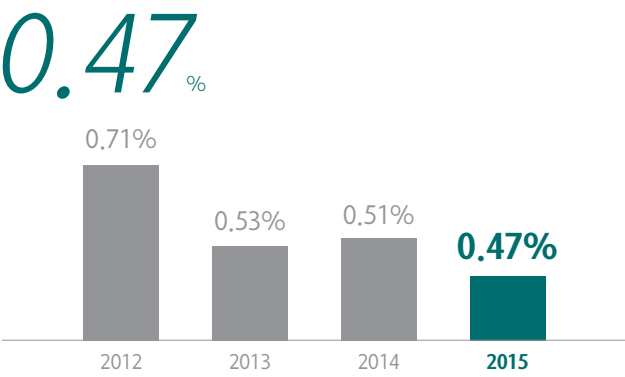
## Net Income (Consolidated)



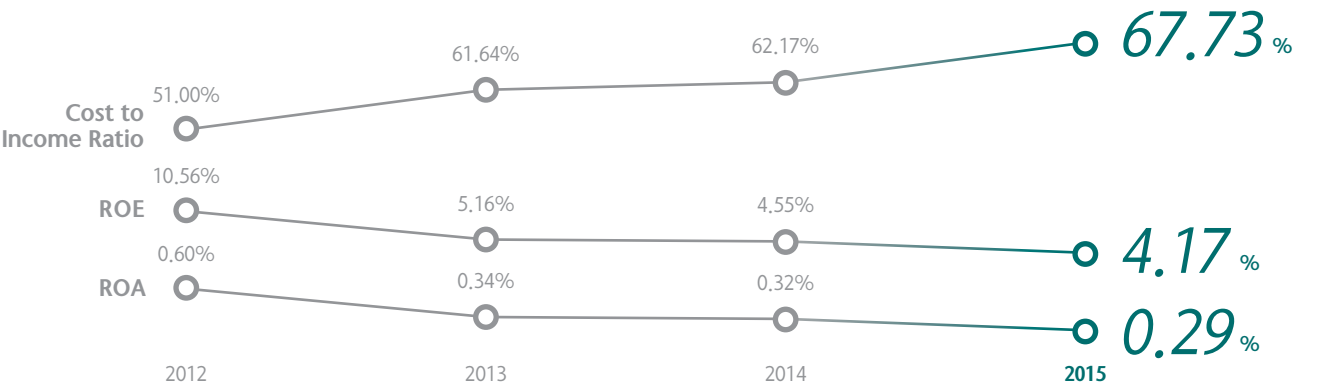
## NPL Ratio (Consolidated)



## Credit Cost (Cumulative)



## Major Indices (Cumulative, %)

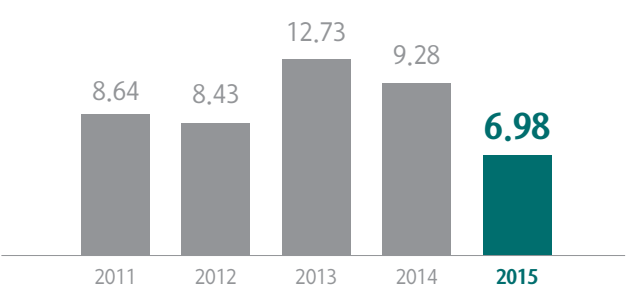




# STOCK INFORMATION

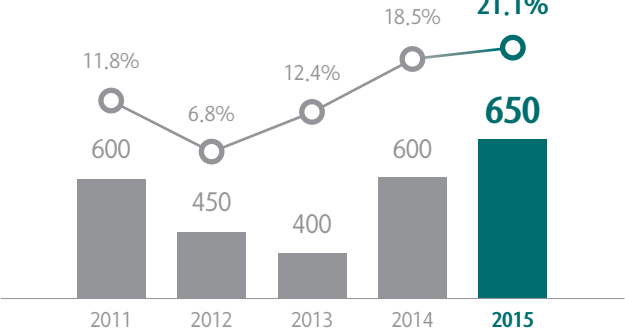
## Market Capitalization

6.98 KRW trillion



## Consistent Dividend History

650 KRW per share



## Outstanding Credit Ratings

(KEB Hana Bank)

As of May 2016



## Share Ownership

As of Dec. 2015



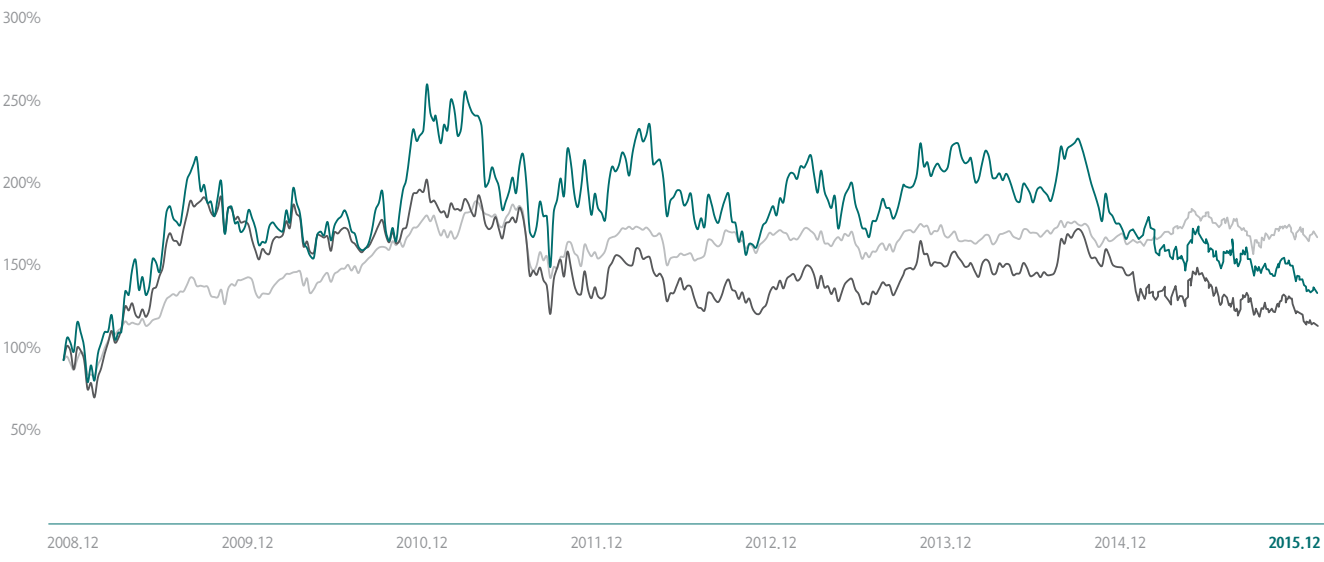
## Share Price Movements

unit: KRW, Point

	2015	2014	2013	2012	2011
High	33,850	43,850	43,900	44,900	49,700
Low	23,600	31,450	31,850	30,350	29,000
Year-end	23,600	32,000	43,900	34,700	35,550
KOSPI index (year-end)	1,961.31	1,915.59	2,011.34	1,997.05	1,825.74

## Stock Performance

Hana Financial Group, KRX Bank, KOSPI



- Feb. 2010  
Successfully weathered a financial crisis

Feb. 2010  
Hana SK Card linked JV pact with SK Telecom

Nov. 2010  
Signed to acquire Korea Exchange Bank (KEB)
- Jan. 2012  
The FSC approved the KEB acquisition

Jan. 2013  
BoD approved plan to turn Korea Exchange Bank into a 100% subsidiary through a share swap

Apr. 2010  
KEB delisted, new shares of Hana Financial Group listed
- Jan. 2014  
New Vision 'The Trusted Premier Global Financial Group' promulgated

Mar. 2014  
PT Bank KEB Hana, the integrated Indonesian subsidiary, launched

Dec. 2014  
Newly integrated KEB Hana Card launched  
Newly integrated subsidiary, Hana Bank (China) Ltd, launched
- Feb. 04, 2015  
Court approved an injunction sought by KEB labor union against the bank integration

Jul 13, 2015  
HFG & KEB Labor Union announced "The Bank Integration"

Sept. 01, 2015  
Launch of KEB Hana Bank

# GROUP OVERVIEW

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Risk Management	036

## LETTER FROM THE CEO

*“As the past decade witnessed our transformation into a leading financial franchise of Korea, our next chapter is to grow into a global premier financial group by realizing the true integration synergy.”*

Chairman & CEO of Hana Financial Group

**Kim Jung-tai**

### **Dear valued shareholders and customers,**

I am delighted to share with our shareholders and customers that we have strengthened the foundation for future growth through the integration of our bank operations.

The year 2015 was a year rife with challenges in the domestic and global economic environment. Nevertheless, efforts to increase shareholder value continued unabated at our operations. We are especially proud of having finalized the integration between Hana Bank and Korea Exchange Bank (KEB).

The integration between the two banks was an important final step in our structural reorganization, and was much needed for the implementation of unified, group-wide business strategies, as well as providing us with the basis for future growth. In this sense, 2015 was a uniquely fruitful year for us.





## LETTER FROM THE CEO

Despite challenging operating environment, our focused execution of global/digital banking strategy, prudent risk management and the timely integration enabled us to realize our vision as a trusted premier global financial group.

### A TIMELY INTEGRATION

#### Today, We are One

With the launch of KEB Hana Bank, we are now set on a vital and concrete path toward a future of becoming a global financial group. Its significance, therefore, can hardly be exaggerated. The integration between the two banks has been widely praised by both Korean and international financial industries as a smart move to secure a solid basis for future growth. In 2015, KEB Hana Bank was named the “Bank of the Year in Asia-Pacific” and the “Bank of the Year in Korea” by The Banker, the world-renowned financial industry publication.

### PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO

#### Be Better – The One Goal

Following the integration, KEB Hana Bank has become an unrivaled leader in the Korean foreign exchange and private banking market as it achieved an impressive 38% share of the foreign exchange market and was selected as the Best Private Bank. KEB Hana Bank owes its remarkable success to its accumulated expertise, outstanding staffs, and innovative products. Going forward, we will continue to make the most of the synergy generated by the integration between the two banks.

### EXPANSION OF GLOBAL OPERATIONS

#### Expanding into the Wider World

The combination of KEB’s vast global business networks and Hana Bank’s proactive localization strategy has afforded us a unique formula for differentiated global business operations. To attract new global customers, we will not only broaden our existing business channels, but also build new engines for growth through localization efforts. The goal is to ensure the continued expansion of our global operations.

### AT THE FOREFRONT OF DIGITAL BANKING

#### Paving Our Path to Future Finance

One of the most salient trends in the global banking industry today is the acceleration of digital banking. In a proactive response to this trend, we are offering a variety of Fin-tech services to lead this promising new segment of the banking market. “Future Finance,” the new market paradigm, will be incorporated into our global business strategy to power our medium and long-term growth.

### RIGOROUS RISK MANAGEMENT

#### Preemptive Risk Management Leads to Qualitative Growth

We face the financial environment that is currently characterized by persistent low growth and low interest rates. To remain competitive in such an environment, we maintain our focus firmly on qualitative growth, rather than quantitative expansion: in other words, we concentrate on profitability and risk management. We are striving to optimize our asset quality and to improve our capital adequacy ratios.

### TRANSPARENT GOVERNANCE

#### Consolidated Value Creation by Diversification and Interaction

In tandem with giving ourselves a new engine for growth through the integration between Hana Bank and KEB, we are also accelerating our efforts to build transparent corporate governance by ensuring the independence and expertise of the Board of Directors (BoD). To grow into a trusted global financial group, we will promote the business practices with our subsidiaries and bring their growth strategies into line with the group-wide strategies which have also proved beneficial for the development of Korea’s financial industries.

### SUSTAINABLE FINANCE

#### Building a Better Tomorrow for Everyone

We set our mission, “Growing Together, Sharing Happiness,” to create a sustainable business environment. To do so, we reach out to our communities through donations and voluntary activities for welfare facilities and internal fund-raising for low-income households and multicultural youths. In addition, we are reducing expenses through energy saving activities and financing giving back activities such as planting trees in our neighborhoods, investing in greenhouse gas emission reduction systems, and assisting energy-poor segments in our community. All of these actions will allow us to open up a new path toward our sustainable growth and ultimately make a better tomorrow for everyone.

We thank all our stakeholders including employees, customers, communities and shareholders for their confidence and trust in our group.

김정태

**Kim Jung-tai**

Chairman & CEO of Hana Financial Group



CEO BRIEFING

A TIMELY INTEGRATION

Today, We are One

On September 1, 2015, KEB Hana Bank was officially launched as a result of the integration between Hana Bank and KEB. Followed by the integration, KEB Hana Bank has become the largest Korean bank in terms of total assets, possessing vast global business networks that comprise 137 branches and offices in 24 countries around the world. Moreover, other subsidiaries have formulated new missions and conducted an organizational overhaul to ready themselves for a new period of growth.

Although the group-wide performance in 2015 failed to meet expectations due to the integration costs, we expect our efforts to bear fruit from this year by continuing with risk management and cost control that started in 2012 upon acquiring KEB.

This outlook is widely shared in the financial industries, as attested to by winning two prestigious awards: the “Bank of the Year in Korea” award and the “Bank of the Year in Asia-Pacific” award in 2015 by The Banker, an exceptional honor as KEB Hana Bank is the first Korean bank recipient to receive the award.

Going forward, the synergy gained from the integration will help us to expand the scale of our operations to maximize shareholders’ value, and propel us into the top ranks of global financial groups.

- A TIMELY INTEGRATION
- PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO
- EXPANSION OF GLOBAL OPERATIONS
- AT THE FOREFRONT OF DIGITAL BANKING
- RIGOROUS RISK MANAGEMENT
- TRANSPARENT GOVERNANCE
- SUSTAINABLE FINANCE



ASSET SIZE



No.1  
in Korea

NUMBER OF DOMESTIC BRANCHES



1,101

“BANK OF THE YEAR IN ASIA-PACIFIC”



1st  
Korean Bank recipient by “The Banker”



CEO BRIEFING

PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO

Be Better – The One Goal

KEB Hana Bank has accomplished 38% share of the foreign exchange market and 35% share in export-import markets as the end of 2015. In addition, it was selected as the Best Private Bank in Korea 2015 by Euromoney.

Being recognized by reputable organizations and the current market share data, KEB Hana Bank has emerged as an uncontested leader both in the foreign exchange and the private banking markets of Korea, since its inception through the integration. Accumulated know-hows, outstanding staffs, and innovative products helped establish its dominant market position.

In the private banking segment, the main strength of Hana Bank, quality services are now offered to all our customers, through a vast network of 934 domestic branches and 137 global networks. Under the initiative to expand its private banking capabilities, all our employees have been trained to provide customers with personalized asset management services.

In 2016, new investment-type products designed to meet the needs of VIP customers, such as ISA (Individual Savings Account), tax-exempt overseas equity funds and real estate investment consulting, will be launched, thereby diversifying our asset portfolio. Moreover, personalized foreign exchange advisory services will be made available to our customers through private bankers, who will undergo new training to equip themselves with necessary expertise in this area.

After the integration of the bank IT system scheduled for completion in June 2016, we expect the creation of great synergy through the efficient operation of manpower and business channels resulting from employee reshuffles and reassignments.

A TIMELY INTEGRATION

PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO

EXPANSION OF GLOBAL OPERATIONS

AT THE FOREFRONT OF DIGITAL BANKING

RIGOROUS RISK MANAGEMENT

TRANSPARENT GOVERNANCE

SUSTAINABLE FINANCE

“BEST PRIVATE BANK IN KOREA”



**8 times**  
awarded by Euromoney

FX / TRADE FINANCE MARKET SHARE



**No. 1**



CEO BRIEFING

EXPANSION OF  
GLOBAL  
OPERATIONS

Expanding into the Wider World

Since 2012, we have pushed for an early integration in order to secure a new growth engine, which is vital in becoming a global financial group. The goal was to use the synergy from the early integration to expand global operations, broaden business channels, launch future financial services for the global market, and invest in non-banking businesses to develop new revenue streams, over the medium to long term.

By coupling the vast worldwide business networks owned by KEB with Hana Bank’s proactive localization strategy, we plan to make inroads in the global market through differentiated business models. In China, we are receiving high returns from investment of financial institutions such as the Bank of Jilin and other various lease and investment firms. In Southeast Asia, we are working on equity investment and conducting M&A to increase our share of the global market.

By attracting new global customers through the widening of business channels and implementing localization strategies that are optimally adapted to individual regions, we are creating an engine for sustainable growth and improving the efficiency of our businesses. Meanwhile, to enhance the profit structure, we are strengthening the non-banking segment of our portfolio by supporting the growth of the securities, capital and credit card arms of our group. By thus balancing our profit structure, we will ensure the medium to long-term stability of our revenue stream.

- A TIMELY  
INTEGRATION
- PROFESSIONAL  
SERVICES AND  
OPTIMIZED PORTFOLIO
- EXPANSION  
OF GLOBAL  
OPERATIONS
- AT THE  
FOREFRONT OF  
DIGITAL BANKING
- RIGOROUS  
RISK MANAGEMENT
- TRANSPARENT  
GOVERNANCE
- SUSTAINABLE  
FINANCE





CEO BRIEFING

AT THE  
FOREFRONT OF  
DIGITAL BANKING

Paving Our Path to Future Finance

In an effort to venture into the rapidly growing global digital banking market, we will be launching new services to stake an early claim in this field.

“Hana Members,” the first comprehensive membership service in the Korean financial market, had attracted over 3.1 million members by March 2016, while “1Q Credit/Debit Card,” linked to this service, reached 430,000 issues, with over 220,000 customers opening a Hana Members Installment Savings account. In Canada and China, we launched “1Q Bank” our global online banking system. In the Philippines, we have begun the “1Q Transfer”, a faster and more convenient service at lower fees that also allows direct transfer to any of the 24 countries around the world that are covered by our global networks. Also, we released “mobi 1,” the world’s first mobile-only credit card optimized for mobile payment service, in 2015. These are only a few examples of how we are leading change in the financial service industry.

We are going to enlarge the customer base of our overseas branches utilizing “1Q Bank” in the future, while “1Q Transfer” will be used to transfer funds between overseas branches and offices within our worldwide networks to secure greater efficiency in the global retail banking business. We plan to closely integrate the concept of “Future Finance” with our global business strategy to develop new engines for medium to long-term growth.

A TIMELY INTEGRATION	PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO	EXPANSION OF GLOBAL OPERATIONS	AT THE FOREFRONT OF DIGITAL BANKING	RIGOROUS RISK MANAGEMENT	TRANSPARENT GOVERNANCE	SUSTAINABLE FINANCE
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“HANA MEMBERS” LAUNCHED



**1<sup>st</sup>**  
integrated membership program in  
Korean Financial Industry

“mobi 1” RELEASED



**1<sup>st</sup>**  
mobile-only credit card in the world



CEO BRIEFING

RIGOROUS  
RISK  
MANAGEMENT

Preemptive Risk Management  
Leads to Qualitative Growth

We are prioritizing qualitative growth over quantitative expansion by shifting our focus to profitability and risk management to cope with any economic and structural headwinds that might wait before us.

In an effort to implement proactive risk management, we have been rapidly reducing loan exposures to large corporates in our watch list and macro-sensitive sectors. The acquisition of KEB had sparked apprehension about our capital adequacy, as this brought down our capital ratios relatively.

We are rapidly improving common equity tier 1 capital ratio through continuous RoRWA management that is increasing profitability, and decreasing RWA through curtailing excessive loan exposures to large corporates. These efforts are resulting in tangible improvements in both asset quality and capital adequacy.

Understanding that systematic risk management is the key to the sound financial footing, and strengthening our risk management capabilities and our ability to proactively respond to a crisis will be a top priority.

- A TIMELY  
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- PROFESSIONAL  
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- EXPANSION  
OF GLOBAL  
OPERATIONS
- AT THE  
FOREFRONT OF  
DIGITAL BANKING
- RIGOROUS  
RISK MANAGEMENT
- TRANSPARENT  
GOVERNANCE
- SUSTAINABLE  
FINANCE





## CEO BRIEFING

# TRANSPARENT GOVERNANCE

### Consolidated Value Creation by Diversification and Interaction

We are making continuous efforts to enhance our corporate governance structure by bringing about greater transparency and efficiency in the composition and operation of the Board of Director (BoD), strengthening its role and ensuring that its responsibilities are effectively fulfilled. As the highest decision-making body, at least two-thirds of the board is composed of outside directors (8 outside directors and 3 inside directors), strengthening its ability to keep the management in check. Its members, experts in wide-ranging fields, advise the management.

The BoD is regularly reviewed and evaluated by outside directors concerning its roles and functions, and its operation, as well as the composition and the qualifications of its members. The evaluation is carried out in the form of a paper survey to guarantee the independence of the process.

Meanwhile, to align interests and values of shareholders, the majority of executives' compensation is determined by the equity linked Performance Share Plan (PSP). PSP is a deferred payout system which reflects both our earnings and share price relative to peers, which are evaluated over the performance for the past three years. The payout is either in the form of stock shares or an equivalent amount of cash and is given one year after the end of the evaluation period.

A TIMELY INTEGRATION

PROFESSIONAL SERVICES AND OPTIMIZED PORTFOLIO

EXPANSION OF GLOBAL OPERATIONS

AT THE FOREFRONT OF DIGITAL BANKING

RIGOROUS RISK MANAGEMENT

TRANSPARENT GOVERNANCE

SUSTAINABLE FINANCE



EVALUATION RATING OF CORPORATE GOVERNANCE  
(As of Dec.2015)



A+

\* ESG evaluation ratings by Korea Corporate Governance Service



CEO BRIEFING

SUSTAINABLE  
FINANCE

Building a Better Tomorrow  
for Everyone

We are fulfilling in our corporate social responsibility through social and environmental management to open a new sustainable path for the financial industry. As we thus work toward creating a sustainable business environment, we are one step closer to fulfilling our mission: “Growing Together, Sharing Happiness.”

As part of our community involvement efforts, our volunteer corps, composed of staffs and their family members, regularly engages in community service activities. Our employees have also been active in charitable work, giving to welfare facilities, low-income households and multicultural youths via internal fund-raising efforts. Since 2011, we have been matching charitable donations by our staffs through a program called “Hana the Matching.”

We have declared every day over the two-month period from November 11 of each year to January 11 of the following year “Everyone Hana Day” campaign, which includes community services and sharing with those in need.

Moreover, our corporate and social responsibility activities include our effort to fight against global warming and creating solutions to climate change. Under an environmental management strategy focused on helping the transition toward a low-carbon society, we are making efforts at various levels in a drive to reduce the carbon footprint of our operations. In 2016, KEB Hana Bank became the first Korean financial institution to sign an MOU with the Ministry of Environment and KCEN (Korea Climate & Environment Network), pledging to “reduce greenhouse gases by one ton per employee.” A variety of plans to cut energy consumption will be implemented at all of our domestic branches from 2016.

A TIMELY  
INTEGRATION

PROFESSIONAL  
SERVICES AND  
OPTIMIZED PORTFOLIO

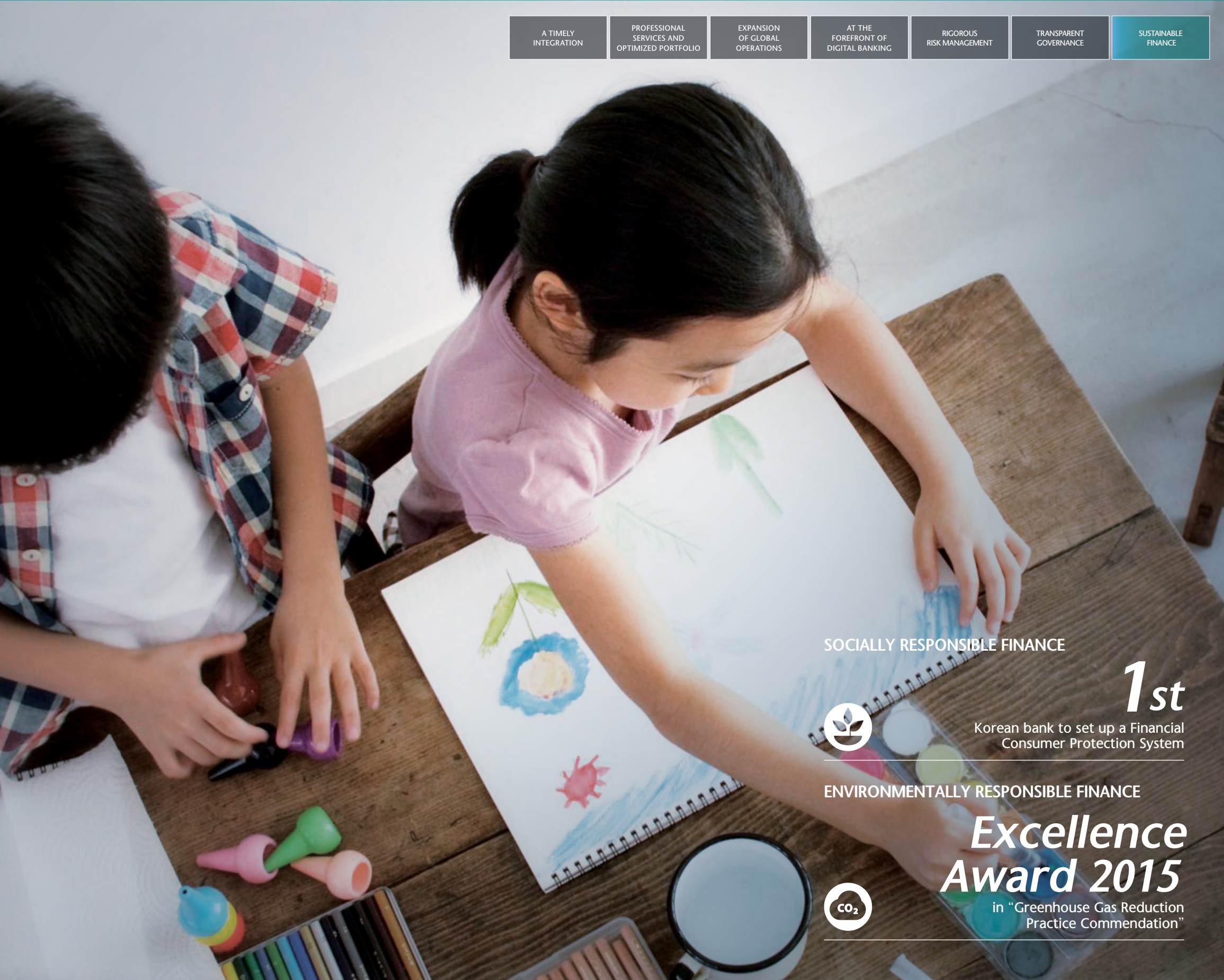
EXPANSION  
OF GLOBAL  
OPERATIONS

AT THE  
FOREFRONT OF  
DIGITAL BANKING


RIGOROUS  
RISK MANAGEMENT

TRANSPARENT  
GOVERNANCE

SUSTAINABLE  
FINANCE




SOCIALLY RESPONSIBLE FINANCE



1<sup>st</sup>  
Korean bank to set up a Financial  
Consumer Protection System

ENVIRONMENTALLY RESPONSIBLE FINANCE



**Excellence  
Award 2015**  
in “Greenhouse Gas Reduction  
Practice Commendation”



# BOARD OF DIRECTORS



Yoon Sung-bock	Hong Eun-joo	Ham Young-joo	Yoon Jong-nam (Chairman of BoD)	Kim Jung-tai	Kim In-bae
Former CEO, KPMG Samjong Accounting Corp	Professor of Economics & Finance in Hanyang Cyber University	President & CEO, KEB Hana Bank	Representative Attorney, Law Office Chung-Pyung	Chairman & CEO, Hana Financial Group	Professor of Economics in Ewha Womans University
•Head of Audit, KPMG Samjong Accounting Corp.	•CEO, IMBC •Head of Financial Editor, MBC	•Deputy President, Chungchong Business Group, Hana Bank •Assistant Deputy President, Daejeon Regional Business Division, Hana Bank	•Director, Seoul Southern District Prosecutor's Office •Director, Suwon District Prosecutor's Office	•President & CEO, Hana Bank •President & CEO, Hana Daetoo Securities Co., Ltd.	•Associate Professor of Economics & International Commerce, Soong-sil University

Song Ki-jin	Park Moon-kyu	Kim Byoung-ho	Yang Won-keun	Park Won-koo
Non-executive Advisor, DR & AJU Law Firm	Chairman, AJ Co., Ltd.	Vice Chairman, Hana Financial Group	Former Deputy President of KB Financial Group	Professor of Seoul National University Global Education Center for Engineers
•President & CEO, Kwangju Bank •Deputy President, Woori Bank	•President & CEO, AJ Co., Ltd. •President & CEO, PMK Inc.	•President & CEO, Hana Bank •Deputy President & Group Head, Marketing & Global Business Group, Hana Bank	•Standing Auditor Committee Member, Woori Bank •Executive Director, Korea Deposit Insurance Corporation	•Professor of Graduate School of MOT in Korea University •CEO, Erlang System Inc.

# AT A GLANCE

## HANA FINANCIAL GROUP

Founded in 2005, Hana Financial Group is expanding its global presence through its combined overseas network, the largest in Korea. Hana Financial Group serves as the holding company for its subsidiaries and is responsible for group level management strategies, resources and support. The subsidiaries include 10 first-tier, 23 second-tier and 2 third-tier subsidiaries.  
(as of March 2016)

TOTAL ASSETS\_CONSOLIDATED

unit: KRW billion

407,696

NET INCOME\_CONSOLIDATED

unit: KRW billion

909.7

SHAREHOLDERS' EQUITY

unit: KRW billion

22,972

## CONSOLIDATED FINANCIAL STATEMENTS

unit: KRW billion

	HFG Ownership	Total Assets	Net Income	Shareholders' Equity
Hana Financial Group Inc.	–	407,696	909.7	22,972
KEB Hana Bank	100%	329,088	366.8	21,372
Hana Financial Investment	100%	26,329	149.1	1,789
KEB Hana Card	85%	6,738	10.9	1,337
Hana Life	100%	3,851	22.5	267
Hana Capital	50.13%	4,472	65.1	569
Hana Savings Bank	100%	1,086	18.1	178
Hana Asset Trust	100%	24,097	10.5	105
Hana I&S	89.98%	228	2.4	107
Hana Institute of Finance	100%	5	0.1	4
Hana Investors Services	100%	27.7	5.0	23.3

\* The percentages are the shares of equity held by the parent company in the respective subsidiaries (current as of December 2015)

## KEB Hana Bank

KEB Hana Bank was launched on September 1, 2015, following the integration between Hana Bank and Korea Exchange Bank (KEB). (Hana Bank was created in July 1991 when its predecessor, Korea Investment and Finance Corporation (founded in June 1971) was re-organized as a bank. On December 1, 2002, Hana Bank absorbed Seoul Bank, a historic bank founded in December 1959. KEB was founded in January 1967) The integration between Hana Bank and KEB meant a winning combination of the respective strengths of the two institutions. With an unparalleled competitiveness in private banking and FX, KEB Hana Bank is marching its journey to become a top-tier global bank.

## Hana Financial Investment

Hana Financial Investment originates from Korea Investment Corporation, a public corporation established in December 1968. In 1977, Korea Investment Corporation was re-launched as Korea Investment Trust which was again renamed, in September 2015, “Hana Financial Investment.” As the asset management arm of Hana Financial Group, Hana Financial Investment has been consistently at the forefront of the Korean capital market. Its many milestones include the establishment of Korea’s first investment fund and attaining number one rank in brand power in investment trust for six consecutive years. Hana Financial Investment is also known for its unique and innovative investment banking model. By taking advantage of Hana Financial Group’s extensive global network, Hana Financial Investment is today on a path to rise as Asia’s top investment bank, a worthy competitor among the world’s major investment banks.

## KEB Hana Card

Hana SK Card, a result of collaboration between SK Telecom and Hana Bank’s card division formed in 1992, was established in 2010. In December 2014, Hana SK Card was re-launched as KEB Hana Card following the integration with KEB Card (established in 1978). The first Korean card company to offer a mobile card, KEB Hana Card, is currently the leader in the mobile payment market promoting “Smart Life” as the “Smart Financial Innovator.”

## Hana Life

An industry trailblazer, Hana Life became, in February 2003, the first Korean insurance firm to venture into the bancassurance business. Hana Life combines an extensive selection of reliable insurance products with optimal financial planning and follow-up services. As a member of a major financial group possessing wide-reaching marketing channels and advanced insurance technologies, Hana Life is making impressive headway into becoming Korea’s most trusted insurance company.

## Hana Capital

Hana Capital is a retail credit-specialized financial company and joined Hana Financial Group in 2005. Its portfolio of services includes leases, installment loans and loans. Benefiting from Hana Financial Group’s vast stock of know-how in various financial fields and brand competitiveness, Hana Capital is continuously developing new products that are both convenient for customers and highly differentiated. Currently, Hana Capital is also setting its sights on overseas markets to find new engines for growth.

## Hana Savings Bank

Hana Savings Bank joined Hana Financial Group in 2012, bringing in quality banking services dedicated to middle income and lower classes and expanding the selection of financial products and services for Hana Financial Group customers with competitive savings products.

## Hana Asset Trust

Hana Asset Trust, launched in 2004, became a member of Hana Financial Group in March 2010. By collaborating with other affiliates of Hana Financial Group, Hana Asset Trust is tapping advanced financial techniques to develop innovative new products. The real estate services offered by Hana Asset Trust are a prime example of its uniquely innovative service offerings. Bolstered by expert manpower specialized in real estate and the strong trust of customers, Hana Asset Trust is quickly emerging as a leader of this field, providing the whole gamut of real estate services.

## Hana I&S

Hana I&S is the IT arm of Hana Financial Group and its key engine for growth. Since its creation in 1990, Hana I&S has built systems for a complete spectrum of financial fields, ranging from banking and securities to credit cards and insurances, and has accumulated an impressive body of knowledge related to their operation. With the opening of the Hana Integrated Global Data Center in Cheongna, scheduled for 2017, Hana I&S is expected to further consolidate its position as the future leader of Korean IT.

## Hana Institute of Finance

Hana Institute of Finance is Hana Financial Group’s think-tank as well as its knowledge center. Since its inception in June 1987, Hana Institute of Finance has been responsible for drawing up management strategies aimed at strengthening the core capacities of the holding company and subsidiaries and providing group level support. By developing and implementing knowledge management systems, Hana Institute of Finance is leading change and spearheading advancement in Korea’s financial industry.

## Hana Investors Services

Hana Investors Services is a fund accounting and administration company that was established in accordance with Article 254 of the Capital Market and Financial Investment Business Act. Hana Investors Services is mainly engaged in calculating the net asset value of funds and offers full support and systems related to investment asset compliance, performance analysis, risk management, order management and other operations. Since its inception, Hana Investors Services has grown rapidly by focusing on customer-oriented solutions and serving a broad array of institutional investors, such as asset managers, public and corporate pensions, insurers, and bank trust accounts.



# CORPORATE GOVERNANCE

We are striving to establish a fair and transparent governance structure by guaranteeing the independence of the BoD: an essential precondition for the success of our effort to create a great customer, shareholder and employee value.

## Efforts to Ensure the Independence and Transparency of the BoD

The BoD, the most important decision-making body of Hana Financial Group, is composed of 8 outside directors and 3 inside directors. The BoD, as its majority is made up of outside directors, is effectively serving its function of checking the activities of the management, while ensuring the highest standards of transparency.

Moreover, the BoD assumes an advisory role toward the management, as its members are experts in wide-ranging fields, including finance, business admin, and law. The BoD may also receive consulting from outside organizations, when necessary.

When appointing an outside director, a candidate is nominated by the Outside Director Nomination Committee, taking into consideration the expertise and diversity of the BoD. To ensure that the candidates meet the required standards of independence, expertise, professional integrity and ethical conduct, they are thoroughly verified through a fair and objective process, using eligible criteria under relevant laws and regulations, as well as pursuant to the Financial Corporate Governance Code. Furthermore, for greater transparency, the activities of the BoD are made known to shareholders, investors and customers through a disclosure on a regular basis.

## Committees of the BoD

To improve the transparency of management, we are enhancing the governance structure and increase the efficiency of the BoD, 6 standing committees have been put into place: namely, Steering Committee of BoD, Audit Committee, Risk Management Committee, Management Development and Compensation Committee, Outside Director Nomination Committee and Auditor Nomination Committee.

The BoD delegates some of its authority, when necessary, to a board committee within the limits allowed by relevant laws and regulations and the Articles of Incorporation. Through these committees, the BoD deliberates on issues such as improvement of the governance structure, efficiency of the BoD's operation, accounting and business audits, management of various risks to business operations, group level compensation policies, as well as nomination of outside directors and auditors. The highlights of the activities of the BoD and committees thereof are disclosed on a regular basis.

## Stock-linked Performance Share Plan for Alignment of Interests

At Hana Financial Group, an important part of variable compensation for executive officers is provided through an equity-linked Performance Share Plan.

The Performance Share Plan is a deferred payout system which reflects both the company's earnings and the share price relative to peers that are evaluated over the performance for the past three years. The payout is either in the form of stock shares or an equivalent amount of cash and is given one year after the end of the deferral period. Executive officers receive 50% or more of their variable compensation package through the Performance Share Plan to ensure the alignment of interests between shareholders and the management.

## EVALUATION RATINGS OF CORPORATE GOVERNANCE



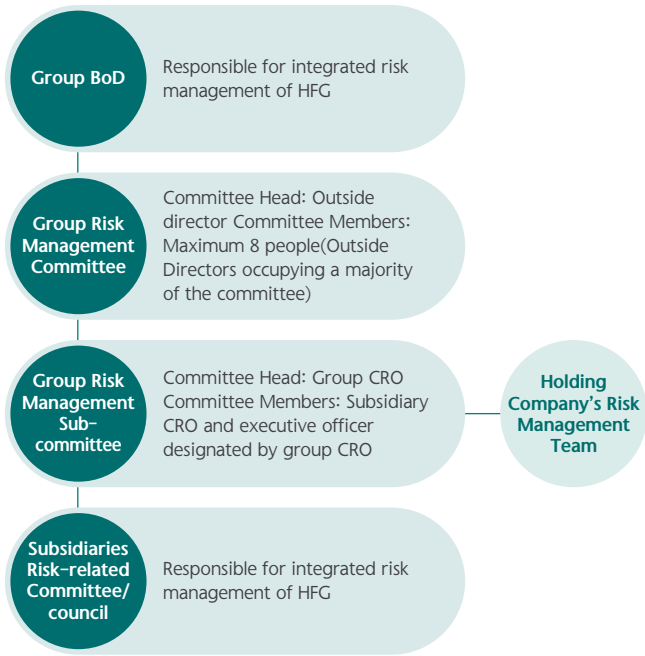
※ ESG evaluation ratings by Korea Corporate Governance Service

## BOARD COMMITTEES

Title	Composition	Purpose and Responsibilities
Steering Committee of BoD	1 inside director, 4 outside directors	Deliberation on issues related to the enhancement of the governance structure, efficient operation of the BoD and its committees and other matters delegated by the BoD
Audit Committee	5 outside directors	Planning and conducting of internal audits, including accounting and business audits and other audits incidental thereto: evaluation of the audit results, implementation of follow-up measures and establishment of improvement strategies
Risk Management Committee	5 outside directors	Establishment, approval and management of policies and plans for managing various risks to business operations
Management Development and Compensation Committee	3 outside directors	Deliberation on, and establishment of, group level compensation policies: evaluation of executive officers performance for the holding company and subsidiaries and deliberation on performance compensation
Outside Director Nomination Committee	1 inside director, 4 outside directors	Establishment of the guidelines for appointing outside directors, searching and nominating qualified outside director candidates from various fields
Auditor Nomination Committee	8 outside directors	Selecting candidates to the Audit Committee and nominating them at the General Meeting of Shareholders

# RISK MANAGEMENT

We understand how vital a proactive and systemic risk management is for the success of financial operations. We are, therefore, making continuous efforts to maximize our risk management capacity so that we can respond to any crisis or contingency effectively. Our risk management efforts cover a broad spectrum of risks that may occur during the course of business activities at the group level. Credit, market, liquidity and operational risks are managed in accordance with the group level guidelines, through successive stages of detection, measurement, monitoring, control and reporting.



## Risk Management in 2015: Status and Accomplishments

In 2015, under the goal of raising our levels of asset quality and capital adequacy to the highest standards, Hana Financial Group selected three core tasks: strengthening systems for improving capital efficiency, qualitatively enhancing the asset portfolio, increasing the capacity for proactive risk management and upgrading the risk management system. Ahead of the coming into effect of full-phased the Basel III capital regulations, we implemented more stringent capital adequacy management procedures and macro-sensitive sectors and companies with increased risk and reduced credit exposure to this group of borrowers.

Moreover, to obtain the approval under the Group Basel Credit Risk Internal Rating-Based Approach, we established a system infrastructure including a group-wide credit assessment model.

## Risk Governance

At Hana Financial Group, risks to our operations are comprehensively managed at a group-wide level by a Chief Risk Officer (CRO) in a manner to allow timely recognition of the risks affecting all affiliates of our business network, and a proactive response to them. The Risk Management Committee, our highest risk management decision-making body, is responsible for establishing, approving and managing related group level policies and master plans for all types of risks that can occur. A Group Risk Management Execution Committee convenes on a monthly basis to discuss risk agenda of our subsidiaries including KEB Hana Bank, our flagship subsidiary, and other affiliates of our business network, and strategies to contain and minimize any detected risks. The risk governance system in place is, therefore, highly interactive, as it rests upon close communication with our subsidiaries.

## Management Strategy by Type of Risk

### Management of Credit Risk

To comprehensively manage credit risk across all segments, we have developed an independent credit rating system, also putting into place an internal risk management structure and monitoring systems such as an early warning system. Furthermore, the likelihood of borrower or counterparty default is measured through credit rating, pricing and a risk management system, by type of assets (retail or business loan assets). Meanwhile, in light of the growth in non-performing loans as a result of the recent wave of corporate restructuring and the property market slowdown, coupled with the increase in country risk amid the uncertainty in the global financial market, efforts were actively undertaken to minimize the risk of loss from counterparty default by diversifying the portfolio. We overhauled our credit line management system at the group level to set differentiated credit caps among the same type of borrowers and established the maximum lines of credit per industry simultaneously with placing sectors with a poor outlook in the watch list for close monitoring. Our efforts also included setting the maximum lines of credit for real estate PF, and the maximum credit exposure by country and by financial institution.

### Management of Market Risk

For proactive management of market risk, a maximum level of market risk, including maximum exposure, maximum VaR (Value at Risk) and maximum loss, is set for each segment of operation per product or division/ organization. The level of market risk is measured on a daily basis. The results of daily monitoring are then reported to the group level Risk Management Executive Committee and the group level Risk Management Committee every month as well as on a quarterly basis, so that the level of market risk may be adequately controlled at all times. Moreover, to prepare for a possible outbreak of another financial crisis amid signs of uncertainty in the financial market, a set of various early alert indicators and internal management indicators are being monitored

in real time. In case of a crisis, a stage-by-stage response procedure has been established to effectively minimize losses.

### Management of Liquidity Risk

Liquidity is managed so that the level stays above pre-established minimums at all times. Furthermore, to effectively respond to potential liquidity crises that may occur from market uncertainty and meet the related recommendations from the supervisory authority, an early warning system is in place. Liquidity stress is continuously tested through statistical analysis, performed under various simulated stress scenarios. Finally, a comprehensive crisis response procedure has been established to prepare our organization for the eventuality of a liquidity shock.

### Management of Operational Risk

The amount of operational risk, incurred as a result of changes in the business environment or at the level of internal control, is periodically measured quantitatively to keep it at a manageable level. The overall amount of operational risk is routinely monitored to ensure that it is below the maximum allowable level at all times. Each of our affiliates calculates the amount of operational risk for their respective business sector, using a methodology that is in compliance with the guidelines set by the supervisory authority. The results of estimation are then reported to the group-level Risk Management Executive Committee and Risk Management Committee on a monthly as well as a quarterly basis. Even those affiliates that are subject to no particular regulations concerning operational risk are required to report the results of monitoring related losses and IT disruptions to the holding company.

There is also a newly integrated operational risk management system which was set up at KEB Hana Bank in 2016 combining the respective strengths of the systems of Hana Bank and KEB. This optimized system is expected to greatly enhance our operational risk management capacity at the group level.

## Reducing Exposure of Watchlists

At Hana Financial Group, high-risk corporate borrowers are selected every year and placed on a watch list, using an internally-developed credit rating model. Companies awarded with a credit line that is greater than 0.1% of the total available credit line or exceeding a certain limit in the overall amount of credit transactions are evaluated as a group, according to both financial and non-financial factors, to determine the likelihood of liquidity risk and shock-absorption capacity.

Companies in the watch list are subject to special monitoring, which tracks key risk factors, changes in credit rating and the subject companies' rehabilitation plan, if they are under court-ordered restructuring, so that the level of exposure to this group can be controlled and managed accordingly.

## Controlling Exposure of Cyclical Industries VIA Proactive Risk Management

To prepare for the risk arising from the process of industry restructuring amid the global economic slowdown and oversupply, we are currently selecting and managing high-risk sectors. Hana Institute of Finance periodically publishes industry ratings as part of an effort of routine monitoring of industry risks and independent industry evaluation. The industry ratings published by the Hana Institute of Finance reflect the estimated risk specific to each industry and the

outlook thereof and are used for the management of our portfolio. For sectors on our watch list, selected according to these ratings, appropriate limits are set on exposure. The industry ratings are also reflected on the credit ratings of individual borrowers.

For instance, the five sectors that are likely candidates for industry restructuring (shipbuilding, shipping, petrochemicals, steel and construction), as the slowing Chinese economy leads the world into a recession, have been already receiving our attention and placed in our watch list. Moreover, marginal firms in these five sectors are subject to particularly strict risk management controls.

## RoRWA Management to Enhance Common Equity Tier 1 Capital Ratio

In 2015, in an effort to increase capital efficiency, we adopted a new strategy of reducing assets with below minimum threshold of return on risk-weighted assets in favor of high RoRWA assets. As a result, this brought down our RWA while increasing profitability, lifting our common equity tier 1 capital ratio by 0.61%, from 9.18% in the end of 2014 to 9.79% in the end of 2015.

In 2016, the effort to improve capital efficiency will continue through a portfolio strategy consisting in increasing capital investment in assets with high RoRWA and closely managing our asset quality and profitability.

## KEY RISK MANAGEMENT TASKS FOR 2016

<b>Proactive risk management</b>  Proactive management of high-risk portfolios, systemic management of credit costs, and improvement of the market crisis response system.
<b>Improve the efficiency of the capital adequacy management system</b>  Enhancing the capacity for the management of capital adequacy at the group level, setting up a Basel Pillars 2 & 3 response system.
<b>Portfolio optimization</b>  An asset expansion strategy which takes into account capital efficiency, strengthening risk management by reducing unused credit lines.
<b>Upgrading the risk management system for greater effectiveness and stability</b>  Approval of the group-level Foundation IRB by the supervisory authority, group-wide use of a single credit rating system, development of an integrated early warning system.
<b>Risk Management in anticipation of global expansion through broadening of the overseas network</b>  Strengthening the risk management system for overseas subsidiaries and stepping up the control of sovereign risk.

# REVIEW OF OPERATIONS

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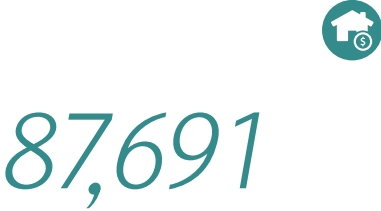


# RETAIL BANKING

In 2015, the launch of KEB Hana Bank provided us with a solid basis to pursue our expansion into a top-tier global financial group. By capitalizing on our competitiveness in asset management, foreign exchange and overseas network, we intend to grow into a premier financial provider.



KRW HOUSEHOLD LOANS unit: KRW billion



## Household Loans

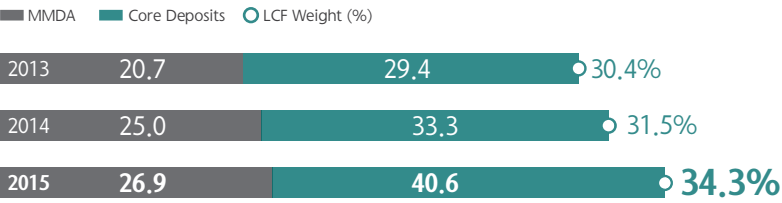
### Household Loan Market in 2015 and Outlook for 2016

In 2015, the volume of lending to households increased sharply in Korea to hit the KRW 1,200 trillion mark at year’s end. Amid this uptrend, Hana Financial Group’s share in the household loan market also edged up +0.4% YoY to 15.6%. The volume of mortgage loans jumped particularly sharply due to a combination of factors, including high prices of Jeonse (house leases or rental deposit) driving up the home buying demand, an increase in collective loan due to high numbers of new apartment sales, surge in loan demand ahead of new loan regulation that became effective in 2016, and continuously low interest rates. Despite the upswing in the volume of household loans, the delinquency rate fell from 0.39% in 2014 to 0.26% in 2015, proving sound asset quality.

KRW HOUSEHOLD LOANS unit: KRW trillion



LOW COST FUNDING(LCF) unit: KRW trillion



In 2016, the growth in mortgage loans is expected to slow down somewhat, suppressed by the weak demand recovery amid the global economic downturn and other unfavorable economic conditions. Another factor that may cause the mortgage market to shrink is the new loan review process which includes a more strict repayment capacity review and is designed to move borrowers away from non-amortizable. Due to high principal repayment burden, it will have an overall effect of suppressing new demand and thereby shrinking the size of the mortgage market. However, as the new loan review process will be applied across all segments of the financial market, losing business to competitors will be unlikely.

With a possible slowdown in the housing market in 2016, amid the slowdown in real estate price growth and decrease in transaction volume, we plan to continue our strategy from 2015 of actively selling Korea Housing Finance Corporation loans as a way of hedging the risks and increasing fee income. This will be coupled with measures to ensure the quality of loan assets such as strengthening the loan review procedure for collective loans and risk management for loans to borrowers with a high repayment burden. Finally, in line with the current government policy, the focus in mortgage loans will be on fixed-rate loans and amortizable loans.



KRW DEPOSITS

unit: KRW billion



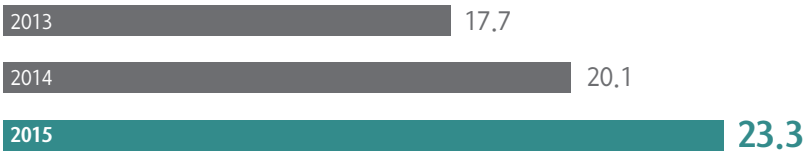
173,310

Enhancing the Funding Structure to Improve NIM

Following its launch in September 2015, KEB Hana Bank engaged in an active effort to attract new customers to give itself a customer base befitting the leading commercial bank it aims to become. As a result of this effort, the number of customers increased by 870,000 to 17.9 million, the highest customer growth rate among major Korean banks. KEB Hana Bank's deposits also increased 3.3% YoY to KRW 196.6 trillion. Meanwhile, the continuous effort to enhance the funding structure resulted in a 21.6% increase in core deposits to nearly KRW 40.6 trillion, and a 6.7% decrease in high cost funding sources like time deposits to KRW 94.4 trillion, significantly improving the NIM.

FOREIGN CURRENCY DEPOSITS

unit: KRW trillion



In 2016, with the anticipation of a new competitive landscape in the financial market and the reorganization of the market as a result of the emergence of internet-primary banks and the launch of Current Account Switch Service and new products such as ISA (Individual Savings Accounts), KEB Hana Bank is planning to make all-out efforts to rise above the competition by attracting new customers and effectively managing the existing customer base. To achieve this goal, the customer relationship unit will be overhauled for greater efficiency, with the behavioral analysis of customers stepped up. Along with putting into place customer-oriented services and systems, marketing operations will use data-backed targeted approaches that are adapted to different goals. One of the major banking trends today is the decrease in transactions at branches in favor of more transactions using smart devices. Going forward, the plan is therefore to strengthen marketing efforts linked to non face-to-face online channels such as the internet, smartphones and call centers. The goal is to attract new customers, re-engage inactive customers and continuously reduce the leakage of current customers. Efforts are also underway to increase the number of customers using KEB Hana Bank as their primary bank, using the rapidly expanding base of "Hana Members," the first comprehensive membership program in the Korean financial market, launched in October 2015.

In 2016, the effort to broaden the overall customer base and increase the share of low cost funding deposits by bringing more customers to use KEB Hana Bank as their primary bank will continue. One of the plans is to make the most of the Current Account Switch Service to bring in customers with a good payment track record, at the same time as effectively managing relationships with existing customers. Moreover, efforts will be made to increase cross-selling among ISA customers and widen the offering of unsecured loans to outstanding customers to improve return on assets.

Bancassurance

Number One Market Share in Guarantee-Type Insurance

Following the revision of the tax benefits, the domestic bancassurance market shifted its attention from VIPs purchasing large-amount policies to middle-class customers who are relatively less sensitive to the effect of the revised regulations.

With the focus on policies geared toward the middle market, such as annuity, endowment and guarantee-type insurance products, we have been strengthening training for our sales staffs, including product training and sales skills training, so that they can be more confident and proactive in their sales efforts. This effort has borne fruit, recording sales of 22,252, jump of 170% YoY while newly contracted amount had a 264% increase YoY. This has also handed us the largest share in the guarantee-type insurance market, at 51%.

The lower renewal fee for savings-type and broader spread of the fee payment schedule for installment-based, which began in 2015, will remain in effect in 2016. These new rules, however, do not apply to guarantee-type insurance product, which will continue to be our key product category in 2016. We plan to step up training for this product category, also increasing marketing support. By concentrating our sales efforts on annuities and guarantee-type insurance/installment-based products, we intend to secure fee income over a long term. To increase our income over a short term, we are looking to expand our offering of deferred endowments, savings annuity and immediate annuity products.

Investment Funds

Increased Needs of Mid-Risk/Return Funds

During the first half of 2015, as quantitative easing continued globally, and stock indices in most developed countries fared well, hitting the year's high. During this period, sales were driven mainly by equity funds invested in the developed world, such as <sup>1)</sup>European countries and Japan where quantitative easing was expected, <sup>2)</sup>Chinese market-related funds which performed well since the launch of Shanghai-Hong Kong Stock Connect and <sup>3)</sup>Korean equity funds and mid-risk/return hybrid funds that gained in popularity as alternatives to other emerging market funds.

In the 2nd half, amid the market concerns about an US interest rate hike, the mood turned for market correction due to the disappointing economic indicators in China and a slump of oil prices. During this period, the focus was placed on mid-risk/return Korean hybrid funds and publicly offered IPO fund that are adapted for a highly volatile market environment, addressing investors' preference for flight to quality and low risk appetite. Long-short funds, designed to capitalize on market volatility, were also among the key products sold during this period.



BANK CUSTOMERS WITH  
+KRW 100 MILLION IN AUM

unit: customers



195,440

## Private Banking

### Broader Offering of Private Banking Services

Following the integration, KEB Hana Bank has extended asset management services to customers with an AUM of KRW 30 million or more at all branches. The team of experts comprising portfolio managers, tax advisors and real estate consultants from our private banking HQs are now made available to customers of all branches. Meanwhile, existing private banking customers continue to receive comprehensive wealth management services from 350 PBs serving the members of the Gold Club/VIP Club.

Moreover, to further boost our competitiveness in this field, we are planning to add foreign exchange advisory services, tailored to the individual needs of private banking customers. We are aggressively courting expat customers, building a close relationship of cooperation with foreign-invested firms and local governments while increasing our share of the foreign worker market to maximize our revenues.

In 2016, new investment products and services, designed to meet the needs of VIP customers, such as ISA, tax-exempt overseas equity funds and real estate consulting will be released, diversifying customers' overall asset portfolio. Special efforts will be also made to enhance customer satisfaction by creating a team dedicated to providing follow-up advisory services. Meanwhile, the opening of the International PB Center (IPC) in Yeoksam, Seoul, in June 2015 will be followed by a series of other IPCs in locations such as Jeju and Busan to manage assets of high net worth individuals in Korea, China and worldwide.

### PRIVATE BANKING AWARDS RECEIVED IN 2015

*“Best Private Bank in Korea 2015 by Euromoney”*  
(8 times)

*“Best Private Bank in Korea 2015 by Global Finance”*  
(the first Korean bank to be selected)

*“Best Private Bank in Korea 2015 by Asian Private Banker”*  
(3 consecutive years)

*“Outstanding Private Bank –  
“North Asia Regional Player and the Outstanding Wealth Management”*  
(Technology Initiative – Front End by PBI)



## CORPORATE BANKING

In 2015, in line with the government's policy to promote creative finance, we made active efforts to attract new SME customers and increase SME loans. These efforts have yielded their fruit: during the second half, we were ranked second overall in the “Bank Innovation Assessment” and earned the second place in the area of technology financing.



KRW SME LOANS

unit: KRW billion



62,441

SME

Strategic Growth in SME Loans

In 2015, SME loans increased 10.5% YoY to KRW 62.4 trillion, at a rate far surpassing the industry average. The number of SME loan customers also rose sharply, by 19.0%, compared to late 2014, to 207,382; the highest growth rate in the last three years.

Furthermore, as a result of the effort to rebalance our loan portfolio, the share of SME loans in the total corporate loans has been expanding every year. In 2015, the share of SME loans edged up 7.2% to 74.1% from 66.9% in 2014. Our share of the SME loan market has also been increasing commensurately, as a consequence.

In 2015, robust efforts for marketing new products designed to attract new SME customers and gain the loyalty of existing customers, such as “Sharing Happiness Loans,” “Loyal Customer Preferential SME Loans,” and “SME Plus Loans” helped bring in close to KRW 2.4 trillion in new loan assets. To further accelerate the growth in SME loans, the offering of products in the respective strength areas of Hana Bank and KEB, such as government loans, regional credit guarantee foundation-guaranteed loans and special Korea Trade Insurance Corporation-guaranteed loans, was broadened, thus maximizing the synergy from the integration.

Meanwhile, to actively cooperate with the government policy to promote creative finance, our Creative Finance Support Center was expanded and re-organized. Its programs and systems were overhauled, and more specialized manpower was brought onboard. Thanks to a massive drive for performance enhancement, the total loan issuance amounted to KRW 3.5 trillion as the end of 2015, giving us an impressive scorecard in innovation.

During the 2nd half, we were ranked second overall in the Bank Innovation Assessment and earned the second place in the area of technology financing.

KRW SME LOANS

unit: KRW trillion



NUMBER OF  
SME CUSTOMERS

unit: customers



207,382

(44,702 SMES / 162,680 SOHOS)

Number of customers = Monthly average number of corporate borrowers

SME Loan Differentiation Strategy in 2016

In 2016, to widen the SME customer base, a comparatively weaker segment of KEB Hana Bank, the strategy will focus on selling small-value loans in large quantities and bringing more customers to use the bank as their primary bank. New SME products, tailored to different types of customers and geographic areas, will be continuously developed and released; more particularly those offering preferential terms to customers banking mainly with KEB Hana Bank.

By entering into agreements with regional credit guarantee foundations and other similar guarantee agencies, we plan to increase our offering of unsecured guarantor loans, which should also help our goal of selling small-value loans in large quantities. Another important goal for this period is to attract long-term customers of good standing. Moreover, to attract new customers from the export-import firms, we are offering special guaranteed loan products in collaboration with the Trade Insurance Corporation.

Korea Exim Bank On-lending Loan, launched in January 2016, is the first of a series of new loans geared toward import-export firms we will be releasing this year.

We will strengthen our customer base by bringing more SMEs to do business with us as their primary bank and further improve our profits by increasing complex transactions with SMEs. In business banking products such as foreign exchange accounts, master salary accounts, retirement accounts and corporate credit cards, we are looking to add more complex transaction items like salary transfer, unsecured loan and credit card services. We will be devising complex transaction packages, at the same time, to create new customer relationship and enhance their loyalty. Currently, our Corporate Marketing System is undergoing upgrades to support complex transactions by corporate customers.



In a proactive response to the New Guarantee System, which goes into effect in 2017, we are entering into cooperation agreements with various credit guarantee agencies and launching related products to establish an early foothold in the startup guarantee market. Furthermore, in anticipation of the inception of the indirect credit guarantee program, credit guarantee agency program or entrusted credit guarantee services, we are preparing manpower and systems necessary to support the guarantee review process. To increase our technology financing operations, we plan to discover SMEs possessing promising new technologies and put into place an internal technology evaluation system.

Finally, we are looking to make a vigorous effort to tap customers from emerging growth or niche markets. Targeted marketing efforts, directed at internet shopping malls, care facilities (including nursing homes and hospitals) and city bus operators, are currently underway by 1Q bankers at branches across the country, together with local relationship managers (RMs).

Going forward, we also plan to set up a group level cooperation system to assist with the continuous discovery of new growth/niche markets.



KRW SOHO LOANS

unit: KRW billion



28,561

**Highest Growth in SOHO Loans**

As the end of 2015, our total balance of SOHO (Small Office/Home Office) loans stood at KRW 28.6 trillion, up 26.4% YoY which is the industry's highest rate. This impressive growth was mainly driven by the massive increase in high-quality loan assets such as real estate-secured or guaranteed loans. In other words, quantitative growth was coupled with improvement in the quality of assets.

67.1% of the total increase in SOHO loans, corresponding to KRW 4 trillion, was accounted by the real estate rental and leasing sector. Continuously low interest rates have been turning investors away from banks, toward the real estate rental and leasing market, considered a more stable source of income. Our marketing efforts, targeting high net-worth customers, have successfully taken advantage of this trend.

KRW SOHO LOANS

unit: KRW trillion



**Risk Management in SOHO Loans in 2016**

In 2016, as we make a continuous effort to increase our SOHO loan assets, focusing on high-quality borrowers, we will be also hedging our risk by expanding our offering of loans guaranteed by external credit guarantee agencies. The current drop in property prices and slow recovery in domestic demand point toward the possibility of a prolonged economic downturn. Accordingly, our product development and credit review processes will take into consideration comprehensive factors related to the repayment capacity of borrowers, including sales, cash flow and DSR, to minimize the risk. By analyzing potential risks by business sector and by region, and according to the business environment, we plan to identify potential defaults before they occur. Under a bold and proactive action plan, we will be re-adjusting the maximum lines of credit and modifying the loan terms according to the level of risk.

**Large Corporates**

**Optimization of the Portfolio through Management of RoRWA**

In 2015, the loans to large corporates fell 22.3%, KRW 5.7 trillion YoY to KRW 20 trillion. This appears to be due mainly to the adjustment of the portfolio following the integration between Hana Bank and KEB, combined with the strengthened risk management procedure amid uncertainty in the global financial market. The share of loans to large corporates in overall business loans has been decreasing continuously, YoY, from 30.5% in 2014 to 23.8%, -6.7%p in 2015.

In 2016, the economic outlook remains bleak, with a round of government-led corporate restructuring planned to kick in. We will accordingly strengthen our risk management procedures, which will have a dampening effect on the growth of loans to large corporates. Our strategy is, therefore, to seek qualitative growth in corporate finance through the optimization of our loan portfolio by focusing on the RoRWA.

KRW LARGE CORPORATE LOANS

unit: KRW billion



20,020

# GLOBAL OPERATIONS

In 2015, we completed the integration process between Hana Bank and KEB, which is instrumental to our ability to foray into global markets and find new engines for growth. Over a medium and long term, we plan to make most of the synergy from this integration by expanding our global businesses and business channels and building capacity in non-banking segments.



Mexico City office  
opened on  
Feb. 3, 2015.



Chennai branch  
opened on  
Feb. 10, 2015.



Ho Chi Minh City  
branch opened on  
Apr. 23, 2015.



**Securing future growth through development of new markets and localization in global operations**

First, we actively forayed into new business areas in an effort to endow ourselves with new engines for growth. In China, we stepped into the leasing business by setting up CM International Financial Leasing Co., in collaboration with our local partners. In Indonesia, we established PT Sinarmas Hana Finance, a joint venture firm, to make inroads into the local consumer finance market.

Second, we developed business models to tap into new sources of income. Our London branch office set up the Global FX Center which began its services in April 2015. In May, we took on the re-issuance of payment guarantees by the Construction Guarantee Cooperative to assist small and medium-size construction firms with the intake of overseas orders.

Our Brazilian subsidiary launched online banking services, and the Singapore branch office introduced its Global IB Desk to expand its global investment banking business.

Third, the license and permit process for overseas offices which was necessary following the integration between Hana Bank and KEB was fully completed. KEB’s subsidiaries in Hong Kong, Singapore and Tokyo were successfully integrated with Hana Bank’s offices in the same regions. Meanwhile, to build a system of cooperation between the global networks of the two banks, the “Global Regional Committees” was established. The committees are four in number, each for China, Southeast Asia, North America and Europe. The Southeast Asian committee convened in Jakarta in November 2015. The European committee was held in London, in December 2015. These regional committees are expected to greatly contribute to collaboration between the global networks, helping to maximize the synergy between them.

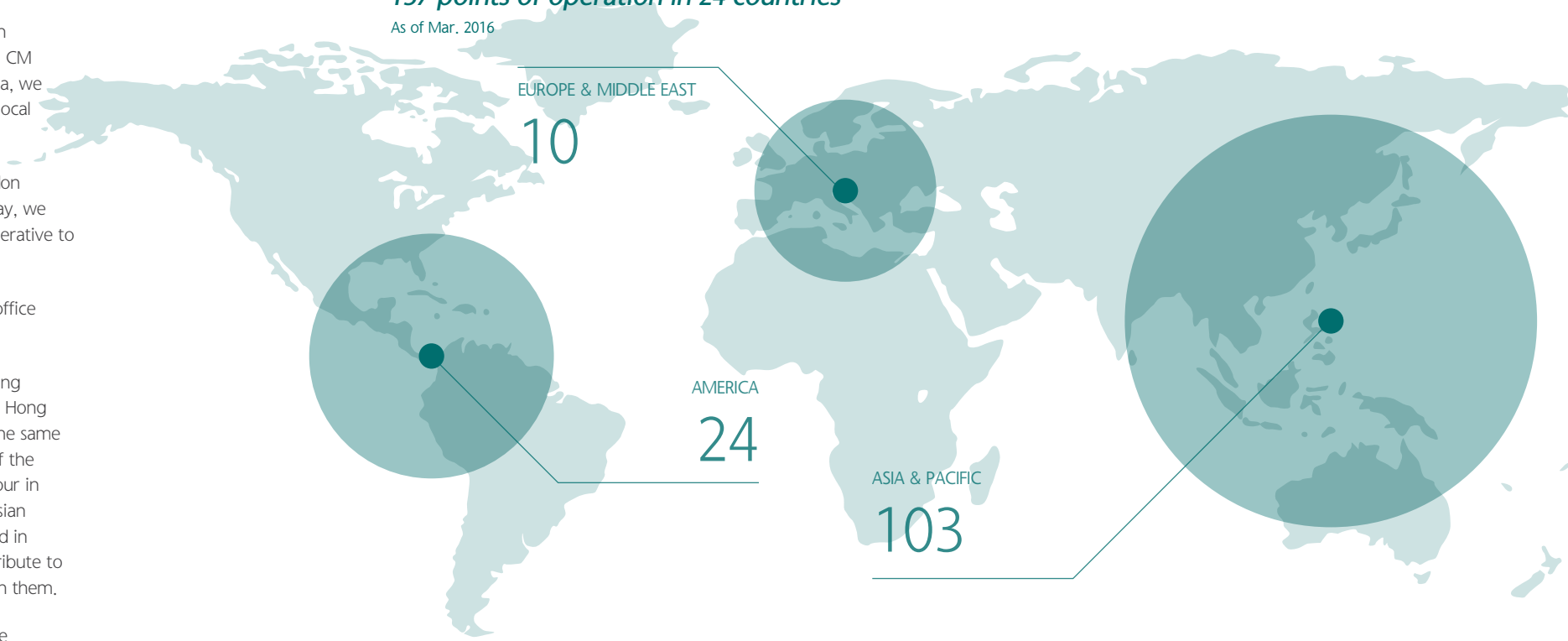
Currently, Korean financial institutions are faced with two major challenges. One is the saturation of the domestic market, and the other the plateaued growth in the banking sector.

Therefore, over a long term, they must develop new engines for growth. We under the goal of achieving stable growth in the global financial market, centered on the banking business, and increasing profits in non-banking businesses, we plan to expand into non-banking markets, such as microfinance, consumer credit and leasing, in high-growth regions like Southeast Asia and China, and promote collaboration between them and the existing banking network in these regions. The existing bank branches and offices will be moved to more strategic locations, based on the results of an in-depth market analysis. If deemed necessary, additional offices will be set up to expand the market coverage.

To strengthen overseas operations in non-banking sectors, we are actively considering the option of venturing into microfinance, consumer credit, microcredit and leasing markets in growth regions like Southeast Asia. If we create a profitable position in non-banking businesses and gain an early foothold in markets with high potential for growth, we will then be able to give a serious consideration to the option of entering local retail markets. The current plan is to closely collaborate with PT Sinarmas Hana Finance, the newly-established consumer credit company in Indonesia, and PT Bank KEB HANA Indonesia, providing also a benchmark for other regions.

**Korea’s largest global network, with  
137 points of operation in 24 countries**

As of Mar. 2016



**Strategy for widening global channels and localization in 2016**

**Strategy for Widening Global Channels**

In India, a new branch was opened in Gurgaon, while the Mexican office was incorporated into an independent entity. Additionally, to compensate for the insufficiency in network channels, relative to the number of banks and banking offices worldwide, we are making an active use of non-contact channels, such as “1Q Transfer” and “Global Cash Management Service” (GCMS), to broaden our global customer base.

**Localization Strategy**

To better address the needs of customers in specific world regions, we will be localizing our products and services, as well as personnel.

For the localization of personnel, we will be recruiting staff from the local manpower pool, including core staff, and setting up a performance-based compensation and promotion system. By tapping into the local talent pool, we plan to optimize our operations, at the same time as fostering manpower specialized in credit review and risk management.

Also in the plan is the implementation of an accountable management system. We will broaden the path to managerial positions for competent local employees, give greater discretionary power to the head of local subsidiaries and evaluate personnel based on performance and accomplishments.

Initially, the emphasis will be placed on the expansion of retail banking and SME services in places like China and Indonesia, and the retail service in Canada. Differentiated product lines will be developed for individual markets, with products tapping the popularity of the Korean Wave released in some markets and 1Q Banking-based products in some others. Moreover, our advanced system resources will be exported from Korea to support our overseas operations.



# IB & ASSET MANAGEMENT

In 2015, despite the persistent volatility of the global economic environment, we posted the strongest performance in our history, as we were able to rise above the competition in acquisition finance and diversify our IB services. Furthermore, in asset management and brokerage, we managed to further expand our market share by developing new strategic products, designed to increase customers' return on investment, and by diversifying income sources.



## TOTAL ACQUISITION FINANCING

unit: KRW billion



1,543

(13.2% market share, 4th largest)

## SECURITIES SALES

unit: KRW billion



160,701

(including ETF and ELW)

## Investment Banking

### Building an Advanced Acquisition Financing System

In 2015, the investment banking division of Hana Financial Investment arranged financing for the acquisition of Pan Ocean, refinancing of the acquisition of LOEN Entertainment, financing of the acquisition of Bodyfriend and Homeplus. In overseas investment markets, we successfully arranged financing for investment in gas-fired power plants in New Mexico and Long Island, building on a trend begun in 2014. This outstanding investment banking performance garnered Hana Financial Investment the top prize of the Korea Investment Banking Awards by Moneytoday, in February 2016. Hana Financial Investment was also selected as the Best Syndication Loan Arranger for the second year in a row. Hana Financial Investment was widely praised for the advanced acquisition model it used for the acquisition of Homeplus, the largest M&A deal concluded in Asia, in 2015. For the security of the loan, Homeplus and other involved parties were made to supply real estate assets as collateral, at the same time as being given the opportunity to invest in high-quality loan assets.

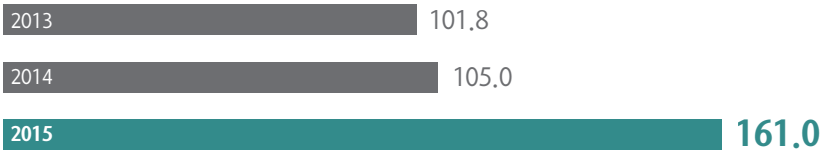
### An Impressive M&A Market Share

Although Hana Financial Investment holds a dominant position in the M&A market, competition has intensified in this market, with the recent participation of large securities firms. Nevertheless, by arranging ten total financing deals in 2015 (KRW 1.656 trillion in total value), Hana Financial Investment maintained the top share of the M&A market at 14.57%.

Going forward, Hana Financial Investment will do its utmost to defend its leading position in the market by further strengthening the network of PEF investors, the key segment of acquisition financing customers. Hana Financial Investment will also make an active use of the acquisition fund for which it is the General Partner (GP), invite competitors, in the case of large-scale acquisition financing projects, to participate as co-arrangers.

## SECURITIES SALES (INCLUDING ETF AND ELW)

unit: KRW trillion



### Beyond Integration: Toward an Organic Integration between Hana Bank and KEB

In 2015, KEB Hana Bank's Investment Banking Headquarters arranged sixty-three financing deals for a total value of over KRW 10 trillion, thanks to a robust performance in three areas:

<sup>1)</sup> acquisition financing, <sup>2)</sup> structured financing and <sup>3)</sup> real estate financing. In addition, the diversification efforts that include developing new growth engines such as entering overseas real estate finance markets and aircraft operating lease markets contributed as well. This helped lift the operating income to KRW 176.5 billion and raise productivity to the highest level in the banking sector. Big deals, exemplified by the 1.6 trillion financing project for the acquisition of Halla Visteon Climate Control Corp. (current Hanon Systems), were arranged during this period. A strong performance was recorded also in the renewable energy field, with six financing deals arranged for fuel cell firms. 2015 was also memorable for KEB Hana Bank becoming the first commercial bank to arrange financing for aircraft operating leases and the first Korean bank to participate in U.S. construction loans for a high-end residential housing development project in New York. Furthermore, KEB Hana Bank became a promoter shareholder of a special-purpose acquisition company (SPAC), the first in the Korean banking sector. These are only a few of the examples of our continuous efforts to diversify our revenue sources by expanding into new business areas.

The completion of the integration between Hana Bank and KEB in 2015 resulted in a closer integration of supply channels for personal corporate investment banking (PCIB) products.

This has made it possible to seamlessly share the supply channels of the two banks, making a greater variety of products available to customers. Notably, this is expected to further expand the supply of PCIB products of overseas alternative investment types that are eliciting keen interest among investors. The integration of supply channels is also expected to help Hana Financial Investment consolidate its leading position by diversifying its sales channels in the overseas alternative investment market.

Moreover, the corporate customer network of KEB, known for its strong investment banking division, makes it possible to offer corporate solutions including services that are normally provided by securities firms such as underwriting securities and stocks, thus widening the range of service offerings at a group level.

**Asset Management**

**Strengthening Sales of Low Risk OTC Products**

In 2015, in an environment where continuous low interest rates were driving up the demand for products of the type “deposit rates +  $\alpha$ ” we concentrated on selling over-the-counter (OTC) products that are more structurally stable. As a result, our group level ELT Equity-Linked Trust balance jumped from KRW 2 trillion to KRW 6 trillion. The balance of wrap accounts in Hana Financial Investment grew by KRW 0.2 trillion to KRW 8.6 trillion, offering versatile asset strategies.

The balance of trust accounts in Hana Financial Investment also sharply increased by KRW 2.4 trillion YoY to KRW 9.4 trillion on the bank of strong growth in flexible, individualized types of corporate trust accounts. This result bears impressive testimony to our outstanding in-house product development capacity.

**Brokerage**

**Active Rebalancing of Customer Portfolios**

In 2015, the Korean securities market, in an upswing since the beginning of the year, eventually approached 2,200 points, setting off the expectation that the market may break the range. However, after May, under the influence of the outbreak of MERS and the correction of the Chinese securities market, coupled with worries about a Grexit and interest rate hike in the U.S., KOSPI plunged to the range of 1,800 points. Market volatility was worsened by an additional slump in oil prices, with heightened volatility seen in markets around the world by year’s end.

In our operations, we concentrated our business resources on diversifying our revenue sources and improving customers’ return on investment. We made the most of the expansion in our overseas brokerage business opportunities, following the implementation of Shanghai-Hong Kong Connect, strengthened the operation of global subsidiaries, based on high-quality market research data, and actively rebalanced customer portfolios through the market call system. This helped us boost our net fee income to KRW 148.9 billion, up KRW 42.1 billion from 2014, raising also our market share to 3.6%, up 0.05%.

BENEFICIARY  
CERTIFICATES AUM

unit: KRW trillion



16.1

BROKERAGE  
COMMISSIONS

unit: KRW billion



149

**CREDIT CARD**

In 2015, shortly after the integration between Hana SK Card and KEB Card, the systems of the two companies were integrated in a manner to draw synergy benefits from the integration. Moreover, “Hana Members,” the first membership program in the financial sector, was launched during this period. This groundbreaking program garnered us the 2015 Korea Banking Innovation Award in Financial Products and Services.







TOTAL CREDIT CARD MEMBERSHIP

unit: thousand



4,673

NUMBER OF MERCHANTS

unit: thousand



Approx.

2,479,278

IT Integration for Greater Manpower and Cost Efficiency

In 2015, we were able to build a solid basis of growth for our newly-merged credit card arm. An early IT integration was critical for our ability to draw meaningful benefits from the integration. Through a concentrated effort, involving all our staff, we were able to complete the IT integration of systems on July 20, 2015, eight months after the card company integration. The integration of system resources is likely to greatly improve manpower and cost efficiency, while also allowing us to enhance the quality of our customer services. In 2015, the card business reported KRW 56.5 trillion in total value of card transactions, representing an increase of KRW 3.8 trillion (7.1%) YoY. The number of cardholders remained roughly unchanged YoY, standing at 4.673 million. Net earnings for the year amounted to KRW 10.1 billion, up KRW 5 billion YoY.

During this year, “Hana Members,” the first comprehensive membership program in the Korean financial sector, was launched. With over 3.1 million members as the end of March 2016, “Hana Members” is off to a strong start.

Also unveiled during this period was “1Q Card,” a product linked to the membership program, which allows members to accumulate reward points, known as “Hana Money.” By late December, barely three months after its launch, the number of “1Q Card” issues hit 434,000, and this figure is expected to soon pass the 1 million mark. This impressive performance has also made us the winner of the 2015 Korea Financial Awards by Maeil Business News, in the Credit Finance category.

TOTAL SALES

unit: KRW trillion



MOBILE BANKING

unit: users



6,041,891

NUMBER OF “HANA MEMBERS” SIGN-UP INTRODUCED IN 2016

unit: members



3.1 million

as the end of Mar. 2016

A Forward-looking Fin-tech Service Lineup

In 2015, the market entry by internet-primary bank is expected to intensify competition in the mid-level interest-rate loan segment. Meanwhile, with the accelerated trend toward mobile and other simplified payment methods, credit card companies are likely to face steep competition from Fin-tech firms. KEB Hana Card, the first card company to launch a mobile card (2015), possesses a significant capital of Fin-tech know-how and is keeping abreast of the rapidly changing payment market through its e-wallet platform.

In 2016, the credit card market is expected to face numerous threats and destabilizing factors, such as a merchant fee cut which will be effective as of January 2016. This, in tandem with the downward pressure on interest rates and new regulations related to incomplete sales, has made a careful management more important than ever.

To improve profitability, KEB Hana Card is currently making efforts to rationalize SG&A expenses through the IT integration, reduce customer reward programs and adjust VAN fee.



# TRUST & PENSION

As part of its overall effort to supply diverse and competitive products at the right time, we develop quality assets and offers them through diverse channels. In the retirement pension business, we target public institutions through direct marketing, mid/large-size corporates through branch-linked marketing, and pursues market share expansion.



TOTAL TRUST ASSETS  
(KEB HANA BANK)

unit: KRW billion



50,652

### Portfolio Diversification to Meet Varying Needs of Customers

In 2015, the goal in the KEB Hana Bank trust operation was to release a wide variety of competitive products that correspond to the different needs of customers in a timely fashion. High-quality assets were, therefore, discovered and distributed through our sales channels, to help diversify the portfolios of our customers. For example, we pushed for “Specific Money Trust Chance-up ELT,” a mid-risk/return product adapted to the current market trend. In 2015, the balance of trust account amounted to KRW 50.6 trillion in total value (KRW 28.3 trillion in money trust, KRW 22.3 trillion in assets trust) for a total profit of KRW 162 billion. In the non-profit trust business, we launched a youth employment support trust product, while continuing existing ones aimed at providing funding for socially and financially marginalized, thus marking a difference for our society through financial services.

The AUM growth in the custody operation was driven, in 2015, by domestic bond-typed funds, MMF (Money Market Fund), real estate funds and AI (Alternative Investment) funds. Through a strategy consists of expanding sales in publicly-traded equity funds, our traditional strength area, real estate funds and AI (Alternative Investment) funds, we recorded KRW 143 trillion worth of sales, grossing KRW 45.4 billion in total profit from this source.

TOTAL TRUST INCOME

unit: KRW billion



162

CUMULATIVE PENSION CONTRIBUTIONS  
(AUM BASIS)

unit: KRW trillion



8.6

- KEB Hana Bank: KRW 8.3 trillion  
- Hana Financial Investment: KRW 0.3 trillion

## Retirement Pension

### Maintaining High Growth in Retirement Pension by Targeting DC Market

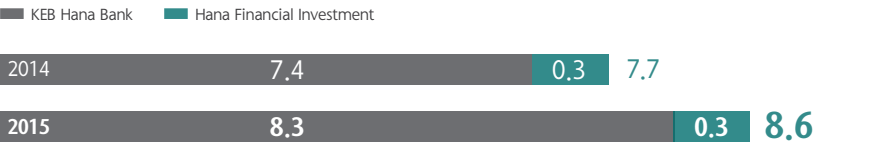
In 2015, total retirement pension market in Korea amounted to KRW 126,468.3 billion, up 18.8% (KRW 19,971.6 billion) from the end of 2014 (KRW 106,496.7 billion). Total retirement pension received by KEB Hana Bank stood at KRW 8,321.2 billion, an increase of 12.7% compared to 2014.

As in the previous year, KEB Hana Bank’s sales efforts focused on SMEs and SOHOs that have had low enrollment rate in the financial industry. To increase its share in the defined contribution (DC) retirement segment of the market, emphasis in our marketing efforts was placed on broadening the enrollment base for DC plans. As a result, the balance of the contributions to DC plans jumped 22.1% (KRW 1,460.8 billion) YoY to KRW 1,783.4 billion.

The number of companies offering a DC plan through us stood at 2,910 (net increase of 2,095), and the number of enrollees/contributors at 72,440 (net increase of 17,457) as the end of 2015. Moreover, a robust growth was seen in IRP (Individual Retirement Plans), in which we have invested much effort since 2013, in a bid to increase the asset size and customer base. At the end of 2015, the number of IRP accounts stood at 358,251 for total contributions of KRW 903.5 billion (net increase of 134,134 accounts, and KRW 261.7 billion in contributions).

RETIREMENT PENSION CONTRIBUTION BALANCE

unit: KRW trillion



In 2016, the interest rate-based competition in principal-protected products, as a consequence of the new rules on retirement fund investment, is expected to continue. Our plan is to lift the limit in the amount of external principal-protected products to better meet the needs of our customers, as well as developing new principal-protected derivatives as part of an effort to supply alternative products that are both stable and profitable. Furthermore, we intend to make the most of our asset management know-how to increase return for our retirement pension customer and also propose a group-wide portfolio solution to cater to customer’s growing needs.

RETIREMENT PENSION CONTRIBUTIONS BREAKDOWN

unit: KRW billion

KEB Hana Bank	2014			2015		
	Net change	% Change		Net change	% Change	
Total contributions*	73,832	14,271	23.96%	83,212	9,380	12.70%
DB	52,448	8,717	19.93%	55,947	3,499	6.67%
DC	14,608	4,742	48.06%	17,834	3,226	22.08%
IRP	6,418	747	13.17%	9,035	2,617	40.78%

\* Excluding corporate IRP contributions.



## CORPORATE SOCIAL RESPONSIBILITY

In 2015, as we worked toward our mission of “Growing Together, Sharing Happiness,” we were also able to build a strategic framework to guide our efforts to achieve the goal of becoming “The Trusted Premier Global Financial Group.” We will always strive to grow together with our employees, customers, shareholders and the society to create a happier world for all.



NO. OF EMPLOYEES  
INVOLVED IN  
COMMUNITY SERVICE

unit: person



# 17,435



### Social Responsibility Management

#### Mission: Growing Together and Sharing Happiness through Finance

Hana Financial Group's mission, “Growing together and sharing happiness through finance”, is about a commitment to sustainable business practices to create a better future for all stakeholders. Our various social responsibility activities serve as valuable channels of communication with the community and are carried out in five areas deemed most important to make meaningful contributions to our society and the happiness of its members.

We understand the importance of social and cultural integration and global solidarity for us here in Korea as well as people worldwide. We are an active participant in the fight against poverty, inequality and discrimination against minorities. Moreover, as a corporate citizen of a divided nation, we are engaged in various support projects for North Korean refugees, which is a crucial part of our preparation for the future of a unified Korea.



Korea is today a multicultural nation where over 1.5 million foreign nationals reside on a permanent basis. Since as early as the mid-2000's, we have carried out projects aimed at making Korea a place where diversity thrives and is respected. “Hana Kids of Asia”, for example, is a project to support multicultural households. Meanwhile, “Darin” is a center for cultural diversity where foreign nationals, immigrants and Koreans come together for various community events. Darin center also offers courses on Korean culture and Korean language classes.





**TOTAL HOURS OF  
COMMUNITY SERVICE**

unit: hours

55,317

We invest in the future of our country by offering financial education sessions for youth to help them become responsible consumers and wise members of the society. Cultural programs benefiting youth include the theater program for troubled youth, touring music concerts and musicals.

Our employees are extending a helping hand to those in need under a program called “Happy Box.” On traditional holidays, they visit homes of poor seniors and low-income families with boxes filled with food and other necessities.



Meanwhile, a group-wide volunteer corps engage in community service activities, along with their family, on a regular basis, by visiting various social service facilities. The money raised for charity is donated once a month to the needed. Starting in 2011, the money donated by employees is matched by the company under a program known as “Hana the Matching.”

**CSR EXPENDITURE**

unit: billion

38.8



We have declared every day over the two-month period from November 11 of each year to January 11 of the following year “Everyone Hana Day” campaign, which includes community services and sharing with those in need. During this period, all employees of Hana Financial Group are particularly strongly encouraged to take part in a variety of volunteer activities and giving activities benefiting the community.

**Environmental Management**

**Green Business Paves the Way for a Sustainable Environment**

Climate change is today one of the top challenges facing our planet which is also rapidly rising on the corporate agenda worldwide. Combating climate change has indeed become one of the pillars of corporate citizenship. In countries around the world, governments have set targets for reduction of greenhouse gas emissions, while global corporates are looking to make green business into a new opportunity for growth. In Korea, a target was set, in 2015, to reduce national greenhouse gas emissions by 37% before the year 2030. An incentive system to encourage participation by industry has been announced by the government as well.

We are actively participating in the national effort to combat climate change and accelerate the transition toward a low carbon economy and society. With green strategies established across all of our business, we are currently engaged in various initiatives to reduce the carbon footprint of our operations.

In January 2016, KEB Hana Bank signed an MOU on the reduction of greenhouse gas emissions with the Ministry of Environment and Korea Climate & Environment Network: the greenhouse gas reduction campaign by the Ministry of Environment is a program in which industries and businesses enter into an agreement with it on a voluntary basis, to participate in the national effort to cut emissions. Employees of KEB Hana Bank have pledged to the goal of cutting one ton of greenhouse gas emissions per person annually.



A variety of measures for cutting energy consumption, based on the results of the internal monitoring and analysis on greenhouse gas emissions will be implemented across all of our domestic branches, starting in May 2016.

The money saved from energy saving efforts will be contributed to our social responsibility fund and given back to the community, through activities like planting trees, investing in new greenhouse gas reduction equipment and assisting energy-poor populations.

Moving forward, we will continue our effort for the creation of a sustainable business environment. By closely communicating with our stakeholders, we will strive to make a better society for all.

### Ethical Management

#### Hana Financial Group Declaring New Code of Ethics, “Code One”

In January 2016, we adopted a new code of ethics “Code One” to better live up to ethical standards expected of us from society and strengthen our role in the community as a corporate citizen.

The “Code One” was proclaimed into effect simultaneously in Korea and overseas through our global channels. Employees pledged to abide by the group-wide code of ethics so that the values set forth in it are shared and practiced across our group.

To promote an ethical organizational culture and increase ethical awareness among employees, KEB Hana Bank holds an annual call for nominations to select and share best ethical management practices, many of which are useful examples of decision-making in a situation of ethical dilemma. Also, through regularly-scheduled internal audits of ethical and regulatory compliance, employees are given opportunities to learn whether their interaction with certain stakeholders or their handling of a task is in compliance with relevant ethical standards or regulations.

As part of an effort to foster an ethical organizational culture and promote the internalization of ethical values among employees, we also issue compliance newsletters on a periodical basis and provide ethics education during employee training sessions as a mandatory component of the program.



# HANA FINANCIAL GROUP CHARTER OF ETHICS

Hana officers and employees shall place the utmost priority on ethical values based on ethics and responsibility, in order to provide financial services that enable customers and employees to be happy and grow together.

Hana officers and employees shall comply with all applicable laws and principles, draw a clear line between the public and private spheres, and treat all persons, including customers, with a spirit of mutual respect and cooperation.

Hana officers and employees shall fulfill their responsibility to help Hana Financial Group merit the trust and respect of Group members, customers, and the community by embodying the mindset of “I represent the company,” and always performing their duties in a mature manner.

### Code One Hana Financial Group Code of Ethics

#### Questions for Ethical Judgment

- *Does my decision comply with Code One?*
- *Will no problems result if the action I plan to take is disclosed to the media and/or to other employees?*
- *Would others make the same decision if they were in the same situation as me?*

If you answered “Yes” to all of the above questions, you may act based on ethical judgment.

If it is difficult to make a judgment on your own, please speak with company units in charge of ethics and/or compliance.

### Chapter 1 Attitude of Officers and Employees

01. [Sense of Duty] Hana officers and employees shall carry out their assignments with a strong sense of duty and responsibility based on integrity and transparency.
02. [Mutual Respect and Prohibition against Discrimination] Hana officers and employees shall respect each other and shall not discriminate against each other for any reasons whatsoever on the basis of a person's nationality, gender, educational background, etc.
03. [Separation of Public and Private Matters] Hana officers and employees shall draw a clear line between public and private matters and shall not pursue personal interests.
04. [Compliance] Hana officers and employees shall fully understand and observe policies relating to compliance and code of ethics.
05. [Protection of Information] Hana officers and employees shall protect information about customers and the company, and shall not use any such information for their personal interests or the interests of a third party.
06. [Protection of Company Assets] Hana officers and employees shall use and protect the tangible and intangible assets of the company, including the company's brand.
07. [Execution of Expenditures] Hana officers and employees shall utilize expenditures in an appropriate manner and shall not use their budget for their personal interests.
08. [Prohibition against Inappropriate Orders] Hana officers and employees shall not give inappropriate orders to subordinates and shall not follow any inappropriate order(s) from supervisors.
09. [Prohibition against Sexual Harassment] Hana officers and employees shall not engage in sexually inappropriate behavior causing humiliation or shame.
10. [Prohibition against Extension of Personal Loans] Hana officers and employees shall not lend money to or borrow money from a customer or from other officers or employees and shall not extend any guarantees to such persons.
11. [Prohibition against Conflicts of Interest] Hana officers and employees shall not be involved in conflicts of interest with customers or a company (investment, business deals, etc.) and shall not take a concurrent position at a different company without prior approval from the company.
12. [Restrictions on Receiving Gifts, etc.] Hana officers and employees shall not receive or request any tangible or intangible benefits such as money or gifts from interested parties.
13. [Whistle-blowing and Whistle-blower Protection] Hana officers and employees shall report any violation of compliance and/or the code of ethics and any possible violation of compliance or code of ethics to the divisions in charge of ethics, compliance, or audit and examination; and a company shall protect the whistle-blower's identity and prevent any possible disadvantages to the whistle-blower.
14. [Outside Activities] Hana officers and employees shall not express their opinions regarding the business of a company in any outside media, publication, and lecture without the prior approval of a company.
15. [Prohibition against Political Activities] Hana officers and employees shall not be involved in political activities within a company and shall not express political opinions that could affect a company externally.
16. [Records and their Preservation] Hana officers and employees shall accurately prepare and preserve any records, materials, and/or information related to business, and shall not falsify or make any false report regarding records, materials, and/or information related to business.
17. [Cooperation among Group Members] Hana officers and employees shall cooperate with each other in the interests of a customer and the Group and shall not engage in any unfair transactions.

### Chapter 2 Attitude toward Officers and Employees

18. [Fair Evaluation and Rewards] A company shall evaluate and provide compensation to its officers and employees based on fair standards.
19. [Provision of Growth Opportunities] A company shall provide opportunities for self-development in a bid to enhance the expertise and/or capabilities of its employees.
20. [Contentment of Group Members] A company shall make efforts to help its officers and employees achieve a balance between work and life and enjoy a healthy family and personal life.

### Chapter 3 Attitude toward Interested Parties

21. [Protection of Customers' Assets] Hana officers and employees shall provide trustworthy products and services that satisfy customers and protect customers' assets, based on a fiduciary duty.
22. [Protection of Customers' Right to Know] Hana officers and employees shall protect customers' right-to-know and provide them with the information required for rational decisions in an timely and accurate manner.
23. [Win-Win with Partner Companies] Hana officers and employees shall conduct transactions with partner companies in a fair and transparent manner and make efforts to grow together.
24. [Protection of Shareholders' Interest] Hana officers and employees shall respect the reasonable demands and suggestions of shareholders and make efforts to enhance shareholder value.
25. [Social Responsibility] Hana officers and employees shall create value in society through legal and fair business activities, contribute to the country's development, and fulfill the responsibilities and duties of a company as a member of the community.



# FINANCIAL REVIEW

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

### HANA FINANCIAL GROUP

#### I Overview

In 2015, the Korean economy expanded at a rate slower than forecast at the beginning of the year, due to sluggish exports, combined with a sudden MERS outbreak. In spite of vigorous government efforts to shore up growth, such as lowering of interest rates and supplementary budgeting, real growth remained continuously below potential growth, as the Korean economy suffered from structural weaknesses.

We implemented a series of strategic tasks, selected at the beginning of 2015, including ‘creating group level synergy from the integration’ and ‘developing new engines for growth to achieve the group’s vision.’ The integration between Hana Bank and KEB was successfully brought to completion, with KEB Hana Bank launched in September 2015. Sustained efforts were made at a group level toward an effective and organic integration of the two banks and the maximization of synergy benefits from this integration.

With the further base rate cut by the Bank of Korea (BOK), low interest rate trends persisted throughout 2015, causing our group level NIM to drop 0.10%p YoY to 1.81%. Meanwhile, the group level consolidated net income for this period fell KRW 28.0 billion YoY to KRW 909.7 billion, as it reflected integration costs, arising from the integration between Hana Bank and KEB. This had a negative effect on our ROE, ROA and other profitability indicators. As a result, our C/I Ratio also edged up 5.56%p, YoY, to 67.73%.

In 2015, our total assets at the group level continued the previous uptrend to record a 3.6% growth from the level at the end of 2014, despite the rebalancing of our corporate loan portfolio. Total deposits increased 2.6% from the end of 2014, with fund sales jumping 7.5%. As a result, we recorded a 3.1% growth in total group-wide sales in this period.

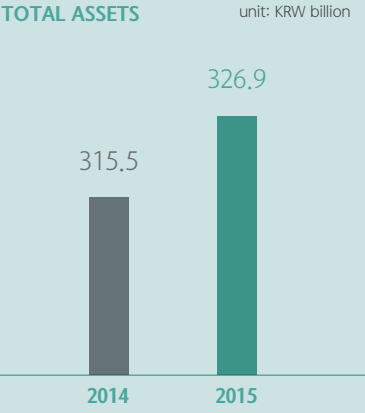
Our asset quality at a group level also improved, compared to the previous period. Our NPL ratio showed a downtick of 0.08%p to stand at 1.27%. NPL coverage ratio improved as well, to 131.45%, increasing by 8.15%p from the end of 2014. Although the delinquency rate went slightly up to 0.68%, compared to the end of the 2014, our asset quality nevertheless remained robust during this period.

Our Basel III-based BIS capital adequacy ratio stood at 13.31%, and tier 1 ratio 10.43%. Capital adequacy ratios were well above the regulatory guidelines set by the Financial Supervisory Service (FSS), both for the group and its affiliates.

Moving forward, we expect tangible synergy benefits from the integration between Hana Bank and KEB, which will increase our performance and shareholder value, as we further consolidate our dominant position in the market through differentiated services like "Hana Members," and make aggressive inroads into the Fin-tech segment."

Table 1. Summarized Financial Information					unit: KRW billion
	2015	2014	YoY	%	
Profitability					
General Operating Income	6,689.6	6,331.6	358.1	5.7%	
Operating Income	1,010.5	1,243.4	-232.9	-18.7%	
Consolidated Net Income	909.7	937.7	-28.0	-3.0%	
ROA	0.29%	0.32%	-0.03%p	-	
ROE	4.17%	4.55%	-0.37%p	-	
EPS (KRW)	3,001	3,177	-177	-5.6%	

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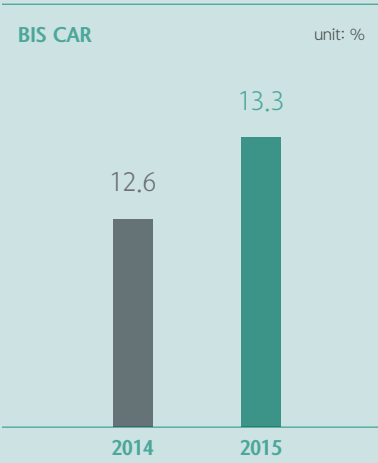


# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA FINANCIAL GROUP

	2015	2014	YoY	%
Cost to Income Ratio	67.73%	62.17%	5.56%p	–
Business Volume				
Total Assets <sup>1)</sup>	326,912.7	315,548.2	11,364.5	3.6%
Total Sales	298,701.4	289,769.6	8,931.8	3.1%
(Total Deposits)	266,957.2	260,230.6	6,726.6	2.6%
(Sale of Beneficiary Certificates)	31,744.2	29,539.0	2,205.2	7.5%
Asset Soundness				
Substandard & Below (NPL) Ratio	1.27%	1.35%	–0.08%p	–
Substandard & Below (NPL) Coverage Ratio	131.45%	123.30%	8.15%p	–
Delinquency Ratio	0.68%	0.62%	0.06%p	–
BPS (KRW)	72,319	71,848	472	0.7%
Capital Adequacy <sup>2)</sup>				
BIS CAR – Group	13.31%	12.63%	0.68%p	–
Tier 1 Ratio – Group	10.43%	9.67%	0.76%p	–
Common Equity Tier 1 Ratio – Group	9.79%	9.18%	0.61%p	–
BIS CAR – KEB Hana Bank <sup>3)</sup>	14.65%	14.40%	0.25%p	–
Tier 1 Ratio – KEB Hana Bank	11.48%	11.72%	–0.24%p	–
Common Equity Tier 1 Ratio – KEB Hana Bank	11.37%	11.44%	–0.07%p	–
Net Capital Ratio – Hana Financial Investment	400.03%	422.56%	–22.52%p	–
Adjusted Equity Capital Ratio – KEB Hana Card	22.80%	21.78%	1.02%p	–
Solvency Margin Ratio – Hana Life	218.11%	211.20%	6.91%p	–
Adjusted Equity Capital Ratio – Hana Capital	13.76%	9.29%	4.47%p	–

Note 1) Total assets exclusive of trust assets  
Note 2) Based on Basel III standards  
Note 3) 2014 : KEB(surviving entity)'s capital ratio



The group’s general operating income increased YoY to KRW 6,689.6 billion. Although net interest income was reduced under low interest rates environment, net fee and commission income rose thanks to an increase in trust fee income on the increased sales in ELT products and securities brokerage commission income from an expanded volume of stock transactions. Meanwhile, gains on disposition and valuation increased by KRW 361.8 billion YoY due to realization of active security sales.

A slight increase was recorded in other operating income, reflecting a growth in dividend income and decrease in contributions to the Credit Guarantee Fund.

The group’s general and administrative expenses increased YoY to KRW 4,531.0 billion due to one-time costs incurred from the integration between Hana Bank and KEB and the ERP conducted at year’s end.

Credit loss provision of the group amounted to KRW 1,148.2 billion, down KRW 3.8 billion from the previous year. Despite the additional provision for shipbuilding and other industries, loan loss provision decreased KRW 101 billion YoY thanks to the write-back for Taihan Electric Wire following the normalization of the company. However, an increase was recorded in other provisions, which reflects, among others, the base effect of the decline seen during the previous year as result of a write-back from litigations.

This brought down Hana Financial Group’s operating income to KRW 1,010.5 billion, down KRW 232.9 billion YoY.

## II Summary of Business Performance

In 2015, the consolidated net income of Hana Financial Group decreased by KRW 28.0 billion to KRW 909.7 billion. This slight dip in consolidated net income reflects the overall trend toward shrinking net interest margins, as well as one-off expenses incurred from the integration between Hana Bank and KEB and the year-end Early Retirement Program (ERP).

Table 2–1. Comprehensive Income Statement (Consolidated)

unit: KRW billion

	2015	2014	YoY	%
General Operating Income	6,689.6	6,331.6	358.1	5.7%
Net Interest Income	4,538.9	4,670.6	–131.7	–2.8%
Net Fee and Commission Income	1,865.6	1,762.5	103.0	5.8%
Gains on Disposition & Valuation	821.2	459.4	361.8	78.8%
Other Operating Income	–535.9	–560.9	25.0	–
General & Administrative Expenses	4,531.0	3,936.2	594.8	15.1%
Pre- Provisioning Operating Profit (PPOP)	2,158.7	2,395.4	–236.7	–9.9%
Credit Loss Provision	1,148.2	1,151.9	–3.8	–0.3%
Operating Income	1,010.5	1,243.4	–232.9	–18.7%
Non-Operating Income	185.9	9.1	176.8	1,938.9%
Net Income before Income Tax	1,196.4	1,252.6	–56.2	–4.5%
Income Tax Expense	242.1	272.8	–30.7	–11.2%
Net Income	954.3	979.8	–25.5	–2.6%
Attributable to Non-Controlling Interests	44.5	42.1	2.5	5.9%
Net Income Attributable to Controlling Interests	909.7	937.7	–28.0	–3.0%

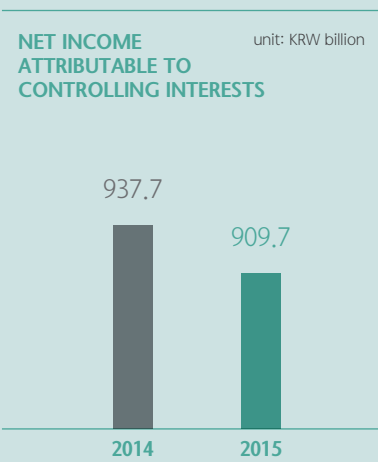


Table 2–2. Comprehensive Income Statement by Subsidiaries (Separated)

unit: KRW billion

	KEB Hana Bank <sup>1)</sup>	Hana Financial Investment	KEB Hana Card <sup>2)</sup>	Hana Capital	Hana Asset Trust	Hana Asset Management	Hana Life	Hana Savings	Overseas Affiliates		
									China	Indonesia	
General Operating Income	5,311.2	475.0	551.5	189.2	31.9	17.2	59.4	42.7	307.3	141.7	84.8
Net Interest Income	4,069.5	206.6	–137.0	180.1	1.7	0.1	68.0	42.5	265.3	122.8	72.3
Net Fee and Commission Income	807.1	282.2	664.7	10.9	32.8	17.5	25.5	1.5	26.6	10.3	7.2
Gains on Disposition & Valuation	838.9	–31.1	16.8	1.4	–2.6	–0.3	33.0	1.5	29.1	19.6	7.4
Other Operating Income	–404.2	17.3	7.0	–3.3	0.0	–0.2	–67.1	–2.8	–13.6	–11.1	–2.2
General & Administrative Expenses	3,346.4	344.5	361.1	51.6	15.8	6.4	31.0	26.0	186.1	91.5	34.2
Pre- Provisioning Operating Profit (PPOP)	1,964.9	130.5	190.5	137.6	16.1	10.8	28.4	16.7	121.3	50.2	50.5
Credit Loss Provision	921.3	–44.8	179.0	54.9	1.7	0.2	0.8	–7.5	24.4	22.3	1.0
Operating Income	1,043.6	175.3	11.4	82.7	14.4	10.6	27.6	24.1	96.8	27.9	49.6
Non-Operating Income	100.5	19.3	–12.6	–0.1	–1.7	–0.4	0.1	–0.3	–3.9	0.0	0.1
Net Income before Income Tax	1,144.1	194.6	–1.1	82.6	12.7	10.1	27.7	23.8	92.9	27.9	49.7
Income Tax Expense	174.1	45.5	–11.3	17.6	2.2	2.0	5.2	5.7	32.1	7.4	13.9
Net Income	969.9	149.1	10.1	65.1	10.5	8.1	22.5	18.1	60.8	20.5	35.8

Note 1) Includes Hana Bank's Income for period prior to the merger  
Note 2) Consolidated

# MANAGEMENT’S DISCUSSION AND ANALYSIS

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By subsidiary, KEB Hana Bank’s net income dropped KRW 269.6 billion to KRW 969.9 billion on a YoY basis. General operating income amounted to KRW 5,311.2 billion, up KRW 232.7 billion YoY, despite a decline in interest income, which was caused by shrinking interest margins. A solid growth in trust fee income, fueled by increased sales in ELT, and securities trading income from the sale of SK Hynix shares explains this result.

General and administrative expenses increased by KRW 494.5 billion YoY to KRW 3,346.4 billion, due to large one-off costs incurred during this period, including local taxes and other expenses related to the integration (KRW 261.2 billion) and those related to the Early Retirement Program (ERP) conducted at year’s end (KRW 239.5 billion). Despite write-back for Taihan Electric Wire, following the company’s normalization, loan loss provision jumped KRW 121.9 billion to KRW 921.3 billion, as provisions for such struggling sectors as shipbuilding and shipping increased during the same period.

Hana Financial Investment’s net income grew nearly 82% to KRW 149.1 billion. This robust growth was driven by a number of factors, including an increase in stock transactions, which lifted brokerage income, and the buoyancy in IB operations, which resulted in a surge of underwriting and consulting fee income. The provision write-back from litigations, following the conclusion of legal proceedings from the previous period, also contributed to this result.

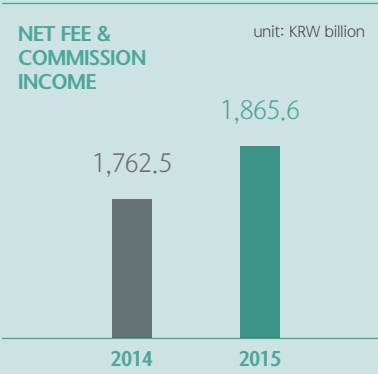
KEB Hana Card swung back to profit, posting a net income of KRW 10.1 billion. Thanks to an aggressive business strategy adopted since the integration in 2014, KEB Hana Card added 1.17 million new customers. In 2015, the total value of card transactions handled, including mobile cards, amounted to KRW 56.5 trillion. Expenses incurred from the integration were more than offset by the increase in interest income, resulting from the decrease in funding costs, and the reduction in credit loss provision.

Hana Capital’s general operating income edged up KRW 17.7 billion YoY, benefiting from a surge in interest income from its growing asset base and lease fee income. Although expanded operations lifted slightly general and administrative expenses, the net income jumped KRW 14.7 billion to KRW 65.1 billion on the reduction in credit loss provision.

Hana Life recorded a net income of KRW 22.5 billion, a YoY increase of KRW 19.6 billion, as a result of a healthy growth in incomes of insurance-related fee & commission and securities trading. Hana Savings Bank benefited from stable operations to gross a net income of KRW 18.1 billion, up 7 billion YoY. Finally, Hana Asset Trust managed to post a larger profit than the previous year in spite of the property market slump.

Table 3. Non-Interest Income (Consolidated)					unit: KRW billion
	2015	2014	YoY	%	
Net Fee & Commission Income	1,865.6	1,762.5	103.0	5.8%	
Credit Card	762.5	783.9	-21.3	-2.7%	
Loan and FX-related	458.5	453.0	5.5	1.2%	
Asset Management	550.6	472.5	78.1	16.5%	
Beneficiary Certificates	123.3	126.2	-2.9	-2.3%	
Brokerage	149.0	106.7	42.3	39.6%	
Trust Fees	179.7	147.5	32.2	21.8%	
Bancassurance	55.4	65.6	-10.2	-15.6%	
M&A Advisory	61.7	34.1	27.6	80.8%	
Others	32.2	19.1	13.2	69.0%	
Gains on Disposition & Valuation	821.2	459.4	361.8	78.8%	

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	2015	2014	YoY	%
Other Operating Income	-535.9	-560.9	25.0	-
Dividend Income	69.1	49.1	20.0	40.8%
Contribution to the Credit Guarantee Fund	-330.8	-345.3	14.6	-
Deposit Insurance Fee	-279.5	-287.7	8.2	-
Others	5.3	23.0	-17.8	-77.2%
Total	2,150.8	1,661.0	489.8	29.5%

Hana Financial Group’s non-interest income jumped 31% to KRW 2,150.8 billion YoY. A sharp surge in gains on disposition and valuation was seen, with a healthy growth in both net fee and commission income and other operating income.

By component, net fee and commission income increased by KRW 103.0 billion despite the re-registration fee on mortgage from the integration (KRW 20.4 billion). The surge in stock transactions boosted securities brokerage fee income as well. Similarly, trust fee income and underwriting/consulting fee income were lifted by expanded sales in ELT products and the buoyancy in IB, respectively. On the other hand, credit card fee income declined as a result of aggressive marketing after the integration. Sales commission income in bancassurance fell, following the previous trend which began with the recent rule changes. Foreign exchange fee income was also reduced on the shrinking volume of overall imports and exports and the erosion of margins by more intense competition against competitors.

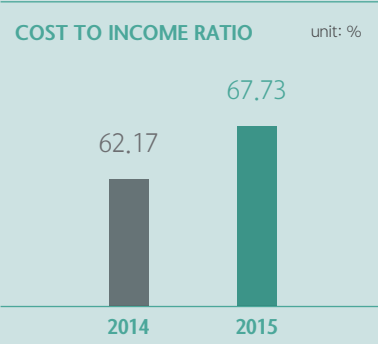
Hana Financial Group’s market shares in fee income by source were as follows: The share of stock transactions handled by Hana Financial Group edged up 0.16%p to 3.36%. The share of credit card sales stayed roughly at the same level as in the previous period, at 8.0%. The shares in the foreign exchange market and in the fund sales dropped slightly YoY to 40% and 7.5%, respectively.

The group’s gains on disposition and valuation jumped KRW 361.8 billion to KRW 821.2 billion. More active trading in bonds to compensate for the dip in market interest rates and profits from the sale of shares of SK Hynix and the Korea Housing and Urban Guarantee Corporation led to KRW 440.8 billion, up KRW 235.9 billion. The rise of foreign exchange and derivative-related income to 405.2 billion (an increase of KRW 150.6 billion over 2014) also contributed to this result.

Other operating income is composed of business-related expense accounts such as deposit insurance fees and contributions to the Credit Guarantee Fund, and income accounts such as stock dividends and other income. Dividend income grew KRW 20 billion to 69.1 billion, while a slight decrease was realized in contributions to the Credit Guarantee Fund and deposit insurance fees, standing at KRW 330.8 billion and KRW 279.5 billion, respectively.

Table 4. General and Administrative Expenses (Consolidated)					unit: KRW billion
	2015	2014	YoY	%	
General & Administrative Expenses	4,531.0	3,936.2	594.8	15.1%	
Salaries and Employment Benefits	2,008.6	1,812.5	196.1	10.8%	
Severance and Retirement Benefits	510.7	274.3	236.4	86.2%	
Administrative Expenses	1,322.7	1,247.4	75.4	6.0%	
Depreciation and Amortization	463.6	466.3	-2.8	-0.6%	
Taxes and Dues	225.5	135.7	89.7	66.1%	
Cost to Income Ratio	67.73%	62.17%	5.56%p	-	

In 2015, Hana Financial Group’s general and administrative expenses increased 15.1% YoY to KRW 4,531.0 billion. This result reflects expenditures associated with the integration between Hana Bank





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and KEB (KRW 261.2 billion) and the ERP at year’s end (conducted at three subsidiaries, including KEB Hana Bank, for a total cost of KRW 254.4 billion).

By component, salaries and employee benefits increased KRW 196.1 billion over 2014 to KRW 2,008.6 billion as a result, among others, of the bank integration that took place during this period.

Severance and retirement benefits amounted to KRW 510.7 billion, up 236.4 billion from 2014, due to the ERP.

Administrative expenses edged up 6.0% YoY to KRW 1,322.7 billion, in spite of the effort to cut cost through greater cost efficiency, as advertising expenses increased significantly following the bank integration.

The group’s C/I ratio rose 5.56%p from YoY to 67.73%, due to large one-off expenditures incurred from the merger and the ERP, even as strong efforts were made to control general and administrative expenses during this period.

### III Summarized Group Financial Position

Table 5. Condensed Balance Sheets (Consolidated)

	2015	2014	YoY	%
<b>Interest Earning Assets</b>	<b>283,161.8</b>	272,674.9	10,486.9	3.8%
Due from Banks	11,254.6	11,212.5	42.0	0.4%
Fixed Income Securities	50,570.4	47,499.2	3,071.2	6.5%
Loans	221,336.8	213,963.1	7,373.7	3.4%
<b>Other Revenue Earning Assets</b>	<b>8,214.2</b>	5,973.0	2,241.3	37.5%
<b>Non-Revenue Earning Assets</b>	<b>35,536.7</b>	36,900.4	-1,363.7	-3.7%
<b>Total Assets</b>	<b>326,912.7</b>	315,548.2	11,364.5	3.6%
<b>Interest Bearing Liabilities</b>	<b>266,710.9</b>	259,620.1	7,090.8	2.7%
Deposits	207,350.2	201,897.0	5,453.2	2.7%
Borrowings	22,202.1	23,264.0	-1,061.9	-4.6%
Debentures	30,109.2	29,557.2	552.0	1.9%
Policy Reserve	2,410.2	2,019.2	391.1	19.4%
Borrowings from Trust Accounts	4,639.2	2,882.8	1,756.4	60.9%
<b>Non-Interest Bearing Liabilities</b>	<b>37,230.0</b>	34,034.5	3,195.5	9.4%
<b>Total Liabilities</b>	<b>303,941.0</b>	293,654.6	10,286.4	3.5%
<b>Shareholders' Equity</b>	<b>22,971.7</b>	21,893.6	1,078.1	4.9%
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>326,912.7</b>	315,548.2	11,364.5	3.6%

In 2015, our total assets grew 3.6%p YoY to KRW 326,912.7 billion, with a solid asset growth also seen among key subsidiaries. Through continuous management of the assets portfolio and risks, we strove to achieve qualitative improvement, at the same time as quantitative expansion. As a result, the NPL ratio fell 0.08%p YoY to 1.27%, and the delinquency rate remained stable. We equaled if not exceeded our competitors in terms of asset quality indicators, during this period.

By asset component, loans, accounting for the largest share of interest-earning assets, increased 3.49% YoY to KRW 221,336.8 billion. KRW loans grew 6.1% to KRW 598.4 billion, bolstered by a high demand in SOHO and household loans. A 5.9% increase was recorded on a YoY basis in foreign-currency loans which stood at KRW 22.8 trillion.

Our total liabilities rose 3.5% YoY to KRW 303,941.0 billion. Deposits increased nearly 2.7% YoY to KRW 207,350.2 billion, and borrowings dropped 4.6% to KRW 22,202.1 billion.

Notably, LCF deposits in total KRW deposits jumped 21.3% YoY to KRW 41,936.5 billion. Such a meaningful growth in low-interest rate deposits is expected to cut funding costs and help toward continuous improvement of NIM.

Shareholder’s equity increased 4.9% YoY to KRW 22,971.7 billion thanks to the consolidated net income of KRW 909.7 billion realized during this period, which resulted in a growth in retained earnings. The issue of hybrid capital instruments worth KRW 445 billion also contributed to this result.

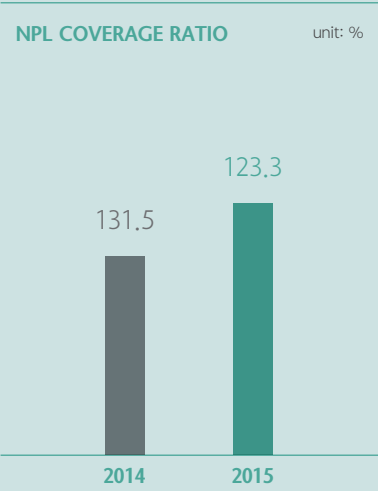
### IV Asset Quality

Table 6. Asset Quality and Loan Loss Provision

	2015	2014	YoY	%
<b>Total Credit</b>	<b>233,090.6</b>	230,818.7	2,272.0	1.0%
Normal	227,792.1	225,147.2	2,644.8	1.2%
Precautionary	2,329.4	2,552.9	-223.5	-8.8%
Substandard	1,647.1	2,005.5	-358.4	-17.9%
Doubtful	652.7	574.8	77.9	13.6%
Estimated Loss	669.4	538.3	131.1	24.4%
<b>Precautionary &amp; Below</b>				
Amount	5,298.6	5,671.4	-372.9	-6.6%
Ratio	2.27%	2.46%	-0.18%p	-
<b>Substandard &amp; Below (NPL)</b>				
Amount	2,969.2	3,118.5	-149.4	-4.8%
Ratio	1.27%	1.35%	-0.08%p	-
<b>Loan Loss Allowance</b>	<b>3,902.9</b>	3,845.2	57.7	1.5%
Loan Loss Reserve	2,232.5	2,134.4	98.0	4.6%
Credit Loss Reserve	1,670.5	1,710.7	-40.3	-2.4%
<b>Substandard &amp; Below (NPL) Coverage ratio</b>	<b>131.45%</b>	123.30%	8.15%p	-

As the end of 2015, the total credits stood at KRW 233,090.6 billion, a 1.0% increase YoY. NPL stood at KRW 2,969.2 billion. The share of precautionary and below loans dropped 2.27% YoY, with NPL ratio also declining 1.27%. The asset quality, therefore, improved overall. Despite a significant growth in assets, NPL coverage ratio rose 8.15%p from the level of the previous period to 131.45%. To prepare for any additional losses, we are making strong efforts for proactive management of risks.

To improve the loan portfolio of KEB Hana Bank, our flagship subsidiary, credit exposure to large corporates has been continuously reduced. In 2015, large corporate loans decreased by KRW 14.6 trillion. The percentage share of large corporate loans in the loan portfolio also shrank as a result, from 32.4% at the end of 2014 to 25.3% at the end of 2015, a 7.1%p decrease. The reduction of credit exposure to large corporates is mainly directed at companies which have 1) excessive exposures 2) are either on the watch list or macro-sensitive industries 3) with low credit ratings.



Every year, companies with substantial credit exposures with KEB Hana Bank are reviewed for inclusion in the watch list. The review considers both financial and non-financial factors to evaluate the likelihood of liquidity risk and capacity for shock absorption. Companies on the watch list are subject to close monitoring to detect major risk factors, changes in credit ratings and progress in the restructuring process, if applicable, so that credit exposure can be proactively managed.

We, in an attempt to proactively counteract against the scheduled corporate restructuring, have been selecting and managing vulnerable industries. Sectors that have recently emerged as macro-sensitive industries are managed particularly closely to reduce credit exposure.

### V Capital Adequacy

Table 7. BIS Capital and Ratio

unit: KRW billion, %

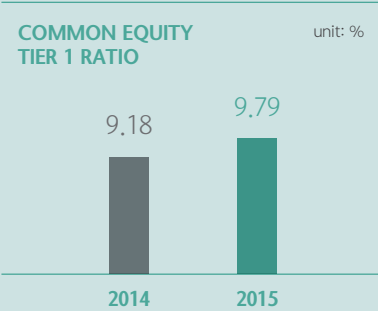
	2015	2014	YoY	%
Common Equity Tier 1 Capital	18,201.8	17,302.0	899.8	5.2%
Additional Tier 1 Capital	1,180.9	906.0	274.9	30.3%
Tier 2 Capital	5,361.5	5,578.7	-217.2	-3.9%
Total BIS Capital	24,744.2	23,786.7	957.5	4.0%
Risk Weighted Assets	185,879.7	188,380.7	-2,501.0	-1.3%
BIS Capital Adequacy Ratio*	13.31%	12.63%	0.69%p	-
Tier 1 Ratio	10.43%	9.67%	0.76%p	-
Common Equity Tier 1 Ratio	9.79%	9.18%	0.61%p	-

\* Based on Basel III standards

In 2015, our total BIS capital increased KRW 957.5 billion YoY to KRW 24,744.2 billion, at a rate of 4.0%. Risk-weighted assets were reduced by KRW 2,501.0 billion to KRW 185,879.7 billion, a 1.3% decrease. As a result, our capital adequacy ratio was lifted 0.69%p YoY to 13.31%.

The growth in total BIS capital was driven mainly by the robust net income realized in this period and increase in common equity tier 1 capital by KRW 899.8 billion as a result of a capital increase through third-party allocation of new shares (May 2015). Additional tier 1 capital was lifted by KRW 274.9 billion to KRW 1,180.9 billion despite the limited recognition of hybrid capital instruments that were issued prior to Basel III adaptation following the issue of Basel III-compliant instruments (May, November 2015). This increase is helping us to offset the reduction in the recognition of our existing holding of non-compliant subordinated bonds as tier 2 capital.

Finally, thanks to an aggressive risk management approach and sustained efforts to enhance the asset quality, the decrease of risk-weighted assets by 1.3% greatly contributed to the improvement of our common equity tier 1 ratio by 0.61%p to 9.79%.



## MANAGEMENT’S DISCUSSION AND ANALYSIS

### KEB HANA BANK

#### I Overview

On September 1, 2015, following the successful integration with Hana Bank, KEB was re-launched as KEB Hana Bank, becoming the largest Korean bank in asset size. To effectively weather out the unfavorable conditions such as low growth and low interest rates, it further consolidated its customer base and actively brought in new money into low interest rate deposit products.

In 2016, under the new slogan, “Customer Satisfaction, Our One and Only Goal,” it will strive to further strengthen customers’ trust and confidence in the services it provides through equitable business practices. It plans to build the capacity to lead the Korean financial market by achieving stable growth in assets through an innovative management strategy and by remaining flexible and responsive to the changing business environment.

The financial data under "KEB Hana Bank" is a sum of 1)the cumulative performance of KEB(surviving entity) from January 2015 to August 2015 and 2) four months (from September 2015 to December 2015) performance of KEB Hana Bank. The financial data under "KEB Hana Bank" before the integration is the performance of (formerly) KEB.

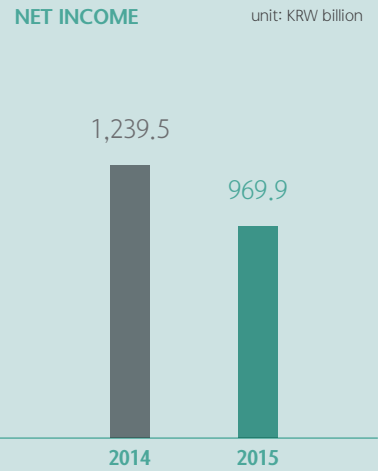
#### II Summary of Business Performance

Table 1. Comprehensive Income Statement (Separated)

unit: KRW billion

	2015	2014	YoY	%
General Operating Income	5,311.2	5,078.5	232.7	4.6%
Net Interest Income	4,069.5	4,226.6	-157.1	-3.7%
Net Fee and Commission Income	807.1	819.1	-12.0	-1.5%
Gains on Disposition & Valuation	838.9	506.9	332.0	65.5%
Other Operating Income	-404.2	-474.0	69.8	-
General & Administrative Expenses	3,346.4	2,851.9	494.5	17.3%
Pre- Provisioning Operating Profit (PPOP)	1,964.9	2,226.6	-261.8	-11.8%
Credit Loss Provision	921.3	799.4	121.9	15.3%
Operating Income	1,043.6	1,427.2	-383.7	-26.9%
Non-Operating Income	100.5	84.5	16.0	18.9%
Net Income before Income Tax	1,144.1	1,511.7	-367.7	-24.3%
Income Tax Expense	174.1	272.2	-98.1	-36.0%
Net Income	969.9	1,239.5	-269.6	-21.7%
Cost to Income Ratio	63.01%	56.16%	6.85%p	12.2%

Note) Including Hana Bank’s income for the period before the integration. The 2014 data reflect the effect of the spin-off of the credit card division



In 2015, KEB Hana Bank’s net income dropped by KRW 269.6 billion to KRW 969.9 billion, mainly due to the one-off integration costs. While general operating income grew by KRW 232.7 billion, general and administrative expenses and credit loss provision increased KRW 494.5 billion and KRW 121.9 billion, respectively, causing a decrease in operating income of KRW 383.7 billion YoY.

Net interest income recorded a decline of 3.7% YoY to stand at KRW 4,069.5 billion. The Bank’s NIM fell 0.10%p, as it was negatively affected by two-time base rate cuts occurred in 2015 and the continuous drop in market interest rates. Due to this, despite the expansion of interest-earning

# MANAGEMENT’S DISCUSSION AND ANALYSIS

## KEB HANA BANK

assets and reduced funding costs through increased core deposits, interest income decreased by KRW 157.1 billion.

Net fee and commission income amounted to KRW 807.1 billion, down 1.5% YoY. Trust fee income for the period increased by KRW 22.7 billion, driven mainly by active ELT sales, with growth seen also in IB fee income. However, this was more than offset mainly due to the expense of KRW 20.4 billion incurred for re-registration fee of mortgage in relation to the integration.

Gains on disposition and valuation jumped 65.5% YoY to KRW 838.9 billion. Although FX-translation losses increased from the depreciation in Korean won, the sale of shares of the Korea Housing and Urban Guarantee Corporation and SK Hynix resulted in enhanced profits.

General and administrative expenses rose 17.3% YoY to KRW 3,346.4 billion. The result reflects large non-recurring expenses such as taxes and dues related to the integration process, administrative costs related to the integration between the two banks, and the ERP cost.

Credit loss provision increased by KRW 121.9 billion YoY to KRW 921.3 billion, and non-operating income rose KRW 16.0 billion YoY.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
General Operating Income	3,221.1	2,307.9	913.2	39.6%
Net Interest Income	2,427.9	1,660.7	767.2	46.2%
Net Fee and Commission Income	511.1	568.1	-57.0	-10.0%
Gains on Disposition & Valuation	516.7	273.7	243.0	88.8%
Other Operating Income	-234.6	-194.6	-40.0	-
General & Administrative Expenses	2,282.5	1,358.0	924.5	68.1%
Pre- Provisioning Operating Profit (PPOP)	938.6	949.9	-11.3	-1.2%
Credit Loss Provision	640.1	451.9	188.2	41.6%
Operating Income	298.5	498.0	-199.5	-40.1%
Non-Operating Income	83.5	-62.8	146.3	-
Net Income before Income Tax	382.0	435.2	-53.2	-12.2%
Income Tax Expense	15.2	44.4	-29.2	-65.8%
Net Income	366.8	390.8	-24.0	-6.1%
Cost to Income Ratio	70.86%	58.84%	12.02%p	20.4%

Note) Based on public disclosure data

Table 2. Non-Interest Income (Separated)

unit: KRW billion

	2015	2014	YoY	%
Net Fee & Commission Income	807.1	819.1	-12.0	-1.5%
Credit Card	0.1	0.1	0.0	0.0%
Loan & FX-related	496.1	515.8	-19.7	-3.8%
Fees in Acceptances and Guarantees	74.3	81.3	-7.0	-8.7%
Fees Related to Loans	261.6	269.5	-7.9	-2.9%
Fees in Foreign Currencies	160.2	164.9	-4.7	-2.9%
Others	0.0	0.0	0.0	-
Asset Management	310.9	303.2	7.7	2.5%
Sales of Beneficiary Certificate	87.2	89.2	-2.0	-2.3%
Bancassurance	68.5	81.5	-13.0	-16.0%
Trust Fees	155.2	132.5	22.7	17.1%
Gains on Disposition & Valuation	838.9	506.9	332.0	65.5%

(Continued on next page)

	2015	2014	YoY	%
Other Operating Income	-404.2	-474.0	69.8	-
Dividend Income	67.5	34.0	33.5	98.6%
Deposit Insurance Fee	-266.2	-276.2	10.0	-
Contribution to the Credit Guarantee Fund	-330.8	-345.2	14.4	-
Others	125.3	113.4	11.9	10.4%

Note) Includes Hana Bank's income for the period before the integration. The 2014 data reflect the effect of the spin-off of the credit card division.

In 2015, non-interest income recorded an increase of KRW 389.8 billion to stand at KRW 1,241.8 billion.

In net fee and commission income, trust fee income increased by KRW 22.7 billion on buoyant sales in ELT, and the strengthened IB operations lifted the fee revenue in P/F investment financing by KRW 14.3 billion. Fee income on Korea Housing Finance Corporation Mortgage Loans jumped KRW 21.7 billion on increased transaction volume, and fee income on retirement pension grew by KRW 2.9 billion. On the other hand, fee income in bancassurance fell KRW 13.0 billion, due to unfavorable regulatory changes. Net fee and commission income was further reduced by the fee expense of KRW 20.4 billion incurred for re-registration fee for the mortgage in regards to integration.

Gains on disposition and valuation surged by KRW 332.0 billion to KRW 838.9 billion. Although the weakened KRW caused FX-translation losses to increase by KRW 29.6 billion, stock impairment losses were reduced by KRW 249.2 billion YoY. Disposition gains increased by KRW 33 billion, lifted by proceeds from sales of shares of the Korea Housing and Urban Guarantee Corporation and SK Hynix.

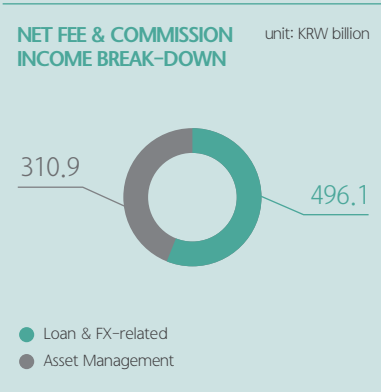
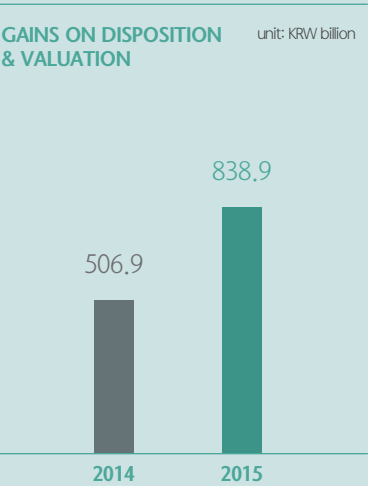
Other operating income recorded a increase of KRW 69.8 billion YoY thanks to the sales of mortgage through housing loan conversion program.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
Net Fee & Commission Income	511.1	568.1	-57.0	-10.0%
Credit Card	0.0	199.7	-199.7	-100.0%
Loan & FX-related	347.6	260.2	87.4	33.6%
Fees in Acceptances and Guarantees	59.2	57.1	2.2	3.8%
Fees Related to Loans	155.3	80.3	75.0	93.3%
Fees in Foreign Currencies	133.0	122.8	10.2	8.3%
Others	0.0	0.0	0.0	-
Asset Management	163.4	108.2	55.2	51.1%
Sales of Beneficiary Certificate	50.5	30.7	19.9	64.7%
Bancassurance	34.8	23.2	11.6	49.9%
Trust Fees	78.1	54.3	23.8	43.8%
Gains on Disposition & Valuation	516.7	273.7	243.0	88.8%
Other Operating Income	-234.6	-194.6	-40.0	-
Dividend Income	33.1	9.7	23.4	240.3%
Deposit Insurance Fee	-154.3	-110.2	-44.1	-
Contribution to the Credit Guarantee Fund	-196.4	-141.0	-55.4	-
Others	83.1	46.9	36.2	77.1%

Note) Based on public disclosure data





# MANAGEMENT’S DISCUSSION AND ANALYSIS

## KEB HANA BANK

Table 3. General and Administrative Expenses (Separated)

unit: KRW billion

	2015	2014	YoY	%
General & Administrative Expenses	3,346.4	2,851.9	494.5	17.3%
Salaries and Employee Benefits	1,568.3	1,410.6	157.7	11.2%
Severance and Retirement Benefits	472.6	234.5	238.1	101.5%
Administrative Expenses	927.6	899.0	28.6	3.2%
Depreciation and Amortization	189.5	209.3	-19.7	-9.4%
Taxes and Dues	188.3	98.5	89.9	91.3%
Cost to Income Ratio	63.01%	56.16%	6.85%p	-

Note) Includes Hana Bank’s income for the period before the integration. The 2014 data reflect the effect of the spin-off of the credit card division.

In 2015, general and administrative expenses rose by KRW 494.5 billion to KRW 3,346.4 billion. One-off compensation following the integration resulted in an increase of KRW 157.7 billion in salaries and employee benefits. Severance and retirement benefits also increased by KRW 238.1 billion YoY, due to the ERP held at the end of 2015.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
General & Administrative Expenses	2,282.5	1,358.0	924.5	68.1%
Salaries and Employee Benefits	1,016.4	709.4	307.0	43.3%
Severance and Retirement Benefits	388.8	92.3	296.4	321.0%
Administrative Expenses	608.2	420.9	187.3	44.5%
Depreciation and Amortization	126.3	97.6	28.7	29.4%
Taxes and Dues	142.9	37.7	105.2	279.0%
Cost to Income Ratio	70.86%	58.84%	12.02%p	-

Note) Based on public disclosure data

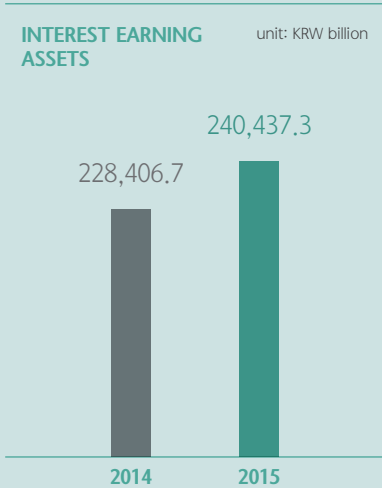
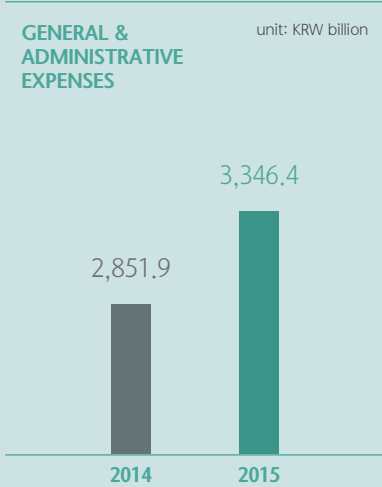
## III Summarized Financial Position

Table 4. Condensed Balance Sheets (Separated)

unit: KRW billion

	2015	2014	YoY	%
Interest Earning Assets	240,437.3	228,406.7	12,030.6	5.3%
Due from Banks	6,464.1	5,642.2	821.9	14.6%
Fixed Income Securities	36,254.4	34,388.6	1,865.8	5.4%
Loans	197,718.8	188,376.0	9,342.8	5.0%
Other Revenue Earning Assets	10,815.1	11,109.8	-294.7	-2.7%
Stocks and Others	7,200.7	5,593.3	1,607.4	28.7%
Domestic Import Usance	3,614.5	5,516.6	-1,902.1	-34.5%
Non-Revenue Earning Assets	30,667.5	32,436.2	-1,768.6	-5.5%
Total Assets	281,919.9	271,952.7	9,967.2	3.7%
Interest Bearing Liabilities	235,654.4	227,813.2	7,841.2	3.4%
Deposits	195,952.7	189,640.6	6,312.2	3.3%
Borrowings	15,951.3	17,745.7	-1,794.4	-10.1%
Debentures	18,356.0	17,478.3	877.7	5.0%
Borrowings from Trust Accounts	4,753.1	2,948.7	1,804.4	61.2%
Non-Interest Bearing Liabilities	24,893.5	23,301.4	1,592.1	6.8%
Total Liabilities	260,547.8	251,114.6	9,433.3	3.8%
Shareholders' Equity	21,372.1	20,838.2	533.9	2.6%
Total Liabilities & Shareholders' Equity	281,919.9	271,952.7	9,967.2	3.7%

Note) Simple sums of the respective balances of the Hana Bank and KEB.



In 2015, the Bank’s total assets expanded to KRW 281,919.9 billion, a YoY growth of KRW 9,967.2 billion. While interest-earning assets such as loans and marketable securities increased, deposits with BOK and other non-interest earning assets decreased during this period.

Interest-earning assets rose by KRW 12,030.6 billion to KRW 240,437.3 billion. Household loans and corporate loans increased by KRW 8,678.9 billion and KRW 810.8 billion, YoY, respectively. Marketable securities grew by KRW 1,865.8 billion.

Interest-bearing liabilities recorded an increase of KRW 7,841.2 billion over 2014, mainly driven by deposit growth.

Shareholders’ equity expanded KRW 533.9 billion YoY.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
Interest Earning Assets	240,437.3	88,982.4	151,454.8	170.2%
Due from Banks	6,464.1	3,981.0	2,483.1	62.4%
Fixed Income Securities	36,254.4	13,770.4	22,484.0	163.3%
Loans	197,718.8	71,231.0	126,487.8	177.6%
Other Revenue Earning Assets	10,815.1	1,613.3	9,201.9	570.4%
Stocks and Others	7,200.7	1,524.9	5,675.8	372.2%
Domestic Import Usance	3,614.5	88.4	3,526.1	3990.0%
Non-Revenue Earning Assets	30,667.5	16,732.3	13,935.2	83.3%
Total Assets	281,919.9	107,328.0	174,591.9	162.7%
Interest Bearing Liabilities	235,654.4	84,462.4	151,192.0	179.0%
Deposits	195,952.7	69,371.0	126,581.8	182.5%
Borrowings	15,951.3	9,018.2	6,933.1	76.9%
Debentures	18,356.0	4,872.5	13,483.4	276.7%
Borrowings from Trust Accounts	4,753.1	1,200.7	3,552.4	295.9%
Non-Interest Bearing Liabilities	24,893.5	14,051.8	10,841.7	77.2%
Total Liabilities	260,547.8	98,514.2	162,033.6	164.5%
Shareholders' Equity	21,372.1	8,813.8	12,558.3	142.5%
Total Liabilities & Shareholders' Equity	281,919.9	107,328.0	174,591.9	162.7%

Note) Based on public disclosure data

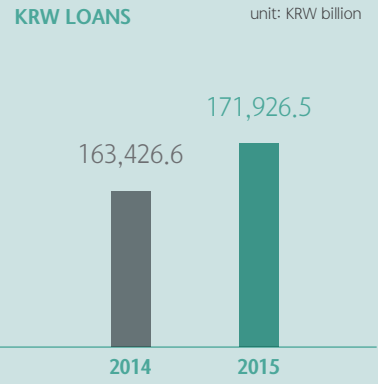
Table 5. KRW Loans & Deposits

unit: KRW billion

	2015	2014	YoY	%
KRW Loans <sup>1)</sup>	171,926.5	163,426.6	8,499.9	5.2%
Loans to Corporate	84,235.7	84,414.3	-178.7	-0.2%
SME	62,441.0	56,485.5	5,955.5	10.5%
(SOHO)	28,561.1	22,594.7	5,966.4	26.4%
Large Corporate	20,019.7	25,752.7	-5,733.0	-22.3%
Others	1,775.0	2,176.2	-401.2	-18.4%
Loans to Households	87,690.8	79,011.9	8,678.9	11.0%
KRW Deposits <sup>2)</sup>	173,310.3	170,153.6	3,156.7	1.9%
Low Cost Funding	67,420.2	58,332.4	9,087.8	15.6%
(Core Deposits)	40,566.9	33,348.5	7,218.4	21.6%
(MMDA)	26,853.3	24,983.9	1,869.4	7.5%
Time Deposits	94,418.9	101,154.6	-6,735.6	-6.7%
Installment Deposits	9,079.9	9,400.4	-320.5	-3.4%
CD & Others	2,391.3	1,266.2	1,125.0	88.8%

Note 1) Based on simple sums of the Hana Bank and KEB’s balances.

Note 2) Excluding foreign currency and trust deposits



# MANAGEMENT’S DISCUSSION AND ANALYSIS

## KEB HANA BANK

KRW loans increased KRW 8,499.9 billion to KRW 171,926.5 billion. Corporate loans fell KRW 178.7 billion from 2014, as the increase of KRW 5,966.4 billion realized in SOHO loans was more than offset by the rebalancing of the portfolio, consisting in reducing loans to large corporates by KRW 5,733.0 billion. Household loans expanded to KRW 87,690.8 billion on the back of mortgage growth.

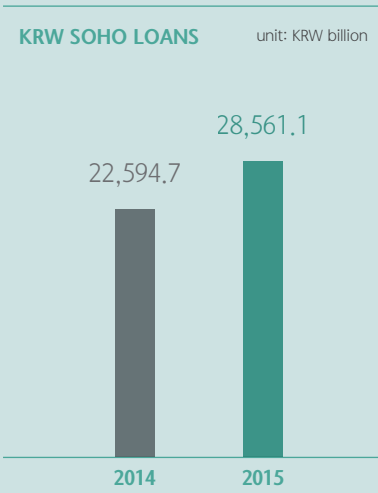
KRW deposits recorded a YoY increase of KRW 3,156.7 billion to KRW 173,310.3 billion. LCF grew massively by KRW 9,087.8 billion, with the balance of core deposits increasing KRW 7,218.4 billion YoY.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
<b>KRW Loans</b>	<b>171,926.5</b>	52,504.0	119,422.4	227.5%
Loans to Corporate	<b>84,235.7</b>	31,176.2	53,059.5	170.2%
SME	<b>62,441.0</b>	19,807.8	42,633.2	215.2%
(SOHO)	<b>28,561.1</b>	5,491.4	23,069.7	420.1%
Large Corporate	<b>20,019.7</b>	10,310.2	9,709.4	94.2%
Others	<b>1,775.0</b>	1,058.1	716.8	67.7%
Loans to Households	<b>87,690.8</b>	21,327.8	66,363.0	311.2%
<b>KRW Deposits</b>	<b>173,310.3</b>	54,111.2	119,199.1	220.3%
Low Cost Funding	<b>67,420.2</b>	20,524.3	46,895.9	228.5%
(Core Deposits)	<b>40,566.9</b>	13,926.8	26,640.1	191.3%
(MMDA)	<b>26,853.3</b>	6,597.5	20,255.8	307.0%
Time Deposits	<b>94,418.9</b>	30,557.5	63,861.4	208.9%
Installment Deposits	<b>9,079.9</b>	2,799.5	6,280.5	224.4%
CD & Others	<b>2,391.3</b>	230.0	2,161.3	939.8%

Note) Based on public disclosure data



As the end of 2015, total credit recorded KRW 209,304.5 billion, up KRW 823.7 billion YoY. Precautionary & below loans and NPL decreased by KRW 148.0 billion and KRW 79.7 billion, YoY, respectively.

The continuous management of deteriorated loans and sustained risk management efforts brought down the ratio of precautionary and below loans and that of NPL by 0.08%p and 0.04%p to 1.89% and 1.21%, respectively. The NPL coverage ratio also improved to stand at 128.95%.

(Public disclosure data)

unit: KRW billion

	2015	2014	YoY	%
<b>Total Credit</b>	<b>209,304.5</b>	81,687.0	127,617.5	156.2%
Normal	<b>205,350.7</b>	79,878.3	125,472.4	157.1%
Precautionary	<b>1,429.9</b>	696.7	733.2	105.2%
Substandard	<b>1,514.0</b>	850.8	663.2	78.0%
Doubtful	<b>487.7</b>	143.5	344.2	239.9%
Estimated Loss	<b>522.2</b>	117.7	404.5	343.6%
<b>Precautionary &amp; Below</b>				
Amount	<b>3,953.8</b>	1,808.7	2,145.1	118.6%
Ratio	<b>1.89%</b>	2.21%	-0.33%p	-
<b>Substandard &amp; Below (NPL)</b>				
Amount	<b>2,523.9</b>	1,112.0	1,411.9	127.0%
Ratio	<b>1.21%</b>	1.36%	-0.16%p	-
<b>Loan Loss Reserves</b>	<b>1,565.2</b>	655.6	909.6	138.7%
<b>Credit Loss Reserves</b>	<b>1,689.4</b>	517.0	1,172.4	226.8%
<b>Substandard &amp; Below (NPL) Coverage Ratio</b>	<b>128.95%</b>	105.45%	23.50%p	-

Note) Based on public disclosure data

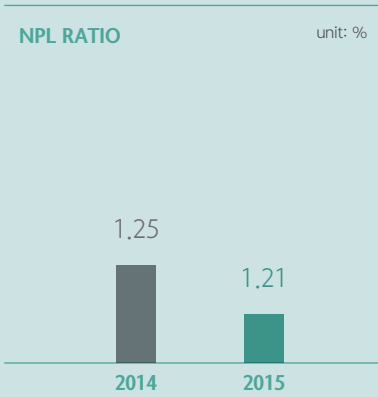
## IV Asset Quality

Table 6. Asset Quality and Loan Loss Provision

unit: KRW billion

	2015	2014	YoY	%
<b>Total Credit</b>	<b>209,304.5</b>	208,480.7	823.7	0.4%
Normal	<b>205,350.7</b>	204,378.9	971.8	0.5%
Precautionary	<b>1,429.9</b>	1,498.2	-68.3	-4.6%
Substandard	<b>1,514.0</b>	1,810.3	-296.3	-16.4%
Doubtful	<b>487.7</b>	411.4	76.3	18.5%
Estimated Loss	<b>522.2</b>	381.9	140.3	36.7%
<b>Precautionary &amp; Below</b>				
Amount	<b>3,953.8</b>	4,101.8	-148.0	-3.6%
Ratio	<b>1.89%</b>	1.97%	-0.08%p	-
<b>Substandard &amp; Below (NPL)</b>				
Amount	<b>2,523.9</b>	2,603.6	-79.7	-3.1%
Ratio	<b>1.21%</b>	1.25%	-0.04%p	-
<b>Loan Loss Reserves</b>	<b>1,565.2</b>	1,544.3	21.0	1.4%
<b>Credit Loss Reserves</b>	<b>1,689.4</b>	1,581.7	107.7	6.8%
<b>Substandard &amp; Below (NPL) Coverage Ratio</b>	<b>128.95%</b>	120.06%	8.89%p	-

Note) Based on simple sums of Hana Bank and KEB's balances.





V Capital Adequacy

Table 7. BIS Capital and Ratio

unit: KRW billion

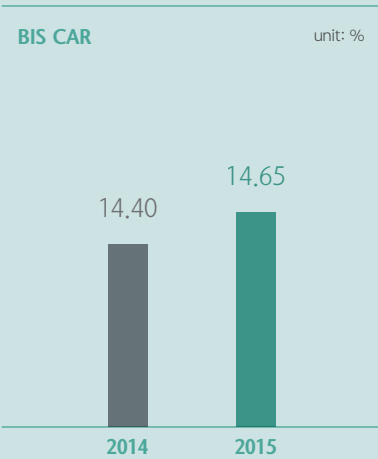
	2015	2014	YoY	%
<b>Tier 1 Capital</b>	<b>19,039</b>	8,063	10,975	136.1%
Common Equity Tier 1 Capital	<b>18,854</b>	7,870	10,985	139.6%
Additional Tier 1 Capital	<b>184</b>	194	-9	-4.9%
<b>Tier 2 Capital</b>	<b>5,257</b>	1,841	3,416	185.6%
Loan Loss Reserve	<b>1,057</b>	558	499	89.5%
Subordinated Bonds	<b>4,195</b>	1,266	2,929	231.4%
Others	<b>5</b>	17	-12	-71.0%
<b>Total BIS Capital</b>	<b>24,295</b>	9,904	14,391	145.3%
<b>Risk Weighted Assets</b>	<b>165,869</b>	68,782	97,087	141.2%
<b>BIS Capital Adequacy Ratio <sup>1)</sup></b>	<b>14.65%</b>	14.40%	0.25%p	-
Common Equity Tier 1 Ratio	<b>11.37%</b>	11.44%	-0.07%p	-
Tier 1 Ratio	<b>11.48%</b>	11.72%	-0.24%p	-
Tier 2 Ratio	<b>3.17%</b>	2.68%	0.49%p	-

Note 1) Based on Basel III standards

In 2015, ahead of fully phased Basel III, the Bank made continuous efforts to expand its capital by, among others, issuing KRW 600 billion worth of subordinated bonds.

As the end of 2015, BIS capital adequacy ratio stood at 14.65%, well above the regulatory minimum guideline (8%).

The Bank’s capital is, therefore, composed mainly of common equity tier 1 capital, in conformity with the regulatory goal in Basel III. Going forward, it will strive to continuously maintain its capital adequacy at a sufficient level by strengthening the capital.



MANAGEMENT’S DISCUSSION AND ANALYSIS

HANA FINANCIAL INVESTMENT

I Overview

In the first half of 2015, the securities market experienced a massive improvement in profit, especially in net fee and commission income. This is explained by several factors including a stock market rally, continuously low interest rates and heightened investor interest. The IB market expanded significantly, as a series of large M&A deals resulted in an increased demand for acquisition finance, at the same time as a surge occurred in real estate financing demand. Finally, the positive impact of the restructuring undertaken in 2014 also contributed to this result.

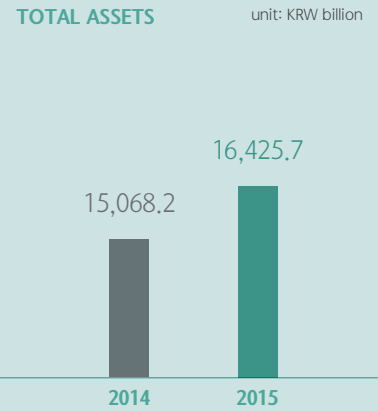
However, in the latter half, under the effect of the interest rate hike in the U. S. and weakness of the Chinese securities market and commodities market, profits in OTC products shrank, raising concern in profit management.

Throughout 2015, Hana Financial Investment sought to capitalize the volatile market environment, recording an over 80% increase in net income YoY. In 2015, It also implemented proactive risk management procedures to prepare for the possibility of a hike in US interest rates and a slowdown of the Chinese economy.

Table 1. Summarized Financial Information (Separated)

unit: KRW billion, %

	2015	2014	YoY	%
<b>Business Volume</b>				
Total Assets	<b>16,425.7</b>	15,068.2	1,357.5	9.0%
Shareholders’ Equity	<b>1,788.8</b>	1,639.5	149.4	9.1%
<b>Profitability</b>				
General Operating Income	<b>475.0</b>	404.8	70.2	17.3%
Operating Income	<b>175.3</b>	93.0	82.3	88.6%
Net Income	<b>149.1</b>	82.0	67.1	81.9%
ROA	<b>0.91%</b>	0.59%	0.32%p	-
ROE	<b>8.70%</b>	5.06%	3.64%p	-
Cost to Income Ratio	<b>72.53%</b>	76.26%	-3.73%p	-
<b>Capital Adequacy</b>				
Net Capital Ratio	<b>400.03%</b>	422.56%	-22.52%p	-



II Summary of Business Performance

In 2015, net income rose KRW 67.1 billion to KRW 149.1 billion on the growth of net fee and commission income from brokerage and IB, coupled with an increase in write-back.

Table 2. Comprehensive Income Statement (Separated)

unit: KRW billion

	2015	2014	YoY	%
<b>General Operating Income</b>	<b>475.0</b>	404.8	70.2	17.3%
Net Interest Income	<b>206.6</b>	152.2	54.4	35.8%
Net Fee and Commission Income	<b>282.2</b>	206.8	75.4	36.5%
Gains on Disposition & Valuation	<b>-31.1</b>	23.8	-54.9	-231.0%
Other Operating Income	<b>17.3</b>	22.1	-4.8	-21.8%
<b>General &amp; Administrative Expenses</b>	<b>344.5</b>	308.7	35.8	11.6%
<b>Pre- Provisioning Operating Profit (PPOP)</b>	<b>130.5</b>	96.1	34.4	35.8%
<b>Credit Loss Provision</b>	<b>-44.8</b>	3.2	-48.0	-1520.9%
<b>Operating Income</b>	<b>175.3</b>	93.0	82.3	88.6%

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# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA FINANCIAL INVESTMENT

	2015	2014	YoY	%
Non-Operating Income	19.3	12.6	6.7	53.4%
Income before Income Tax	194.6	105.6	89.1	84.4%
Income Tax Expense	45.5	23.6	21.9	92.9%
Net Income	149.1	82.0	67.1	81.9%

General operating income jumped 17.3% YoY to KRW 475.0 billion. By component, net fee and commission income surged by KRW 75.4 billion to KRW 282.2 billion, bolstered by robust brokerage income from increased transactions and an equally strong performance in IB thanks to big deals concluded in this period.

Net interest income and gains on disposition and valuation remained at a solid level of KRW 175.5 billion, despite economic uncertainty in the U.S. and China that caused heightened market volatility. This result reflects the collection of Principal Investment (PI) (KRW 10.7 billion) and the steady inflow of OTC equity and fixed income.

General and administrative expenses recorded an increase of KRW 35.8 billion to KRW 344.5 billion due to the cost of the ERP (KRW 7 billion), which was conducted to streamline the operation to the changed business environment, and the salary growth resulting from the increase in performance bonus payout.

Credit loss provisions were reduced by KRW 48.0 billion YoY.

This result reflects write-back from litigations following the amicable settlement in the lawsuit with Deutsche Securities, in the amount of KRW 42.6 billion.

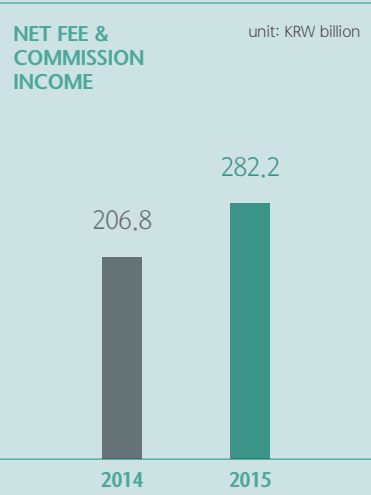
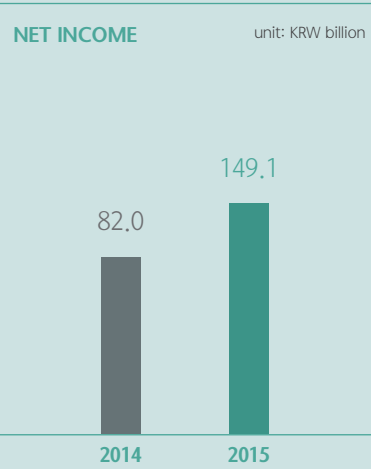
Non-operating income grew KRW 6.7 billion to KRW 19.3 billion due, among others, to the increase in dividends on PEF investment.

In result, net income before income tax surged to KRW 194.6 billion, up 84.4% or KRW 89.1 billion YoY.

	2015	2014	YoY	%
Net Fee & Commission Income	282.2	206.8	75.4	36.5%
Brokerage Commissions	148.9	106.8	42.1	39.5%
Management Fee on Wrap Account and Asset Management	75.8	69.6	6.2	8.9%
Underwriting Commissions	25.1	11.8	13.2	112.0%
Commissions on Merger & Acquisition	36.6	22.3	14.3	64.2%
Others	-4.1	-3.7	-0.5	-

Net fee and commission income jumped 36.5% YoY to KRW 282.2 billion thanks to the increased stock market transactions, investors' stronger appetite in asset management products sparked by low interest rates, and a series of big financing deals arranged by the IB division.

Brokerage income rose KRW 42.1 billion YoY to KRW 148.9 billion, lifted by the expansion of the share of retail trading, particularly in the KOSDAQ market, and the growth of overseas brokerage markets, including Shanghai-Hong Kong Connect. Hana Financial Investment's market share also grew, as a result, to 3.59%, up 0.05%p YoY.



In the asset management segment, net fee and commission income was reduced in outsourced products, while it increased in in-house products.

IB commission income sharply surged (+ KRW 27.6 billion), with underwriting and M&A commissions totaling KRW 25.1 billion and 36.6 billion, respectively.

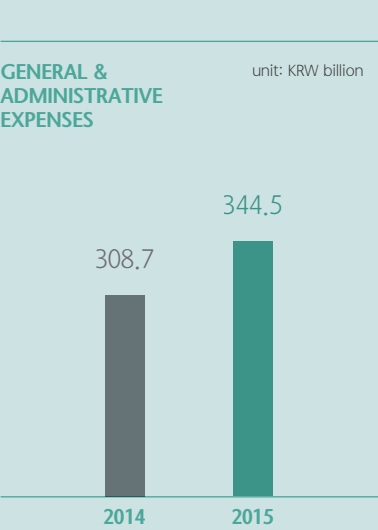
The solid commission income was grossed across all areas of IB in 2015. Big deals, including Homeplus and Pan Ocean, were arranged, as well as investment in overseas power plants. It underwrote the IPO of NS Homeshopping and Pharma Research Products, provided consulting for the PF deal on the residential-commercial complex in Wirye and arranged the sales of Taihan Electric Wire shares. As a result, commission income from this segment surged 80.76 % YoY.

	2015	2014	YoY	%
General & Administrative Expenses	344.5	308.7	35.8	11.6%
Salaries and Employee Benefits	203.3	166.1	37.2	22.4%
Severance and Retirement Benefits	17.1	28.0	-10.8	-38.7%
Administrative Expenses	100.1	91.6	8.5	9.3%
Depreciation and Amortization	11.2	11.2	-0.1	-0.6%
Taxes and Dues	12.8	11.7	1.0	8.9%
Cost to Income Ratio	72.53%	76.26%	-3.73%p	-

In 2015, general and administrative expenses increased KRW 35.8 billion to KRW 344.5 billion. Notwithstanding, C/I ratio dropped 3.73%p compared YoY, helped by the upturn in the stock market and other favorable market conditions, resulting in a strong growth in operating income.

By expense component, salaries and employee benefits rose KRW 37.2 billion to KRW 203.3 billion due to an increase in performance bonus payout as a result of an improved business performance.

Administrative expenses edged up KRW 8.5 billion to KRW 100.1 billion despite efforts toward greater cost efficiency through closing and consolidation of 6 branches and cost-cutting, due to expenses incurred from the change of the company name, implementation of a next-generation IT system and the opening of PB centers (bank-linked PB centers) and other new projects.



## III Key Figures

	2015	2014	YoY	%
Customer Assets of HFI (AUM)	63,116.5	57,772.9	5,343.5	9.2%
Beneficiary Certificates	16,136.7	15,899.4	237.3	1.5%
Equity (Hybrid) Type	3,578.5	3,700.5	-122.0	-3.3%
Fixed Income (Hybrid) Type	2,997.1	3,450.6	-453.5	-13.1%
MMF	3,484.8	3,756.8	-272.0	-7.2%
Other	6,076.3	4,991.4	1,084.8	21.7%
Financial Products	25,772.8	24,273.8	1,499.0	6.2%
Trust	9,615.8	7,112.1	2,503.7	35.2%
RP	3,497.4	3,370.0	127.4	3.8%
Fixed Income/CD/CP	7,349.0	7,405.3	-56.4	-0.8%

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# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA FINANCIAL INVESTMENT

	2015	2014	YoY	%
Other	5,310.7	6,386.4	-1,075.7	-16.8%
Entrusted Assets	21,207.0	17,599.8	3,607.2	20.5%
Market	421,720.5	381,902.6	39,817.9	10.4%
M/S	3.83%	4.16%	-0.34%p	-

AUM increased KRW 5,343.5 billion to KRW 63,116.5 billion, lifted by a particularly sizeable growth in entrusted assets and financial products.

In beneficiary certificate, there was a visible movement away from security products to alternative investment products, echoing the uncertainty in the capital market. In financial products, the popularity of customized corporate products such as customized trust helped greatly expand assets under management.

Entrusted assets rose KRW 3,607.2 billion YoY to KRW 21,207.0 billion on the strength of the KOSDAQ market, coupled with growth in customer deposits and an increase in Foreign Direct Investment (FDI). The rational and effective management of customers’ return on investment, using the market call system, based on market outlooks by the research center, also contributed to this result.

Moving forward, Hana Financial Investment will strive to further diversify its investment product offerings and investment channels to optimize customers’ asset portfolios and ensure stable return.

Table 6. Acquisition and Issuance unit: KRW billion

	2015	2014	YoY	%
IPO & Capital Increase (Lead-managed)	200.1	41.3	158.8	384.5%
Debenture Issued	1,461.0	1,340.0	121.0	9.0%
ELS/DLS Issued (ELB/DLB included)	8,015.0	7,504.0	511.0	6.8%

In 2015, Hana Financial Investment underwrote a total of nine ECM deals as the lead-manager, making the ECM league table as one of the top ten bookrunners, a huge improvement over 2014 when it ranked 23rd.

In IPO, Hana Financial Investment underwrote the 8 IPOs, including three SPACs (Special Purpose Acquisition Companies).

The IPOs of NS Homeshopping and Pharma Research Product were mega-deals, worth over KRW 1 billion in lead management fees. After underwriting the IPOs of three SPACs in 2014, it added IPO deals for three other SPACs in 2015. In March 2015, Hana Financial Investment successfully arranged the integration between Woosung IB and a SPAC, further cementing its reputation as the SPAC specialist.

KRW 1.5 trillion worth of debentures were underwritten in 2015, up 9.0%p from 2014. This shored up Hana Financial Investment’s ranking in the league table to the eighth place from the tenth place YoY.

In 2015, KRW 8,015.3 billion worth of OTC products were issued for a market share of 7.91%, which placed Hana Financial Investment at the sixth place in terms of issuance volume.

Amid the global economic turmoil and heightened market volatility, the Sales and Trading Division, nevertheless, managed to gross KRW 104.5 billion in operating income during this period, thanks to prudent investment decisions.

Table 7. Brokerage Contracts unit: KRW billion

	2015	2014	YoY	%
Brokerage Contracts	160,700.8	104,953.9	55,746.9	53.1%
OFF	40,139.4	32,506.7	7,632.8	23.5%
ON	120,561.3	72,447.2	48,114.1	66.4%
Market	4,776,244.4	3,270,961.1	1,505,283.2	31.5%
M/S	3.36%	3.21%	0.16%p	-

In 2015, with higher average daily trading value, the stock market offered favorable conditions for securities companies, conducive to the improvement of profits.

Hana Financial Investment’s brokerage contracts jumped 53.1% YoY to KRW 161 trillion in value, which also extended its market share to 3.36%, up 0.16%p YoY.

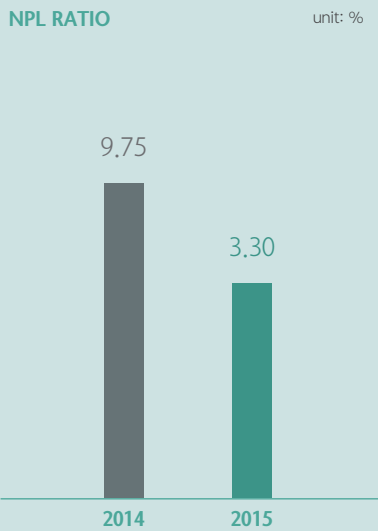
The main contributing factor to this result appears to be the expanded volume of online trading thanks to the improvement in the trading platform. The loading speed of the mobile trading system improved, and its UI was made easier to use. Timely market research data were available to online traders, as well as a variety of investment consulting services.

## IV Asset Quality

Table 8. Asset Quality and Loan Loss Provision unit: KRW billion

	2015	2014	YoY	%
Total Credit	1,662.0	1,185.6	476.4	40.2%
Normal	1,606.7	1,069.1	537.6	50.3%
Precautionary	0.5	0.9	-0.4	-45.0%
Substandard	4.9	23.7	-18.8	-79.1%
Doubtful	7.9	6.7	1.1	16.8%
Estimated Loss	42.0	85.2	-43.2	-50.7%
Precautionary & Below				
Amount	55.3	116.5	-61.3	-52.6%
Ratio	3.33%	9.83%	-6.50%p	-
Substandard & Below (NPL)				
Amount	54.8	115.6	-60.9	-52.6%
Ratio	3.30%	9.75%	-6.46%p	-
Loan Loss Reserve	49.8	91.9	-42.1	-45.8%
Normal	-	-	-	-
Precautionary	0.0	0.0	-	-
Substandard	-	-	-	-
Doubtful	7.8	6.7	1.1	16.7%
Estimated Loss	42.0	85.2	-43.2	-50.7%
Precautionary & Below				
Loan Loss Reserve	49.8	91.9	-42.1	-45.8%
Coverage Ratio	90.12%	78.89%	11.23%p	-

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	2015	2014	YoY	%
Substandard & Below (NPL)				
Loan Loss Reserve	49.8	91.9	-42.1	-45.8%
Coverage Ratio	90.93%	79.51%	11.43%p	-

In 2015, total credit increased to KRW 1,662.0 billion from KRW 1,185.6 billion in 2014 mainly due to inclusion of repayment guarantees that were previously left unclassified, accounting for KRW 419.1 billion of the total increase.

The NPL ratio improved 6.46%p, and loan loss reserves were reduced by KRW 42.1 billion YoY. This result is mainly explained by the collection of stock receivable (KRW 42.6 billion) from Hyundai Wise Assets as the lawsuit with Deutsche Bank was settled through mediation.

### V Capital Adequacy

Table 9. Net Capital Ratio

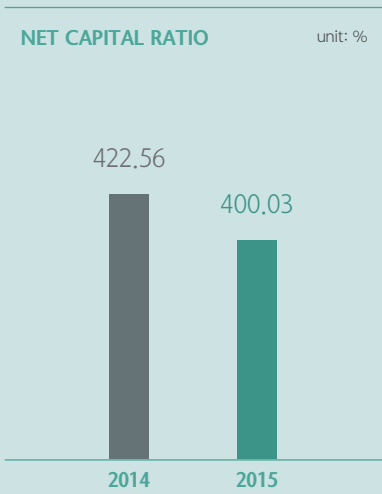
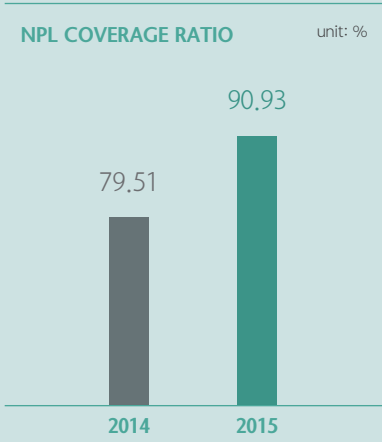
unit: KRW billion, %

	2015	2014	YoY	%
Net Capital	1,536.4	1,412.8	123.6	8.7%
(+) Shareholders' Equity on B/S	1,788.8	1,639.5	149.4	9.1%
(+) Allowances for Currency Assets	3.9	3.9	0.0	-0.2%
(+) Subordinated debentures	40.0	60.0	-20.0	-33.3%
(-) Fixed Assets	58.5	73.0	-14.5	-19.9%
(-) Prepaid Expenses	28.2	3.2	25.0	792.1%
(-) Unsecured Loans(over 3M)	101.6	99.7	2.0	2.0%
(-) Others	108.0	114.6	-6.7	-5.8%
Gross Risk Amount	384.1	334.4	49.7	14.9%
Market Risk	251.4	227.9	23.5	10.3%
Counter Party Risk	66.3	43.2	23.1	53.3%
Credit Concentration Risk	15.8	16.0	-0.2	-1.0%
Operational Risk	50.5	47.2	3.3	7.0%
Indirect Investment Risk	0.0	0.0	-	-
Net Capital Ratio	400.03%	422.56%	-22.52%p	-

As the end of 2015, Hana Financial Investment's net capital ratio (NCR) stood at 400%, down 22.5%p YoY. This figure remains well above the regulatory guideline (150%), and well above the 200% level by the Capital Market Act, and the 250% level set by Hana Financial Group.

Shareholders' equity on the B/S increased KRW 149.4 billion to KRW 1,788.8 billion. The increase of net capital can be attributed to a decrease in loans with 3-month and longer maturities.

The gross risk amount recorded an increase of KRW 49.7 billion, reflecting an increase in market risk following the growth of assets.



## MANAGEMENT’S DISCUSSION AND ANALYSIS

### KEB HANA CARD

#### I Overview

KEB Hana Card was established through Hana SK Card's integration with KEB Card in which KEB Card is the surviving entity. Therefore, the public financial data of KEB Hana Card are the sums of accumulated performance data of KEB Card for August to November 2014, in other words, from the spin-off until the integration with KEB Hana Card, and those of KEB Hana Card for the month of December, in other words, since the integration. For ease of comparison, the financial data of KEB Hana Card for 2014, presented hereinafter, are based on the simple sums of those of Hana SK Card for January to December 2014, those of the Credit Card Division of KEB for January to June 2014, those of KEB Card for August to November 2014 and those of Hana Card for December 2014.

Table 1. Summarized Financial Information (Consolidated)

unit: KRW billion, thousands

	2015	2014	YoY	%
Profitability				
General Operating Income	551.5	540.2	11.3	2.1%
Operating Income	11.4	-4.2	15.7	-
Net Income	10.1	-0.9	11.0	-
ROA <sup>2)</sup>	0.14%	-	-	-
ROE <sup>2)</sup>	0.76%	-	-	-
Cost to Income Ratio	65.47%	57.98%	7.49%p	-
Business Volume <sup>1)</sup>	56,486.2	52,723.0	3,763.2	7.1%
Lump-sum	44,671.8	40,330.4	4,341.3	10.8%
Installment	4,900.9	4,858.9	42.0	0.9%
Cash Advance	4,450.0	5,132.4	-682.4	-13.3%
Card Loans	2,463.6	2,401.3	62.3	2.6%

Note 1) Other credit card assets and installments are included in credit sales.

In 2015, despite incurring KRW 54 billion in one-off expenses related to the integration between Hana SK Card and KEB Card and IT integration infrastructure, KEB Hana Card recorded a net income of KRW 10.1 billion. This result owes to the expanded customer base as a result of the integration, which strengthened the Company's marketing capability, and a timely elimination of overlapping investment costs which allowed it to make most of the synergy from the integration.

General operating income rose KRW 11.3 billion YoY, and operating income recorded an increase of KRW 15.7 billion, taking the Company back to the black. Notwithstanding, due to a large extraordinary expense of KRW 54 billion, incurred in relation to the integration, the C/I Ratio edged up 7.49%p YoY.

KEB Hana Card's business volume expanded 7.1% YoY on an 10.8% increase in the volume of lump-sum and check card transactions. Although cash advances dropped 13.3% due to a heightened level of competition and the credit line lowered following the integration, this decrease was partially offset by an increase in card loans. Lending was expanded in the card loan segment in 2015, after a stricter risk management.

In 2016, a merchant fee cut for small businesses entered into effect, yet it was a development that hurt credit-card companies' profits. In addition, the market entry by internet-primary bank intensified competition in the mid-level interest rate loan market.



## MANAGEMENT’S DISCUSSION AND ANALYSIS

### KEB HANA CARD

Accordingly, the top priority for 2016 will be cutting costs and improving profitability to ensure a stable income structure, as the effort for business expansion continues.

(Public disclosure data)				
unit: KRW billion, thousands				
	2015	2014	YoY	%
Profitability				
General Operating Income	551.5	107.9	443.7	411.2%
Operating Income	11.4	-8.0	19.4	-
Net Income	10.1	-11.2	21.3	-
ROA	0.14%	-	-	-
ROE	0.76%	-	-	-
Cost to Income Ratio	65.47%	73.00%	-7.53%p	-
Business Volume <sup>1)</sup>				
Lump-sum	44,671.8	7,909.0	36,762.8	464.8%
Installment	4,900.9	882.0	4,018.9	455.7%
Cash Advance	4,450.0	1,036.0	3,414.0	329.5%
Card Loans	2,463.6	372.0	2,091.6	562.3%

Note ) Based on public disclosure data.

Note 1) Other credit card assets and installments are included in credit sales.

## II Summary of Business Performance

Table 2. Comprehensive Income Statement (Consolidated)				
unit: KRW billion				
	2015	2014	YoY	%
General Operating Income	551.5	540.2	11.3	2.1%
Net Interest Income	-137.0	-153.8	16.8	-
Net Fee & Commission Income	664.7	670.8	-6.1	-0.9%
Gains on Disposition & Valuation	16.8	7.8	8.9	114.0%
Other Operating Income	7.0	15.4	-8.4	-54.5%
General & Administrative Expense	361.1	313.2	47.9	15.3%
Pre-Provisioning    Operating Profit (PPOP)	190.5	227.0	-36.6	-16.1%
Credit Loss Provision	179.0	231.3	-52.2	-22.6%
Operating Income	11.4	-4.2	15.7	-
Non-Operating Income	-12.6	3.9	-16.5	-420.8%
Income Tax Expense	-11.3	0.6	-11.8	-2063.4%
Net Income <sup>1)</sup>	10.1	-0.9	11.0	-

Net interest income grew KRW 16.8 billion, benefiting from improved efficiency in funding and investment of assets. Despite the efforts to expand high-yielding business items, non-interest incomes have decreased by KRW 5.5 billion YoY.

General and administrative expenses were up KRW 47.9 billion, reflecting KRW 54 billion in total one-off expenditures incurred from the IT integration between Hana SK Card and KEB Card in July 2015.

The credit loss provision was reduced by KRW 52.2 billion to KRW 179.0 billion, and a loss of KRW 12.6 billion was recorded in non-operating income.

Table 3. Fee Structure (Consolidated)				
unit: KRW billion				
	2015	2014	YoY	%
Fee Revenue	1,509.3	307.8	1,201.5	390.3%
Credit Card Receivables in Won	779.3	155.3	624.0	401.9%
Cash Advance	107.6	23.0	84.6	367.2%
Card Loan	217.5	38.7	178.9	462.4%
Others	404.8	90.9	314.0	345.6%
Fee Expenses	844.6	174.7	669.9	383.5%
Fee Income	664.7	133.2	531.6	399.2%

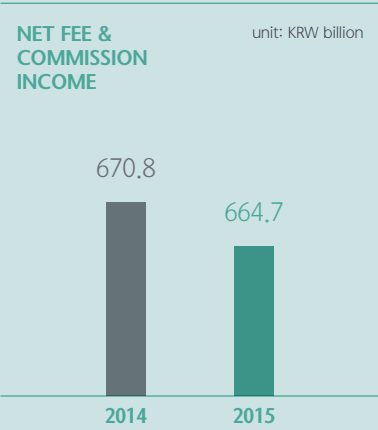
Note ) Based on public disclosure data.

Table 4. General and Administrative Expenses (Consolidated)				
unit: KRW billion				
	2015	2014	YoY	%
General & Administrative Expenses	361.1	313.2	47.9	15.3%
Salaries and Employee Benefits	72.0	81.6	-9.6	-11.7%
Severance and Retirement Benefits	13.0	4.5	8.5	186.9%
Administrative Expenses	215.8	174.4	41.4	23.7%
Depreciation and Amortization	48.0	33.4	14.5	43.4%
Taxes and Dues	12.3	19.2	-6.9	-36.0%
Cost to Income Ratio	65.47%	57.98%	7.49%p	-

Salaries and employee benefits decreased KRW 9.6 billion YoY, while severance and retirement benefits surged KRW 8.5 billion, reflecting the cost of the ERP carried out in 2015. Administrative expenses rose due to various one-off expenditures incurred in relation to IT upgrade, depreciation costs of capitalized IT assets, and advertising costs for the new, integrated company. Taxes and dues declined KRW 6.9 billion, owing mainly to the base effect of KRW 6.8 billion paid to the Credit Finance Association in 2014, in cost sharing for the replacement of card readers by IC-chip readers.

(Public disclosure data)				
unit: KRW billion				
	2015	2014	YoY	%
General & Administrative Expenses	361.1	78.8	282.3	358.5%
Salaries and Employee Benefits	72.0	18.7	53.3	284.0%
Severance and Retirement Benefits	13.0	1.0	12.0	1173.4%
Administrative Expenses	215.8	41.2	174.6	423.4%
Depreciation and Amortization	48.0	8.7	39.2	448.3%
Taxes and Dues	12.3	9.0	3.3	36.6%
Cost to Income Ratio	65.47%	73.00%	-7.53%p	-

Note ) Based on public disclosure data.



# MANAGEMENT’S DISCUSSION AND ANALYSIS

## KEB HANA CARD

### III Key Figures

Table 5. Earning Asset Portfolio

unit: KRW billion

	2015	2014	YoY	%
<b>Earning Assets (Managed) <sup>1)</sup></b>	<b>5,730.9</b>	6,167.0	-436.1	-7.1%
Credit Purchase	<b>2,709.5</b>	2,712.3	-2.8	-0.1%
Cash Advances	<b>527.5</b>	603.9	-76.4	-12.6%
Card Loan	<b>1,547.3</b>	1,601.3	-54.0	-3.4%
(Re-aged Loan)	<b>57.4</b>	62.4	-5.0	-8.0%
Installment Finance	-	-	-	-
Lease	-	-	-	-
Others	<b>946.6</b>	1,249.5	-302.9	-24.2%

Note 1) Earning assets show figures that have yet to deduct allowance for bad debts, realization of balance,, etc.

Earning assets decreased KRW 436.1 billion due to a continuous decline in factoring assets. KEB Hana Card has been steadily reducing its installment finance assets since the 2nd half of 2012 to bring down its leverage below the regulatory guideline.

Credit purchases amounted to KRW 2,709.5 billion, roughly the same as in 2014. Cash advances and card loans dropped by KRW 76.4 billion and KRW 54.0 billion, respectively. This result is explained by more stringent regulations, as well as the lowering of credit limits following the integration between the two card companies.

Going forward, while continuing the effort to expand loan assets through optimization of sales channels and prices, KEB Hana Card is planning to increase, more particularly, high-yield loan assets by strengthening risk management capacity and improving the convenience of services to customers.

### IV Asset Quality

Table 6. Asset Quality and Loan Loss Provision

unit: KRW billion

	2015	2014	YoY	%
<b>Total Credit</b>	<b>5,884.8</b>	6,300.5	-415.7	-6.6%
Normal	<b>5,563.8</b>	5,930.0	-366.2	-6.2%
Precautionary	<b>230.9</b>	277.6	-46.8	-16.8%
Substandard	<b>0.5</b>	0.5	0.0	-8.6%
Doubtful	<b>70.8</b>	60.6	10.2	16.8%
Estimated Loss	<b>18.9</b>	31.8	-12.9	-40.6%
Substandard & Below (NPL)	<b>90.2</b>	92.9	-2.8	-3.0%
Substandard & Below (NPL) Ratio <sup>1)</sup>	<b>1.53%</b>	1.47%	0.06%p	-
Precautionary & Below	<b>321.0</b>	370.6	-49.5	-13.4%
Precautionary & Below ratio	<b>5.46%</b>	5.88%	-0.43%p	-
<b>Loan Loss Reserves</b>	<b>184.2</b>	199.8	-15.6	-7.8%
Normal	<b>68.1</b>	80.7	-12.6	-15.6%
Precautionary	<b>49.4</b>	45.7	3.7	8.1%
Substandard	<b>0.4</b>	0.5	0.0	-8.8%
Doubtful	<b>51.8</b>	46.6	5.2	11.2%

(Continued on next page)

	2015	2014	YoY	%
Estimated Loss	<b>14.5</b>	26.4	-11.9	-45.0%
Coverage Ratio				
Substandard & Below (NPL) Coverage	<b>215.05%</b>	204.34%	10.71%p	-
Precautionary & Below	<b>53.92%</b>	57.39%	-3.46%p	-

Note 1) NPL Ratio inclusive of factoring

At the end of 2015, total credit totaled KRW 5,884.8 billion, down KRW 415.7 billion YoY. The NPL ratio stood at 1.53%, which, although representing an increase of 0.06%p YoY continues to be among the lowest in the industry, thanks to a conservative risk management approach. The ratio of precautionary and below loans dropped 0.43%p YoY to 5.46%.

The NPL coverage ratio also improved YoY to 215.05%.

### V Capital Adequacy

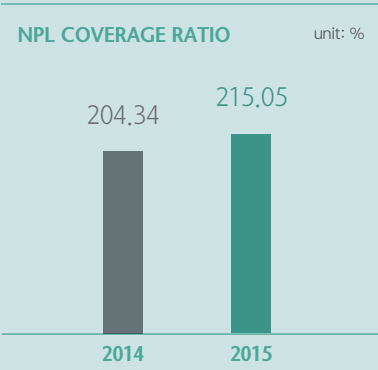
Table 7. Adjusted Equity Capital Ratio and Leverage Ratio

unit: KRW billion

	2015	2014	YoY	%
Adjusted Equity Capital	<b>1,324.1</b>	1,418.9	-94.8	-6.7%
Adjusted Total Asset	<b>5,806.5</b>	6,514.0	-707.5	-10.9%
<b>Adjusted Equity Capital Ratio (%)</b>	<b>22.8%</b>	21.8%	1.0%p	-
Total Equity Capital	<b>1,336.5</b>	1,326.6	9.8	0.7%
Total Assets	<b>6,737.7</b>	7,233.7	-496.0	-6.9%
<b>Leverage Ratio (Multiples) <sup>1)</sup></b>	<b>5.04</b>	5.45	-0.41	-7.5%

Note 1) Adjusted Equity Capital Ratio based on separate F/S; Leverage Ratio based on consolidated F/S

KEB Hana Card's leverage ratio declined from 5.45 in 2014 to 5.04 in 2015, in other words, well below the regulatory guideline of 6.0. Adjusted equity capital ratio also improved from 21.8% at the end of 2014 to 22.8% at the end of 2015.





# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA CAPITAL

### I Overview

In 2015, the growth of the capital market slowed somewhat in spite of the progressive expansion of the automotive finance market, suppressed by the regulatory tightening on household loans and the weak demand for corporate loans.

Asset quality remained solid also in 2015, helped by stricter regulations on household loans and also due to sound asset quality of auto finance.

**Table 1. Summarized Financial Information (Consolidated)** unit: KRW billion, thousands

	2015	2014	YoY	%
<b>Profitability</b>				
General Operating Income	189.2	171.5	17.7	10.3%
Operating Income	82.7	63.7	19.0	29.8%
Net Income	65.1	50.4	14.7	29.2%
ROA	1.58%	1.39%	0.19%p	–
ROE	13.52%	17.54%	–4.02%p	–
Cost to Income Ratio	27.26%	24.97%	2.29%p	–
<b>Financial Assets</b>				
Lease	1,503	1,267	236	18.6%
Installment	242	241	2	0.7%

### II Summary of Business Performance

In 2015, Hana Capital’s net income recorded historical high of KRW 65.1 billion, with financial assets totaling KRW 4,372.7 billion. Through continuous expansion of assets and effective risk management, Hana Capital is seeking business growth while maintaining high asset quality.

In 2016, by offering a greater variety of products and expanding non-auto financing, Hana Capital plans to diversify its portfolio and increase cost efficiency to maximize profits.

**Table 2. Comprehensive Income Statement (Separated)** unit: KRW billion

	2015	2014	YoY	%
<b>General Operating Income</b>	189.2	171.5	17.7	10.3%
Net Interest Income	180.1	159.3	20.9	13.1%
Net Fee and Commission Income	10.9	4.7	6.2	132.1%
Gains on Disposition & Valuation	1.4	–0.2	1.6	–
Other Operating Income	–3.3	7.7	–11.0	–142.3%
<b>General &amp; Administrative Expenses</b>	51.6	42.8	8.8	20.4%
<b>Pre-Provisioning Operating Profit (PPOP)</b>	137.6	128.7	8.9	6.9%
<b>Credit Loss Provision</b>	54.9	65.0	–10.1	–15.5%
<b>Operating Income</b>	82.7	63.7	19.0	29.8%
<b>Non-Operating Income</b>	–0.1	1.8	–1.9	–105.3%
<b>Net Income before Income Tax</b>	82.6	65.5	17.1	26.1%
<b>Income Tax Expense</b>	17.6	15.2	2.4	15.8%
<b>Net Income</b>	65.1	50.4	14.7	29.2%

In 2015, general operating income jumped 10.3% YoY, bolstered by asset growth of KRW 595.4 billion and an increase in net interest income and net fee and commission income.

Domestic auto, facility and construction equipment financing increased by KRW 297.3 billion, KRW 186.3 billion and KRW 46.4 billion, respectively. The share of automotive assets in total assets grew 2.1%p to 61.2%, from 59.1% in 2014. On the other hand, the share of equipment, construction and commercial financing assets dropped 1.7%p YoY to 15.6% from 17.3%.

General and administrative expenses surged 20.4% YoY to KRW 51.6 billion, due to the increase in employees, as well as in administrative expenditures, as required by expanded assets.

Credit loss provision was reduced by KRW 10.1 billion thanks to pre-emptive risk management.

**Table 3. General and Administrative Expenses (Separated)** unit: KRW billion

	2015	2014	YoY	%
<b>General &amp; Administrative Expenses</b>	51.6	42.8	8.8	20.4%
Salaries and Employee Benefits	21.7	16.9	4.8	28.4%
Severance and Retirement Benefits	1.4	1.2	0.1	11.7%
Administrative Expenses	21.9	18.7	3.1	16.7%
Depreciation and Amortization	4.3	4.0	0.3	8.6%
Taxes and Dues	2.3	2.0	0.3	17.2%
<b>Cost to Income Ratio</b>	27.26%	24.97%	2.29%p	–

Salaries and employee benefits also rose, by 16% YoY due to the increase of head counts following the asset growth. Administrative expenses were driven up by relocation and addition of branch offices and the relocation of the head office. As a result, the C/I ratio also climbed 2.29%p YoY to 27.26%.

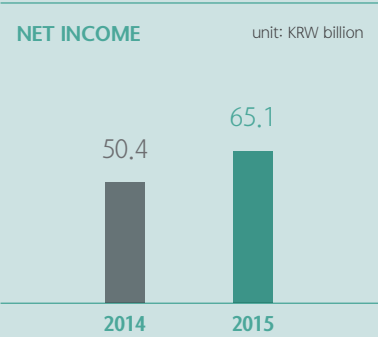
### III Financial Assets

**Table 4. Lease / Installment** unit: KRW billion, %

	2015	2014	YoY	%
<b>Lease</b>	1,503.3	1,267.2	236.1	18.6%
Auto	1,279.9	998.1	281.8	28.2%
General	223.4	269.1	–45.7	–17.0%
<b>Installment</b>	242.4	240.8	1.6	0.7%
Durable Goods	107.4	81.5	26.0	31.9%
Auto	130.5	158.4	–27.9	–17.6%
General	4.5	0.9	3.6	404.9%
<b>Total</b>	1,745.7	1,508.0	237.7	15.8%

In 2015, lease and installment finance assets amounted to KRW 1,745.7 billion on, up KRW 237.7 billion 15.8% YoY. Stable business channels helped ensure continuous growth in auto leases, an increase of 28.2% YoY and durable goods installment financing increased by 31.9% YoY.

Auto installment showed a sharp fall due to the reclassification of the used car financing as used car loan, effective from the 2nd quarter of 2013.



# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA CAPITAL

### IV Asset Quality

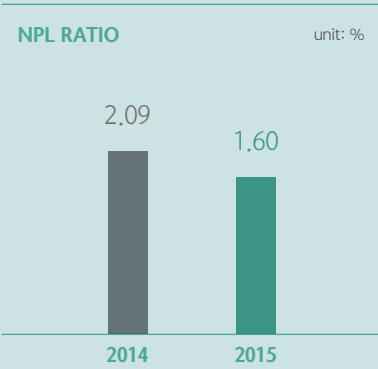
Table 5. Asset Quality and Loan Loss Provision

unit: KRW billion

	2015	2014	YoY	%
<b>Total Credit</b>	<b>4,372.7</b>	3,777.3	595.4	15.8%
Normal	<b>4,231.8</b>	3,599.0	632.8	17.6%
Precautionary	<b>70.9</b>	99.4	-28.5	-28.7%
Substandard	<b>30.5</b>	37.8	-7.4	-19.4%
Doubtful	<b>35.2</b>	37.8	-2.6	-7.0%
Estimated Loss	<b>4.3</b>	3.2	1.0	31.6%
<b>Precautionary &amp; Below</b>				
Amount	<b>140.8</b>	178.3	-37.5	-21.0%
Ratio	<b>3.22%</b>	4.72%	-1.50%p	-
<b>Substandard &amp; Below (NPL)</b>				
Amount	<b>69.9</b>	78.9	-9.0	-11.4%
Ratio	<b>1.60%</b>	2.09%	-0.49%p	-
<b>Loan Loss Reserve</b>	<b>77.8</b>	88.6	-10.8	-12.2%
Normal	<b>30.1</b>	24.6	5.5	22.2%
Precautionary	<b>11.0</b>	24.3	-13.4	-55.0%
Substandard	<b>6.7</b>	5.8	0.9	14.8%
Doubtful	<b>26.5</b>	30.8	-4.3	-14.0%
Estimated Loss	<b>3.5</b>	3.0	0.5	16.9%
<b>Precautionary &amp; Below</b>				
Loan Loss Reserve	<b>47.7</b>	64.0	-16.3	-25.5%
Coverage Ratio	<b>55.23%</b>	49.70%	5.54%p	-
<b>Substandard &amp; Below (NPL)</b>				
Loan Loss Reserve	<b>36.7</b>	39.7	-2.9	-7.4%
Coverage Ratio	<b>111.20%</b>	112.30%	-1.10%p	-

NPLs decreased KRW 9.0 billion to KRW 69.9 billion thanks to effective risk management. The NPL coverage ratio stood at 111.2%, in line with the ratio in 2014. The expansion of assets, methodical management of delinquent accounts and the reduction of loan loss reserves by 10.8 billion contributed to this result.

The NPL ratio was brought down 0.49%p to 1.60% by a strong anti-fraud policy and the sustained effort to improve asset quality. This rate, far above 3%, the average among key competitors, bears testimony to Hana Capital's outstanding asset quality.



### V Capital Adequacy

Table 6. Adjusted Equity Capital Ratio

unit: KRW billion, %

	2015	2014	YoY	%
<b>Adjusted Equity Capital</b>	<b>607.9</b>	357.7	250.2	69.9%
Tier 1 Capital	<b>419.6</b>	311.7	107.9	34.6%
Shareholders' Equity	<b>419.6</b>	311.7	107.9	34.6%
Tier 2 Capital	<b>192.7</b>	46.0	146.6	318.5%
Subordinate Debt	<b>151.6</b>	4.0	147.6	3690.4%
Loan Loss Reserve	<b>41.1</b>	49.0	-7.9	-16.1%
(-)Deduction	<b>4.4</b>	6.9	-2.5	-36.7%
<b>Adjusted Total Assets</b>	<b>4,417.7</b>	3,848.5	569.2	14.8%
Total Assets on B/S	<b>4,471.6</b>	3,870.7	600.9	15.5%
(-)Deduction	<b>54.6</b>	22.2	32.4	146.0%
<b>Adjusted Equity Capital Ratio</b>	<b>13.76%</b>	9.29%	4.47%p	-

The adjusted equity capital ratio rose 4.47%p YoY to 13.76%, as the capital was increased through the issue of hybrid bonds and new shares. This ratio, well above the regulatory minimum of 7%, is in line with the corresponding industry average.



# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA LIFE

### I Overview

Hana Life is realigning its product line in a manner to increase high-yield products and diversifying the investment portfolio by taking on loans and alternative investment vehicles. The plan is also to actively control costs and step up risk management to guarantee profitability. This year, sales efforts were concentrated on bancassurance by taking advantage of the Group’s business infrastructure and initiating the group level synergy. As a result, a massive increase was realized in sales of guarantee-type insurance products through bancassurance channels. Moreover, Hana Life moved away from its past investment pattern, centered on low-risk assets, and increased the share of loans and alternative investments to post strong results in this period, despite unfavorable market conditions.

### II Summary of Business Performance

Table 1. Main Performance Indicators (Separated)

unit: KRW billion, %

	2015	2014	YoY	%
<b>MCP(Monthly Converged Premiums)</b>	<b>11.0</b>	10.6	0.4	3.8%
Annuity	5.1	4.6	0.5	10.9%
Saving	4.1	5.6	-1.5	-26.8%
Protection	1.8	0.4	1.4	350.0%
Variable	0.0	0.0	-	-
<b>Premium Income</b>	<b>540.1</b>	441.0	99.1	22.5%
<b>Investment Income</b>	<b>109.8</b>	95.4	14.4	15.1%
Investment Income Ratio	4.44%	4.65%	-0.21%p	-
<b>Net Income</b>	<b>22.5</b>	2.9	19.6	675.9%
<b>ROA</b>	<b>0.62%</b>	0.09%	0.53%p	-
<b>ROE</b>	<b>8.40%</b>	1.47%	6.93%p	-
<b>Cost to Income Ratio</b>	<b>52.16%</b>	91.30%	-39.14%p	-

In 2015, premium income increased KRW 99.1 billion for a net income of KRW 22.5 billion, up KRW 19.6 billion YoY. Therefore, a major stride was made during this period toward building a profitable and sustainable business model.

Moreover, the release of new guarantee-type insurance products resulted in a significant sales increase of this category through bancassurance sales channels.

The development of “Top 3,” a new product line, provided the company with a sustainable profit base, making it also an industry leader in terms of efficiency.

An important element of Hana Life’s business strategy is the diversification of the product line, focusing on key sales channels. The effort to increase sales in guarantee-type insurance products through bancassurance sales channels will therefore continue unabated.

Table 2. Comprehensive Income Statement (Separated)

unit: KRW billion

	2015	2014	YoY	%
<b>Net Insurance Business Income</b>	<b>293.4</b>	196.8	96.6	49.1%
Insurance Income	547.6	448.3	99.3	22.2%
Premium Income	540.1	441.0	99.1	22.5%
Reinsurance Income	7.5	7.3	0.2	2.7%
Insurance Expense	254.2	251.5	2.7	1.1%
Benefit & Payments	191.7	191.3	0.4	0.2%
Reinsurance Expense	9.2	8.2	1.0	12.2%
General & Administrative Expense	33.8	30.9	2.9	9.4%
Increase of Deferred Acquisition Cost	19.5	21.1	-1.6	-7.6%
Discount	0.0	0.0	-	-
<b>Net Investment Business Income</b>	<b>102.0</b>	91.4	10.6	11.6%
Investment Income	109.8	95.4	14.4	15.1%
Investment Expense	7.8	4.0	3.8	95.0%
<b>Increase of Policy Reserve</b>	<b>391.1</b>	302.5	88.6	29.3%
<b>Operating Income</b>	<b>4.3</b>	-14.3	18.6	-
<b>Non-Operating Income</b>	<b>23.4</b>	18.9	4.5	23.8%
<b>Net Income before Income Tax</b>	<b>27.7</b>	4.7	23.0	489.4%
<b>Income Tax Expense</b>	<b>5.2</b>	1.8	3.4	188.9%
<b>Net Income</b>	<b>22.5</b>	2.9	19.6	675.9%

Hana Life’s net income rose KRW 19.6 billion YoY to KRW 22.5 billion.

Net insurance business income recorded a YoY increase of KRW 96.6 billion to KRW 293.4 billion. This result is explained by the continuous expansion in business volume lifting premium income and also the lowered rate of policy cancellation.

Net investment business income amounted to KRW 102.0 billion, up KRW 10.6 billion YoY, on the increase in gains on the disposition of marketable securities (increase of KRW 12.8 billion). Hana Life’s policy reserve rose proportionately to the growth in premium income.

Table 3. General and Administrative Expenses (Separated)

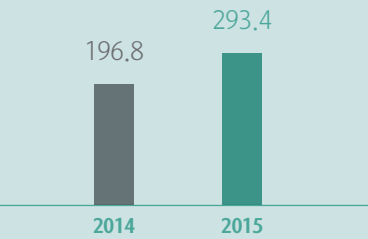
unit: KRW billion

	2015	2014	YoY	%
<b>General &amp; Administrative Expenses</b>	<b>31.0</b>	29.4	1.6	5.3%
Salaries and Employee Benefits	12.5	10.4	2.1	20.2%
Severance and Retirement Benefits	1.3	1.1	0.2	17.8%
Administrative Expenses	13.6	14.2	-0.6	-4.2%
Depreciation and Amortization	2.8	3.1	-0.3	-9.3%
Taxes and Dues	0.7	0.5	0.2	29.1%
<b>Cost to Income Ratio</b>	<b>52.16%</b>	91.30%	-39.14%p	-

In 2015, salaries and employee benefits increased KRW 2.1 billion YoY, due to a salary growth resulting in increased performance bonus payout.

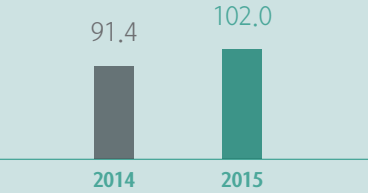
#### NET INSURANCE BUSINESS INCOME

unit: KRW billion



#### NET INVESTMENT BUSINESS INCOME

unit: KRW billion



### III Capital Adequacy

Table 4. Solvency Margin Ratio

unit: KRW billion, %

	2015	2014	YoY	%
<b>Solvency Margin</b>	<b>268.9</b>	253.8	15.1	6.0%
Shareholders' Equity	267.3	251.5	15.7	6.3%
Loan Loss Reserve	1.4	0.6	0.8	130.0%
Subordinated Debts	0.0	0.0	–	–
Net Premium Reserve in Excess	45.6	54.2	–8.6	–15.8%
(–)Deduction	45.4	52.5	–7.2	–13.7%
<b>Standard Amount of Solvency Margin</b>	<b>123.3</b>	120.2	3.1	2.6%
<b>Solvency Margin Ratio</b>	<b>218.1%</b>	211.2%	6.91%p	–

At the end of 2015, Hana Life's solvency margin ratio stood at 218.1%, up 6.91%p from the end of 2014.

The solvency margin was boosted by an increase in valuation gains of bonds and the growth in retained earnings to KRW 268.9 billion, up KRW 15.1 billion from 2014.

The standard amount of solvency margin rose KRW 3.1 billion YoY to KRW 123.3 billion on the decrease of interest rate risk (KRW 18 billion) and increase of credit risk (KRW 25.1 billion).

The sale of long-term bonds and purchase of short-term bonds to match durations of assets and liabilities reduced interest rate risks. Meanwhile, there was an upsurge in credit risk exposure due to the increased exposure of beneficiary certificates and loans and tightened regulatory change.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### HANA SAVINGS BANK

#### I Overview

Hana Savings Bank, backed by relatively strong capital capacity, has been successfully building a reputation for reliability and dependability. By tapping into the business network of KEB Hana Bank such as issuing joint loans, it is improving profits and strengthening operational capacity through synergy from this collaboration.

In 2014, it was honored as "Family-friendly Company" and a commendation from the Ministry of Gender Equality and Family. Winner of the "2014 Aju Business Daily Finance and Securities Award," it was honored, in 2016, with the "Best Banker Award," the latest entry to its long list of awards and recognitions.

#### II Summary of Business Performance

Table 1. Comprehensive Income Statement (Separated)

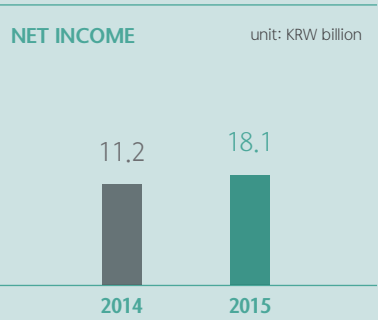
unit: KRW billion

	2015	2014	YoY	%
<b>General Operating Income</b>	<b>42.7</b>	49.1	–6.4	–13.0%
Net Interest Income	42.5	47.2	–4.7	–9.9%
Net Fee and Commission Income	1.5	1.0	0.5	55.4%
Gains on Disposition & Valuation	1.5	2.6	–1.2	–44.0%
Other Operating Income (Expenses)	–2.8	–1.7	–1.1	–
<b>General &amp; Administrative Expenses</b>	<b>26.0</b>	25.0	1.0	4.1%
<b>Pre- Provisioning Operating Income (PPOP)</b>	<b>16.7</b>	24.1	–7.4	–30.8%
<b>Credit Loss Provision</b>	<b>–7.5</b>	10.0	–17.5	–174.6%
<b>Operating Income</b>	<b>24.1</b>	14.0	10.1	71.9%
<b>Non-Operating Income</b>	<b>–0.3</b>	0.2	–0.5	–271.0%
<b>Net Income before Income Tax</b>	<b>23.8</b>	14.2	9.6	67.7%
<b>Income Tax Expense</b>	<b>5.7</b>	3.1	2.7	87.5%
<b>Net Income</b>	<b>18.1</b>	11.2	7.0	62.3%

Hana Savings Bank was launched in February 2012 (through acquisition of Jeil Savings Bank II and Ace Mutual Savings Bank) and absorbed Korea Mutual Savings Bank on September 5 of the same year. Having posted a net income (KRW 5.8 billion) for the first time in 2013, one year after its establishment, it realized a net income of KRW 11.2 billion and KRW 18.1 billion in 2014 and 2015, respectively.

In 2015, although loan assets increased, net interest income declined due to the reduction in high-yield loans. However, operating income surged YoY, as a large portion of non-performing loans were collected which allowing the significant write-back.

After passing the break-even point in 2013, it continuously increased the share of high quality assets in its loan portfolio. Now, four years into operation, it has a more stable income structure thanks to a growth strategy focused on asset quality.





# MANAGEMENT’S DISCUSSION AND ANALYSIS

## HANA SAVINGS BANK

Table 2. General and Administrative Expenses (Separated) unit: KRW billion

	2015	2014	YoY	%
<b>General &amp; Administrative Expenses</b>	<b>26.0</b>	25.0	1.0	4.1%
Salaries and Employee Benefits	<b>10.8</b>	10.0	0.7	7.2%
Severance and Retirement Benefits	<b>0.7</b>	0.7	0.0	–
Administrative Expenses	<b>7.0</b>	6.8	0.2	3.2%
Depreciation and Amortization	<b>6.5</b>	6.4	0.1	1.6%
Taxes and Dues	<b>1.1</b>	1.0	0.0	3.6%
<b>Cost to Income Ratio</b>	<b>60.97%</b>	50.94%	10.18%	–

In 2015, salaries and employee benefits rose KRW 0.7 billion on the back of increased head counts, which also lifted general and administrative expenses by KRW 1.0 billion YoY. Meanwhile, profitability on loans shrank due to a decrease in high–yield loans, causing general operating income to drop and resulting in a slight uptick in C/I ratio.

### III Summary of Financial Condition

Table 3. Condensed Balance Sheets (Separated) unit: KRW billion

	2015	2014	YoY	%
<b>Interest Earning Assets</b>	<b>966.8</b>	948.2	18.7	2.0%
Due from Banks	<b>102.2</b>	157.7	–55.5	–35.2%
Fixed Income Securities	<b>0.0</b>	0.0	0.0	–
Loans	<b>946.8</b>	882.7	64.1	7.3%
Loan Loss Allowance	<b>–82.2</b>	–92.3	10.1	–10.9%
<b>Other Revenue Earning Assets</b>	<b>29.6</b>	23.3	6.4	27.4%
Stocks and Others	<b>26.4</b>	19.9	6.5	32.9%
Lease	<b>0.0</b>	0.0	0.0	–
Trust Account Assets	<b>0.0</b>	0.0	0.0	–
Domestic Exchange Settlement	<b>3.3</b>	3.4	–0.1	–4.2%
<b>Non–Revenue Earning Assets</b>	<b>89.2</b>	95.4	–6.2	–6.5%
<b>Total Assets</b>	<b>1,085.7</b>	1,066.8	18.9	1.8%
<b>Interest Bearing Liabilities</b>	<b>885.4</b>	885.9	–0.5	–0.1%
Deposits	<b>885.4</b>	885.9	–0.5	–0.1%
Borrowings	<b>0.0</b>	0.0	0.0	–
Debentures	<b>0.0</b>	0.0	0.0	–
Policy Reserve	<b>0.0</b>	0.0	0.0	–
Borrowings from Trust Accounts	<b>0.0</b>	0.0	0.0	–
Trust Account Liabilities	<b>0.0</b>	0.0	0.0	–
Domestic Exchange Settlement	<b>0.0</b>	0.0	0.0	–
<b>Non–Interest Bearing Liabilities</b>	<b>22.5</b>	21.5	1.0	4.5%
<b>Total Liabilities</b>	<b>907.9</b>	907.4	0.5	0.1%
<b>Shareholders' Equity</b>	<b>177.8</b>	159.4	18.4	11.5%
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>1,085.7</b>	1,066.8	18.9	1.8%

Note) The above financial statement contains figures that are different from those in Hana Financial Group's K-IFRS–based consolidated statements

In 2015, the Bank’s total assets increased KRW 18.9 billion YoY to KRW 1,085.7 billion, joining the ranks of the nation’s top savings banks in asset size.

Loans amounted to KRW 946.8 billion with household loans increasing KRW 18.4 billion YoY to KRW 358.9 billion, and corporate loans increasing KRW 45.7 billion to KRW 587.9 billion, respectively.

Meanwhile, low–interest rate demand deposits rose KRW 5.3 billion, which helped reduce funding costs and stabilize the funding structure.

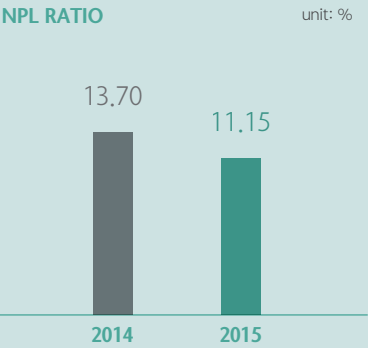
### IV Asset Quality

Table 4. Asset Quality and Loan Loss Provision unit: KRW billion

	2015	2014	YoY	%
<b>Total Credit</b>	<b>947.3</b>	883.2	64.0	7.3%
Normal	<b>409.3</b>	347.3	61.9	17.8%
Precautionary	<b>432.4</b>	414.9	17.5	4.2%
Substandard	<b>41.4</b>	48.9	–7.5	–15.3%
Doubtful	<b>30.0</b>	45.5	–15.5	–34.1%
Estimated Loss	<b>34.2</b>	26.6	7.6	28.5%
<b>Precautionary &amp; Below</b>				
Amount	<b>538.0</b>	535.9	2.1	0.4%
Ratio	<b>56.80%</b>	60.68%	–3.88%p	–
<b>Substandard &amp; Below (NPL)</b>				
Amount	<b>105.6</b>	121.0	–15.4	–12.7%
Ratio	<b>11.15%</b>	13.70%	–2.55%p	–
<b>Loan Loss Reserve</b>	<b>82.5</b>	92.6	–10.1	–10.9%
Normal	<b>4.4</b>	5.0	–0.5	–10.4%
Precautionary	<b>11.1</b>	13.2	–2.1	–16.1%
Substandard	<b>18.5</b>	20.2	–1.7	–8.3%
Doubtful	<b>21.6</b>	33.0	–11.4	–34.6%
Estimated Loss	<b>26.9</b>	21.2	5.6	26.5%
<b>Precautionary &amp; Below</b>				
Loan Loss Reserve	<b>78.1</b>	87.6	–9.6	–10.9%
Coverage Ratio	<b>15.33%</b>	17.28%	–1.94%p	–
<b>Substandard &amp; Below (NPL)</b>				
Loan Loss Reserve	<b>67.0</b>	74.5	–7.5	–10.0%
Coverage Ratio	<b>78.13%</b>	76.53%	1.60%p	–

In 2015, active product development and lending promotions across all branches resulted in increase of KRW 64.0 billion YoY in total credit to KRW 947.3 billion.

The continuous effort to improve asset quality resulted in a decrease of KRW 15.4 billion in NPL to KRW 105.6 billion. Accordingly, the NPL ratio in overall loans also fell 2.55%p to 11.15%.



V Capital Adequacy

Table 5. BIS Capital and Ratio

unit: KRW billion

	2015	2014	YoY	%
<b>Tier 1 Capital</b>	<b>122.1</b>	102.5	19.6	19.1%
Common Equity Capital	122.1	102.5	19.6	19.1%
Capital Stock	75.0	75.0	0.0	–
Capital Surplus	108.3	108.3	0.0	–
Retained Earnings	–6.5	–19.0	12.5	–66.0%
Others	–54.7	–61.8	7.1	–11.4%
Hybrid Bonds	0.0	0.0	0.0	–
<b>Tier 2 Capital</b>	<b>13.2</b>	12.5	0.6	5.2%
Loan Loss Reserve	12.4	11.7	0.7	5.9%
Subordinated Bonds	0.0	0.0	0.0	–
Others	0.8	0.8	0.0	–5.7%
<b>Total BIS Capital</b>	<b>135.3</b>	115.0	20.3	17.6%
<b>Risk Weighted Assets</b>	<b>925.9</b>	865.1	60.7	7.0%
<b>BIS Capital Adequacy Ratio <sup>1)</sup></b>	<b>14.61%</b>	13.30%	1.31%p	–
Tier 1 Ratio	13.19%	11.85%	1.34%p	–
Tier 2 Ratio	1.42%	1.45%	–0.02%p	–

Note 1) Based on Basel I standards

At the end of 2015, the BIS capital ratio stood at 14.61%, well above the regulatory guideline of 6% pursuant to the Savings Bank Act, attesting to the Bank’s consistently high level of capital adequacy. The BIS Capital ratio rose 1.31%p from 2014, in spite of an expansion of assets, as the net income during this period sharply reduced the amount of deficit carried forward.

Moving forward, it will continue to enhance its profitability to further strengthen its capital adequacy ratio.



Independent Auditors' Report

The Board of Directors (BoD) and Shareholders  
Hana Financial Group Inc. and its subsidiaries

We have audited the accompanying consolidated financial statements of Hana Financial Group Inc. (HFG, the Company or the Parent Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive income, consolidated statements of changes in 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 (KIFRS), 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 opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

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

March 9, 2016

*Ernst & Young Hana Young*

This audit report is effective as at March 9, 2016, the independent auditors’ report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors’ report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### AS AT DECEMBER 31, 2015 AND 2014

unit: KRW million			
	Notes	December 31, 2015	December 31, 2014
<b>Assets</b>			
Cash and due from banks	5, 6, 7, 9, 11, 56	<b>₩ 19,745,776</b>	₩ 22,257,731
Financial assets held-for-trading	5, 6, 7, 8, 9, 12, 16, 18	<b>18,580,780</b>	17,218,152
Financial assets designated at fair value through profit and loss	5, 6, 7, 9, 13	<b>1,414,424</b>	1,045,676
Available-for-sale financial assets	5, 6, 7, 8, 9, 14, 16	<b>37,701,159</b>	35,065,938
Held-to-maturity investments	5, 6, 7, 9, 15, 16	<b>5,616,734</b>	4,365,450
Loans receivable	5, 6, 7, 8, 9, 16, 17, 22	<b>221,336,818</b>	213,963,138
Derivative assets used for hedging purposes	5, 6, 7, 8, 9, 18	<b>65,442</b>	87,894
Investments in associates and joint ventures	10, 19	<b>1,155,939</b>	984,294
Property and equipment	10, 20	<b>2,873,575</b>	2,759,339
Investment property	10, 21	<b>674,774</b>	512,988
Intangible assets	10, 23	<b>1,091,866</b>	1,258,332
Deferred income tax assets	52	<b>56,616</b>	51,045
Current tax assets		<b>85,326</b>	7,364
Non-current assets held for sale	24	<b>415</b>	529
Other assets	5, 6, 7, 8, 9, 25	<b>16,513,064</b>	15,970,376
<b>Total assets</b>		<b>₩ 326,912,708</b>	₩ 315,548,246
<b>Liabilities</b>			
Financial liabilities held-for-trading	5, 6, 7, 8, 9, 18, 26	<b>5,753,318</b>	5,239,660
Financial liabilities designated at fair value through profit and loss	5, 6, 7, 9, 27	<b>8,037,863</b>	6,687,800
Deposits	5, 6, 7, 9, 28	<b>206,810,358</b>	201,896,985
Borrowings	5, 6, 7, 8, 9, 29	<b>22,202,136</b>	23,263,986
Debentures	5, 6, 7, 9, 30	<b>30,008,472</b>	29,308,115
Derivative liabilities used for hedging purposes	5, 6, 7, 8, 9, 18	<b>43,008</b>	50,736
Net defined benefit liability	31	<b>161,925</b>	169,168
Provisions	32	<b>338,772</b>	364,295
Deferred income tax liabilities	52	<b>392,623</b>	354,258
Current tax liabilities		<b>14,579</b>	71,675
Other liabilities	5, 6, 7, 8, 9, 33	<b>30,177,910</b>	26,247,926
<b>Total liabilities</b>		<b>303,940,964</b>	293,654,604
<b>Equity</b>			
Issued capital	34	<b>1,480,015</b>	1,449,470
Hybrid equity securities	34	<b>742,890</b>	299,121
Capital surplus	34	<b>10,464,530</b>	10,351,748
Capital adjustments	35	<b>(13,232)</b>	(13,122)
Accumulated other comprehensive income	36	<b>(6,382)</b>	251,158
Retained earnings	37	<b>9,481,847</b>	8,788,923
<b>Equity attributable to equity holders of the parent</b>		<b>22,149,668</b>	21,127,298
<b>Non-controlling shareholders' equity</b>		<b>822,076</b>	766,344
<b>Total equity</b>		<b>22,971,744</b>	21,893,642
<b>Total liabilities and equity</b>		<b>₩ 326,912,708</b>	₩ 315,548,246

The accompanying notes are integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

unit: KRW million, except per share amounts			
	Notes	2015	2014
<b>Net interest income</b>			
Interest income	39, 40	<b>₩ 9,037,902</b>	₩ 10,092,874
Interest expense		<b>(4,499,043)</b>	(5,398,366)
		<b>4,538,859</b>	4,694,508
<b>Net fee and commission income</b>			
Fee and commission income	39, 41	<b>2,688,786</b>	2,535,613
Fee and commission expense		<b>(992,341)</b>	(917,786)
		<b>1,696,445</b>	1,617,827
Net trading income (loss)	39, 42	<b>(20,230)</b>	238,806
Net gain (loss) on financial assets and liabilities designated at fair value through profit and loss	39, 43	<b>202,181</b>	(158,126)
Net gain (loss) on derivative financial instruments used for hedging purposes	39, 44	<b>(6,185)</b>	6,120
Net gain on available-for-sale financial assets and other financial assets not measured at fair value	39, 45	<b>771,243</b>	493,611
Gain on foreign currency translation and transactions		<b>126,823</b>	273,275
<b>Total operating income</b>		<b>7,309,136</b>	7,166,021
Impairment loss on financial assets	39, 46	<b>(1,122,644)</b>	(1,444,010)
<b>Net operating income</b>		<b>6,186,492</b>	5,722,011
General and administrative expenses	39, 47	<b>(4,530,976)</b>	(3,936,205)
Other operating income	39, 48	<b>831,754</b>	792,313
Other operating expenses	39, 49	<b>(1,476,755)</b>	(1,334,672)
<b>Operating income</b>		<b>1,010,515</b>	1,243,447
<b>Non-operating expense</b>			
Share of earnings from investments in associates and joint ventures	10, 19	<b>90,290</b>	122,441
Other non-operating income	50	<b>198,441</b>	90,237
Other non-operating expenses	51	<b>(102,856)</b>	(203,562)
		<b>185,875</b>	9,116
<b>Net income before income tax</b>		<b>1,196,390</b>	1,252,563
<b>Income tax expense</b>	52	<b>(242,109)</b>	(272,774)
<b>Net income</b>		<b>954,281</b>	979,789
Attributable to: Equity holders of the parent		<b>909,732</b>	937,707
Non-controlling interests		<b>44,549</b>	42,082
<b>Other comprehensive income</b>	36		
Items that could be recycled to profit or loss at a future point in time:			
Gain (loss) on valuation of available-for-sale financial assets		<b>(192,975)</b>	335,194
Exchange differences on transaction of foreign operations		<b>(2,996)</b>	20,483
Changes in unrealized gain on valuation of equity method investments		<b>11,976</b>	(10,715)
Loss on valuation of net investment hedges of foreign operations		<b>(15,346)</b>	-
Net income (loss) on cash flow hedges		<b>1,757</b>	(2,689)
Items that will never be recycled:			
Remeasurement of the net defined benefit liability (asset)		<b>(60,876)</b>	(81,445)
<b>Total comprehensive income</b>		<b>₩ 695,821</b>	₩ 1,240,617
Attributable to: Equity holders of the parent		<b>652,192</b>	1,198,605
Non-controlling interests		<b>43,629</b>	42,012
<b>Earnings per share</b>	54		
Basic earnings per share (won)		<b>₩ 3,001</b>	₩ 3,177
Diluted earnings per share (won)		<b>2,990</b>	3,168

The accompanying notes are integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

unit: KRW million

	Notes	Issued capital	Hybrid equity securities	Capital surplus		Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
As at January 1, 2014		₩ 1,449,470	₩ 299,121	₩ 10,380,574		₩ (170,261)	₩ (9,740)	₩ 7,982,838	₩ 19,932,002	₩ 957,623	₩ 20,889,625
Dividends	53	-	-	-		-	-	(71,388)	(71,388)	-	(71,388)
Interim dividends	53	-	-	-		-	-	(43,484)	(43,484)	-	(43,484)
Issuance of share capital in subsidiaries		-	-	(235)		-	-	-	(235)	10,067	9,832
Merger of subsidiaries		-	-	(46,756)		-	-	-	(46,756)	46,735	(21)
Spin-off of subsidiaries		-	-	(3,087)		-	-	-	(3,087)	-	(3,087)
Redemption of hybrid equity securities issued by subsidiary		-	-	16,725		-	-	-	16,725	(266,725)	(250,000)
Dividends on hybrid equity securities	53	-	-	-		-	-	(19,082)	(19,082)	(14,325)	(33,407)
Acquisition and disposal of treasury stock	35	-	-	4,648		170,023	-	-	174,671	-	174,671
Acquisition of treasury stock of subsidiary		-	-	-		(13,095)	-	-	(13,095)	(6,845)	(19,940)
Others		-	-	(121)		211	-	2,332	2,422	(2,198)	224
		1,449,470	299,121	10,351,748		(13,122)	(9,740)	7,851,216	19,928,693	724,332	20,653,025
Net income for the year		-	-	-		-	-	937,707	937,707	42,082	979,789
Gain on valuation of available-for-sale financial assets		-	-	-		-	334,800	-	334,800	394	335,194
Exchange differences on transaction of foreign operations		-	-	-		-	18,666	-	18,666	1,817	20,483
Changes in unrealized gain on valuation of equity method investments		-	-	-		-	(10,602)	-	(10,602)	(113)	(10,715)
Net loss on cash flow hedges		-	-	-		-	(1,211)	-	(1,211)	(1,478)	(2,689)
Remeasurement of the net defined benefit liability		-	-	-		-	(80,755)	-	(80,755)	(690)	(81,445)
Total comprehensive income		-	-	-		-	260,898	937,707	1,198,605	42,012	1,240,617
As at December 31, 2014		₩ 1,449,470	₩ 299,121	₩ 10,351,748		₩ (13,122)	₩ 251,158	₩ 8,788,923	₩ 21,127,298	₩ 766,344	₩ 21,893,642

	Notes	Issued capital	Hybrid equity securities	Capital surplus		Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
As at January 1, 2015		₩ 1,449,470	₩ 299,121	₩ 10,351,748		₩ (13,122)	₩ 251,158	₩ 8,788,923	₩ 21,127,298	₩ 766,344	₩ 21,893,642
Dividends	53	-	-	-		-	-	(130,452)	(130,452)	-	(130,452)
Interim dividends	53	-	-	-		-	-	(44,400)	(44,400)	-	(44,400)
Issuance of share capital		30,545	-	149,298		-	-	-	179,843	-	179,843
Issuance of hybrid equity securities		-	443,769	-		-	-	-	443,769	-	443,769
Issuance of share capital in subsidiaries		-	-	(30)		-	-	-	(30)	37,347	37,317
Merger of subsidiaries		-	-	(13,320)		-	-	-	(13,320)	-	(13,320)
Acquisition of additional equity interests in subsidiaries		-	-	(20,929)		-	-	-	(20,929)	(156,782)	(177,711)
Issuance of hybrid equity securities in subsidiaries		-	-	-		-	-	-	-	149,617	149,617
Dividends on hybrid equity securities	53	-	-	-		-	-	(27,014)	(27,014)	(18,089)	(45,103)
Acquisition and disposal of treasury stock	35	-	-	(16)		-	-	-	(16)	-	(16)
Others		-	-	(2,221)		(110)	-	(14,942)	(17,273)	10	(17,263)
		1,480,015	742,890	10,464,530		(13,232)	251,158	8,572,115	21,497,476	778,447	22,275,923
Net income for the year		-	-	-		-	-	909,732	909,732	44,549	954,281
Loss on valuation of available-for-sale financial assets		-	-	-		-	(192,739)	-	(192,739)	(236)	(192,975)
Exchange differences on transaction of foreign operations		-	-	-		-	(2,527)	-	(2,527)	(469)	(2,996)
Changes in unrealized gain on valuation of equity method investments		-	-	-		-	11,968	-	11,968	8	11,976
Loss on valuation of net investment hedges of foreign operations		-	-	-		-	(15,346)	-	(15,346)	-	(15,346)
Net gain on cash flow hedges		-	-	-		-	1,471	-	1,471	286	1,757
Remeasurement of the net defined benefit liability		-	-	-		-	(60,367)	-	(60,367)	(509)	(60,876)
Total comprehensive income		-	-	-		-	(257,540)	909,732	652,192	43,629	695,821
As at December 31, 2015		₩ 1,480,015	₩ 742,890	₩ 10,464,530		₩ (13,232)	₩ (6,382)	₩ 9,481,847	₩ 22,149,668	₩ 822,076	₩ 22,971,744

The accompanying notes are integral part of the consolidated financial statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015	2014
unit: KRW million			
<b>Operating activities</b>			
Net income before income tax		₩ 1,196,390	₩ 1,252,563
Adjustments to reconcile net income before income tax to net cash flows:			
Net interest expense		294,790	124,759
Net loss (gain) on valuation of trading securities		145,439	(40,541)
Net loss (gain) on valuation of financial assets and liabilities designated at fair value through profit and loss		(341,131)	33,710
Net gain on disposal of available-for-sale financial assets		(606,041)	(388,186)
Net loss (gain) on fair value of hedged items		15,684	(2,059)
Net gain on redemption of held-to-maturity financial assets		-	(492)
Impairment loss on available-for-sale financial assets		75,800	310,214
Net loss (gain) on foreign exchange translation		(149,484)	34,871
Provision of allowance for possible loan losses		1,046,844	1,133,796
Depreciation and amortization		474,908	470,487
Share based payment income		(3,138)	(1,467)
Provision of post-employment benefit obligations		175,500	181,110
Net gain on valuation of investments in associates and joint ventures		(90,290)	(122,441)
Other loss relating to property, equipment and intangible assets, net		13,185	20,684
Others		497	(7,394)
		1,052,563	1,747,051
Changes in operating assets and liabilities:			
Due from banks		1,208,025	(3,257,262)
Financial assets held-for-trading		(1,481,169)	(1,370,598)
Loan receivables		(8,552,105)	(11,145,206)
Financial assets designated at fair value through profit and loss		(516,194)	(791,954)
Derivative assets used for hedging purposes		(28,598)	59,445
Investment in associates and joint ventures		28,995	59,496
Other assets		(489,332)	468,975
Financial liabilities held-for-trading		513,168	863,132
Financial liabilities designated at fair value through profit and loss		1,838,640	1,736,794
Deposits		4,628,505	14,365,476
Derivative liabilities used for hedging purposes		(7,728)	(89,345)
Net defined benefit liabilities		(263,054)	(281,442)
Provisions		(102,522)	(44,885)
Other liabilities		3,761,921	1,756,876
		538,552	2,329,502
Payment of income tax		(262,009)	(272,546)
<b>Net cash flows provided by operating activities</b>		<b>2,525,496</b>	<b>5,056,570</b>

The accompanying notes are integral part of the consolidated financial statements.

	Notes	2015	2014
unit: KRW million			
<b>Investing activities</b>			
Purchase of available-for-sale financial assets		(28,397,043)	(33,463,371)
Proceeds from disposal of available-for-sale financial assets		26,677,273	28,444,313
Purchase of held-to-maturity financial assets		(4,085,125)	(1,981,407)
Proceeds from redemption of held-to-maturity financial assets		3,079,969	2,360,685
Purchase of investments in associates		(202,562)	(1,109)
Proceeds from disposal of investments in associates		93,679	33,863
Acquisition of property and equipment		(503,458)	(317,619)
Proceeds from disposal of property and equipment		165,278	48,818
Purchase of investment property		(170,149)	(1,995)
Proceeds from disposal of investment property		8,798	6,596
Purchase of intangible assets		(123,428)	(104,123)
Proceeds from disposal of intangible assets		3,505	9,422
Decrease (increase) in guarantee deposit, net		285,164	(19,372)
<b>Net cash flows provided by (used in) investing activities</b>		<b>(3,168,099)</b>	<b>(4,985,299)</b>
<b>Financing activities</b>			
Increase in borrowings, net		(1,428,038)	1,312,855
Issuance of debentures		11,702,707	8,536,460
Redemption of debentures		(11,501,388)	(10,103,398)
Issuance of share capital		179,843	-
Dividends paid		(174,852)	(114,872)
Issuance of hybrid equity securities		443,769	-
Dividends of hybrid equity securities		(27,014)	(19,082)
Acquisition and disposal of treasury stock		(21)	176,155
Cost arising from issuance of share capital		(13,320)	(3,087)
Decrease in non-controlling shareholders' equity, net		(8,866)	(274,433)
<b>Net cash flows provided by financing activities</b>		<b>(827,180)</b>	<b>(489,402)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>32,306</b>	<b>75,184</b>
<b>Net decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>(1,437,477)</b>	<b>(342,947)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	56	<b>9,671,645</b>	10,014,592
<b>Cash and cash equivalents at the end of the year</b>	56	<b>₩ 8,234,168</b>	₩ 9,671,645

The accompanying notes are integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2015 AND 2014

### 1. Company information

The accompanying consolidated financial statements include Hana Financial Group Inc. (HFG, the Company or the Parent Company), a parent company according to KIFRS 1110 “Consolidated Financial Statements,” and its controlled subsidiaries (collectively, the Group). General information describing HFG, the Group and joint ventures is provided below.

#### 1.1 HFG

HFG was incorporated on December 1, 2005 under the Financial Holding Company Act, by issuing 204,256,243 common shares with the aggregate par value of ₩1,021,281 million to the shareholders of Hana Bank, Hana Finance Investment Co., Ltd. (formerly Hana Daetoo Securities Co., Ltd. (H&DS)), Hana Information & System Co., Ltd. (Hana I&S), and Hana Institute of Finance (HIF) in exchange for those entities’ shares owned by their shareholders. HFG was established to primarily engage in management of its subsidiaries, which operate in the financial services industry in the Republic of Korea.

Date of acquisition	Subsidiaries	Notes
October 13, 2006	Hana IB Securities Co., Ltd. (Hana IB)	Acquired by H&DS in 2008
April 27, 2007	Hana Capital Co., Ltd. (Hana Capital)	Acquired through the stock swap transaction with Hana Bank
August 10, 2007	Hana Life Insurance Co., Ltd. (Hana Life Insurance)	Acquired through the stock swap transaction with Hana Bank
October 31, 2009	Hana SK Card Co., Ltd. (Hana SK Card)	Established through the spin-off of Hana Bank’s credit card business
March 10, 2010	Hana Asset Trust Co., Ltd. (Hana Asset Trust)	Acquired through the purchase of common shares
February 8, 2012	Hana Savings Bank Co., Ltd. (Hana Savings Bank)	Established through the purchase and assumption agreement
February 9, 2012	Korea Exchange Bank (KEB)	Acquired through the purchase of common shares
August 30, 2013	Hana Bancorp, Inc.	Acquired through the purchase of common shares
September 1, 2014	KEB Hana Card Co., Ltd. (KEB Hana Card) (formerly KEB Card)	Established through the spin-off of KEB credit card business
December 29, 2015	Hana Investors Services Co., Ltd.	Acquired through the purchase of common shares held by Hana Bank

The total number of the Company’s issued and outstanding common shares is 296,003,062 shares with the aggregate par value of ₩1,480,015 million as at December 31, 2015. The Company’s common shares were listed on the Korea Exchange (KRX) on December 12, 2005 and the Company’s authorized common shares are 800,000,000 shares as at December 31, 2015.

#### 1.2 Scope of consolidation

	Country	Major business	Number of shares	Ownership (%)	Reporting date
Subsidiaries of HFG:					
KEB Hana Bank (formerly KEB)	Korea	Banking	1,071,915,717	100.0	December 31
HFI (formerly H&DS)	Korea	Financial Investments	35,060,263	100.0	December 31
KEB Hana Card	Korea	Credit card business	226,113,162	85.0	December 31
Hana Capital	Korea	Installment credit financing	7,261,199	50.1	December 31
Hana Asset Trust	Korea	Real estate trsut	10,000,000	100.0	December 31
Hana I&S	Korea	System development service	18,600,000	90.0	December 31
HIF	Korea	Specialized service	640,000	100.0	December 31
Hana Savings Bank	Korea	Mutual savings banking	15,000,000	100.0	December 31
Hana Life Insurance	Korea	Life insurance	27,040,200	100.0	December 31
Hana Bancorp, Inc.	U.S.	Financial holdings company	7,141,563	75.4	December 31
HIS (formerly KEB Fund Services Co., Ltd.)	Korea	Transfer agent	510,000	100.0	December 31

(Continued on next page)

	Country	Major business	Number of shares	Ownership (%)	Reporting date
Special money intrust (*1) (*2)	Korea	Specified money intrust	–	–	December 31
Subsidiaries of KEB Hana Bank:					
Hana Bank (China) Co., Ltd. (*1)	China	Banking	–	100.0	December 31
Hana Micro Finance Ltd.	Myanmar	Other financial business	97,357	99.9	December 31
Hana F&I, Inc. (formerly KEB F&I)	Korea	Investment and management service for NPL assets backed securities	18,975,720	99.5	December 31
Hana Future Co., Ltd. (formerly KEB Futures Co., Ltd.)	Korea	Futures brokerage service	3,000,000	100.00	December 31
Korea Exchange Bank of Canada	Canada	Financial business	834,000	100.00	December 31
Korea Exchange Bank (Deutschland) A.G.	Germany	Financial business	40,000	100.00	December 31
PT Bank KEB Hana (*3)	Indonesia	Financial business	2,157,794,863	88.9	December 31
Banco KEB do Brasil S.A.	Brazil	Financial business	69,726,415	100.0	December 31
KEB NY Financial Corp.	U.S.	Financial business	100	100.0	December 31
KEB LA Financial Corp.	U.S.	Financial business	200	100.0	December 31
KEB USA Int’l Corp.	U.S.	Financial business	100	100.0	December 31
KEB Asia Finance Limited	Hong Kong	Financial business	50,000,000	100.0	December 31
KEB Russia (*1)	Russia	Financial business	–	99.9	December 31
UBS Hana Power Private Investment Trust 21 [Bond] (*1)	Korea	Private investment trust company	–	100.0	December 31
Hyundai Trust PEF Invest 16 [Bond] (*1)	Korea	Private investment trust company	–	100.0	December 31
Korea Investment Basic 63 Private Equity Investment Vehicles [Bond] (*1)	Korea	Private investment trust company	–	100.0	December 31
LS Leading Solution 143 Private Equity Investment Vehicles [Bond] (*1)	Korea	Private investment trust company	–	100.0	December 31
Sevenstar Co., Ltd (*1)	Korea	SPC	–	–	December 31
Marine Solution Co., Ltd. (*1)	Korea	SPC	–	–	December 31
Chungangstar Co., Ltd. (*1)	Korea	SPC	–	–	December 31
HB Rainbow LLC (*1)	Korea	SPC	–	–	December 31
Trust Accounts (*1)	Korea	Trust accounts	–	–	December 31
Subsidiaries of Hana F&I Inc.					
KEBW First Securitization Specialty Co., Ltd.	Korea	Asset securitization	50	5.0	December 31
KEB VERITAS Second Securitization Co., Ltd. (*1)	Korea	Asset securitization	–	–	December 31
KEBS First Securitization Co., Ltd.	Korea	Asset securitization	30	5.0	December 31
KEBS Second Securitization Co., Ltd.	Korea	Asset securitization	30	5.0	December 31
KEB Pepper First Securitization Co., Ltd.	Korea	Asset securitization	30	5.0	December 31
KEBI First Securitization Co., Ltd.	Korea	Asset securitization	18	9.0	December 31
KEBBS First Securitization Co., Ltd.	Korea	Asset securitization	30	5.0	December 31
KEBS Third Securitization Co., Ltd.	Korea	Asset securitization	10	5.0	December 31
KEBT First Securitization Specialty Co., Ltd.	Korea	Asset securitization	10	5.0	December 31
Hongdae Picasso Co., Ltd. (*1)	Korea	Asset securitization	–	–	December 31

(Continued on next page)



	Country	Major business	Number of shares	Ownership (%)	Reporting date
KEB The Loft Co., Ltd. (*1)	Korea	Asset securitization	–	–	December 31
HFS First Securitization Specialty Co., Ltd.	Korea	Asset securitization	28	14.0	December 31
HANAMIRAEASSET Third Securitization Specialty Co.,Ltd.	Korea	Asset securitization	510	5.1	December 31
Shinseung Building Inc. (*1)	Korea	Asset securitization	–	–	December 31
Echo Asset Management Company Inc. (*1)	Korea	Asset securitization	–	–	December 31
Hanastone First Inc. (*1)	Korea	Asset securitization	–	–	December 31
HFT Second Securitization Specialty Co., Ltd.	Korea	Asset securitization	10	5.0	December 31
Hanastone Second Inc. (*1)	Korea	Asset securitization	–	–	December 31
HHM First Co., Ltd. (*1)	Korea	Asset securitization	–	–	December 31
Hanastone Third Inc. (*1)	Korea	Asset securitization	–	–	December 31
Subsidiaries of HFI:					
Hana the First Private Equity Fund (*1)	Korea	Private equity fund	–	48.9	December 31
Hana Asia Limited (*1)	Hong Kong	Advisory services for securities	–	–	December 31
Hana Power Limited Liability Company (*1)	Korea	Private equity fund	–	0.9	December 31
Hana Daol Land Chip Heungdeok Real Estate Private Fund 35 (*1)	Korea	Investment trust	–	100.0	December 31
KoFC Hana–Dongbu Frontier Champ 2010 No. 6 Private Equity Fund (*1)	Korea	Private equity fund	–	29.2	December 31
Hana Global Investment Consulting Co., Ltd. (*1)	China	Investment consulting	–	100.0	December 31
Hana Land Chip Houston Real Estate Private Fund 59 (*1)	Korea	Investment trust	–	100.0	December 31
Subsidiaries of Hana the First Private Equity Fund:					
Radian 1 SPC Co., Ltd	Korea	SPC	60,000,020	100.0	December 31
Warden 1 SPC Ltd.	Korea	SPC	1,001,340,000	100.0	December 31
Subsidiaries of KEB Hana Card:					
Special money intrust (*2)	Korea	Special money intrust	–	–	December 31
Subsidiaries of Hana Asset Trust:					
Hana Asset Management Co., Ltd.	Korea	Asset management	2,000,000	100.0	December 31
Subsidiaries of Hana Life Insurance:					
Hana Land Chip Real Estate Private Equity Fund 68 (*1)	Korea	Investment trust	–	100.0	December 31
Subsidiaries of Hana Bancorp, Inc.:					
BNB Hana Bank, N.A	U.S	Banking	500,100	100.0	December 31
BNB Statutory trust I	U.S	SPC	155,000	100.0	December 31
Subsidiary of BNB Hana Bank, N.A:					
BNB Funding Corp. (*1)	U.S	SPC	–	–	December 31

(\*1) The Group did not present number of investment shares since the company did not issue shares.

(\*2) Special money intrust accounts consist of many accounts, but the number of accounts is not recorded.

(\*3) The Group considered the treasury stock owned by PT Bank KEB Hana when assessing whether or not the Group has significant influence on PT Bank KEB Hana owned by KEB Hana Bank, a subsidiary of HFG.

The financial information of subsidiaries as at December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Other comprehensive income (loss)	Comprehensive income (loss)
KEB Hana Bank (formerly KEB) (*1)(*2)	₩ 292,404,100	₩ 270,860,222	₩ 21,543,878	₩ 28,721,261	₩ 1,074,413	₩ (352,733)	₩ 721,680
HFI (formerly H&DS) (*1)	16,656,399	14,857,076	1,799,323	2,894,860	129,832	31,284	161,116
KEB Hana Card (*1)	6,737,654	5,401,163	1,336,491	1,505,253	10,119	(547)	9,572
Hana Capital	4,472,303	3,903,093	569,210	332,319	65,134	844	65,978
Hana Asset Trust (*1)	144,473	24,398	120,075	52,623	18,736	106	18,842
Hana I&S	228,432	121,228	107,204	128,233	2,391	(1,005)	1,386
HIF	4,511	993	3,518	9,966	69	28	97
Hana Savings Bank	1,085,671	907,873	177,798	78,489	18,113	118	18,231
Hana Life Insurance (*1)	3,984,692	3,717,279	267,413	684,240	22,410	(6,788)	15,622
Hana Bancorp, Inc.(*1)	276,690	253,592	23,098	10,817	(10,121)	1,734	(8,387)
HIS (*4)	27,713	4,413	23,300	–	–	–	–

	December 31, 2014						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Other comprehensive income (loss)	Comprehensive income (loss)
Hana Bank (*1)	₩ 172,455,354	₩ 159,695,785	₩ 12,759,569	₩ 14,378,839	₩ 856,419	₩ 182,325	₩ 1,038,744
KEB (*1)	112,339,636	103,312,956	9,026,680	9,976,423	376,394	(37,769)	338,625
H&DS (*1)	15,293,071	13,655,378	1,637,693	2,084,675	96,327	(13,004)	83,323
KEB Hana Card (*1) (*3)	7,233,659	5,907,010	1,326,649	1,069,161	5,090	(4,242)	848
Hana Capital (*1)	3,870,668	3,558,993	311,675	307,910	50,368	39	50,407
Hana Asset Trust (*1)	112,013	10,326	101,687	32,848	11,197	(476)	10,721
Hana I&S	131,607	25,791	105,816	93,512	2,261	(668)	1,593
HIF	4,428	1,007	3,421	9,900	70	(164)	(94)
Hana Savings Bank	1,066,787	907,383	159,404	78,179	11,161	866	12,027
Hana Life Insurance	3,376,553	3,124,967	251,586	563,125	2,875	30,590	33,465
Hana Bancorp, Inc.(*1)	298,040	266,582	31,458	10,959	(14,472)	1,387	(13,085)

(\*1) Consolidated financial information including subsidiaries

(\*2) Hana Bank's net income for the period ended August 31, 2015 is included.

(\*3) Hana SK Card's profit or loss for the current year is included.

(\*4) HIS's net income for the year ended December 31, 2015 is included in KEB Hana Bank's comprehensive income because HIS has become a subsidiary of HFG from that of KEB Hana Bank.

Changes in scope of consolidation for the year ended December 31, 2015 are as follows:

Name of subsidiaries	Reason
Included in scope of consolidation:	
KEBS Third Securitization Co., Ltd.	Included due to the new investments
HB Rainbow LLC	Included due to the new investments
KEBT First Securitization Specialty Co., Ltd.	Included due to the new investments
Hongdae Picasso Co., Ltd.	Included due to the new investments
KEB The Loft Co., Ltd.	Included due to the new investments
HFS First Securitization Specialty Co., Ltd.	Included due to the new investments
HANAMIRAEASSET Third Securitization Specialty Co., Ltd.	Included due to the new investments
Hana Land Chip Real Estate Private Equity Fund 68	Included due to the new investments

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Name of subsidiaries	Reason
Shinseung Building Inc.	Included due to the new investments
Echo Asset Management Company Inc.	Included due to the new investments
Hanastone First Inc.	
HFT Second Securitization Specialty Co., Ltd.	Included due to the new investments
Hanastone Second Inc.	Included due to the new investments
HIM First Co., Ltd.	Included due to the new investments
Hanastone Third Inc.	Included due to the new investments
Excluded from scope of consolidation:	
Hana CSP Co., Ltd	Excluded due to the liquidation
KEB VERITAS First Securitization Co., Ltd.	Excluded due to the disposal
Athene 1st Co., Ltd.	Excluded due to the liquidation
Athene 2nd Co., Ltd.	Excluded due to the liquidation
Saenggakdaero T 17th Securitization Specialty Co., Ltd.	Excluded due to the liquidation
Hyundai Trust PEF Invest 15 [Bond]	Excluded due to the disposal
UBS Hana Power Private Investment Trust 20 [Bond]	Excluded due to the disposal
Hana Capital Special money intrust	Excluded due to the disposal
HFI Special money intrust	Excluded due to the disposal
KEB(Australia) Holdings Ltd.	Excluded due to the liquidation
KEB Australia Ltd.	Excluded due to the liquidation
Hana Bank (formerly Hana Bank)	Merged with KEB
Coverbill LLC	Excluded due to the liquidation

1.2.1 KEB Hana Bank (formerly KEB)

KEB was established on January 30, 1967, as a government-invested bank to engage in foreign exchange and trade finance business under the Korea Exchange Bank Act proclaimed on July 28, 1966. On December 30, 1989, the Korea Exchange Bank Act was repealed and KEB was converted into a corporation under the Commercial Code of the Republic of Korea. On April 4, 1994, KEB was listed on the Korean Stock Exchange. The integration between KEB and Korea Exchange Bank Credit Service Co., Ltd. was finalized on February 28, 2004. KEB primarily provides commercial banking services, trust banking services, foreign exchange, merchant banking business through the integration with Korea International Merchant Bank, a domestic subsidiary of the Bank, and other related operations as permitted under the Banking Act, the Capital Market and the Financial Investment Business Act and other relevant laws and regulations in the Republic of Korea. As at Febrary 9, 2012, the Company purchased 57.27% interest in KEB, which gives it control of KEB. On March 15, 2013, the Company’s BoD approved a share swap contract to acquire a 100 percent stake of KEB. Pursuant ot the contract, KEB was incorporated into the Company’s wholly owned subsidiary as at April 5, 2013. As at September 1, 2014, Hana Card (formerly KEB Card) was spun off from the credit card business unit of KEB. KEB merged with Hana Bank and changed its name to KEB Hana Bank on September 1, 2015.

1.2.2 Hana Financial Investment Co., Ltd. (formerly H&DS)

Hana Financial Investment Co., Ltd. (HFI) was incorporated on January 18, 1977 pursuant to the Security Investment Trust Act of the Republic of Korea for the purpose of providing a wide range of security investment trust services for its customers. H&DS combined with Hana IB (formerly Hana Securities Co., Ltd.) as a business combination under common control (wholly-owned by HFG) on December 1, 2008, and changed its name to HFI on September 3, 2015.

1.2.3 KEB Hana Card

Hana SK Card was merged into Korea Exchange Bank Credit Service Co., Ltd. (formerly KEB Card) on December 1, 2014 and KEB Card changed its name to KEB Hana Card. The common shares were exchanged at a ratio of 1 common share of Hana SK Card for 1.1731316 common shares of KEB Card.

1.2.4 Hana Capital

Hana Capital(formerly Kolon Capital Co., Ltd.) was incorporated on February 13, 1987 and changed its name to Hana Capital on April 8, 2005. Hana Capital obtained a license to engage in the installment financing business on January 9, 1996 in accordance with the Credit Card Business Act of the Republic of Korea and was registered as an installment financing company in accordance with the Credit-Specialized Financial Business Act of the Republic of Korea on January 16, 1998 to engage in leasing, installment financing and corporate and consumer loan business. The Company acquired a 50.13% ownership of Hana Capital through a stock swap transaction with Hana Bank on April 27, 2007.

1.2.5 Hana Asset Trust

Hana Asset Trust was incorporated on June 15, 1999 for the purpose of conducting research and analysis of regional and local developments. On February 27, 2004, Hana Asset Trust changed its primary business to a real estate investment trust company, pursuant to the Trust Business Act. The Company acquired 58% ownership of Hana Daol Trust (formerly Daol Trust Co., Ltd.) and incorporated Hana Daol Trust as its subsidiary as at March 10, 2010. The Company additionally acquired 7% ownership of Hana Daol Trust as at December 30, 2011, and purchased residual interest in Hana Daol Trust for the year ended December 31, 2013 and incorporated Hana Asset Trust (formerly Hana Daol Trust) as its wholly owned subsidiary as at December 31, 2013.

1.2.6 Hana I&S

Hana I&S was incorporated on August 30, 1990 pursuant to the laws of the Republic of Korea for the purpose of developing and maintaining software used in the financial service industry.

1.2.7 HIF

HIF (formerly Korea Investment & Economy Research Inc.) was incorporated on July 3, 1990 pursuant to the laws of the Republic of Korea for the purpose of engaging in research and analysis of domestic and global economies, various industry sectors, including the financial industry, and sales of such research findings, and changed its name to HIF on January, 2005.

1.2.8 Hana Savings Bank

Hana Savings Bank was incorporated on February 8, 2012 pursuant to the Depositor Protection Act of the Republic of Korea for the purpose of engaging in the credit business as permitted by Financial Services Commission and the Company made a purchase and assumption agreement with Korea Deposit Insurance Corporation. In accordance to the agreement, Hana Savings Bank commenced its business after purchasing assets and assuming liabilities from Ace Savings Bank and Jeil- II Savings Bank on February 17, 2012. On September 5, 2012, Hana Savings Bank purchased assets and assumed liabilities from Korea Mutual Savings Bank in accordance to the purchase and assumption agreement with Korea Deposit Insurance Corporation after the approval of the BoD held on August 21, 2012.

1.2.9 Hana Life Insurance

Hana Life Insurance Co., Ltd (the Hana Life Insurance) was incorporated on November 25, 1991 pursuant to the laws of the Republic of Korea after getting permission of foreign investment to engage in the life insurance business from Ministry of Strategy and Finance. The name changed from France Life Insurance Co., Ltd. to Hana Life Insurance Co., Ltd. on March 21, 2003. The Company acquired 100% ownership of Hana Life Insurance Co., Ltd. through acquisition of Hana Bank’s equities on August 10, 2007 and the Company subsequently sold its 50% ownership minus 1 share of Hana Life Insurance on January 28, 2008 to the HSBC Group (HSBC Insurance (Asia-Pacific) Holding Ltd.). As a result, Hana Life Insurance became joint venture and changed its name to Hana HSBC Insurance. The Company re-acquired the sold ownership of Hana HSBC Insurance after the Company’s BoD approved a share purchase contract to acquire a 50 percent minus 1 share of Hana HSBC Insurance on April 26, 2013. Then, it changed its name to Hana Life Insurance on May 10, 2013.

1.2.10 Hana Bancorp, Inc.

Hana Bancorp, Inc. (formerly BNB Financial Service Corporation) was incorporated on April 8, 1988 to engage in the bank business. The Company acquired 52.29% ownership of BNB Financial Service Corporation and incorporated Hana Bancorp, Inc. as its subsidiaries as at October 30, 2013.

1.2.11 Hana Investors Services Co., Ltd. (formerly KEB Fund Services)

Hana Investors Seviles Co., Ltd. (HIS) was established on April 1, 2003 to provide trust services for securities companies and general services including accounting and trust services for banks, pension funds and other companies under the Capital Market and Financial Investment Business Act (formerly Indirect Investment Asset Management Business Act). The Company acquired 100% ownership of HIS from Hana Bank on December 29, 2015.

1.2.12 Special money intrust

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated the special money intrust because the Company is exposed, or has rights, to variable returns from its involvement with the private equity investment vehicles and has the ability to affect those returns through its power over the private equity investment vehicles.



**1.2.13 Subsidiaries of KEB Hana Bank**

**1.2.13.1 Hana F&I, Inc. (formerly KEB F&I Inc.)**

Hana F&I, Inc. (Hana F&I) was established on September 11, 1989, to engage in equipment rental and other relevant businesses under the Specialized Credit Financial Business Act (formerly Equipment Rental Business Act) and was listed on the Korea Securities Dealers Automated Quotation (KOSDAQ) on January 15, 1995. As HFG acquired KEB and its subsidiaries including Hana F&I, KEB is restricted to control a company which runs the specialized credit financial business in accordance with the Financial Holding Companies Act Article 19 as on and after January 31, 2014. On October 17, 2013, Hana F&I's BoD approved to change business field to investment in asset backed securities and management of asset securitization firm in Asset-Backed Securitization Act. On September 30, 2015, Hana F&I changed its name to Hana F&I, Inc. resulting from the integration of Hana Bank and KEB.

**1.2.13.2 Hana Futures Co., Ltd. (formerly KEB Futures Co., Ltd. (KEBF))**

KEBF was incorporated on September 24, 1997 as an integrated futures broker of KEB. In 1998, KEBF was granted a futures trading license for overseas markets and domestic operations from the Ministry of Economy and Finance. KEBF changed its name to KEB Futures Co., Ltd. on March 19, 1999. KEBF changed its name to Hana Futures Co. Ltd. on September 1, 2015 resulting from the integration of Hana Bank and KEB.

**1.2.13.3 Hana Bank (China) Co., Ltd. (Hana Bank China)**

Hana Bank China was incorporated in Beijing to engage in commercial banking, foreign currency exchanges and other related operations in China on December 14, 2007. On December 24, 2007, KEB Hana Bank took investment in kind through assets and liabilities of branches in Shanghai and Syenyang and shares in Qingdao International Bank owned by KEB Hana Bank. The branches and Qingdao International Bank were changed into the branches of Hana Bank China. Hana Bank China was merged with KEB China and incorporated into a subsidiary of KEB Hana Bank in December, 2014 since KEB Hana Bank acquired control over Hana Bank China after the integration.

**1.2.13.4 Hana Micro Finance Ltd.**

Hana Micro Finance Ltd., a subsidiary established in Yangon, Myanmar on August 7, 2014, is doing small-loan finance services. The objective of the service is to satisfy low incomers' demand for small-loan finance and at the same time to lay the foundation for a retail market with excellent growth potential. It owns a head office in Yangon.

**1.2.13.5 Korea Exchange Bank of Canada (KEBOC)**

KEBOC was established in Toronto, Canada on October 6, 1981 to provide financial services to Korean companies and residents in Toronto and the surrounding area.

**1.2.13.6 Korea Exchange Bank (Deutschland) A.G. (KEBDAG)**

KEBDAG was established in Frankfurt, Germany on December 29, 1992 to provide financial services to Korean companies and residents in Frankfurt and the surrounding area.

**1.2.13.7 PT. Bank KEB Hana**

PT. Bank KEB Hana was established in Jakarta, Indonesia on November 5, 1990 to provide financial services to Korean companies and residents in Jakarta. In accordance with the regulations of the Bank Indonesia, 2 or more local banks with the same ultimate parent company are prohibited to operate as an independent entity in Indonesia. Accordingly, PT. Bank KEB Indonesia (KEBI), a subsidiary of the Bank, and PT. Bank Hana, a subsidiary of Hana Bank, have completed a integration process on February 20, 2014 and changed the name to PT. Bank KEB Hana. PT. Bank KEB Hana incorporated into a subsidiary of KEB on February 28, 2014 since KEB owned the major shares of PT. Bank KEB Hana after the acquisition.

**1.2.13.8 Banco KEB do Brasil S. A. (KEBB)**

KEBB was incorporated on May 21, 1999 to provide finance services for foreign clients, advisory services, finance arrangement and security investment trust services regarding overseas investment for domestic companies.

**1.2.13.9 KEB NY Financial Corp. (NYFinCo)**

NYFinCo was established in New York, USA on April 8, 2004 to provide financial services to Korean companies and residents in New York and the surrounding area.

**1.2.13.10 KEB LA Financial Corp. (LAFinCo)**

LAFinCo was established in Los Angeles, USA on July 2, 2009 to provide financial services to Korean companies and residents in Los Angeles and the surrounding area.

**1.2.13.11 KEB USA Int'l Corp. (USAI)**

USAI was incorporated on May 3, 2004 to engage in the foreign exchange business.

**1.2.13.12 KEB Asia Finance Limited (KAF)**

KAF was established on July 2, 2009 to provide finance services for foreign clients, advisory services, finance arrangement and security investment trust services regarding overseas investment for domestic companies.

**1.2.13.13 KEB Russia**

KEB launched a Moscow representative office in 2008 to provide financial information and consulting services for Korean and local companies in Russia.

**1.2.13.14 Hyundai Trust PEF Invest 16 [Bond] and other 3 collective Private investment trust company**

In accordance with KIFRS 1110 Consolidated Financial Statements, the Group has consolidated 4 collective private investment trust company including Hyundai Trust PEF Invest 16 [Bond] because they currently have controlling power to instruct the activities of investees, are exposed to or hold rights to the changeable profits of the investees, and are capable of influencing on the profits of the investees.

**1.2.13.15 Special Purpose Entities**

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Group consolidated 4 special purpose companies because the Group is exposed, or has rights, to variable returns from its involvement with the SPEs and has the ability to affect those returns through its power over the SPEs.

**1.2.13.16 Trust Accounts**

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Group consolidated trust accounts with a guarantee of principal repayment or with a guarantee of principal and interest repayment because the Group is exposed, or has rights, to variable returns from its involvement with the trust accounts and has the ability to affect those returns through its power over the trust accounts.

**1.2.14 Subsidiaries of HFI**

**1.2.14.1 Hana the First Private Equity Fund**

Hana the First Private Equity Fund (Hana the First PEF) was established on December 22, 2009 as a joint-stock company under the Capital Market Financial Investment Business Act for the purpose of distributing to the partners of Hana the First PEF the profits generated from participating in control, improving financial, business and governance structures of invested companies. Hana the First PEF is owned by KEB Hana Bank (29.97% ownership) as a limited partner and HFI (18.93% ownership) as a general and management partner.

**1.2.14.2 Hana Asia Limited**

Hana Asia Limited was incorporated on July 3, 2008 under the Securities and Futures Ordinance to engage in investment trusts. It is going through the process of liquidation as at December 31, 2015.

1.2.14.3 Hana Power Limited Liability Company

Hana Power Limited Liability Company was incorporated on December 27, 2010 under the Commercial Act to acquire and manage common shares issued by Commerce & Industry Energy Co., Ltd. and the related rights. Issued capital of Hana Power Limited Liability Company amounts to ₩10,000 thousand as at the reporting date. HFI controls Hana Power Limited Liability Company because HFI is exposed, or has rights, to variable returns from its involvement with Hana Power Limited Liability Company and has the ability to affect those returns through its power over Hana Power Limited Liability Company based on the facts that the Company obtains benefits from the loans and equity investments and provides credit enhancements.

1.2.14.4 Hana Daol Land Chip Heungdeok Real Estate Private Fund 35

Hana Daol Land Chip Heungdeok Real Estate Private Fund 35 was incorporated on September 19, 2011 in accordance with the Financial Investment Services and Capital Markets Act and wholly owned by HFI. It manages Knowledge Industrial Center (apartment-style factory), Heungdeok IT Valley that was built in Heungdeok housing site development district G1 block. The collective investment company, an asset management company, is Hana Asset Management Co., Ltd. and the trustor is National Agricultural Cooperative Federation.

1.2.14.5 KoFC Hana–Dongbu Frontier Champ 2010 No. 6 Private Equity Fund

KoFC Hana–Dongbu Frontier Champ 2010 No. 6 Private Equity Fund was incorporated on November 22, 2010 as a joint-stock company under the Capital Market Financial Investment Business Act for the purpose of distributing to the partners of KoFC Hana–Dongbu Frontier Champ 2010 No. 6 Private Equity Fund the profits generated from participating in control, improving financial, business and governance structures of invested companies.

1.2.14.6 Hana Global Investment Consulting Co., Ltd.

Hana Global Investment Consulting Co., Ltd. was incorporated in Beijing on October 14, 2011 and engages in advisory services on issuing bonds, listing China companies on the Korean stock market, cross-border M&A transactions and others.

1.2.14.7 Hana Land Chip Houston Real Estate Private Fund 59

Hana Land Chief Houston Private Equity Real Estate Investment Trust (REIT) 59, which was established by the Capital Markets and Financial Investment Services Act on October 30, 2014, manages common stocks of FG US Holdings 2 LLC that was established to acquire preferred stocks of 3000Post Oak Blvd. in Houston, the USA. The collective investment company, or an asset management company, is Hana Asset Management Co., Ltd. and the trustor is National Agricultural Cooperative Federation.

1.2.15 Subsidiaries of KEB Hana Card

1.2.15.1 Special money intrust

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Group consolidated special money intrust because the Group is exposed, or has rights, to variable returns from its involvement with the private equity investment vehicles and has the ability to affect those returns through its power over the private equity investment vehicles.

1.2.16 Subsidiaries of Hana Asset Trust

1.2.16.1 Hana Asset Management Co., Ltd.

Hana Asset Management Co., Ltd. (Hana Asset Management) was incorporated on April 14, 2006 for the purpose of providing asset management and investment advisory services, pursuant to the Capital Market Financial Investment Business Act. Hana Asset Management changes its name from Hana Daol Fund Management to Hana Asset Management on December 12, 2013.

1.2.17 Subsidiaries of Hana Life Insurance

1.2.17.1 Hana Land Chip Real Estate Private Equity Fund 68

Hana Land Chip Real Estate Private Equity Fund 68 was incorporated in accordance with the Financial Investment Services and Capital Markets Act. It manages a building located in Gangnam-gu for occupancy by subsidiaries of HFG. The collective investment company, an asset management company, is Hana Asset Management Co., Ltd. and the trustor is NongHyup Bank.

1.3 The financial support to a consolidated structured entity

Nature and reason of the contractual arrangements for providing the financial support to a consolidated structured entity as at December 31, 2015 are as follows:

Entity	The Characteristics and Purposes	Intention
Trust accounts with guarantee of the repayment of principal and interest	The Group offers principal conservation commitment to trust accounts. The Group is required to conserve the deficit amount in case the trust account stands below the principal as a result of the operation.	Credit risk mitigation on financial management of trust account
Sevenstar Co., Ltd.	The Group lends ₩57,000 million to Sevenstar Co., Ltd.	Operating activities
Choong-ang star Co., Ltd.	The Group lends ₩90,300 million to Choong-ang star Co., Ltd.	Operating activities
HB Rainbow LLC	The Group lends ₩14,300 million to HB Rainbow LLC.	Operating activities
KEBW First Securitization Specialty Co., Ltd	The Group purchased the unsubordinated securities and subordinated securities issued by KEBW First Securitization Specialty Co., Ltd. in the amount of ₩34,700 million, respectively.	Operating activities
KEBS First Securitization Co., Ltd.	The Group underwrote ₩21,800 million of senior bonds issued by KEBS First Securitization Co., Ltd.	Operating activities
KEBS Second Securitization Co., Ltd	The Group underwrote ₩18,300 million of senior bonds issued by KEBS Second Securitization Co., Ltd.	Operating activities
KEB Pepper First Securitization Co., Ltd.	The Group underwrote ₩4,900 million of senior bonds and ₩3,300 million of subordinated bonds issued by KEB Pepper First Securitization Co., Ltd.	Operating activities
KEBI First Securitization Co., Ltd.	The Group underwrote ₩40,700 million of senior bonds and ₩40,700 million of subordinated bonds issued by KEBI First Securitization Co., Ltd.	Operating activities
KEBBS First Securitization Co., Ltd.	The Group underwrote ₩21,700 million of senior bonds issued by KEBBS First Securitization Co., Ltd.	Operating activities
KEBS Third Securitization Co., Ltd.	The Group underwrote ₩21,614 million of subordinated bonds issued by KEBS Third Securitization Co., Ltd.	Operating activities
KEBT First Securitization Specialty Co., Ltd.	The Group underwrote ₩14,220 million of bonds issued by KEBT First Securitization Specialty Co., Ltd.	Operating activities
Hongdae Picasso Co., Ltd.	The Group underwrote ₩15,860 million of bonds issued by Hongdae Picasso Co., Ltd.	Operating activities
KEB The Loft Co., Ltd.	The Group underwrote ₩18,000 million of bonds issued by KEB The Loft Co., Ltd.	Operating activities
KEB VERITAS Second Securitization Co., Ltd.	The Group underwrote ₩25,400 million bonds issued by KEB VERITAS Second Securitization Co., Ltd.	Operating activities
HFS First Securitization Specialty Co., Ltd.	The Group underwrote ₩29,700 million of senior bonds and ₩21,293 million of subordinated bonds issued by HFS First Securitization Specialty Co., Ltd.	Operating activities
HANAMIRAEASSET Third Securitization Specialty Co., Ltd.	The Group underwrote ₩7,900 million of bonds issued by HANAMIRAEASSET Third Securitization Specialty Co., Ltd.	Operating activities
Shinseung Building Inc.	The Group underwrote ₩66,600 million of bonds issued by Shinseung Building Inc.	Operating activities
Echo Asset Management Company Inc.	The Group underwrote tranche 1 bonds of ₩4,000 million and tranche 2 bonds of ₩500 million issued by Echo Asset Management Company Inc.	Operating activities
Hanastone First Inc.	The Group underwrote ₩17,500 million of bonds issued by Hanastone First Inc.	Operating activities
HFT Second Securitization Specialty Co., Ltd.	The Group underwrote ₩21,800 million of the unsubordinated bonds and ₩14,500 million of the subordinated bonds issued by HFT Second Securitization Specialty Co., Ltd.	Operating activities
Hanastone Second Inc.	The Group underwrote ₩6,800 million of bonds issued by Hanastone Second Inc.	Operating activities
HHM First Co., Ltd	The Group underwrote ₩15,600 million of senior bonds issued by HHM First Co., Ltd	Operating activities
Hanastone Third Inc.	The Group underwrote ₩14,000 million of bonds issued by Hanastone Third Inc.	Operating activities
Hana the First PEF	The Group is obligated to meet capital call request by the General Partner within the limit of capital commitment (₩317,000 million) and the accumulated investment in capital amounts to ₩312,900 million as at December 31, 2015.	Operating activities
KoFC Hana–Dongbu Frontier Champ 2010 No. 6 Private Equity Fund	The Group is obligated to meet capital call request by the General Partner within the limit of capital commitment (₩120,000 million) and the accumulated investment in capital amounts to ₩78,000 million as at December 31, 2015.	Operating activities



## 2. Unconsolidated structured entities

Details of the nature of the Group's interests in unconsolidated structured entities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

Classification	Purpose	Financing arrangement	Total assets	
			December 31, 2015	December 31, 2014
Special purpose company	Financing through asset liquidation and securitization	Issuing ABL/ABCP and others	₩ 9,300,435	₩ 12,604,058
Real estate finance	Operation for real estate (including SOC) development	Investment and borrowing	101,767,902	33,989,439
Shipping finance and primary market finance	Financing to purchase ships, NPL and ownership	Investment and borrowing	44,910,591	26,279,991
Investment fund	Managing investment fund and trust	Issuing beneficiary certificates	104,095,098	42,635,266

Details of the Company's maximum exposure to loss from its interests in unconsolidated structured entities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

December 31, 2015				
Classification	Special purpose company	Real estate finance	Shipping finance and primary market finance	Investment fund
Assets:				
Loans receivable (A)	₩ 1,001,121	₩ 587,041	₩ 1,324,084	₩ 346,659
Securities (B)	46,509	80,221	-	6,981,501
Derivatives (C)	614	5,600	25,185	22,740
Others (D)	2,643	2,118	4,123	1,048
Liabilities:				
Derivatives	-	-	3,921	7,505
Provision	386	6	72	-
Net asset	1,050,501	674,974	1,349,399	7,344,443
Maximum exposure to loss				
Financial assets (A+B+C+D)	1,050,887	674,980	1,353,392	7,351,948
Credit and other commitment	882,564	10,983	132,023	644

December 31, 2014				
Classification	Special purpose company	Real estate finance	Shipping finance and primary market finance	Investment fund
Assets:				
Loans receivable (A)	₩ 2,143,051	₩ 2,191,817	₩ 2,491,357	₩ 1,177,429
Securities (B)	64,898	104,397	-	1,619,255
Derivatives (C)	12,349	5,260	262	7,576
Others (D)	24,002	7,558	8,974	4,305
Liabilities:				
Derivatives	-	-	485	5,541
Provision	415	208	112	1,093
Others	14,391	3,186	-	-
Net asset	2,229,494	2,305,638	2,499,996	2,801,931
Maximum exposure to loss				
Financial assets (A+B+C+D)	2,244,300	2,309,032	2,500,593	2,808,565
Credit and other commitment	2,276,084	105,061	284,822	640

## 3. Summary of significant accounting policies and Basis of preparation

### 3.1 Basis of preparation

The Group prepares statutory consolidated financial statements in the Korean language for the year ended December 31, 2015, which have been prepared in accordance with Korea International Financial Reporting Standards (KIFRS) enacted by the Act on External Audit of Stock Companies.

The accompanying consolidated financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

### 3.2 Principles of consolidation

The significant accounting policies that the Group adopts in preparing the consolidated financial statements are as follows.

#### 3.2.1 Subsidiaries

Subsidiaries are the companies controlled by the Group, and the Group has rights to determine the financial and operational policies of the subsidiaries. Generally, it has at least 50% voting rights, and special purpose vehicles are included. When the Group evaluates whether a company falls under a subsidiary, it considers the existence of an exercisable or convertible potential voting right and its effect. When the Group controls a subsidiary, the subsidiary is subject to consolidation; when the Group loses the control, it is eliminated from the consolidation.

#### 3.2.2 Offsetting investment account against equity account

The investment accounts of the Group and the corresponding equity accounts of the subsidiaries were offset and eliminated as at the date of acquiring control.

#### 3.2.3 Difference between net assets of an investee and acquisition costs

When offsetting the investment of the parent company and the equity of a subsidiary, the Group applies an acquisition method in accounting treatment. When applying the acquisition method, if the purchase price to acquire shares of the subsidiary's assets and liabilities at fair value exceeds the investment as at the date of acquiring control, the excess is recognized as goodwill and recorded as an intangible asset, and the Group tests goodwill for impairment annually at the end of reporting period.

If the parent acquires additional shares of the subsidiary after acquiring the control of the subsidiary, the investment of the parent company and the equity of the subsidiary are offset and eliminated as at the initial acquisition date: at this time, if the investment and the corresponding equity are not equal, the difference is recorded as consolidated capital surplus (or consolidated capital adjustments).

#### 3.2.4 Elimination of related party transactions and unrealized gains or losses

The Group offset and eliminated intercompany accounts receivable-payable, and intercompany revenues-expenses, and interest incomes or expenses arising from intercompany loans by applying an interest rate for the current term.

#### 3.2.5 Application of equity method

According to the sources of changes in net assets of an investee under equity method, the Group differently records the changes in accounting treatments. If the net assets of an investee are changed due to a net profit or loss for the current term, the change is recorded as an investment income or loss under equity method; if the net assets are changed due to an increase or decrease in retained earnings carried over from the previous term, the change is recorded as a positive or negative change in retained earnings under equity method; if the net assets are changed due to an increase or decrease in equity other than the net profit or loss for the current term or the change in retained earnings carried over from the previous term, the change is recorded as a positive or negative change in equity under equity method.

### 3.2.6 Special reserve of trust account

In the trusts with stipulations of preserving principals and interests, which are consolidated, special reserves accumulated in accordance with the terms and conditions of the trusts are adjusted in the consolidated retained earnings in accordance with the detailed enforcement regulations on banking supervision.

### 3.2.7 Non-controlling interests

The Group recognizes equity in a subsidiary not attributable to a parent as non-controlling interests. The Group also attributes total comprehensive income to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. the Group presents the deficit balance as a negative number in equity.

### 3.2.8 Business combination

#### 3.2.8.1 Business combination

Acquisition method is applied to business combinations except a business combination between entities or business under the control of the same ultimate parent company. The Group recognizes identifiable assets acquired and liabilities taken over at fair value on the acquisition date except the following cases.

- Lease contracts: classified by the terms and conditions of contracts on the date of contract
- Contingent liabilities: recognized as the liabilities that can be reliably measured as current obligations
- Deferred tax assets and liabilities: recognized and measured in accordance with KIFRS 1012 corporate income tax.
- Employee benefits: recognized and measured in accordance with KIFRS 1019 employee benefits
- Compensable assets: recognized and measured in accordance with standards applicable to compensable items
- Reacquired rights: measured in accordance with special regulations
- Stock options: stock option related debt or equity securities are measured in accordance with KIFRS 1102 stock options
- Assets held-for-sale: measured at net fair value in accordance with KIFRS 1105 non-current assets held-for-sale and discontinued operation

In business combination, consideration for transfer is measured at fair value, which is a sum of the fair values of assets transferred by the Group, liabilities that the Group bears for the previous owner of a company being acquired, and equity instruments issued by the Group on the acquisition date. However, the stock options included in the consideration for transfer, which the acquirer grants to exchange for the compensations that are held by the employees of the acquiree, are not measured at fair value but evaluated in the way described above.

The acquisition-related costs are costs the acquirer has incurred to achieve effects of business combination. Those costs include brokerage fees - in other words, advisory, legal, accounting, valuation and other professional or consulting fees - general administrative costs including costs of maintaining an internal acquisitions department, and costs to register and issue debt securities and equity securities. Except the costs of issuing debt and equity securities under KIFRS 1032 and KIFRS 1039, the acquirer recognizes acquisition related costs as expenses in the periods in which the costs are incurred and the services are received.

#### 3.2.8.2 Goodwill or gain on bargain purchase

The Group recognizes goodwill as at the acquisition date measured as the excess of (a) the aggregate of (i) the consideration transferred measured which generally requires acquisition-date fair value and (ii) the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If (b) exceeds (a), the Group reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed. After reassessments, the Group recognizes the resulting gain in profit or loss (a gain on bargain purchase) on the acquisition date

Additional acquisition of non-controlling interest is taken into account as transactions between the shareholders, and the resulting goodwill, etc. is not recognized.

### 3.3 Foreign exchange

#### 3.3.1 Functional currency

When the Group prepares the financial statements, it measures and recognizes all transactions according to the functional currency. The functional currency is the currency of the primary economic environment in which the entity operates and entities with different functional currencies measures and recognizes in its own functional currencies.

#### 3.3.2 Translation of foreign currency transactions and balances at the end of the reporting period

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date and the exchange difference is recognized as profit or loss. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rates at the end of reporting date. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The Group may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

#### 3.3.3 Translation to the presentation currency

The Group translates the results and financial position of overseas branches and subsidiaries recorded on its own functional currencies into the presentation currency of the Group, Korean Won (KRW). The Group translates (i) assets and liabilities for each statement of financial position at the closing rate at the date of that statement of financial position and (ii) income and expenses for each statement presenting profit or loss and other comprehensive income at exchange rates at the dates of the transactions or an average rate of the period. The Group recognizes all resulting exchange differences as other comprehensive income.

### 3.4 Cash and cash equivalents

Cash and cash equivalent comprise of cash at banks and on hand and short-term demand deposits. The purpose of cash and cash equivalents are to make short-term investments and to meet short-term cash demands. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.5. Classification and measurement of financial assets

Financial assets within the scope of KIFRS 1039 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets.

The Group recognizes and derecognizes a regular way purchase or sale of financial assets, as applicable, using trade date accounting or settlement date accounting. A regular way purchase or sale 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.

All financial assets are measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition.

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

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments or financial guarantee contracts. After initial recognition, the Group subsequently measures financial assets at fair value through profit or loss at fair value and recognizes related gain or loss on valuation, interest income and dividends as profit or loss.



The Group may only designate financial assets as financial assets at fair value through profit or loss upon initial recognition when the following criteria are met.

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

**3.5.2 Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized as other comprehensive income, except for impairment losses and foreign exchange gains and losses. Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are measured at cost. When an available-for-sale financial asset is derecognized or impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

**3.5.3 Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less accumulated impairment. The Group recognizes the unwinding of the discount relating to effective interest amortization as interest income or expense in the statements of comprehensive income.

**3.5.4 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for bad debt. The Company recognizes the unwinding of the discount relating to effective interest amortization as interest income or expense in the statements of comprehensive income, except for short-term receivables that its difference between par value and amortized cost are insignificant.

**3.6 Derivative financial instruments and hedge accounting**

The Group measures derivative financial instruments at fair value at initial recognition. The Group classifies derivative financial instruments as derivative financial instruments held for trading purpose or hedging instruments. After initial recognition, the Group measures derivative financial instruments at fair value and gains or loss arising from changes in the fair value as profit or loss, except the following cases. When the derivative financial instruments are previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies, the Group recognizes the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge as other comprehensive income.

The Group applies fair value hedge accounting for a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The Group applies cash flow hedge for a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction.

The Group formally documents the hedging relationship, Group's risk management objective and strategy for undertaking the hedge, the risk being hedged and how to assess the hedging instrument's effectiveness for applying hedge accounting. The effectiveness of the hedge is the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group assesses the hedge on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated and documents the result of assessment.

**3.6.1 Fair value hedges**

For fair value hedge accounting, the Group recognizes a gain or a loss on valuation of the hedging instrument and the hedged item as profit or loss for offsetting the changes in the fair value of the hedging instrument and the hedged item. The Group discontinues prospectively the hedge accounting if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from the change in the fair value of the hedged financial instrument for which the effective interest method is used is amortized to profit or loss fully by maturity of the hedged financial instrument.

**3.6.2 Cash flow hedges**

For cash flow hedge accounting, the Group recognizes the effective portion of the gain or loss on the hedging instrument directly as other comprehensive income for offsetting the exposure to changes in cash flows of the hedging instrument and the hedged item attributable to the hedged risk. The Group reclassified from equity to profit or loss the associated gain or loss that was recognized in other comprehensive income in the same period during which the hedged forecast cash flows affect profit or loss. The Group discontinues prospectively the cash flow hedge accounting if the hedge no longer meets the criteria for hedge accounting.

**3.6.3 Embedded derivatives**

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract-with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The Group separates an embedded derivative from the host contract and accounted for as a derivative only if the requirements of separation are met.

**3.6.4 'Day 1' profit or loss**

In case of derivatives in level 3, whose fair value is determined using data which is not observable from markets, the difference between the transaction price and fair value at initial recognition (a 'Day 1' profit or loss) is deferred and amortized over the life of the associated instrument using the straight-line method and the amortization is recognized in the statement of comprehensive income.

**3.6.5 Credit risk valuation adjustment**

When measuring derivatives at fair value, credit risk valuation adjustment is calculated to reflect the effectiveness of the adjustment for counterparties.

**3.7 Investments in associates and joint ventures**

Investments in entities over which the Group has joint control or significant influence (investments in associates and joint ventures) are accounted for using the equity method. Under the equity method, on initial recognition the Group recognizes investments in associates and joint ventures cost. Subsequently, the Group adjusts the carrying amount of the investments in associates and joint ventures to recognize the Group's share of the profit or loss of the investee as profit or loss in the statement of comprehensive income. The Group recognizes the Group's share of changes in equity (except for profit or loss of the investee) directly in the related equity account to the statement of financial position.

If the Group's share of losses of the investee equals or exceeds its interest in the associates and joint ventures, it suspends recognizing its share of further losses. However, if the Group has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests. Such items include preference shares and long-term receivables or loans. The Group resumes the application of the equity method if the Group's share of income or change in equity of an investee exceeds the Group's share of losses accumulated during the period of suspension of the equity method.

On acquisition of the investment, the excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. The Group does not amortize goodwill relating to an associates or a joint venture and tests the investment for impairment if there is an indication which the investment is impaired. Further, the Group's share of any difference between the net fair value of the investee's identifiable assets and liabilities, and the net book value of such assets and liabilities is amortized based on the investee's accounting treatments on the related assets and liabilities and charged or credited to the valuation gain or loss on the equity method investments in the statement of comprehensive income.

The Group's share in the investee's unrealized profits and losses resulting from transactions between the Group and its investee are eliminated to the extent of the interest in the investee.

### 3.8 Impairment of financial assets

#### 3.8.1 Available-for-sale financial assets

When there is any objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in other comprehensive income reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from equity to profit or loss less the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss and the change in the fair value of the equity instrument is recognized as other comprehensive income. If there is objective evidence that an impairment loss has been incurred on an equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

#### 3.8.2 Held-to-maturity investments

If there is any objective evidence that a held-to-maturity investment is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in profit or loss. 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. The reversal is not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

#### 3.8.3 Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually financial assets that are individually significant. If there is any objective evidence that a financial asset is impaired, the Group assesses the asset individually for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The Group assesses collectively for financial assets that are not significant.

If there is any objective evidence that an individually assessed loan or receivable is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If an individually assessed financial asset is not expected to recover in future periods and the collection through the disposal of all collateral is complete, the Group writes off both the financial asset and the allowance. 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 is reversed by adjusting an allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For a collective assessment of impairment, the Group classifies loans and receivables by similar credit risk characteristics. Such characteristics include asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

A collective evaluation of impairment is based on incurred loss model. The ratio of allowance for possible loan losses on credit by collective assessment is the incurred but not reported possibility of default (IBNR PD) times loss given default (LGD). IBNR PD is estimated by applying Loss Emergence Period (LEP) to Probability of default (PD) regulated by Basel II on the basis of historical loss experience for a group of loan

receivables with similar credit risk characteristics. LGD is estimated by applying EIR of a group of loan receivables and reflecting types of products and collaterals.

#### 3.9 Reclassification of financial assets

The Group reclassifies financial assets in the following circumstances.

- (i) Financial assets at fair value through profit or loss may be reclassified out of the fair value through profit or loss category only in rare circumstances if financial assets are no longer held for the purpose of selling or repurchasing it in the near term. Financial assets that would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition) may be reclassified out of the fair value through profit or loss category if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- (ii) A financial asset classified as available for sale that would have met the definition of loans and receivables (if it had not been designated as available for sale) may be reclassified out of the available-for-sale category to the loans and receivables category if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- (iii) If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it can be reclassified as available for sale. If there are sales or reclassification of more than an insignificant amount of held-to-maturity investments, the Group reclassifies any remaining held-to-maturity investments as available for sale.

#### 3.10 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when (i) the rights to receive cash flows from the asset have expired or, (ii) the Group has transferred substantially all the risks and rewards of the asset. If the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset, the Group recognizes the asset and the associated liability to the extent of the Group's continuing involvement in the asset. If the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset and recognizes a collateralized borrowing for the consideration received.

#### 3.11 Classification and measurement of financial liabilities

When a financial liability is recognized initially, the Group classifies the liability as financial liability at fair value through profit or loss or borrowings, etc. and measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

##### 3.11.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. All financial liabilities including an embedded derivative separated from the host contract are reclassified as financial liabilities at fair value through profit or loss except for financial liabilities designated as effective hedging instruments or financial guarantee contracts. After initial recognition, the changes in the fair value of the financial liabilities at fair value through profit or loss and the related interest expense are recognized as profit or loss.

The Group performs securities lending and borrowing classified to held-for-trading financial liabilities. When the Group borrows securities from Korea Securities Depository, securities borrowed are managed as memorandum value and when selling them, they are recorded as securities sold. At closing, the difference in the price securities are sold and the market price prevailing on the closing date is taken into account as valuation gain or loss on securities sold, and at the time of selling the securities, the difference in book value and the price securities are purchased is recorded as trading gain or loss on securities sold.

##### 3.11.2 Deposits, borrowings, and debentures

After initial recognition, interest bearing deposits, borrowings and debentures are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR method amortization process.



3.12 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.13 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If a present obligation is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability, the Group discloses the obligation as a contingent liability. If the effect of the time value of money is material, provisions are measured at present value, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation.

The Group recognizes a provision for confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, bills endorsed, unused credit line and cash advance commitments on credit cards by applying credit conversion factor (CCF). The Group measures provisions for such off-statement of financial position items in the same way that is applied to collective assessments of loans and receivables.

3.15 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument and is measured at fair value on date of initial recognition. After initial recognition, the Group, as an issuer of such a contract, measures it at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

3.16 Bonds purchased under resale agreements and bonds sold under repurchase agreements

Bonds purchased under resale agreements and bonds sold under repurchase agreements are included in loans receivable and borrowings, respectively, in the accompanying statement of financial position. Interest income and expense from purchase or sale are recognized as interest income on loan receivables and interest expense on borrowings.

3.17 Property and equipment

An item of property and equipment is measured at its cost less any accumulated depreciation. The cost of an item of property and equipment includes any costs directly attributable to acquisition of an item.

Subsequent cost is recognized as an asset if, and only if it is probable that future economic benefits associated with the cost will follow to the Group and the cost can be measured reliably. The carrying amount of parts that are replaced is derecognized. The Group recognizes other repair and maintenance costs as profit or loss for the current period.

Land is not depreciated. Depreciation of other item of property and equipment is calculated using methods listed below to write down the cost of property and equipment to their residual values over their estimated useful lives. The depreciation methods and estimated useful lives are as follows:

	Depreciation method	Years
Buildings for business purpose, equipment attached to the building and Construction structures	Straight-line method	5 to 50
Vehicles, furniture and fixtures, leasehold improvements	Straight-line method or Declining balance method	3 to 20

When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The residual value of and useful life of an asset is reviewed at each financial year end and, if expectations differ from previous estimates, the Group applies change in estimates. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in non-operating income in the statements of comprehensive income.

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

3.18 Investment properties

An item of investment properties is measured at its cost less any accumulated depreciation. The cost of an item of investment properties includes any costs directly attributable to acquisition of an item. After initial recognition, the Group measures all of its investment properties in accordance with the cost model in IAS 40.

Land is not depreciated. Depreciation of other item of investment properties is calculated using methods listed below to write down the cost of investment properties to their residual values over their estimated useful lives. The depreciation methods and estimated useful lives are as follows:

	Depreciation method	Years
Buildings	Straight-line method	40 to 50

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition. Transfers to, or from, investment properties are made when, and only when, there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.19 Lease

The Group classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, a lease is classified as an operating lease.

3.19.1 Finance lease

The Group measures financial lease receivables at an amount equal to the net investment in the lease Initial direct costs are included in the initial measurement of the finance lease receivable. Initial direct costs include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. The finance income is calculated by using the EIR method on the Group's net investment in the lease contract.

3.19.2 Operating lease

The Group presents operating lease assets in the statements of financial position according to the nature of the assets. Initial direct costs incurred by lessors in negotiating and arranging the lease contract are added to the carrying amount of the operating lease assets and

recognized as an expense over the period of the lease contract corresponding to the amount of lease revenues. Depreciation of operating lease assets is calculated using the same method of other similar assets.

3.20 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets include industrial right, software, development cost and others.

Amortization of items of intangible assets is calculated using methods listed below to write down the cost of items to their residual values over their estimated useful lives. The amortization methods and estimated useful lives are as follows:

	Depreciation method	Years
Industrial property, software, system development, trademark rights	Straight-line method	5
Core deposit	Straight-line method	7
Client membership	Straight-line method	10
Others	Straight-line method	1 to 7

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition in accordance with KIFRS 1103 Business Combinations. Following initial recognition, the carrying amount of intangible assets with finite useful lives is allocated on a systematic basis over their useful lives. The intangible assets with indefinite useful lives are not amortized and the Group tests those assets for impairment annually and whenever there is an indication that the intangible asset may be impaired. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

3.21 Non-current assets held for sale

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

3.22 Impairment of non-financial assets

The Group tests the depreciable asset for impairment whenever there is a change of environment or an event that the carrying amount may not be recoverable. The Group recognizes an excess of the carrying amount over the recoverable amount as an impairment loss. The Group defines recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. For measuring the impairment of assets, the Group identifies the lowest aggregation of assets that generate largely independent cash inflows (CGU). The Group assesses reversal of an impairment loss recognized for the non-financial assets other than goodwill at the end of reporting period.

3.23 Retirement benefits

The Group has both defined benefit (DB plan) and defined contribution (DC plan) plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service rendered in the current and prior periods. Defined benefit plans are all post-employment benefit plans except for defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit actuarial valuation method. The present value of the defined benefit liability is recorded in the same currency as the payment itself and is calculated by discounting the expected future cash flow and using the interest rate of other reputable companies with similar payment and end of reporting dates.

Changes in the actuarial estimates and actuarial gains and losses between estimates and results are recognized in the period they occur as part of other comprehensive income. The past service cost is recognized immediately.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.24 Share-based payment transactions

The Group grants share options to its employees in the form of share-based payment transactions. For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, and recognizes the cost as employee benefits expense and other capital adjustment in equity. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted and recognizes the cost as employee benefits expense and other capital adjustment in equity. For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. For share-based payment transactions in which the terms of the arrangement provide the counterparty with a choice of settlement, the Group accounted for the transactions in accordance with their commercial substance.

3.25 Income tax expenses and deferred tax assets and liabilities

Income taxes comprise of current and deferred taxes. All items related to taxes, other than those recognized directly in equity, are accounted for in the statement of comprehensive income. Accordingly, items recognized directly in equity and the related taxes are accounted for as other comprehensive income in the consolidated statements of comprehensive income.

Current income tax expenses are computed based on the tax rates and tax laws enacted or substantively enacted in the jurisdictions that the Group operates in and generates taxable income at the end of the reporting period. If application of related tax law or regulation depends on the interpretation, the Group measures the current tax liabilities at the amount expected to be paid to the taxation authorities based on its interpretation and assesses its initial interpretation periodically.

Deferred tax is provided on the temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

When the initial recognition of an asset or liability in a transaction which is not a business and at the time of the transaction, affects neither accounting profit nor taxable profit, the Group does not recognize a deferred tax asset or liability. The Group measures deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group recognizes a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The Group recognizes a deferred tax liability for all taxable temporary differences with investments in subsidiaries, except to the extent that both of the following conditions are satisfied: (a) the parent is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and taxation authority.

The Group offsets deferred assets and liabilities if, and only if (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities and, (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either on (i) the same taxable entity or (ii) different taxable entities which 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.

The Company and its wholly owned subsidiaries have adopted a Consolidated Tax Return which is calculated based on the consolidated taxable income. Under the Consolidated Tax Return, the Group recognizes the current tax liabilities on behalf of its subsidiary and also recognizes accounts receivable or accounts payable for the amount to be collected from or to be paid to the subsidiary for its share of the consolidated taxation.

**3.26 Insurance contracts**

Hana Life Insurance's significant accounting policies relating to insurance contracts are as follows.

**3.26.1 Reinsurance assets**

The Group does not offset the reinsurance assets against the related reinsurance liabilities. If a reinsurance asset is impaired, the Group reduces its carrying amount accordingly and recognizes that impairment loss in profit or loss.

**3.26.2 Deferred acquisition costs**

The Group amortized the acquisition costs arising from long-duration contracts during the term of the contracts in the straight-line method in accordance with accounting standards for insurance business article 31 and article 3 of the supplementary provisions. If the acquisition costs exceed the expected amount or the additional premiums are settled highly for earlier term of the contracts to collect the acquisition costs in early stage, the acquisition costs are recognized in the period they occur as profit or loss. The deferred acquisition costs are amortized over the term of the contracts within the limits of 7 years. The unamortized costs of surrendered insurance contract are amortized in the period it is surrendered.

**3.26.3 Liabilities reserves**

The Group recognizes liabilities reserves by types of insurance contracts as at the reporting date in accordance with the Insurance Business Act and the related regulations. The liabilities reserves refer to an amount calculated pursuant to the premiums and liabilities reserves calculation manual for payment of claims, bonus return and policyholders dividend.

**3.26.4 Valuation of special accounts assets and liabilities**

The Group designates and operates any of the retirement insurance contracts, retirement dividend insurance contracts and variable insurance contracts (including variable universal insurance contracts) as special accounts pursuant to Article 108 (1) of the Insurance Business Act and Article 52 of the Regulations on Supervision of Insurance Business.

**3.27 Equity**

**3.27.1 Classification of equity**

The Group classifies a financial instrument on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. If the Group has the right to avoid contractual obligation relating to an issued financial instrument, the Group classifies the financial instrument as an equity instrument in accordance with the substance of the contractual arrangement. The Group classifies a hybrid equity security on initial recognition as equity if it meets the condition of an equity instrument.

**3.27.2 Stock issuance costs**

Additional stock issuance costs or incremental costs related to the stock issuance for business combinations are recorded as a deduction from issued capital net of tax effects.

**3.27.3 Dividends on common stock**

Dividends from common stock are deducted from the Group's equity and recognized as a liability upon approval of dividend distributions at the shareholders' meeting (the BoD for the interim dividends). Dividends declared for the year that is approved after the reporting date are disclosed as a subsequent event.

**3.27.4 Treasury stock**

Equity instruments of the Group which are acquired by the Group or any of its subsidiaries are deducted from its equity and recorded at

acquisition cost, including transaction costs. Consideration received on the sale or issuance of the Group's own equity instruments is recognized directly in equity.

**3.28 Per share amounts**

Basic and diluted earnings per share are computed by dividing net income by the weighted-average number of shares of common stock outstanding during the year.

**3.29 Accounting basis for trust accounts**

The Group separates trust properties from proprietary properties in accordance with the Supervisory Regulations on Financial Investment Business. The Group recognizes funds lent or borrowed to trust accounts as accounts receivables or account payables, respectively. The Group recognizes trust commissions earned from trust accounts as income from trust operations. When a loss is incurred on a trust account that includes a guarantee of principal repayment, the corresponding loss is recognized as a loss from trust operations.

**3.30 Merchant banking accounts**

As permitted by the Restructuring of Financial Institutions Act, the Group may continue its merchant banking operations, including business affairs of bill management accounts, until the existing contracts acquired from Korea International Merchant Bank upon integration are terminated. Significant accounting policies applied to the Group's merchant banking operations are summarized as follows:

**3.30.1 Revenue recognition on discounted notes**

Interest income on discounted notes is accrued over the term of the notes. Income from the sale of the discounted notes is recognized at the date of sale based on the difference between the purchase and sales prices of the notes, adjusted for interest earned during the holding period.

**3.30.2 Cash Management Accounts (CMA)**

The Group recognizes interest income from CMA investments and interest expense from CMA deposits as other income and other expenses, respectively.

**3.31 Interest income and interest expense**

The Group recognizes interest income and expense using the effective interest method by the passage of time.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The Group estimates cash flows considering all contractual terms of the financial instrument but do not consider future credit losses. The cash flows include all fees and points paid or received by the Group including transaction costs, and all other premiums or discounts.

If it is probable that interest income arising from a financial asset will flow to the Group, the interest income is recognized as income when the Group receives interest payments. For the impaired loans and receivable that are individually assessed, the Group recognizes the adjustment as interest income if recoverability of the assets subsequently increases.

**3.32 Fee and commission income**

The Group earns fees and commissions income from a diverse range of services it provides to its customers. Fees and commissions income from financial services are accounted for based on the related accounting standards of financial instruments and their purpose of such fees and commissions. Fees and commissions income are accounted for as follows:

- When the earned fees and commissions are a significant component of EIR from the related financial assets, the income is accounted for using the EIR method.
- Fees and commissions income earned from rendering services are recognized throughout the service period.
- Fees and commissions income earned through financial services are recognized immediately when the services are complete.



**3.33 Dividend income**

Dividend income is recognized when the Group’s right to receive the payment is established.

**3.34 Transaction under common control**

The Company conducted accounting treatment of transactions under common control based on book value. Therefore, the Company recognized (eliminated) asset, liability and capital as at integration and spinoff date as book value and didn’t recognize transaction gain (loss).

**3.35 New and amended standards and interpretations**

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations as at January 1, 2015. The nature and the impact of each new standards and amendments are described below:

**3.35.1 Amendments to KIFRS 1019 Defined Benefit Plans: Employee Contributions**

KIFRS 1019 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. Because the Group does not operate defined benefit pension plan to which employees or a third party make a contribution, these amendments have no impact on the Group.

**3.36 Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**3.36.1 KIFRS 1109 ‘Financial Instruments’**

The KASB issued the final version of KIFRS 1109 Financial Instruments that replaces KIFRS 1039 Financial Instruments: Recognition and Measurement and all previous versions. KIFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. KIFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group is in the process of evaluating the impact of these amendments on its financial statements, and plans to adopt the new standard on the required effective date.

**3.36.2 KIFRS 1115 ‘Revenue from Contracts with Customers’**

KIFRS 1115 suggests a five-step model on revenue from contracts with customers. Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group evaluates the effect on its financial statements by the standard, and plans to adopt the new standard on the required effective date.

**3.36.3 KIFRS 1111 ‘Joint Arrangements’ (amendments): Accounting for Acquisitions of Interests**

The amendments to KIFRS 1111 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant KIFRS 1103 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, an exclusion of a scope has been added to KIFRS 1111 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have an impact on the Group’s financial statements.

**3.36.4 KIFRS 1016 Tangible assets and 1038 Intangible assets (amendments) – Allowable depreciation methods and the clarification of the depreciation methods**

These amendments specify that as an income reflects the economic benefit that is generated by operating the business in which an asset is included rather than reflecting the economic benefit that is consumed by using the asset, a depreciation method based on the income cannot be used to depreciate a tangible asset but can be used to amortize an intangible asset in a very limited circumstance. These amendments are progressively effective for annual periods beginning on or after January 1, 2016 or earlier. As the Group does not apply the income-based depreciation method, it does not expect that the amendments will have an impact on its financial statements.

**3.36.5 KIFRS 1027 ‘Equity Method in Separate Financial Statements’ (amendments)**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will apply retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group’s financial statements.

**3.36.6 KIFRS 1016 and KIFRS 1041 ‘Agriculture’: Bearer Plants (amendments)**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of KIFRS 1041. Instead, KIFRS 1016 will apply. After initial recognition, bearer plants will be measured under KIFRS 1016 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of KIFRS 1041 measured at fair value less costs to sell. For government grants related to bearer plants, KIFRS 1020 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group’s financial statements as the Group does not have any bearer plants.

**3.36.7 Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1028 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under KIFRS 1110. The amendments to KIFRS 1110 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to KIFRS 1110 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to KIFRS 1028 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group evaluates the effect on its financial statements by the amendments, and applies the amendments for the year ended December 31, 2015.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective, except for the amendments noted in 3.36.7.

**3.37 Reclassification**

The Group reclassified a part of financial statement for the year ended December 31, 2014 based on the financial statement for the year ended December 31, 2015 to make the comparison easy. There is no effect of reclassification on the net asset value and net income. Because of the reclassification, interest income and expense have decreased by ₩122,559 million and ₩163,160 million, respectively. The gain and loss on financial assets held-for-trading have increased by ₩122,559 million and ₩163,160 million, respectively.

**4. Significant judgments and accounting estimates**

For applying accounting policies of the Group’s consolidated financial statements, management are required to make judgments, estimates and assumptions that affect the amount of assets and liabilities which are difficult to identify through other resources. The estimates and assumptions are based on the other factors considered that they are related to historical experience. Actual results may differ from these estimations.

Management reviews these estimates and assumptions regularly. The effect of a change in an accounting estimate is recognized in profit or loss in the period of the change, if the change affects that period only and the effect of a change in an accounting estimate is recognized in profit or loss in the period of the change and the future periods, if the change affects both.

In the process of applying the Group’s accounting policies, management has made the following judgments that have a significant effect on the amounts recognized in the consolidated financial statements.

4.1 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, a degree of judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

4.2 Impairment losses on available-for-sale equity instruments

The Group assesses its equity securities classified as available-for-sale investments at the end of each reporting period whether there is any indication that an asset may be impaired.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value of the investment below their cost. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

When the fair value below the cost of available-for-sale equity instruments is significant or prolonged, the Group reclassifies the cumulative loss and is recognized as other comprehensive income from equity to profit or loss.

4.3 Impairment losses on loans

The Group assesses loans individually or collectively to determine the amount of impairment loss. The Group estimates future cash flow based on business and collateral of borrowers to measure recoverable amount of loans that are individually assessed. The Group estimates probability of default (PD), loan emergence period (LEP) and loss given default (LGD) using statistical method based on past experience of impairment loss.

4.4 Provision for severance and retirement benefits

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial assumptions were made for the discount rate, the overall expected rates of return on assets, and an increase in the future pay rate. Severance and retirement benefits include significant uncertainties in the estimates due to the long duration of the period.

4.5 Impairment of non-financial assets

The Group assesses at the end of the reporting period whether there is any indication that a non-financial assets may be impaired. The Group tests an intangible asset with an indefinite useful life for impairment annually or if any such indication exists. The Group tests an intangible asset with definite useful life. For impairment if any such indication exists. Management estimates future cash flow associated with an asset or a cash-generating unit, and selects the adequate discount rate to compute present value of future cash flow.

4.6 Income taxes

Different taxation laws that the Group’s foreign subsidiaries are exposed to require judgment in determining the amount of tax expenses that can be recognized. In addition, there has been various transactions and tax accounting methods which have made computing the final tax expenses for the period uncertain. The contingent liability from any future tax assessments is based on the estimates of the likelihood of additional taxes imposed and has been included in the Group’s consolidated financial statements for the current period. When the finalized tax expense assessments are different from the appropriated amounts, the differences, if any, are recognized in current deferred tax assets, liabilities, and expenses for the period.

4.7 Share-based payment transactions

The Group measured the compensation cost of share-based payment transactions at fair value. The fair value is estimated by applying appropriate valuation model taking into account the terms of conditions upon which those equity instruments were granted. The Group should determine and assume the inputs of valuation model including the expected life, volatility and dividend ratio of the share option. The applied assumptions and models are described in Note 55.

5. Fair value measurement of financial assets and financial liabilities

The following standards are applied in measuring fair value of financial assets and financial liabilities:

- Financial assets and financial liabilities traded in active markets at the reporting date are based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.
- Valuation techniques include the discounted cash flow method, comparison with the similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. These techniques incorporate the Group’s estimate of assumptions that a market participant would make when valuing the instruments. Valuation techniques which provide reliable estimates on mark-to-market prices are applied.
- When determining fair value by using the valuation techniques, comparison with the current market transaction of another instrument that is substantially the same as the financial instrument needed to be objectively substantiated or inclusion of variables in the marketable data must be performed. Not all of the significant market variables are observable and in relevant cases, the reasonable estimates or assumptions are required to determine the fair value.
- Investments in equity instruments that do not have a quoted market price in an active market as well as the derivatives that are linked to these equity instruments are accounted for using the cost method when it is determined that their fair values cannot be reliably measured.

The fair value hierarchy of financial instruments measured at fair value as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets held-for-trading through profit or loss				
Debt securities	₩ 2,914,743	₩ 9,269,260	₩ –	₩ 12,184,003
Equity securities	202,142	402,652	–	604,794
Derivative assets used for trading	13,796	4,954,465	141,443	5,109,704
Other	–	–	682,279	682,279
	3,130,681	14,626,377	823,722	18,580,780
Financial assets designated at fair value through profit or loss	–	85,242	1,329,182	1,414,424
Available-for-sale financial assets				
Debt securities	10,787,346	22,152,510	20,486	32,960,342
Equity securities (*)	638,858	3,351,224	738,015	4,728,097
Others	–	–	12,720	12,720
	₩ 11,426,204	₩ 25,503,734	₩ 771,221	₩ 37,701,159

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Derivative assets used for Hedging	–	61,121	4,321	65,442
	₩ 14,556,885	₩ 40,276,474	₩ 2,928,446	₩ 57,761,805
Financial liabilities:				
Financial liabilities held-for-trading Securities sold	148,522	4,859,565	513,218	5,521,305
Derivative liabilities used for trading	232,013	–	–	232,013
	380,535	4,859,565	513,218	8,037,863

(Continued on next page)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value through profit or loss	–	2,154,331	5,883,532	8,037,863
Derivative liabilities used for hedging	250	42,758	–	43,008
	₩ 380,785	₩ 7,056,654	₩ 6,396,750	₩ 13,834,189

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets held-for-trading through profit or loss				
Debt securities	₩ 2,306,390	₩ 9,374,869	₩ –	₩ 11,681,259
Equity securities	114,813	1,600	21,402	137,815
Derivative assets used for trading	4,996	4,372,891	240,871	4,618,758
Other	30,457	146,567	603,296	780,320
	2,456,656	13,895,927	865,569	17,218,152
Financial assets designated at fair value through profit or loss	–	417,794	627,882	1,045,676
Available-for-sale financial assets				
Debt securities	13,352,259	18,463,765	46,086	31,862,110
Equity securities (*)	707,721	1,436,833	889,186	3,033,740
Others	681	149,117	20,290	170,088
	14,060,661	20,049,715	955,562	35,065,938
Derivative assets used for Hedging	–	77,047	10,847	87,894
	₩ 16,517,317	₩ 34,440,483	₩ 2,459,860	₩ 53,417,660

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities held-for-trading				
Securities sold	₩ 499,388	₩ –	₩ –	₩ 499,388
Derivative liabilities used for trading	47,549	4,337,862	354,861	4,740,272
	546,937	4,337,862	354,861	5,239,660
Financial liabilities designated at fair value through profit or loss	–	1,438,733	5,249,067	6,687,800
Derivative liabilities used for hedging	–	50,736	–	50,736
	₩ 546,937	₩ 5,827,331	₩ 5,603,928	₩ 11,978,196

(\*) Equity securities from available-for-sale financial assets in the amount of ₩73,599 million and ₩67,459 million were valued at cost as at December 31, 2015 and 2014, respectively.  
Since their fair values were not able to be reasonably estimated and there is no quoted price in active market, they are included in Level 3 in the fair value hierarchy.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value, valuation method, and input variables used to measure fair value of financial instruments classified as fair value hierarchy Level 2 as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	Fair Value		Valuation method	Input variable
	December 31, 2015	December 31, 2014		
Financial assets :				
Financial assets held-for-trading				
Debt securities	₩ 9,269,260	₩ 9,374,869	DCF model, etc.	Discount rate, etc.
Equity securities	402,652	1,600	DCF model, etc.	Discount rate, etc.
Derivative assets used for trading	4,954,465	4,372,891	Black-Scholes model, Hull-White 1 factor model, Black model, DCF model, Gaussian 1 factor model, etc	Volatility, Discount rate, Stock price, Exchange rate, Interest rate, CDS premium, etc.
Other	-	146,567	DCF model, etc.	Discount rate, etc.
	14,626,377	13,895,927		
Financial assets designated at fair value through profit or loss	85,242	417,794	Black-Scholes model, Hull-White 1 factor model, Black model, DCF model, Gaussian 1 factor model, etc.	Volatility, Discount rate, Stock price, exchange rate, Interest rate, CDS premium, etc.
Available-for-sale financial assets				
Debt securities	22,152,510	18,463,765	DCF model, etc.	Discount rate, etc.
Equity securities	3,351,224	1,436,833	DCF model, etc.	Discount rate, etc.
Others	-	149,117	DCF model, etc.	Discount rate, etc.
	25,503,734	20,049,715		
Derivative assets used for hedging	61,121	77,047	Hull-White 1 factor model, Black model, DCF model, etc.	Volatility, Discount rate, Exchange rate, etc.
	₩ 40,276,474	₩ 34,440,483		
Financial liabilities :				
Financial liabilities held-for-trading				
Derivative liabilities used for trading	₩ 4,859,565	₩ 4,337,862	Black-Scholes model, Hull-white 1 factor model, Black model, DCF model, Gaussian 1 factor model, etc.	Volatility, Discount rate, Stock price, Exchange rate, Interest rate, CDS premium, etc.
Securities sold	-	-	DCF model, etc.	Volatility, Discount rate, Stock price, Exchange rate, interest rate
	₩ 4,859,565	₩ 4,337,862		

	Fair Value		Valuation method	Input variable
	December 31, 2015	December 31, 2014		
Financial liabilities designated at fair value through profit or loss	2,154,331	1,438,733	Black-Scholes model, Hull-white 1 factor model, DCF model, Gaussian 1 factor model, etc.	Volatility, Discount rate, Stock price, exchange rate, Interest rate, CDS premium, etc.
Derivative liabilities used for hedging	42,758	50,736	Hull-White 1 factor model, Black model, DCF model,	Volatility, Discount rate, Exchange rate, etc.
	₩ 7,056,654	₩ 5,827,331		



Fair value, valuation method, input variables and significant unobservable input variables information used to measure fair value of financial instruments classified as fair value hierarchy Level 3 are as follows (Korean won in millions):

	Fair Value		Description of the valuation technique	Inputs used in the fair value measurement	Significant unobservable inputs used in the fair value measurement	Range	The effect of changes in unobservable Inputs on fair value
	December 31, 2015	December 31, 2014					
Financial assets :							
Financial assets held-for-trading							
Equity securities	₩ -	₩ 21,402	DCF model, etc.	Volatility, Discount rate, etc.	Discount rate, Exchange rate		
Derivative assets used for trading	141,443	240,871	Black-Scholes model, Hull-white 1 factor model, Black model, DCF model, Gaussian 1 factor model, binomial tree model, etc.	KRW interest swap yield curve, KRW treasury bond yield curve, Volatility, Discount rate, Stock price, Exchange rate, Interest rate, CDS premium, correlation of underlying assets, risk free rate	Volatility	0.0 ~ 1.0	Negative
					Correlation of underlying assets (each yield) etc.	-1.0~1.0	Positive (negative in some cases)
Others	682,279	603,296	DCF model, etc.	Discount rate, etc.	Discount rate, etc.		
	₩ 823,722	₩ 865,569					
Financial assets designated at fair value through profit or loss	₩ 1,329,182	₩ 627,882	Black-Scholes model, Hull-white 1 factor model, DCF model, Gaussian 1 factor model	Volatility, Discount rate, Stock price, Exchange rate, Interest rate, CDS premium, Correlation of underlying assets etc.	Volatility	0.0 ~ 1.0	Negative
					Correlation of underlying assets (each yield) etc.	-1.0~1.0	Positive (negative in some cases)
Available-for-sale financial assets							
Debt securities	20,486	46,086	DCF model, etc.	Discount rate, etc.	Discount rate, etc.	34.83%	Negative
			NAV model	Individual asset soundness included in portfolio	-	-	Positive
Equity securities	738,015	889,186	DCF model, NAV model, Comparative on similar business, Utilization of past transaction	Growth rate, Discount rate	Growth rate	1.0% ~2.0%	Positive
					Discount rate	4.2% ~15.4%	Positive
Others	12,720	20,290	DCF model Comparative on similar business, WACC model	Discount rate	Discount rate	5.78% ~20.19%	Positive
	₩ 771,221	₩ 955,562					

	Fair Value		Description of the valuation technique	Inputs used in the fair value measurement	Significant unobservable inputs used in the fair value measurement	Range	The effect of changes in unobservable Inputs on fair value
	December 31, 2015	December 31, 2014					
Derivative assets used for hedging	₩ 4,321	₩ 10,847	Hull-White 1 factor model	KRW interest swap yield curve USD treasury bond yield curve Volatility of interest rate Correlation of underlying assets Correlation between USD interest rate and KRW/USD exchange rate	Correlation of underlying assets	0.94 ~ 0.95	Positive
					Correlation between USD interest rate and KRW/USD exchange rate	0.23	Positive
	2,928,446	2,459,860					
Financial liabilities :							
Financial liabilities held for trading							
Derivative liabilities used for trading	513,218	354,861	Black-Scholes model, Hull-White 1 factor, DCF model, Gaussian 1 factor, Binomial tree model	KRW interest swap yield curve KRW treasury bond yield curve Volatility of interest rate Correlation of underlying assets	Volatility	0.0 ~ 0.1	Negative
					Correlation of underlying assets (each yield)	-1.0 ~ +1.0	Positive (negative in some cases)
Financial liabilities designated at fair value through profit or loss	5,883,532	5,249,067	Hull-White 1 factor model	KRW interest swap yield curve USD treasury bond yield curve Volatility of interest rate Correlation of underlying assets Correlation between USD interest rate and KRW/USD exchange rate	Correlation of underlying assets (each yield)	-1.0 ~+1.0	Positive
					Correlation between USD interest rate and KRW/USD exchange rate	0.23	Positive
	₩ 6,396,750	₩ 5,603,928					

Changes in the fair value of Level 3 financial instruments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Financial assets held-for-trading		Financial assets designated at fair value through profit or loss	Available-for-sale financial assets			Financial liabilities designated at fair value through profit or loss	Net derivative instruments	
	Equity securities	Others		Debt securities	Equity securities	Others		Held-for-trading	Held for-hedging
January 1, 2015	₩ 21,402	₩ 603,296	₩ 627,882	₩ 46,086	₩ 889,186	₩ 20,290	₩ 5,249,067	₩ (113,990)	₩ 10,847
From others to Level 3 (*)	-	-	-	-	4,273	-	-	-	-
From Level 3 to Others (*)	-	-	-	-	(46,253)	-	-	-	-
Net income	2,862	10,988	(148,123)	309	139,366	-	(500,283)	(29,751)	(5,926)
Other comprehensive income	-	-	-	199	17,138	-	-	-	-
Buy / Issue	-	214,176	1,393,474	-	117,858	1,332	4,840,663	(153,995)	-
Sell / Settlement	(24,264)	(146,181)	(544,051)	(26,108)	(383,553)	(8,902)	(3,705,915)	(74,039)	(600)
December 31, 2015	₩ -	₩ 682,279	₩ 1,329,182	₩ 20,486	₩ 738,015	₩ 12,720	₩ 5,883,532	₩ (371,775)	₩ 4,321

	Financial assets held-for-trading		Financial assets designated at fair value through profit or loss	Available-for-sale financial assets			Financial liabilities designated at fair value through profit or loss	Net derivative instruments	
	Equity securities	Others		Debt securities	Equity securities	Others		Held-for-trading	Held-for-hedging
January 1, 2014	₩ 20,591	₩ 868,651	₩ 101,702	₩ 65,196	₩ 911,149	₩ 18,524	₩ 4,264,160	₩ 178,857	₩ 6,281
From others to Level 3 (*)	-	-	-	-	45,905	-	-	-	-
From Level 3 to Others (*)	-	-	-	-	(48,922)	-	-	-	-
Net income	811	13,615	4,501	1,863	(263,560)	27	4,019	29,259	4,491
Other comprehensive income	-	-	-	(985)	61,145	421	-	-	-
Buy / Issue	-	163,527	569,045	-	251,039	2,066	3,743,044	(7,530)	160
Sell / Settlement	-	(442,497)	(47,366)	(19,988)	(67,570)	(748)	(2,762,156)	(314,577)	(85)
December 31, 2014	₩ 21,402	₩ 603,296	₩ 627,882	₩ 46,086	₩ 889,186	₩ 20,290	₩ 5,249,067	₩ (113,990)	₩ 10,847

(\*) The Group recognizes transfers between the levels in the fair value hierarchy at the beginning of every quarter when an event or a change in circumstance, which causes the transfers, occurs

Total gains or losses recognized in profit or loss, and the line item in profit or loss in which those gains or losses related with the Level 3 financial instruments are recognized for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

Classification	December 31, 2015		December 31, 2014	
	Total gains or losses recognized in profit or loss	The line item in profit or loss in which those gains or losses are recognized	Total gains or losses recognized in profit or loss	The line item in profit or loss in which those gains or losses are recognized
Gain (loss) on financial assets held-for-trading	<b>₩ (15,901)</b>	<b>₩ (182,494)</b>	₩ 43,685	₩ (2,820)
Gain (loss) on financial assets designated at FVTPL	<b>352,160</b>	<b>360,023</b>	482	(1,456)
Derivative instruments used for hedging	<b>(5,926)</b>	<b>2,156</b>	4,491	(3,158)
Gain on other financial instruments	<b>157,557</b>	-	14,958	882
Impairment loss on other financial Instruments	<b>(17,882)</b>	<b>(6,435)</b>	(276,628)	(275,530)
	<b>₩ 470,008</b>	<b>₩ 173,250</b>	₩ (213,012)	₩ (282,082)

The amount of transfers into or out of level 3 of the fair value hierarchy for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Transfer to level 1 from level 3	<b>₩ (46,253)</b>	₩ (18,014)
Transfer to level 2 from level 3	-	(30,908)
	<b>₩ (46,253)</b>	₩ (48,922)
Transfer to level 3 from level 1	<b>4,273</b>	45,905
	<b>₩ 4,273</b>	₩ 45,905

Changes in significant unobservable input variables are subject of a sensitivity analysis, which measures the impact on the fair value of financial instruments classified as Level 3. The amount of impact reported as favorable and unfavorable changes for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

Classification	December 31, 2015		December 31, 2014	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets held-for-trading				
Equity securities	<b>₩ -</b>	<b>₩ -</b>	₩ 214	₩ (211)
Derivative assets held-for-trading (*1)	<b>18</b>	<b>(13)</b>	898	(833)
Financial assets designated at fair value through profit or loss	<b>3,983</b>	<b>(3,983)</b>	1,675	(1,632)
Available-for-sale financial assets				
Debt securities	-	-	92	(59)
Equity securities (*2)	<b>70,211</b>	<b>(30,142)</b>	170,123	(49,359)
Others (*2)	-	-	139	(136)
Derivative assets used for hedging (*1)	<b>1,066</b>	<b>(1,026)</b>	2,330	(2,464)
	<b>75,278</b>	<b>(35,164)</b>	175,471	(54,694)
Financial liabilities :				
Financial liabilities held-for-trading				
Derivative liabilities held-for-trading (*1)	<b>(515)</b>	<b>514</b>	1,394	(1,359)
Financial liabilities designated at fair value through profit or loss (*1)	<b>4,746</b>	<b>(4,746)</b>	2,571	(2,571)
	<b>₩ 4,231</b>	<b>₩ (4,232)</b>	₩ 3,965	₩ (3,930)

(\*1) By increasing or decreasing 10% of (i) correlation between interest rate swap rates of KRW, (ii) correlation between interest rates of treasury, (iii) correlation between interest rate swap and interest rate of treasury, (iv) correlation between KRW-USD interest rate swap rate, and (v) correlation between KRW/USD exchange rate and interest rate swap rate, favorable or unfavorable changes of fair value were measured.

(\*2) Fair value variation of equity securities is measured by increasing or decreasing growth rate (0.0~1.0%) and discount rate. In case of beneficiary securities, it is impossible to calculate sensitivity in practice. But if it consists of real estate, impact on fair value can be measured by increasing or decreasing discount rate of rental cash flow (-1.0~1.0%) and growth rate of sale price of real estate (-1.0~1.0%).

Fair value hierarchy of financial instruments disclosed as fair value though it cannot be measured as fair value as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			Total
	Fair Value			
	Level 1	Level 2	Level 3	
Financial assets :				
Cash and due from Banks	₩ 2,248,698	₩ 17,497,077	₩ -	₩ 19,745,775
Held-to-maturity investments	1,678,446	4,133,689	-	5,812,135
Loans	-	-	222,029,011	222,029,011
Others	-	9,203	15,091,786	15,100,989
	₩ 3,927,144	₩ 21,639,969	₩ 237,120,797	₩ 262,687,910
Financial liabilities :				
Deposits	₩ -	₩ 128,839,243	₩ 78,334,297	₩ 207,173,540
Borrowings	-	13,008,383	9,194,213	22,202,596
Debentures	-	30,478,484	17,069	30,495,553
Others	-	351,591	25,568,019	25,919,610
	₩ -	₩ 172,677,701	₩ 113,113,598	₩ 285,791,299

	December 31, 2014			Total
	Fair Value			
	Level 1	Level 2	Level 3	
Financial assets :				
Cash and due from Banks	₩ 2,894,963	₩ 19,355,196	₩ -	₩ 22,250,159
Held-to-maturity investments	1,701,697	2,839,341	-	4,541,038
Loans	-	-	215,190,891	215,190,891
Others	-	9,454	14,449,801	14,459,255
	₩ 4,596,660	₩ 22,203,991	₩ 229,640,692	₩ 256,441,343
Financial liabilities :				
Deposits	₩ -	₩ 126,664,733	₩ 75,961,144	₩ 202,625,877
Borrowings	-	9,463,409	13,794,785	23,258,194
Debentures	-	29,663,021	183,215	29,846,236
Others	-	284,172	22,352,758	22,636,930
	₩ -	₩ 166,075,335	₩ 112,291,902	₩ 278,367,237

Fair value, valuation method, and input variables of financial instruments disclosed as fair value though it cannot be measured as fair value and the fair value hierarchy Level 2 as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		
	Fair Value	Valuation method	Input variables
Financial assets :			
Cash and due from banks	<b>₩ 17,497,077</b>	<b>DCF model, etc.</b>	<b>Credit and other spread, etc.</b>
Held-to-maturity investments	<b>4,133,689</b>	<b>DCF model, etc.</b>	<b>Discount rate</b>
Others	<b>9,203</b>	<b>DCF model, etc.</b>	<b>Other spread</b>
	<b>₩ 21,639,969</b>		
Financial liabilities :			
Deposits	<b>₩ 128,839,243</b>	<b>DCF model, etc.</b>	<b>Other spread, Rate of advanced redemption</b>
Borrowings	<b>13,008,383</b>	<b>DCF model, etc.</b>	<b>Other spread</b>
Debentures	<b>30,478,484</b>	<b>DCF model, etc.</b>	<b>Other spread, Rate of inheritance bankruptcy</b>
Others	<b>351,591</b>	<b>DCF model, etc.</b>	<b>Other spread</b>
	<b>₩ 172,677,701</b>		

	December 31, 2014		
	Fair Value	Valuation method	Input variables
Financial assets :			
Cash and due from banks	₩ 19,355,196	DCF model, etc.	Credit and other spread, etc.
Held-to-maturity investments	2,839,341	DCF model, etc.	Discount rate
Others	9,454	DCF model, etc.	Other spread
	₩ 22,203,991		
Financial liabilities :			
Deposits	₩ 126,664,733	DCF model, etc.	Other spread, Rate of advanced redemption
Borrowings	9,463,409	DCF model, etc.	Other spread
Debentures	29,663,021	DCF model, etc.	Other spread, Rate of inheritance bankruptcy
Others	284,172	DCF model, etc.	Other spread
	₩ 166,075,335		

Fair value, valuation method, and input variables of financial instruments disclosed as fair value though it cannot be measured as fair value and the fair value hierarchy Level 3 as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		
	Fair Value	Valuation method	Input variables
Financial assets :			
Loans	<b>₩ 222,029,011</b>	<b>DCF model, etc.</b>	<b>Credit spread, other spread and Rate of advanced redemption, etc.</b>
Others	<b>15,091,786</b>	<b>(*)</b>	
	<b>₩ 237,120,797</b>		
Financial liabilities :			
Deposits	<b>₩ 78,334,297</b>	<b>DCF model, etc.</b>	<b>Other spread, Rate of advanced redemption</b>
Borrowings	<b>9,194,213</b>	<b>DCF model, etc.</b>	<b>Other spread</b>
Debentures	<b>17,069</b>	<b>DCF model, etc.</b>	<b>Other spread, Rate of inheritance bankruptcy</b>
Others	<b>25,568,019</b>	<b>(*)</b>	<b>Other spread</b>
	<b>₩ 113,113,598</b>		

	December 31, 2014		
	Fair Value	Valuation method	Input variables
Financial assets :			
Loans	₩ 215,190,891	DCF model, etc.	Credit spread, other spread and Rate of advanced redemption, etc.
Others	14,449,801	(*)	
	₩ 229,640,692		
Financial liabilities :			
Deposits	₩ 75,961,144	DCF model, etc.	Other spread, Rate of advanced redemption
Borrowings	13,794,785	DCF model, etc.	Other spread
Debentures	183,215	DCF model, etc.	Other spread, Rate of inheritance bankruptcy
Others	22,352,758	(*)	Other spread
	₩ 112,291,902		

(\*) Other financial instruments are temporary accounts derived from various transactions, with maturity not fixed or short. Therefore, the Group doesn't apply DCF method to calculate fair value and discloses book value as fair value.

Changes in deferred Day 1 gain (loss), for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	<b>₩ (18,593)</b>	₩ (25,795)
Increase	<b>(12,622)</b>	(12,553)
Profit or loss	<b>18,500</b>	16,325
Repayment	<b>236</b>	3,430
Ending balance	<b>₩ (12,479)</b>	₩ (18,593)



6. Fair value of financial assets and liabilities

Details of carrying amount and fair value of financial instruments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets :				
Cash and due from banks	₩ 19,745,776	₩ 19,745,775	₩ 22,257,731	₩ 22,250,159
Financial assets held-for-trading	18,580,780	18,580,780	17,218,152	17,218,152
Financial assets designated at fair value through profit or loss	1,414,424	1,414,424	1,045,676	1,045,676
Available-for-sale financial assets	37,701,159	37,701,159	35,065,938	35,065,938
Held-to-maturity investments	5,616,734	5,812,135	4,365,450	4,541,038
Loans	221,336,818	222,029,011	213,963,138	215,190,891
Derivative assets used for hedging	65,442	65,442	87,894	87,894
Others	15,097,300	15,100,989	14,459,373	14,459,255
	₩ 319,558,433	₩ 320,449,715	₩ 308,463,352	₩ 309,859,003
Financial liabilities :				
Financial liabilities held-for-trading	₩ 5,753,318	₩ 5,753,318	₩ 5,239,660	₩ 5,239,660
Financial assets designated at fair value through profit or loss	8,037,863	8,037,863	6,687,800	6,687,800
Deposits	206,810,358	207,173,540	201,896,985	202,625,877
Borrowings	22,202,136	22,202,596	23,263,986	23,258,194
Debentures	30,008,472	30,495,553	29,308,115	29,846,236
Derivative liabilities used for hedging	43,008	43,008	50,736	50,736
Others	25,920,233	25,919,610	22,623,185	22,636,930
	₩ 298,775,388	₩ 299,625,488	₩ 289,070,467	₩ 290,345,433

The following standards are applied in measuring the fair value of financial instruments:

- Loans and receivable: Expected cash flows, current market interest rates and discount rates including borrowers’ credit risks are factors to calculate the fair value of loans and receivables. For lines of credit and loans that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value.
- Investment in financial assets: The fair value of financial assets held-to-maturity are as stated by the market, broker, or by credible sources. If none of the information is usable, published market price of financial instruments with similar credit rating, maturity, and ROI is used to estimate the fair value.
- Depository liabilities: For deposits with no interests, deposits without an explicit maturity period, deposits that have a short term maturity (less than three months), and deposits with a floating rate readjustment period of less than three months, it is assumed that the carrying amounts approximate to their fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.
- Borrowing liabilities: For borrowings that have a short term maturity (less than three months) and borrowings with floating rate readjustment period of less than three months, it is assumed that the carrying amounts approximate to their fair value. The estimated fair value of fixed interest bearing borrowings is based on and discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.
- Debentures: For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

7. Categories of financial assets and financial liabilities

Categories of financial assets and financial liabilities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015						
	Financial instruments held-for-Trading	Financial instruments designated at fair value through profit or loss	Available-for-sale financial instruments	Held-to-maturity investments	Amortized cost of a financial asset or financial liability	Derivatives for hedging purposes	Total
Financial assets:							
Cash and due from banks	₩ -	₩ -	₩ -	₩ -	₩ 19,745,776	₩ -	₩ 19,745,776
Financial assets held-for-trading	18,580,780	-	-	-	-	-	18,580,780
Financial assets designated at fair value through profit or loss	-	1,414,424	-	-	-	-	1,414,424
Available-for-sale financial assets	-	-	37,701,159	-	-	-	37,701,159
Held-to-maturity investments	-	-	-	5,616,734	-	-	5,616,734
Loans	-	-	-	-	221,336,818	-	221,336,818
Derivative for hedging purposes	-	-	-	-	-	65,442	65,442
Others	-	-	-	-	15,097,300	-	15,097,300
	₩ 18,580,780	₩ 1,414,424	₩ 37,701,159	₩ 5,616,734	₩ 256,179,894	₩ 65,442	₩ 319,558,433
Financial liabilities:							
Financial assets held-for-trading	₩ 5,753,318	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 5,753,318
Financial liabilities designated at fair value through profit or loss	-	8,037,863	-	-	-	-	8,037,863
Deposits	-	-	-	-	206,810,358	-	206,810,358
Borrowings	-	-	-	-	22,202,136	-	22,202,136
Debentures	-	-	-	-	30,008,472	-	30,008,472
Derivative for hedging purposes	-	-	-	-	-	43,008	43,008
Others	-	-	-	-	25,920,233	-	25,920,233
	₩ 5,753,318	₩ 8,037,863	₩ -	₩ -	₩ 284,941,199	₩ 43,008	₩ 298,775,388

	December 31, 2014						
	Financial instruments held-for-Trading	Financial instruments designated at fair value through profit or loss	Available-for-sale financial instruments	Held-to-maturity investments	Amortized cost of a financial asset or financial liability	Derivatives for hedging purposes	Total
Financial assets:							
Cash and due from banks	₩ -	₩ -	₩ -	₩ -	₩ 22,257,731	₩ -	₩ 22,257,731
Financial assets held-for-trading	17,218,152	-	-	-	-	-	17,218,152
Financial assets designated at fair value through profit or loss	-	1,045,676	-	-	-	-	1,045,676
Available-for-sale financial assets	-	-	35,065,938	-	-	-	35,065,938
Held-to-maturity investments	-	-	-	4,365,450	-	-	4,365,450
Loans	-	-	-	-	213,963,138	-	213,963,138
Derivative for hedging purposes	-	-	-	-	-	87,894	87,894
Others	-	-	-	-	14,459,373	-	14,459,373
	₩ 17,218,152	₩ 1,045,676	₩ 35,065,938	₩ 4,365,450	₩ 250,680,242	₩ 87,894	₩ 308,463,352

(Continued on next page)

December 31, 2014							
	Financial instruments held-for-Trading	Financial instruments designated at fair value through profit or loss	Available-for-sale financial instruments	Held-to-maturity investments	Amortized cost of a financial asset or financial liability	Derivatives for hedging purposes	Total
Financial liabilities:							
Financial assets held-for-trading	₩ 5,239,660	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 5,239,660
Financial liabilities designated at fair value through profit or loss	–	6,687,800	–	–	–	–	6,687,800
Deposits	–	–	–	–	201,896,985	–	201,896,985
Borrowings	–	–	–	–	23,263,986	–	23,263,986
Debentures	–	–	–	–	29,308,115	–	29,308,115
Derivative for hedging purposes	–	–	–	–	–	50,736	50,736
Others	–	–	–	–	22,623,185	–	22,623,185
	₩ 5,239,660	₩ 6,687,800	₩ –	₩ –	₩ 277,092,271	₩ 50,736	₩ 289,070,467

### 8. Offsetting financial assets and liabilities

Details of financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015 and 2014 are as follows (Korean won in millions):

December 31, 2015						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position (*)		Net amount
				Financial instruments	Cash collateral received	
Derivatives	₩ 4,942,501	₩ –	₩ 4,942,501	₩ (3,346,128)	₩ (25,107)	₩ 1,571,266
Equity securities	190,653	–	190,653	(190,653)	–	–
Bonds purchased under resale agreement	1,330,701	–	1,330,701	(1,330,701)	–	–
Receivables unpaid spot exchanges	8,766,115	–	8,766,115	(8,763,568)	–	2,547
Domestic exchange settlement debts	24,765,723	(23,874,112)	891,611	–	–	891,611
Others	229,442	(229,442)	–	–	–	–
	₩ 40,225,135	₩ (24,103,554)	₩ 16,121,581	₩ (13,631,050)	₩ (25,107)	₩ 2,465,424

December 31, 2014						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position (*)		Net amount
				Financial instruments	Cash collateral received	
Derivatives	₩ 4,475,019	₩ –	₩ 4,475,019	₩ (3,015,932)	₩ (51,308)	₩ 1,407,779
Equity securities	273,210	–	273,210	(273,210)	–	–
Bonds purchased under resale agreement	1,687,460	–	1,687,460	(1,687,460)	–	–
Receivables unpaid spot exchanges	1,833,607	–	1,833,607	(1,833,330)	–	277
Domestic exchange settlement debts	25,971,412	(24,263,214)	1,708,198	–	–	1,708,198
Others	217,025	(208,938)	8,087	(1,647)	–	6,440
	₩ 34,457,733	₩ (24,472,152)	₩ 9,985,581	₩ (6,811,579)	₩ (51,308)	₩ 3,122,694

(\*) The rights to offset exist only in case of default, insolvency or bankruptcy. Accordingly, the amounts are not offset in the statement of financial position as they do not meet the criteria for offsetting.

Details of financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2015 and 2014 are as follows (Korean won in millions):

December 31, 2015						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position (*)		Net amount
				Financial instruments	Cash collateral received	
Derivatives	₩ 5,111,360	₩ –	₩ 5,111,360	₩ (4,697,893)	₩ (192,346)	₩ 221,121
Bonds sold under repurchase						
Agreements	4,609,093	–	4,609,093	(4,609,093)	–	–
Payables unpaid spot exchange	8,767,909	–	8,767,909	(8,764,136)	–	3,773
Domestic exchange settlement credits	27,413,471	(23,874,112)	3,539,359	–	–	3,539,359
Others	281,924	(229,442)	52,482	–	–	52,482
	₩ 46,183,757	₩ (24,103,554)	₩ 22,080,203	₩ (18,071,122)	₩ (192,346)	₩ 3,816,735

December 31, 2014						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position (*)		Net amount
				Financial instruments	Cash collateral received	
Derivatives	₩ 3,941,417	₩ –	₩ 3,941,417	₩ (2,818,293)	₩ (154,722)	₩ 968,402
Bonds sold under repurchase						
Agreements	4,714,813	–	4,714,813	(4,714,813)	–	–
Payables unpaid spot exchange	1,834,807	–	1,834,807	(1,833,330)	–	1,477
Domestic exchange settlement credits	26,483,336	(24,263,214)	2,220,122	(1,316,032)	–	904,090
Others	214,074	(208,938)	5,136	(1,647)	–	3,489
	₩ 37,188,447	₩ (24,472,152)	₩ 12,716,295	₩ (10,684,115)	₩ (154,722)	₩ 1,877,458

(\*) The rights to offset exist only in case of default, insolvency or bankruptcy. Accordingly, the amounts are not offset in the statement of financial position as they do not meet the criteria for offsetting.

### 9. Risk management

The Group is exposed to credit risk, liquidity risk, market risk and operational risk of its financial instruments. Risk management is the basic activities to use the Group's limited capital effectively under the rapidly changing financial circumstances. The ultimate goal of risk management is to maximize the Group's shareholder value with minimizing the sudden fluctuation of its income through a proper balance between risks and returns.

To keep the consistent risk management on a group level basis, the Group establishes and manages the group risk management policies and each of its subsidiaries also establishes its own risk management systems and policies suitable for the subsidiaries' industry through the risk committees and working-level councils under the group risk management policies. The Group identifies improvements by diagnosing the subsidiaries' risk management performance at least once a year and continuously enforces the subsidiaries' risk management activities to make them reflect the improvements.

The group risk management committee is the top decision-making organization of the group risk management and has responsibilities to establish and monitor risk management strategies and policies, allowable risk limits and investment limits, and capital allocation, which are required to be managed on a group level basis. The subsidiaries' risk management committees (or BoD) are responsible for its own risk management strategies, policies and monitoring. If necessary, the group risk management committee or group risk management execution committee can apply separate risk management standards considering distinct characteristics of each subsidiary.

#### 9.1 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers' or counterparties' credit rating goes down or fail to discharge their contractual obligations. Credit risk is the highest risk exposed to the Group. Credit risk arises from on-balance and off-balance accounts including loans, financial guarantees, securities and derivatives. The purpose of managing credit risk is to control the relevant losses upon counterparties' default, for a certain period, within the allowable range.

The Group’s group risk management committee and group risk management execution committee examines its credit risk on a regular basis. The Group continuously monitors whether credit limits set for each individual, corporation, borrower, subsidiary and major shareholder are complied and reviews the subsidiaries’ asset quality. The Group also checks the status of change of risk exposure, residual limit, profitability, delinquency rate and change of loan loss provision, etc. at least on a quarterly basis.

The Group classifies expected loss and unexpected loss calculating the credit risk. The expected loss is assessed based on estimated LGD (Loss Given Default). The LGD is calculated by using EAD (Exposure at Default), estimated PD (Probability of Default), which is based on a historical default rate, and historical collection rate. The assessed expected loss is reflected on the interest rates on new or rolled over loans and loan loss provision. The unexpected loss, which means a potential volatility between estimate loss and actual loss, is estimated as a credit risk exposure of a portfolio using statistical models. The unexpected loss is used for the Group’s internal management purpose.

The maximum exposure to credit risk as at December 31, 2015 and 2014 are as follows. The following table shows the maximum exposure to credit risk for the items in the statement of financial position, including derivatives, by geography of counterparty and by industry before the effect of mitigation through the use of master netting and collateral agreements. Equity securities in the trading financial assets and financial assets available-for-sale are excluded (Korean won in millions):

	December 31, 2015	December 31, 2014
On balance accounts:		
Due from banks	<b>₩ 17,497,078</b>	₩ 19,361,988
Financial assets held-for-trading		
Debt securities	<b>12,184,003</b>	11,681,259
Derivative assets held-for-trading	<b>5,109,704</b>	4,618,758
Others	<b>682,279</b>	603,296
Financial assets designated at fair value through profit or loss	<b>1,110,223</b>	809,757
Available-for-sale financial assets	<b>32,973,036</b>	31,873,489
Held-to-maturity investments	<b>5,616,734</b>	4,365,450
Derivative assets for hedging purposes	<b>65,442</b>	87,894
Loans receivable:		
Household loans	<b>91,534,598</b>	82,547,568
Large business	<b>43,463,292</b>	49,511,275
Small and medium business	<b>68,302,654</b>	62,503,210
Public institution and others	<b>12,507,582</b>	13,514,872
Credit card loans	<b>5,528,692</b>	5,886,213
	<b>221,336,818</b>	213,963,138
Others	<b>15,097,300</b>	14,459,373
	<b>₩ 311,672,617</b>	₩ 301,824,402
Off balance accounts:		
Financial guarantees	<b>₩ 2,202,946</b>	₩ 2,901,767
Guarantee contracts	<b>19,653,200</b>	24,798,969
Commitment	<b>118,681,797</b>	124,653,652
	<b>₩ 140,537,943</b>	₩ 152,354,388

Details of collateral management and credit risk mitigation as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Impaired loan		Unimpaired loan		
	Individual assessment	Collective assessment	Past due	Non past due	Total
Guarantees	<b>₩ 113,334</b>	<b>₩ 85,407</b>	<b>₩ 59,472</b>	<b>₩ 20,350,857</b>	<b>₩ 20,609,070</b>
Deposit	<b>40,978</b>	<b>13,452</b>	<b>16,100</b>	<b>2,648,468</b>	<b>2,718,998</b>
Movable assets	<b>22,342</b>	<b>669</b>	<b>16,775</b>	<b>334,046</b>	<b>373,832</b>
Real estate	<b>621,715</b>	<b>357,836</b>	<b>267,947</b>	<b>86,367,771</b>	<b>87,615,269</b>
Securities	<b>286,253</b>	<b>2,119</b>	<b>1,901</b>	<b>2,652,193</b>	<b>2,942,466</b>
Others	<b>594</b>	<b>4,721</b>	<b>1,500</b>	<b>714,435</b>	<b>721,250</b>
	<b>₩ 1,085,216</b>	<b>₩ 464,204</b>	<b>₩ 363,695</b>	<b>₩ 113,067,770</b>	<b>₩ 114,980,885</b>

	December 31, 2014				
	Impaired loan		Unimpaired loan		
	Individual assessment	Collective assessment	Past due	Non past due	Total
Guarantees	₩ 96,752	₩ 95,620	₩ 69,968	₩ 18,588,433	₩ 18,850,773
Deposit	412	13,575	27,124	3,851,356	3,892,467
Movable assets	14,072	–	–	36,312	50,384
Real estate	692,270	391,354	301,074	85,579,329	86,964,027
Securities	265,549	2,188	2,765	3,970,146	4,240,648
Others	1,484	3,672	5,398	468,516	479,070
	₩ 1,070,539	₩ 506,409	₩ 406,329	₩ 112,494,092	₩ 114,477,369

Details of delinquency rates on loans and receivable as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015					
	Household Loans	Corporate loans			Credit card loans	Total
		Large business	Small and medium business	Public institution and others		
Neither past due nor impaired	<b>₩ 90,834,125</b>	<b>₩ 42,900,248</b>	<b>₩ 67,590,161</b>	<b>₩ 12,441,005</b>	<b>₩ 5,424,701</b>	<b>₩ 219,190,240</b>
Past due but unimpaired	<b>244,473</b>	<b>22,369</b>	<b>164,707</b>	<b>36,684</b>	<b>159,961</b>	<b>628,194</b>
Impaired	<b>443,037</b>	<b>1,408,154</b>	<b>1,405,792</b>	<b>101,057</b>	<b>125,389</b>	<b>3,483,429</b>
	<b>91,521,635</b>	<b>44,330,771</b>	<b>69,160,660</b>	<b>12,578,746</b>	<b>5,710,051</b>	<b>223,301,863</b>
Deferred loan fees and expenses	<b>235,090</b>	<b>(17,309)</b>	<b>45,368</b>	<b>7,905</b>	<b>1</b>	<b>271,055</b>
Present value premium (discount)	<b>(1,347)</b>	<b>(1,092)</b>	<b>76</b>	<b>–</b>	<b>(1,816)</b>	<b>(4,179)</b>
Allowance for possible loan losses	<b>(220,780)</b>	<b>(849,078)</b>	<b>(903,450)</b>	<b>(79,069)</b>	<b>(179,544)</b>	<b>(2,231,921)</b>
	<b>₩ 91,534,598</b>	<b>₩ 43,463,292</b>	<b>₩ 68,302,654</b>	<b>₩ 12,507,582</b>	<b>₩ 5,528,692</b>	<b>₩ 221,336,818</b>

	December 31, 2014					
	Household Loans	Corporate loans			Credit card loans	Total
		Large business	Small and medium business	Public institution and others		
Neither past due nor impaired	₩ 81,629,148	₩ 48,888,780	₩ 61,423,020	₩ 13,468,110	₩ 5,776,369	₩ 211,185,427
Past due but unimpaired	393,717	18,786	170,291	20,722	174,105	777,621
Impaired	592,417	1,478,327	1,658,486	81,188	130,590	3,941,008
	82,615,282	50,385,893	63,251,797	13,570,020	6,081,064	215,904,056
Deferred loan fees and expenses	179,293	(18,470)	20,833	6,100	1	187,757
Present value premium (discount)	93	(2,574)	(779)	–	(2,353)	(5,613)
Allowance for possible loan losses	(291,273)	(629,724)	(948,318)	(61,248)	(192,499)	(2,123,062)
	₩ 82,503,395	₩ 49,735,125	₩ 62,323,533	₩ 13,514,872	₩ 5,886,213	₩ 213,963,138

Delinquency occurs when a counterparty is unable to make principle and interest payments at the due date. A financial item is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the item (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults, delinquency in interest for more than 90 days, credit deterioration resulting in misleading information, damages incurred due to poor exposure.

Internal credit grades of loans that are neither past due nor impaired as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015					
	Household Loans	Corporate loans			Credit card loans	Total
		Large business	Small and medium business	Public institution and others		
Grade 1	<b>₩ 63,835,718</b>	<b>₩ 24,439,963</b>	<b>₩ 9,306,087</b>	<b>₩ 4,439,159</b>	<b>₩ 2,341,744</b>	<b>₩ 104,362,671</b>
Grade 2	<b>23,688,417</b>	<b>17,012,508</b>	<b>51,560,792</b>	<b>4,735,272</b>	<b>3,077,484</b>	<b>100,074,473</b>
Grade 3	<b>553,578</b>	<b>1,363,481</b>	<b>3,471,574</b>	<b>2,020,866</b>	<b>5,473</b>	<b>7,414,972</b>
Others	<b>2,756,412</b>	<b>84,296</b>	<b>3,251,708</b>	<b>1,245,708</b>	<b>–</b>	<b>7,338,124</b>
	<b>₩ 90,834,125</b>	<b>₩ 42,900,248</b>	<b>₩ 67,590,161</b>	<b>₩ 12,441,005</b>	<b>₩ 5,424,701</b>	<b>₩ 219,190,240</b>



	December 31, 2014					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Grade 1	₩ 58,432,039	₩ 22,387,328	₩ 7,373,567	₩ 4,243,868	₩ 1,421,024	₩ 93,857,826
Grade 2	20,246,339	25,270,799	48,142,048	5,368,483	4,132,954	103,160,623
Grade 3	560,853	1,065,171	3,467,681	1,133,925	222,389	6,450,019
Others	2,389,917	165,482	2,439,724	2,721,834	2	7,716,959
	₩ 81,629,148	₩ 48,888,780	₩ 61,423,020	₩ 13,468,110	₩ 5,776,369	₩ 211,185,427

The Group classifies the grade of loans in accordance with a credit rating chart below, based on the character of the borrowers.

	Household loans	Corporate loans	SOHO
Grade 1	Less or equal to 0.37% of PD	A1+ ~ A3	Grade 1~4
Grade 2	From 0.37% to 9.03% of PD	B1+ ~ B3	Grade 5 ~ 20
Grade 3	From 9.03% to 100% of PD	C1 ~ C3	Grade 21 ~ 29

Types of unimpaired loans and receivables with delinquent payments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Less than 30 days	<b>₩ 22,260</b>	<b>₩ 10,734</b>	<b>₩ 40,663</b>	<b>₩ 23,587</b>	<b>₩ 123,743</b>	<b>₩ 220,987</b>
31 to 60 days	<b>192,770</b>	<b>11,635</b>	<b>81,774</b>	<b>6,500</b>	<b>18,875</b>	<b>311,554</b>
61 to 90 days	<b>29,181</b>	–	<b>40,628</b>	<b>6,102</b>	<b>15,115</b>	<b>91,026</b>
Others	<b>262</b>	–	<b>1,642</b>	<b>495</b>	<b>2,228</b>	<b>4,627</b>
	<b>₩ 244,473</b>	<b>₩ 22,369</b>	<b>₩ 164,707</b>	<b>₩ 36,684</b>	<b>₩ 159,961</b>	<b>₩ 628,194</b>

	December 31, 2014					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Less than 30 days	₩ 335,151	₩ 18,786	₩ 132,904	₩ 14,524	₩ 130,820	₩ 632,185
31 to 60 days	38,836	–	19,722	4,139	27,101	89,798
61 to 90 days	19,730	–	17,627	1,184	11,071	49,612
Others	–	–	38	875	5,113	6,026
	₩ 393,717	₩ 18,786	₩ 20,722	₩ 20,722	₩ 174,105	₩ 777,621

Types of impaired loans and receivables as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Individual impairment:						
Book value	<b>₩ 3,079</b>	<b>₩ 1,369,537</b>	<b>₩ 1,081,638</b>	<b>₩ 78,537</b>	–	<b>₩ 2,532,791</b>
Deferred loan fees and expenses	–	<b>(39)</b>	<b>(426)</b>	<b>29</b>	–	<b>(436)</b>
Allowance for possible loan losses	<b>(2,388)</b>	<b>(686,783)</b>	<b>(451,057)</b>	<b>(33,346)</b>	–	<b>(1,173,574)</b>
	<b>691</b>	<b>682,715</b>	<b>630,155</b>	<b>45,220</b>	–	<b>1,358,781</b>

	December 31, 2015					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Collective impairment:						
Book value	<b>₩ 439,958</b>	<b>₩ 38,617</b>	<b>₩ 324,154</b>	<b>₩ 22,520</b>	<b>₩ 125,389</b>	<b>₩ 950,638</b>
Deferred loan fees and expenses	<b>710</b>	–	<b>120</b>	<b>49</b>	–	<b>879</b>
Present value discount	<b>(155)</b>	–	<b>(5)</b>	–	<b>(12)</b>	<b>(172)</b>
Allowance for possible loan losses	<b>(108,309)</b>	<b>(7,528)</b>	<b>(100,970)</b>	<b>(9,992)</b>	<b>(101,776)</b>	<b>(328,575)</b>
	<b>332,204</b>	<b>31,089</b>	<b>223,299</b>	<b>12,577</b>	<b>23,601</b>	<b>622,770</b>
	<b>₩ 332,895</b>	<b>₩ 713,804</b>	<b>₩ 853,454</b>	<b>₩ 57,797</b>	<b>₩ 23,601</b>	<b>₩ 1,981,551</b>

	December 31, 2014					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Individual impairment:						
Book value	₩ 4,221	₩ 1,411,571	₩ 1,335,805	₩ 63,548	–	₩ 2,815,145
Deferred loan fees and expenses	–	(78)	(818)	–	–	(896)
Allowance for possible loan losses	(2,096)	(470,646)	(525,576)	(17,657)	–	(1,015,975)
	2,125	940,847	809,411	45,891	–	1,798,274

	December 31, 2014					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Collective impairment:						
Book value	₩ 588,196	₩ 66,756	₩ 322,681	₩ 17,640	₩ 130,590	₩ 1,125,863
Deferred loan fees and expenses	1,088	–	69	80	–	1,237
Present value discount	9	–	–	–	–	9
Allowance for possible loan losses	(131,712)	(24,207)	(99,086)	(6,490)	(102,924)	(364,419)
	457,581	42,549	223,664	11,230	27,666	762,690
	₩ 459,706	₩ 983,396	₩ 1,033,075	₩ 57,121	₩ 27,666	₩ 2,560,964

Interest income on impaired loans and receivables as at December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015					
	Household Loans	Corporate loans				Total
		Large business	Small and medium business	Public institution and others	Credit card loans	
Individual impairment	<b>₩ 86</b>	<b>₩ 19,546</b>	<b>₩ 12,537</b>	<b>₩ 715</b>	<b>₩ –</b>	<b>₩ 32,884</b>
Collective impairment	<b>5,825</b>	<b>4,257</b>	<b>5,008</b>	<b>231</b>	<b>3,800</b>	<b>19,121</b>
	<b>₩ 5,911</b>	<b>₩ 23,803</b>	<b>₩ 17,545</b>	<b>₩ 946</b>	<b>₩ 3,800</b>	<b>₩ 52,005</b>

	December 31, 2014					
	Household Loans	Corporate loans			Credit card loans	Total
		Large business	Small and medium business	Public institution and others		
Individual impairment	₩ 153	₩ 44,789	₩ 36,780	₩ 1,083	₩ –	₩ 82,805
Collective impairment	26,893	2,541	11,100	875	1,876	43,285
	₩ 27,046	₩ 47,330	₩ 47,880	₩ 1,958	₩ 1,876	₩ 126,090

Overdue payments on debt securities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Total
Neither past due nor impaired	₩ 12,184,003	₩ 234,038	₩ 32,952,680	₩ 5,616,734	₩ 50,987,455
Impaired	–	–	7,662	–	7,662
	₩ 12,184,003	₩ 234,038	₩ 32,960,342	₩ 5,616,734	₩ 50,995,117

	December 31, 2014				
	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Total
Neither past due nor impaired	₩ 11,681,259	₩ 809,757	₩ 31,855,318	₩ 4,365,450	₩ 48,711,784
Impaired	–	–	6,792	–	6,792
	₩ 11,681,259	₩ 809,757	₩ 31,862,110	₩ 4,365,450	₩ 48,718,576

Internal credit ratings of debt securities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Total
Grade 1	₩ 2,212,066	₩ –	₩ 32,405,416	₩ 5,456,369	₩ 40,073,851
Grade 2	–	–	72,607	50,365	122,972
Grade 3	–	–	7,662	–	7,662
Others	9,971,937	234,038	474,657	110,000	10,790,632
	₩ 12,184,003	₩ 234,038	₩ 32,960,342	₩ 5,616,734	₩ 50,995,117

	December 31, 2014				
	Financial assets held-for-trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Total
Grade 1	₩ 2,662,195	₩ –	₩ 31,488,355	₩ 4,136,474	₩ 38,287,024
Grade 2	–	–	52,106	118,973	171,079
Others	9,019,064	809,757	321,649	110,003	10,260,473
	₩ 11,681,259	₩ 809,757	₩ 31,862,110	₩ 4,365,450	₩ 48,718,576

The credit rating classification of debt securities, which is rated by external rating agencies and applied by KEB Hana Bank, is as follows:

	Overseas rating agencies				
	Internal rating	Domestic rating agencies	Moody's	S&P	Fitch
Grade 1	A1+ ~ A3	AAA ~ A–	Aaa ~ Baa2	AAA ~ BBB	AAA ~ BBB
Grade 2	B1+ ~ B3	BBB+ ~ BB	Baa3 ~ B3	BBB– ~ B–	BBB– ~ B–
Grade 3	C1 ~ C3	BB– ~ B–	Caa1 ~ Caa3	CCC+ ~ CCC–	CCC+ ~ CCC–

Credit risk concentration in each major industry as at December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015				
	Industry	Korean won	Foreign currency	Total Amount	Ratio (%)
On balance accounts:					
Due from banks	Financial services	₩ 8,985,506	₩ 8,096,886	₩ 17,082,392	97.6
	Public administration	–	1,542	1,542	–
	Others	36,604	376,540	413,144	2.4
		9,022,110	8,474,968	17,497,078	100.0
Financial assets held-for-trading (Debt securities)					
	Financial services	5,785,090	479,663	6,264,753	51.4
	Manufacturing	506,330	83,757	590,087	4.8
	Public administration	4,005,092	45,109	4,050,201	33.2
	Construction	41,232	–	41,232	0.3
	Wholesale & retail	₩ 50,206	₩ –	₩ 50,206	0.4
	Others	1,149,756	37,768	1,187,524	0.9
		11,537,706	646,297	12,184,003	100.0
Financial assets designated at fair value through profit and loss	Financial services	1,049,879	60,344	1,110,223	100.0
Available-for-sale financial assets	Financial services	12,076,788	3,338,108	15,414,896	46.8
	Manufacturing	220,712	24,696	245,408	0.7
	Public administration	14,287,835	759,159	15,046,994	45.6
	Construction	440,560	–	440,560	1.3
	Wholesale & retail	40,303	–	40,303	0.1
	Others	1,384,825	400,050	1,784,875	5.5
		28,451,023	4,522,013	32,973,036	100.0
Held-to-maturity investments	Financial services	2,953,176	131,407	3,084,583	54.9
	Manufacturing	82,778	–	82,778	1.5
	Public administration	1,604,850	107,524	1,712,374	30.5
	Construction	235,518	–	235,518	4.2
	Others	501,364	117	501,481	8.9
		5,377,686	239,048	5,616,734	100.0
Loans receivable:					
Household loans		90,525,278	996,357	91,521,635	41.3
Credit card loans		5,710,051	–	5,710,051	2.6
Business loans	Manufacturing	26,578,328	14,124,204	40,702,532	18.4
	Construction	3,274,991	550,514	3,825,505	1.7
	Wholesale & retail	11,243,066	3,997,151	15,240,217	6.9
	Financial services	6,272,646	8,695,370	14,968,016	6.8
	Real estate rental	20,098,737	1,469,122	21,567,859	9.7
	Transportation	13,026	–	13,026	–
Electricity, gas and water supply		477,040	276,992	754,032	0.3

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December 31, 2015					
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
	Others	22,899,611	6,099,379	28,998,990	13.2
Deferred loan fees and expenses		₩ 280,697	₩ (9,642)	₩ 271,055	0.1
Present value premium (discount)		(4,260)	81	(4,179)	-
Allowance for possible loan losses		(1,826,944)	(404,977)	(2,231,921)	(1.0)
		185,542,267	35,794,551	221,336,818	100.0
		₩ 240,980,671	₩ 49,737,221	₩ 290,717,892	
Off-balance accounts:					
Financial guarantees	Manufacturing	₩ 330,873	₩ 859,179	₩ 1,190,052	54.0
	Construction	18,954	68,152	87,106	4.0
	Wholesale & retail	139,344	276,077	415,421	18.9
	Real estate rental	60,005	16,982	76,987	3.5
	Others	214,251	219,129	433,380	19.6
		763,427	1,439,519	2,202,946	100.0
Guarantee contracts	Manufacturing	734,027	7,551,016	8,285,043	42.2
	Construction	95,891	3,495,000	3,590,891	18.3
	Wholesale & retail	574,424	1,942,397	2,516,821	12.8
	Financial services	7,568	1,043,946	1,051,514	5.4
	Real estate rental	38,523	36,842	75,365	0.4
	Others	708,167	3,425,399	4,133,566	20.9
		2,158,600	17,494,600	19,653,200	100.0
Commitment	Manufacturing	24,576,344	15,418,754	39,995,098	33.7
	Construction	2,355,904	1,444,879	3,800,783	3.2
	Wholesale & retail	6,132,017	5,109,413	11,241,430	9.5
	Financial services	6,913,489	205,202	7,118,691	6.0
	Real estate rental	2,021,870	13,153	2,035,023	1.7
	Electricity, gas and water supply	25,600	-	25,600	-
	Others	51,706,807	2,758,365	54,465,172	45.9
		93,732,031	24,949,766	118,681,797	100.0
		₩ 96,654,058	₩ 43,883,885	₩ 140,537,943	

December 31, 2014					
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
On balance accounts:					
Due from banks	Financial services	₩ 10,965,344	₩ 8,062,460	₩ 19,027,804	98.3
	Public administration	-	46,287	46,287	0.2
	Others	-	287,897	287,897	1.5
		10,965,344	8,396,644	19,361,988	100.0
Financial assets held-for-trading (Debt securities)					
	Financial services	4,980,099	304,086	5,284,185	45.2
	Manufacturing	721,989	72,445	794,434	6.8
	Public administration	3,887,899	40,435	3,928,334	33.6
	Construction	221,403	-	221,403	1.9
	Wholesale & retail	50,409	-	50,409	0.4
	Others	1,380,475	22,019	1,402,494	12.1
		11,242,274	438,985	11,681,259	100.0

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December 31, 2014					
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Financial assets designated at fair value through profit and loss	Financial services	753,070	56,687	809,757	100.0
Available-for-sale financial assets	Financial services	11,514,888	1,708,849	13,223,737	41.5
	Manufacturing	526,666	69,019	595,685	1.9
	Public administration	14,850,308	643,710	15,494,018	48.6
	Construction	180,617	-	180,617	0.6
	Wholesale & retail	60,844	-	60,844	0.2
	Others	2,098,048	220,540	2,318,588	7.2
		29,231,371	2,642,118	31,873,489	100.0

December 31, 2014					
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Held-to-maturity investments	Financial services	₩ 2,055,293	₩ 88,883	₩ 2,144,176	₩ 49.1
	Manufacturing	49,908	-	49,908	1.1
	Public administration	1,190,676	107,390	1,298,066	29.7
	Construction	30,000	-	30,000	0.7
	Others	838,668	4,632	843,300	19.4
		4,164,545	200,905	4,365,450	100.0
Loans receivable:					
Household loans		81,878,187	737,095	82,615,282	38.6
Credit card loans		6,081,064	-	6,081,064	2.8
Business loans	Manufacturing	29,511,181	16,343,790	45,854,971	21.4
	Construction	3,784,758	566,469	4,351,227	2.0
	Wholesale & retail	11,585,349	5,313,776	16,899,125	7.9
	Financial services	6,007,311	6,407,255	12,414,566	5.8
	Real estate rental	16,205,662	906,060	17,111,722	8.0
	Transportation	969,911	1,101,599	2,071,510	1.0
	Electricity, gas and water supply	530,732	147,679	678,411	0.3
	Others	21,523,353	6,302,825	27,826,178	13.1
Deferred loan fees and expenses		195,299	(7,542)	187,757	0.1
Present value premium (discount)		(5,703)	90	(5,613)	-
Allowance for possible loan losses		(1,857,189)	(265,873)	(2,123,062)	(1.0)
		176,409,915	37,553,223	213,963,138	100.0
		₩ 232,766,519	₩ 49,288,562	₩ 282,055,081	

Off-balance accounts:					
Financial guarantees	Manufacturing	₩ 485,075	₩ 852,037	₩ 1,337,112	46.1
	Construction	30,478	85,027	115,505	4.0
	Wholesale & retail	245,986	248,925	494,911	17.1
	Real estate rental	60,006	11,102	71,108	2.5
	Transportation	430	17,847	18,277	0.6
	Electricity, gas and water supply	-	12,146	12,146	0.4
	Others	₩ 272,741	₩ 579,967	₩ 852,708	29.3
		1,094,716	1,807,051	2,901,767	100.0
Guarantee contracts	Manufacturing	872,533	10,422,847	11,295,380	45.5

(Continued on next page)



December 31, 2014					
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
	Construction	217,186	4,799,568	5,016,754	20.2
	Wholesale & retail	576,788	2,689,818	3,266,606	13.2
	Financial services	16,083	1,063,049	1,079,132	4.4
	Real estate rental	15,835	177,385	193,220	0.8
	Transportation	128,305	94,005	222,310	0.9
	Electricity, gas and water supply	-	453,121	453,121	1.8
	Others	562,422	2,710,024	3,272,446	13.2
		2,389,152	22,409,817	24,798,969	100.0
Commitment	Manufacturing	26,815,693	17,074,721	43,890,414	35.2
	Construction	2,683,745	963,332	3,647,077	2.9
	Wholesale & retail	7,622,265	4,925,086	12,547,351	10.1
	Financial services	5,522,527	210,267	5,732,794	4.6
	Real estate rental	1,753,944	18,217	1,772,161	1.4
	Transportation	846,911	193,663	1,040,574	0.8
	Electricity, gas and water supply	2,668,312	231,750	2,900,062	2.3
	Others	50,410,638	2,712,581	53,123,219	42.7
		98,324,035	26,329,617	124,653,652	100.0
		₩ 101,807,903	₩ 50,546,485	₩ 152,354,388	

Credit risk concentration in each country as at December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015				
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
On balance accounts:					
Due from banks	Korea	₩ 9,022,110	₩ 1,608,022	₩ 10,630,132	60.8
	U.S	-	3,004,571	3,004,571	17.2
	China	-	1,246,718	1,246,718	7.1
	Japan	-	230,086	230,086	1.3
	Singapore	-	168,251	168,251	1.0
	Hong Kong	-	58,301	58,301	0.3
	Others	-	2,159,019	2,159,019	12.3
		9,022,110	8,474,968	17,497,078	100.0
Financial assets held-for-trading (Debt securities)	Korea	11,537,706	339,715	11,877,421	97.5
	U.S	-	138,325	138,325	1.1
	China	-	20,141	20,141	0.2
	Japan	-	25,774	25,774	0.2
	Hong Kong	-	21,530	21,530	0.2
	Others	-	100,812	100,812	0.8
		11,537,706	646,297	12,184,003	100.0
Financial assets designated at fair value through profit and loss	Korea	1,049,879	-	1,049,879	94.6
	U.S	-	60,344	60,344	5.4
		1,049,879	60,344	1,110,223	100.0
Available-for-sale financial assets	Korea	28,451,023	2,856,767	31,307,790	94.9
	U.S	-	317,876	317,876	1.0
	China	-	202,423	202,423	0.6
	Japan	-	128,648	128,648	0.4
	Hong Kong	-	274,203	274,203	0.8
	Others	-	742,096	742,096	2.3
		28,451,023	4,522,013	32,973,036	100.0

(Continued on next page)

December 31, 2015					
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Held-to-maturity investments	Korea	5,377,686	117	5,377,803	95.7
	U.S	-	1	1	0.0
	China	-	55,068	55,068	1.0
	Hong Kong	-	21,827	21,827	0.4
	Brazil	-	14,630	14,630	0.3
	Others	-	147,405	147,405	2.6
		5,377,686	239,048	5,616,734	100.0

December 31, 2015					
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Loans receivable:	Korea	186,713,379	19,237,221	205,950,600	93.0
	U.S	120,864	1,915,890	2,036,754	0.9
	China	18,429	4,908,454	4,926,883	2.2
	Japan	17,391	341,145	358,536	0.2
	Hong Kong	4,845	1,423,971	1,428,816	0.6
	Others	217,866	8,382,408	8,600,274	4.0
Deferred loan fees and expenses		280,697	(9,642)	271,055	0.1
Present value premium (discount)		(4,260)	81	(4,179)	0.0
Allowance for possible loan losses		(1,826,944)	(404,977)	(2,231,921)	(1.0)
		185,542,267	35,794,551	221,336,818	100.0
		₩ 240,980,671	₩ 49,737,221	₩ 290,717,892	
Off-balance accounts:					
Financial guarantees	Korea	₩ 751,494	₩ 1,439,519	₩ 2,191,013	99.5
	Others	11,933	-	11,933	0.5
		763,427	1,439,519	2,202,946	100.0
Guarantee contracts	Korea	2,141,591	15,325,294	17,466,885	88.9
	U.S	-	171,871	171,871	0.9
	China	-	1,304,144	1,304,144	6.6
	Japan	-	56,625	56,625	0.3
	Hong Kong	-	34,441	34,441	0.2
	Others	17,009	602,225	619,234	3.1
		2,158,600	17,494,600	19,653,200	100.0
Commitment	Korea	93,729,503	22,741,549	116,471,052	98.1
	U.S	1,838	211,676	213,514	0.2
	China	234	135,609	135,843	0.1
	Japan	-	70,994	70,994	0.1
	Others	456	1,789,938	1,790,394	1.5
		93,732,031	24,949,766	118,681,797	100.0
		₩ 96,654,058	₩ 43,883,885	₩ 140,537,943	

December 31, 2014					
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
On balance accounts:					
Due from banks	Korea	₩ 10,965,344	₩ 687,323	₩ 11,652,667	60.2
	U.S	–	2,455,072	2,455,072	12.7
	China	–	2,727,210	2,727,210	14.1
	Japan	–	112,117	112,117	0.6
	Singapore	–	324,719	324,719	1.7
	Hong Kong	–	17,580	17,580	0.1
	Brazil	–	30,818	30,818	0.2
	Others	–	2,041,805	2,041,805	10.4
		10,965,344	8,396,644	19,361,988	100.0
Financial assets held-for-trading (Debt securities)	Korea	11,242,274	307,706	11,549,980	98.9
	U.S	–	30,607	30,607	0.3
	China	–	23,208	23,208	0.2
	Others	–	77,464	77,464	0.6
		11,242,274	438,985	11,681,259	100.0
Financial assets designated at fair value through profit and loss	Korea	753,070	–	753,070	93.0
	Others	–	56,687	56,687	7.0
		753,070	56,687	809,757	100.0
Available-for-sale financial assets	Korea	29,231,371	1,953,882	31,185,253	97.8
	U.S	–	73,722	73,722	0.2
	China	–	90,921	90,921	0.3
	Japan	–	25,735	25,735	0.1
	Singapore	–	14,669	14,669	0.0
	Hong Kong	–	176,965	176,965	0.6
	Malaysia	–	8,708	8,708	0.0
	Others	–	297,516	297,516	1.0
		29,231,371	2,642,118	31,873,489	100.0
Held-to-maturity investments	Korea	4,164,545	31,717	4,196,262	96.1
	U.S	–	259	259	00.0
	Hong Kong	–	20,858	20,858	0.5
	Brazil	–	23,613	23,613	0.5
	Others	–	124,458	124,458	2.9
		₩ 4,164,545	₩ 200,905	₩ 4,365,450	100.0
Loans receivable:	Korea	₩ 177,760,426	₩ 22,538,832	₩ 200,299,258	93.6
	U.S	115,199	1,792,539	1,907,738	0.9
	China	12,087	3,243,780	3,255,867	1.5
	Japan	12,916	502,593	515,509	0.2
	Singapore	3,525	435,659	439,184	0.2
	Hong Kong	3,676	1,848,617	1,852,293	0.9
	Panama	–	455,667	455,667	0.2
	Germany	1,259	190,555	191,814	0.1
	Others	168,420	6,818,306	6,986,726	3.3
Deferred loan fees and expenses		195,299	(7,542)	187,757	0.1
Present value premium (discount)		(5,703)	90	(5,613)	–
Allowance for possible loan losses		(1,857,189)	(265,873)	(2,123,062)	(1.0)
		₩ 176,409,915	₩ 37,553,223	₩ 213,963,138	100.0
				282,055,081	

	December 31, 2014				
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Off-balance accounts:					
Financial guarantees	Korea	₩ 1,094,716	₩ 1,807,051	₩ 2,901,767	100.0
Guarantee contracts	Korea	2,175,939	19,466,985	21,642,924	87.3
	U.S	–	104,738	104,738	0.4
	China	–	1,096,002	1,096,002	4.4
	Japan	–	63,187	63,187	0.3
	Singapore	–	118,455	118,455	0.5
	Hong Kong	–	38,261	38,261	0.2
	Germany	346	74,075	74,075	0.3
	Panama	–	9,439	9,439	0.0
	Others	212,867	1,438,675	1,651,542	6.6
		2,389,152	22,409,817	24,798,969	100.0
Commitment	Korea	98,322,487	24,223,648	122,546,135	98.3
	U.S	700	304,062	304,762	0.2
	China	54	237,464	237,518	0.2
	Japan	–	91,978	91,978	0.1
	Singapore	–	328,302	328,302	0.3
	Hong Kong	–	186,775	186,775	0.1
	Others	794	957,388	958,182	0.8
		98,324,035	26,329,617	124,653,652	100.0
		₩ 101,807,903	₩ 50,546,485	₩ 152,354,388	

9.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The purpose to manage liquidity risk is to early identify the potential risk factors upon raising and operating the Group’s funds and to obtain a stable revenue base maintaining an appropriate level of the Group’s liquidity by systematically managing the risk.

The targets of liquidity risk management are all assets and liabilities outstanding in the Group’s statements of financial position.

The Group’s principles regarding liquidity risk management are as follows:

- Set up and comply with tolerable limits to liquidity risk
- Maintain liquidity by regularly forecasting cash requirements on a regular basis
- Establish an emergency plan against a liquidity crisis to prepare an unexpected liquidity risk
- Evaluate and manage the effect of a large amount of money that is loaned out, invested, or procured on liquidity risks

The Group assesses and manages liquidity ratio of the relevant assets and liabilities denominated in Korean won and in foreign currency by applying the relevant supervisory regulations. The Group also establishes an acceptable limit and emergency plan for liquidity risk through its group risk management executive committee, whereby the subsidiaries maintain an adequate liquidity ratio.

The Group’s future cash flows related to its financial liabilities are presented below using undiscounted contractual cash flows based on the earliest maturity date that the Group has to pay. In addition, financial liabilities held-for-trading subject to fair value through profit or loss and demand deposits are presented in the on demand column below.

The table below summarizes the maturity profile of the contractual undiscounted cash flows of the Group’s financial liabilities. The maturity of financial liabilities as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015					December 31, 2015				
	On demand	Within 1 month	After 1 month ~ but no later than 3 months	After 3 months ~ but no later than 6 months		After 6 months~ but no later than 1 year	After 1 year ~ but no later than 3 years	After 3 years ~ but no later than 5 years	After 5 years	Total
On balance accounts										
Financial liabilities held-for-trading	₩ 5,753,318	₩ –	₩ –	₩ –		₩ –	₩ –	₩ –	₩ –	₩ 5,753,318
Financial liabilities designated at fair value through profit or loss	8,037,863	–	–	–		–	–	–	–	8,037,863
Deposits	90,481,443	15,957,950	27,745,488	25,409,806		38,610,872	7,190,704	1,852,068	1,929,892	209,178,223
Borrowings	2,850,866	6,262,214	4,520,377	1,937,634		2,939,523	2,975,678	691,458	557,775	22,735,525
Debentures	3,514	2,435,443	1,479,950	2,256,997		4,260,517	11,784,555	3,794,052	6,166,514	32,181,542
Derivative liabilities used for hedging purposes	–	(476)	(9,579)	(11,890)		1,245	(22,850)	(8,363)	(71,904)	(123,817)
Others	5,063,589	19,152,802	119,325	43,262		120,165	211,960	66,937	239,710	25,017,750
	112,190,593	43,807,933	33,855,561	29,635,809		45,932,322	22,140,047	6,396,152	8,821,987	302,780,404
Off balance accounts:										
Financial guarantees	2,202,946	–	–	–		–	–	–	–	2,202,946
Commitment	118,681,797	–	–	–		–	–	–	–	118,681,797
	120,884,743	–	–	–		–	–	–	–	120,884,743
	₩ 233,075,336	₩ 43,807,933	₩ 33,855,561	₩ 29,635,809		₩ 45,932,322	₩ 22,140,047	₩ 6,396,152	₩ 8,821,987	₩ 423,665,147

	December 31, 2014					December 31, 2014				
	On demand	Within 1 month	After 1 month ~ but no later than 3 months	After 3 months ~ but no later than 6 months		After 6 months~ but no later than 1 year	After 1 year ~ but no later than 3 years	After 3 years ~ but no later than 5 years	After 5 years	Total
On balance accounts										
Financial liabilities held-for-trading	₩ 5,239,660	₩ –	₩ –	₩ –		₩ –	₩ –	₩ –	₩ –	₩ 5,239,660
Financial liabilities designated at fair value through profit or loss	6,687,800	–	–	–		–	–	–	–	6,687,800
Deposits	76,113,991	20,816,997	31,277,927	28,292,273		38,238,910	6,841,380	949,794	2,883,130	205,414,402
Borrowings	3,989,975	6,720,522	4,282,362	2,522,891		2,094,142	2,767,695	978,799	437,058	23,793,444
Debentures	7,228	723,156	1,311,190	1,729,628		5,835,001	12,539,812	3,870,577	5,684,291	31,700,883
Derivative liabilities used for hedging purposes	–	(737)	9,192	(15,875)		(3,185)	(13,804)	(984)	(23,893)	(49,286)
Others	3,065,496	17,299,488	135,039	44,372		197,415	183,375	48,608	192,820	21,166,613
	95,104,150	45,559,426	37,015,710	32,573,289		46,362,283	22,318,458	5,846,794	9,173,406	293,953,516
Off balance accounts:										
Financial guarantees	2,901,767	–	–	–		–	–	–	–	2,901,767
Commitment	124,653,652	–	–	–		–	–	–	–	124,653,652
	127,555,419	–	–	–		–	–	–	–	127,555,419
	₩ 222,659,569	₩ 45,559,426	₩ 37,015,710	₩ 32,573,289		₩ 46,362,283	₩ 22,318,458	₩ 5,846,794	₩ 9,173,406	₩ 421,508,935

Derivative liabilities used for hedging purposes are denominated based on the net cash flow because the accounts consist of interest rate swap only. Available assets that exist in redeeming financial liabilities and unused loan commitments are cash and bank deposits, debt securities, equity securities, and loans. In addition, the Group is able to cope with unexpected cash flows through the sale of securities and additional sources of funding, similar to asset backed securitization.



9.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market variables such as interest rates, equity prices, exchange rates in the market.

The purpose of market risk management is to maintain the loss of assets and liabilities incurred due to changes in market variables such as interest rates, foreign exchanges and equity prices within the allowable limits in order to ensure profitability and stability. Market risk management targets include marketable securities, foreign currency net positions, derivatives and other assets and liabilities with embedded market risks,. Significant risks exposed to the Group as at the reporting date are interest rate risk, currency risk and equity price risk.

For market risk management, the Group measures and monitors the relevant risk exposures on a regular basis. The Group also established and complies with market risk limits, whereby it can manage the exposures arising from changes of market variables within an adequate level. The subsidiaries exposed to market risks, such as Hana Bank, KEB and H&DS, set up and operate their own market risk management system. The group-level market risk exposures are consistently calculated through the group-integrated risk management system. The Group reports its current status of market risk management to the group risk management execution committee and group risk management committee on a monthly and quarterly basis.

The trading positions include positions of interest rate, equity price, commodity and foreign exchange held for trading purpose:

- Financial instruments for the purpose of acquiring the differences incurred due to short-term trading or price fluctuations.
- Financial instruments for the purpose of hedging risks
- Financial instruments for the purpose of acquiring arbitrages
- Financial instruments for the purpose of acquisition, brokerage, and market-making
- Monetary financial instruments expressed in other currencies other than the functional currency

The Group establishes group level trading policies, which clearly defines types of financial instruments to be included into trading positions by risk factors. The Company’s subsidiaries comply with the policies.

The Group’s principles to manage market risk of its trading positions are to measure its market risk status on a regular basis and to establish and comply with the various market risk limits. The Group analyzes whether the return against risk are appropriate reviewing its profit and risk on a regular basis.

Value at Risk (VaR) is a primary method that manages and measures the degree of market risks of the trading portfolio subject to exposure, which estimates the potential loss of the trading portfolio that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The Group calculates the VaR for a standard 10 days in the 99% confidence level. In addition, to account for the method’s limited use, stress tests are performed in order to measure the extent of the loss in extreme cases.

Risk types of VaR as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	Average	Min	Max	December 31, 2014
Interest rates risk	<b>₩ 45,664</b>	₩ 50,379	₩ 38,697	₩ 64,225	₩ 22,235
Foreign exchange rates risk	<b>143,231</b>	195,590	140,403	228,503	65,603
Stock price risk	<b>23,343</b>	28,496	16,771	44,202	19,458
Total risk	<b>₩ 163,501</b>	₩ 209,333	₩ 154,495	₩ 244,561	₩ 87,567

The calculation of the total risk VaR takes into consideration the correlation and diversification effects between each risk factor and therefore, is not the same as the arithmetic additions of all the VaRs.

- Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages interest rate risks in order to maintain the stability of net interest income and net asset value.
- Financial assets with interest rates such as bank deposits, debt securities, and loans
  - Financial liabilities with interest rates such as depository liabilities, borrowings, and debentures
  - Financial derivatives such as interest rate swaps

To manage interest rate risk, the Group mainly monitors the interest rate gap and VaR, and establishes the relevant limits in advance. The interest rate VaR is an estimated maximum loss of net asset due to adverse changes of interest rate.

Details of interest rate VaR of the Group as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	Average	Min	Max	December 31, 2014
Interest rate VaR	<b>₩ 688,290</b>	₩ 525,401	₩ 259,873	₩ 864,322	₩ 435,970

Interest rate VaR is calculated by using the maturity bucket repricing gap, interest maturity bucket on modified durations, and expected gap due to interest rate fluctuation in accordance with BIS standards. Assets classified as below substandard and amounts in checking accounts and temporary deposits are excluded from the amount calculated.

Equity price risk is the risk that the fair value of equities results in changes in the level of related revenue and capital. Effects on capital due to fluctuations in equity price risk as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			
	20% decline	10% decline	10% rise	20% rise
Equity price risk	<b>₩ (82,450)</b>	<b>₩ (41,225)</b>	<b>₩ 41,225</b>	<b>₩ 82,450</b>

	December 31, 2014			
	20% decline	10% decline	10% rise	20% rise
Equity price risk	₩ (122,512)	₩ (61,256)	₩ 61,256	₩ 122,512

The Group measures the non-trading equity price risk on the domestic available-for-sale equity securities only.

Currency risk is the risk that the value of a financial instrument or future cash flows will fluctuate due to changes in foreign exchange rates. Currency risk arises in financial instruments expressed in currencies other than the functional currency. Currency risk does not arise in financial instruments expressed in the functional currency or in non-monetary items measured using historical foreign exchange rates. In order to establish stop loss and limits, the Group manages the foreign exchange net exposure amount of the trading and non-trading portfolios by each currency.

Significant assets and liabilities denominated in foreign currencies as at December 31, 2015 and 2014 are as follows (Korean won in millions or U.S. dollar in thousands):

	December 31, 2015			
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
Assets:				
Cash and due from banks	USD	<b>4,922,674,681</b>	<b>US\$ 4,922,675</b>	<b>₩ 5,769,375</b>
	JPY	<b>337,574,033</b>	<b>279,970</b>	<b>328,125</b>
	EUR	<b>649,662,203</b>	<b>709,822</b>	<b>831,912</b>
	CNY	<b>6,481,710,846</b>	<b>998,526</b>	<b>1,170,273</b>
	IDR	<b>7,120,749,177</b>	<b>51,644</b>	<b>60,526</b>
	HKD	<b>561,827,956</b>	<b>72,486</b>	<b>84,954</b>
	CAD	<b>20,220</b>	<b>15</b>	<b>17</b>
	AUD	<b>1,704</b>	<b>1</b>	<b>1</b>
	Others		<b>US\$ 672,013</b>	<b>₩ 787,600</b>
Financial assets held-for-trading	USD	<b>839,563,546</b>	<b>839,564</b>	<b>983,968</b>
	JPY	<b>1,714,170</b>	<b>1,422</b>	<b>1,666</b>
	EUR	<b>22,403,306</b>	<b>24,478</b>	<b>28,688</b>
	CNY	<b>303,501,615</b>	<b>46,755</b>	<b>54,797</b>
	HKD	<b>133,539,825</b>	<b>17,229</b>	<b>20,194</b>
			<b>929,448</b>	<b>1,089,313</b>

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December 31, 2015				
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
Financial assets designated at fair value through profit or loss	USD	51,488,198	51,488	60,344
Available-for-sale financial assets	USD	3,006,744,446	3,006,744	3,523,904
	JPY	9,994,000	8,289	9,714
	CNY	734,740,976	113,189	132,657
	IDR	8,541,976,611	61,951	72,607
	Others		668,199	783,131
			3,858,372	4,522,013
Held-to-maturity investments	USD	18,724,561	18,725	21,945
	EUR	28,529,043	31,171	36,532
	CNY	305,000,000	46,986	55,068
	IDR	3,597,553,734	26,091	30,579
	BRL	49,441,172	12,483	14,630
	Others		68,510	80,294
			203,966	239,048
Loans receivable	USD	21,616,399,857	21,616,400	25,334,421
	JPY	1,275,853,649	1,058,142	1,240,143
	EUR	1,393,713,860	1,522,775	1,784,692
	CNY	23,548,536,199	3,627,720	4,251,688
	IDR	119,127,209,238	863,977	1,012,581
	Others		1,852,411	2,171,026
			30,541,425	35,794,551
Other assets	USD	2,877,581,505	2,877,582	3,372,526
	JPY	457,863,250	379,733	445,048
	EUR	79,574,089	86,943	101,897
	CNY	2,017,947,896	310,871	364,340
	IDR	5,228,949,291	37,923	44,446
	HKD	538,924,556	69,531	81,491
	CAD	1,467	1	1
	AUD	32	-	-
	Others		476,574	558,545
			4,239,158	4,968,294
			US\$ 47,531,009	₩ 55,706,346
Liabilities:				
Financial liabilities held-for-trading	USD	251,213,844	US\$ 251,214	₩ 294,423
	JPY	2,498,500	2,072	2,429
	EUR	46,857,149	51,196	60,002
	HKD	779,677,271	100,593	117,895
	Others		143,820	168,556
			548,895	643,305
Financial liabilities designated at fair value through profit or loss	USD	360,276,341	360,276	422,244
Deposits	USD	17,100,437,159	17,100,437	20,041,712
	JPY	1,773,353,819	1,470,749	1,723,718
	EUR	1,241,791,308	1,356,784	1,590,151
	CNY	21,320,001,716	3,284,408	3,849,326
	IDR	75,547,949,933	547,916	642,158
	HKD	2,868,519,452	370,093	433,749
	CAD	20,220	15	17
	AUD	1,702	1	1
	Others		2,312,066	2,709,741
			US\$ 26,442,469	₩ 30,990,573

(Continued on next page)

December 31, 2015				
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
Borrowings	USD	8,235,364,692	US\$ 8,235,365	₩ 9,651,847
	JPY	558,480,600	463,182	542,849
	EUR	424,482,717	463,791	543,563
	CNY	702,552,163	108,230	126,846
	IDR	13,621,079,830	98,788	115,779
	HKD	9,997,643	1,290	1,512
	Others		123,597	144,855
			9,494,243	11,127,251
Debentures	USD	5,296,763,620	5,296,764	6,207,807
	EUR	88,000,000	96,149	112,687
	CNY	1,294,514,744	199,424	233,725
	Others		110,552	129,566
			5,702,889	6,683,785
Derivative liabilities used for hedging purposes	USD	13,118,301	13,118	15,375
Other liabilities	USD	4,809,709,464	4,809,709	5,636,979
	JPY	189,318,643	157,013	184,020
	EUR	155,491,932	169,891	199,112
	CNY	2,456,239,835	378,391	443,474
	IDR	2,150,620,982	15,598	18,280
	HKD	79,843,766	10,301	12,073
	AUD	321	-	-
	Others		231,065	270,809
			5,771,968	6,764,747
			US\$ 48,333,858	₩ 56,647,280

December 31, 2014				
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
Assets:				
Cash and due from banks	USD	4,033,230,286	US\$ 4,033,230	₩ 4,433,327
	JPY	21,098,925,287	176,619	194,140
	EUR	671,459,074	816,429	897,418
	CNY	12,578,285,267	2,023,259	2,223,967
	IDR	4,665,660,581,757	374,798	411,978
	BRL	78,583,464	29,570	32,504
	HKD	647,634,949	83,488	91,770
	CAD	573,475,135	493,824	542,811
	AUD	16,915	14	15
	Others		220,661	242,550
			8,251,892	9,070,480
Financial assets held-for-trading	USD	691,686,699	691,687	760,302
	JPY	659,933,862	5,524	6,072
	EUR	15,158,325	18,431	20,259
	CHY	183,024,396	29,440	32,361
	HKD	23,142,037	2,983	3,279
	Others		13,430	14,763
			761,495	837,036
Financial assets designated at fair value through profit or loss	USD	83,591,770	83,592	91,884
Available-for-sale financial assets	USD	1,867,444,092	1,867,444	2,052,695
	CNY	90,242,567	14,516	15,956
	IDR	129,037,372,593	10,366	11,394

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December 31, 2014				
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
	Others		511,348	562,073
			2,403,674	2,642,118
Held-to-maturity investments	USD	48,065,693	48,066	52,834
	EUR	515,990	627	690
	IDR	732,319,122,412	58,828	64,664
	BRL	57,089,730	21,482	23,613
	Others		53,770	59,104
			182,773	200,905
Loans receivable	USD	25,027,292,086	US\$ 25,027,292	₩ 27,509,999
	JPY	178,391,794,788	1,493,317	1,641,454
	EUR	1,294,140,146	1,573,548	1,729,644
	CNY	18,965,916,342	3,050,731	3,353,364
	IDR	8,021,362,640,996	644,365	708,286
	BRL	304,532,640	114,593	125,961
	HKD	168,607,319	21,735	23,892
	CAD	1,277,230,799	1,099,834	1,208,937
	AUD	250,976,341	205,286	225,650
	Others		933,438	1,026,036
			34,164,139	37,553,223
Derivative assets used for hedging purposes	USD	66,175,176	66,175	72,740
Other assets	USD	3,031,834,968	3,031,835	3,332,593
	JPY	35,177,204,118	294,468	323,680
	EUR	192,384,462	233,921	257,126
	CNY	2,507,084,517	403,273	443,278
	IDR	481,919,026,866	38,713	42,553
	BRL	28,660,215	10,785	11,854
	HKD	729,495,951	94,041	103,370
	CAD	21,593,461	18,594	20,439
	AUD	10,045,302	8,217	9,032
	Others		133,735	147,000
			4,267,582	4,690,925
			US\$ 50,181,322	₩ 55,159,311
Liabilities:				
Financial liabilities held-for-trading	USD	234,422,328	US\$ 234,422	₩ 257,677
	JPY	656,152,366	5,493	6,038
	EUR	15,836,231	19,255	21,165
	CNY	2,425,849	390	429
	HKD	212,996,572	27,458	30,182
	Others		9,805	10,777
			296,823	326,268
Financial liabilities designated at fair value through profit or loss	USD	656,087,803	656,088	721,172
Deposits	USD	15,497,228,868	US\$ 15,497,229	₩ 17,034,554
	JPY	185,870,754,769	1,555,924	1,710,271
	EUR	1,503,315,053	1,827,884	2,009,211
	CNY	29,941,846,363	4,816,246	5,294,018
	IDR	7,406,235,129,586	594,951	653,971
	BRL	193,115,412	72,668	79,876
	HKD	1,426,615,603	183,908	202,151
	CAD	1,221,303,147	1,051,674	1,156,000
	AUD	295,516,823	241,718	265,696
	Others		889,735	977,997
			26,731,937	29,383,745

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December 31, 2014				
	Currency	Amount in foreign currency in units	U.S. dollars (*)	Korean won equivalent
Borrowings	USD	9,617,286,379	9,617,286	10,571,321
	JPY	45,792,824,846	383,332	421,358
	EUR	478,679,390	582,027	639,765
	CNY	(846,815,423)	(136,213)	(149,725)
	IDR	(61,628,195,227)	(4,951)	(5,442)
	BRL	108,614,419	40,871	44,925
	HKD	19,807,801	2,553	2,807
	CAD	186,870	161	177
	AUD	4,877,354	3,989	4,385
	Others		70,684	77,696
			10,559,739	11,607,267
Debentures	USD	6,089,401,139	6,089,401	6,693,470
	EUR	36,000,000	43,772	48,115
	HKD	310,000,000	39,963	43,927
	Others		376,284	413,612
			6,549,420	7,199,124
Derivative liabilities used for hedging purposes	USD	19,278,762	19,279	21,191
Other liabilities	USD	3,753,496,281	3,753,496	4,125,843
	JPY	28,525,501,203	238,787	262,475
	EUR	284,245,676	345,615	379,900
	CNY	2,703,796,607	434,915	478,058
	IDR	437,261,684,479	35,126	38,610
	BRL	60,898,728	22,916	25,189
	HKD	603,826,454	77,840	85,562
	CAD	136,496,318	117,538	129,198
	AUD	36,344,261	29,728	32,677
	Others		US\$ 143,897	₩ 158,172
			5,199,858	5,715,684
			US\$ 50,013,144	₩ 54,974,451

(\*) Foreign currencies other than US Dollar are converted into US Dollar equivalent at the exchange rate of the closing date.



9.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or other external events. Risks related to strategy or damaging reputation are excluded but legal or regulatory implications are identified as operational risks. Operational risk includes non-financial risks related to losses due to internal operational problems and externalities such as natural disasters and terrorist attacks. Operational risk does not have a direct correlation with income and the Group needs to mitigate such risk through internal controls and insurance.

The Group measures and monitors its operational risk on a regular basis and complies with the predetermined risk limits, whereby the Group manages and controls its operational risk arising from changes of its operation environments and internal controls within an appropriate level. The Company’s subsidiaries measures the operational risk exposures using their own approaches suitable to the relevant supervisory regulations of each industry and the group level operational risk exposures are consistently calculated through the group-integrated risk management system. The Group reports its current status of operational risk management to the group risk management execution committee and group risk management committee on a monthly and quarterly basis.

9.5 Capital management

The Group implements the BIS capital requirement system in order to secure capital adequacy and comply with the supervisory regulations. The Group maintains over 8% total capital ratio, 6.0% additional Tier 1 capital ratio, 4.5% common Equity Tier 1 ratio in accordance with BIS capital requirement system. In addition, the Group performs a capital adequacy assessment in order to cope with an unexpected loss.

Risk-weighted assets calculated per each risk type when calculating BIS ratio are as follows:

- Credit risk incurs when potential loss arises from default of a borrower or counterparty or downgrading of its credit rating Risk-weighted assets of credit risk of bank subsidiaries are calculated using the internal model approved by Financial Supervisory Service. Risk-weighted assets of credit risk are calculated by multiplying risk weights reflecting counter party credit rating, maturity, collateral and guarantees granted according to the standardized model of Basel III.
- Market risk incurs when potential loss arises from the fluctuation of market price of stocks, interest rates and foreign currency rates. Risk-weighted assets of market risk are calculated by multiplying 12.5 to the required capital of market risk, which consists of the interest rate risk, equity price risk, foreign currency risk, commodity risk and option risk, according to the standardized model of Supervisory Regulations on Financial Holding Companies.
- Operational risk incurs when loss arises from systems failure, human error, business process. Risk-weighted assets of operational risk are calculated by multiplying 12.5 to the required capital of operational risk according to asterisk 3 of Detailed of Regulations on Supervisory of Banking Business.

Regulatory capital in accordance with the Regulations on the Supervision of Banking Business for calculating BIS ratio is as follows:

- Common Equity Tier 1: common shares issued by the group that meet the criteria for classification as common shares for regulatory purposes, stock surplus (share premium) resulting from the issue of instruments included in Common Equity Tier 1, retained earnings, Accumulated other comprehensive income and other disclosed reserves, common shares issued by consolidated subsidiaries of the group and held by third parties (ie minority interest) that meet the criteria for inclusion in Common Equity Tier 1 capital, regulatory adjustments applied in the calculation of Common Equity Tier 1
- Additional Tier 1: instruments issued by the group that meet the criteria for inclusion in Additional Tier 1 capital, stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital, instruments issued by consolidated subsidiaries of the group and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1, regulatory adjustments applied in the calculation of Additional Tier 1
- Tier 2 capital: Instruments issued by the group that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital), Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital, Instruments issued by consolidated subsidiaries of the group and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital, Certain loan loss provisions, Regulatory adjustments applied in the calculation of Tier 2 Capital

Regulatory capital and BIS ratios as at December 31, 2015 and 2014 are as follows (ratio in %):

	December 31, 2015	December 31, 2014
Common Equity Tier 1 capital		
Additional Tier 1 capital	₩ 18,201,778	₩ 17,301,967
	1,180,939	905,997
Tier 2 capital	19,382,717	18,207,964
	5,361,459	5,578,705
	₩ 24,744,176	₩ 23,786,669
Risk-weighted assets:	₩ 168,108,282	₩ 170,081,611
Credit risk-weighted assets	7,163,058	7,954,673
Market risk-weighted assets	10,608,396	10,344,401
Operational risk-weighted assets	₩ 185,879,736	₩ 188,380,685
BIS capital ratio:		
Common Equity Tier 1 ratio	9.79%	9.18%
Additional Tier 1 capital ratio	10.43%	9.67%
Tier 2 capital ratio	2.88%	2.96%
Total capital ratio	13.31%	12.63%

Internal capital is the amount that allows for continuous operation of business while accounting for all risks. Internal capital is defined as the size of capital needed to cope with unexpected loss under a certain rate. The purpose of managing the internal capital is to compare the size of internal capital and available capital (Tier 1) and to serve as a measure of financial strength. Managing the internal capital also provides the amount of risk-adjusted capital and the basis for measurement. The indicators consist of risk appetite ratio as well as exhaustion ratio of foreign holding limits. The risk appetite ratio is an internal capital ratio established after taking into consideration a capital buffer in Tier 1 capital. The exhaustion ratio of foreign holding limits is a ratio used to measure the amount of internal capital used against the internal capital limits.

Internal capital limits are established after accounting for the size of current and subsequent Tier 1 capital as well as the components, quality, risk appetite, target credit rating, operational strategy and business plans. The Risk Committee determines risk types and internal capital limits for HFG and each subsidiary more than once a year. In the case where new operations or expansion of operations result in the amount exceeding the internal capital limits, an approval from the Risk Committee is needed beforehand. If such a situation occurs in cases outlined as exceptions, an approval from the Risk Committee is needed for the information on exceeded amount, post hoc results, as well as subsequent plans.

10. Operating segments information

The Group is organized into five operating segments based on their financial information of each legal entity used for making decisions about resources to be allocated to the segment and assessing its performance. Details of operating segments are presented below:

- KEB Hana Bank (formerly KEB) and its subsidiaries (KEB Hana Bank)
- HFI (formerly H&DS) and its subsidiaries (HFI)
- KEB Hana Card and its subsidiaries (KEB Hana Card)
- Others: consist of Hana Financial Group’s separate performance and its other subsidiaries such as Hana Capital, Hana Asset Trust, Hana I&S, HIF, Hana Savings Bank, Hana Life Insurance, HIS and Hana Bancorp, Inc.

The net income of the operating segments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended 31, December 2015						
	KEB Hana Bank(*1) (formerly KEB)	HFI (formerly H&DS)	KEB Hana Card	Others	Subtotal	Adjustments	Total
Operating income:							
Net interest income	₩ 4,359,142	₩ 140,069	₩ (136,973)	₩ 155,728	₩ 4,517,966	₩ 20,893	₩ 4,538,859
Net fee and commission income	701,383	266,073	664,739	91,039	1,723,234	(26,789)	1,696,445
Others	1,075,549	(9,343)	23,338	53,268	1,142,812	(68,980)	1,073,832
	6,136,074	396,799	551,104	300,035	7,384,012	(74,876)	7,309,136
Impairment loss of financial assets	(958,411)	42,075	(151,846)	(54,491)	(1,122,673)	29	(1,122,644)
	5,177,663	438,874	399,258	245,544	6,261,339	(74,847)	6,186,492

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Year ended 31, December 2015							
	KEB Hana Bank(*1) (formerly KEB)	HFI (formerly H&DS)	KEB Hana Card	Others	Subtotal	Adjustments	Total
General and administrative expenses	(3,545,636)	(344,862)	(361,077)	(215,628)	(4,467,203)	(63,773)	(4,530,976)
Net other operating income (loss)	(492,929)	13,941	(26,753)	345,081	(160,660)	(484,341)	(645,001)
Operating income	1,139,098	107,953	11,428	374,997	1,633,476	(622,961)	1,010,515
Net other non-operating income (loss)	161,263	68,485	(12,577)	(26,903)	190,268	(4,393)	185,875
Income tax expenses	(225,948)	(46,606)	11,268	(34,749)	(296,035)	53,926	(242,109)
Net income	₩ 1,074,413	₩ 129,832	₩ 10,119	₩ 313,345	₩ 1,527,709	₩ (573,428)	₩ 954,281

Year ended 31, December 2014								
	Hana Bank	KEB	H&DS	KEB Hana Card	Others	Subtotal	Adjustments	Total
Operating income:								
Net interest income	₩ 2,626,131	₩ 1,851,819	₩ 201,111	₩ (123,412)	₩ 126,503	₩ 4,682,152	₩ 12,356	₩ 4,694,508
Net fee and commission income	338,148	555,699	192,269	512,827	35,088	1,634,031	(16,204)	1,617,827
Others	463,153	437,960	10,503	19,143	40,000	970,759	(117,073)	853,686
	3,427,432	2,845,478	403,883	408,558	201,591	7,286,942	(120,921)	7,166,021
Impairment loss of financial assets	(604,413)	(631,233)	(8,139)	(133,675)	(81,114)	(1,458,574)	14,564	(1,444,010)
	2,823,019	2,214,245	395,744	274,883	120,477	5,828,368	(106,357)	5,722,011
General and administrative expenses	(1,627,592)	(1,479,784)	(309,068)	(244,689)	(183,715)	(3,844,848)	(91,357)	(3,936,205)
Net other operating income (loss)	(282,285)	(126,702)	8,451	(25,284)	242,446	(183,374)	(358,985)	(542,359)
Operating income	913,142	607,759	95,127	4,910	179,208	1,800,146	(556,699)	1,243,447
Net other non-operating income (loss)	179,866	(149,187)	24,538	339	3,819	59,375	(50,259)	9,116
Income tax expenses	(236,589)	(82,178)	(23,338)	(2,355)	(25,046)	(369,506)	96,732	(272,774)
Net income	₩ 856,419	₩ 376,394	₩ 96,327	₩ 2,894	₩ 157,981	₩ 1,490,015	₩ (510,226)	₩ 979,789

(\*1) Hana Bank's (extinct corporation) profit or loss is included.

The operating income from external customers and internal transactions for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

Year ended December 31, 2015							
	KEB Hana Bank (formerly KEB)	HFI (formerly H&DS)	KEB Hana Card	Others	Subtotal	Adjustments	Total
Revenue from external customers	₩ 6,033,330	₩ 414,480	₩ 629,904	₩ 296,081	₩ 7,373,795	₩ (74,876)	₩ 7,298,919
Revenue (expense) from internal transactions	102,744	(17,681)	(78,800)	3,954	10,217	-	10,217
	₩ 6,136,074	₩ 396,799	₩ 551,104	₩ 300,035	₩ 7,384,012	₩ (74,876)	₩ 7,309,136

Year ended December 31, 2014								
	Hana Bank	KEB	H&DS	KEB Hana Card Others	Others	Subtotal	Adjustments	Total
Revenue from external customers	₩ 3,348,461	₩ 2,872,191	₩ 416,634	₩ 497,392	₩ 145,149	₩ 7,279,827	₩ (120,921)	₩ 7,158,906
Revenue (expense) from internal transactions	78,971	(26,713)	(12,751)	(88,834)	56,442	7,115	-	7,115
	₩ 3,427,432	₩ 2,845,478	₩ 403,883	₩ 408,558	₩ 201,591	₩ 7,286,942	₩ (120,921)	₩ 7,166,021

Significant non-cash transactions included in income of operating segments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

Year ended December 31, 2015							
	KEB Hana Bank (formerly KEB)	HFI (formerly H&DS)	KEB Hana Card	Others	Subtotal	Adjustments	Total
Gain (loss) on equity method	₩ 140,319	₩ (159)	₩ 476	₩ 208	₩ 140,844	₩ (50,554)	₩ 90,290
Depreciation and amortization	206,763	11,176	47,953	29,819	295,711	178,469	474,180
	₩ 347,082	₩ 11,017	₩ 48,429	₩ 30,027	₩ 436,555	₩ 127,915	₩ 564,470

Year ended December 31, 2014								
	Hana Bank	KEB	H&DS	KEB Hana Card Others	Others	Subtotal	Adjustments	Total
Gain (loss) on equity method	₩ 92,286	₩ 10,591	₩ 18,380	₩ (180)	₩ 37	₩ 121,114	₩ 1,327	₩ 122,441
Depreciation and amortization	118,539	106,639	11,247	8,746	44,376	289,547	180,940	470,487
	₩ 210,825	₩ 117,230	₩ 29,627	₩ 8,566	₩ 44,413	₩ 410,661	₩ 182,267	₩ 592,928

Revenue from external customers for the years ended December 31, 2015 and 2014 and non-current assets as at December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2014			
	Revenue from external customers		Non-current assets	
	Year ended December 31, 2015	Year ended December 31, 2014	December 31, 2015	December 31, 2014
Domestic	₩ 6,862,693	₩ 6,782,022	₩ 3,844,582	₩ 3,557,847
Foreign:				
Hong Kong	68,184	68,820	4,867	4,728
Singapore	26,733	25,727	454	477
U.S	40,341	41,424	8,463	8,121
Japan	17,396	18,985	4,365	4,439
China	141,651	165,743	34,370	35,420
Indonesia	84,896	61,640	8,344	10,062
U.K	17,944	14,315	2,460	572
Canada	23,980	31,636	10,258	5,793
Others	89,978	69,515	5,686	4,005
	511,103	497,805	79,267	73,617
Adjustments	(74,877)	(120,921)	716,366	899,195
	₩ 7,298,919	₩ 7,158,906	₩ 4,640,215	₩ 4,530,659

Non-current assets consist of property and equipment, investment properties, and intangible assets and are classified as either domestic or overseas depending on its geographic proximity.

11. Cash and due from banks

Cash and due from banks as at December 31, 2015 and 2014 are as follows (Korean won in millions):

		Counterparty	Interest rate (%)	December, 31, 2015	December, 31, 2014
Cash				<b>₩ 2,248,698</b>	₩ 2,895,743
Due from banks in Korean won	Reserve deposits with BOK	Bank of Korea (BOK), etc.	1.7~2.4	<b>6,272,976</b>	8,179,835
	Certificates of Deposit	Other banks	1.3~3.2	<b>1,312,778</b>	1,091,855
	Other deposits	Other financial institutions	0.0~1.9	<b>1,436,356</b>	1,693,655
				<b>9,022,110</b>	10,965,345
Due from banks In foreign currencies	Due from banks on demand	BOK, etc.	0.0~0.7	<b>5,014,171</b>	4,496,702
	Time deposits	Bayern LB and others	0.0~8.6	<b>996,819</b>	2,399,498
	Other deposits	Other financial institutions	0.0~1.7	<b>2,463,978</b>	1,500,443
				<b>8,474,968</b>	8,396,643
				<b>₩ 19,745,776</b>	₩ 22,257,731

Restricted balances in due from banks as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

		December 31, 2015	December 31, 2014	Restrictions
Due from banks in Korean won:				
Reserve deposits with BOK	<b>₩ 6,272,976</b>	₩ 8,179,835		The Bank of Korea Act
Reserve for futures trading	<b>7,560</b>	309		Margin for trading account
Reserve for claims of customers' deposits	<b>436,296</b>	282,545		Regulation on brokerage business of securities company, etc.
Other deposits	<b>206,023</b>	220,799		For the right of pledge, etc.
	<b>6,922,855</b>	8,683,488		
Due from banks in foreign currencies:				
Due from banks on demand	<b>2,048,662</b>	916,703		Reserve for payment of deposits, etc
Other deposits	<b>1,423,662</b>	468,800		OTC derivative contracts, etc.
	<b>3,472,324</b>	1,385,503		
	<b>₩ 10,395,179</b>	₩ 10,068,991		

12. Financial assets held-for-trading

Financial assets held-for-trading as at December 31, 2015 and 2014 are as follows (Korean won in millions):

		Fair value (book value)		
	Details	Interest rate (%)	December 31, 2015	December 31, 2014
Equity securities	Samsung Electronics Co., Ltd. and others	-	<b>₩ 50,404</b>	₩ 115,033
Government and public bonds	Government bonds	1.1~5.7	<b>2,855,573</b>	2,496,628
	Housing bonds	0.0~3.0	<b>370,212</b>	307,260
	Others	1.5~5.2	<b>178,174</b>	233,241
			<b>3,403,959</b>	3,037,129
Finance bonds	Commercial bank bonds	1.6~7.1	<b>1,940,700</b>	1,346,480
	Industrial financial debenture	1.5~4.5	<b>1,207,702</b>	678,159
	Small & medium industry finance bonds	1.5~5.0	<b>720,502</b>	461,108
	Currency stabilization bonds	1.6~2.8	<b>385,931</b>	740,756
	KEXIM bond	1.6~1.8	<b>158,190</b>	157,398
			<b>1,401,993</b>	1,707,033
			<b>5,815,018</b>	5,090,934

(Continued on next page)

		Fair value (book value)		
	Details	Interest rate (%)	December 31, 2015	December 31, 2014
Corporate bonds		0.0~6.5	<b>2,318,729</b>	3,114,211
Beneficiary certificates			<b>485,882</b>	161,825
Securities denominated in foreign currencies	Equity securities in foreign currencies	-	<b>11</b>	20,525
	Bonds in foreign currencies	0.0~5.9	<b>646,297</b>	438,985
	Beneficiary certificates in foreign currencies	-	<b>67,816</b>	15,855
			<b>714,124</b>	475,365
Other securities			<b>682,960</b>	604,897
Derivatives assets held for trading purpose (*)			<b>5,109,704</b>	4,618,758
			<b>₩ 18,580,780</b>	₩ 17,218,152

(\*) Refer to Note 18.

Debt securities included in trading securities as at December 31, 2015 and 2014 consist of the following (Korean won in millions):

December 31, 2015				
	Par value	Acquisition cost	Amortized cost	Fair value (book value)
Government and public bonds	<b>₩ 3,314,799</b>	<b>₩ 3,366,565</b>	<b>₩ 3,362,869</b>	<b>₩ 3,403,959</b>
Finance bonds	<b>5,784,498</b>	<b>5,813,582</b>	<b>5,812,876</b>	<b>5,815,018</b>
Corporate bonds	<b>2,346,004</b>	<b>2,362,545</b>	<b>2,363,928</b>	<b>2,318,729</b>
Bonds in foreign Currencies	<b>634,697</b>	<b>625,178</b>	<b>625,178</b>	<b>646,297</b>
	<b>₩ 12,079,998</b>	<b>₩ 12,167,870</b>	<b>₩ 12,164,851</b>	<b>₩ 12,184,003</b>

December 31, 2014				
	Par value	Acquisition cost	Amortized cost	Fair value (book value)
Government and public bonds	₩ 3,028,331	₩ 3,024,490	₩ 3,023,792	₩ 3,037,129
Finance bonds	5,069,448	5,074,634	5,075,358	5,090,934
Corporate bonds	3,081,496	3,087,700	3,087,990	3,114,211
Bonds in foreign Currencies	424,346	424,647	424,626	438,985
	₩ 11,603,621	₩ 11,611,471	₩ 11,611,766	₩ 11,681,259



### 13. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Derivative linked securities	<b>₩ 871,579</b>	₩ 490,038
Deferred day 1 profit or loss	<b>4,606</b>	6,151
Equity securities	<b>304,201</b>	235,919
Debt securities	<b>234,038</b>	313,568
	<b>₩ 1,414,424</b>	₩ 1,045,676

In regard to derivative linked securities, the Group does not separate embedded derivatives from main contracts but designates them as fair value through profit or loss. The Group designates equity securities from collective financial instruments managed on a fair value basis as fair value through profit or loss in accordance with a documented internal risk management or investment strategy.

### 14. Available-for-sale financial assets

Available-for-sale financial assets as at December 31, 2015 and 2014 are as follows (Korean won in millions):

		Fair value (book value)		
	Details	Interest rate (%)	December 31, 2015	December 31, 2014
Equity securities	LG LIFE SCIENCES, LTD. and others	–	<b>₩ 1,028,728</b>	₩ 1,281,032
Investments in partnerships	Vogo II Private Equity Fund and others	–	<b>203,765</b>	198,477
Government and public bonds	Treasury bonds	1.6~5.8	<b>8,878,875</b>	9,108,809
	Housing bonds	1.8~3.0	<b>2,359,212</b>	3,078,801
	Others	1.9~3.5	<b>413,647</b>	428,320
			<b>11,651,734</b>	12,615,930
Finance bonds	Currency stabilization bonds	1.5~2.8	<b>5,758,185</b>	6,217,623
	Deposit money commercial bank bonds	1.6~5.4	<b>560,720</b>	1,076,253
	Small & medium industry finance bonds	1.7~3.1	<b>890,499</b>	656,452
	Industrial financial debenture	1.7~4.0	<b>1,115,564</b>	1,199,035
	KEXIM bonds	1.7~3.0	<b>190,121</b>	461,713
	Others	2.0~4.8	<b>194,852</b>	–
			<b>8,709,941</b>	9,611,076
Corporate bonds	Non-financial corporate bonds	1.8~6.3	<b>1,385,950</b>	1,650,092
	SOE bonds	0.0~5.8	<b>6,690,704</b>	5,342,894
			<b>8,076,654</b>	6,992,986
Beneficiary certificates			<b>3,454,062</b>	1,607,202
Securities denominated in foreign currencies	Equity securities in foreign currencies	–	<b>25,100</b>	43,949
	Bonds in foreign currencies	0.3~7.1	<b>4,522,013</b>	2,642,118
	Investment in foreign currencies	–	<b>16,410</b>	
	Beneficiary certificates in foreign currencies	–	<b>57</b>	59
			<b>4,563,580</b>	2,712,721
Other securities	Beneficiary certificates	–	<b>12,695</b>	46,514
			<b>₩ 37,701,159</b>	₩ 35,065,938

Equity securities (including equity securities denominated in foreign currencies) as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

		Fair value (book value)		
	Book value before valuation	Accumulated other comprehensive income	December 31, 2015	December 31, 2014
Marketable equity securities	₩ 625,399	₩ (7,650)	<b>₩ 617,749</b>	₩ 678,313
Non-marketable equity securities	434,400	1,679	<b>436,079</b>	646,668
	₩ 1,059,799	₩ (5,971)	<b>₩ 1,053,828</b>	₩ 1,324,981

Non-marketable equity securities including Korea Asset Management Corporation amounting to ₩39,107 million and ₩56,063 million as at December 31, 2015 and 2014, respectively, were valued at cost as their fair values could not be reasonably estimated.

The fair value of the available-for-sale non-marketable equity securities such as Korea Housing Guarantee Co., Ltd. was measured by an independent valuer using actuarial assumptions. The fair value was determined based on more than one valuation model such as the Discounted Cash Flow (DCF) model, Imputed Market Value (IMV) model, and Risk Adjusted Discounted Cash Flow (RADCF) model, depending on the characteristic of the equity securities as deemed appropriate.

Shares held by the Group with disposal restrictions as at December 31, 2015 are summarized as follows (Korean won in millions):

	December 31, 2015		
	Number of shares	Book value	Disposal restriction
Steel&Resources Co., Ltd.	<b>770,012</b>	<b>₩ –</b>	<b>Until February 11, 2016</b>
Seunghwa Pretech Co., Ltd.	<b>371</b>	<b>–</b>	<b>Until February 16, 2016</b>
Hana Financial Seventh Special Purpose Acquisition Company	<b>30,000</b>	<b>61</b>	<b>Until March 17, 2016</b>
Taihan Electric Wire Co., Ltd.	<b>54,415,100</b>	<b>124,611</b>	<b>Until October 19, 2016</b>
Samho International Co., Ltd.	<b>788,000</b>	<b>12,253</b>	<b>Until December 31, 2016</b>
Young Gwang Stainless Co., Ltd.	<b>111,400</b>	<b>137</b>	<b>Until December 31, 2016</b>
Jaeyoung Solutech Co., Ltd.	<b>305,333</b>	<b>838</b>	<b>Until December 31, 2016</b>
Cosmotec Co., Ltd.	<b>2,126,000</b>	<b>449</b>	<b>Until December 31, 2016</b>
Daiyang Metal Co., Ltd.	<b>1,512,600</b>	<b>2,240</b>	<b>Until October 4, 2017</b>
Hana Must Second Special Purpose Acquisition Company	<b>10,000</b>	<b>20</b>	<b>Until November 10, 2017</b>
Hana Must Third Special Purpose Acquisition Company	<b>5,000</b>	<b>10</b>	<b>Until November 13, 2017</b>
OSUNG LST Co., Ltd.	<b>4,403,333</b>	<b>3,501</b>	<b>Until December 31, 2017</b>
Gmp	<b>3,916,000</b>	<b>1,273</b>	<b>Until December 31, 2017</b>
STX Engine Co., Ltd.	<b>2,179,350</b>	<b>14,820</b>	<b>Until December 31, 2017</b>
STX Offshore & Shipbuilding Co., Ltd.	<b>11,589,600</b>	<b>₩ 12</b>	<b>Until December 31, 2017</b>
STX Heavy Industries Co., Ltd.	<b>553,000</b>	<b>3,130</b>	<b>Until December 31, 2017</b>
Hana Must Fourth Special Purpose Acquisition Company	<b>2,000</b>	<b>4</b>	<b>Until March 5, 2018</b>
Hana Mist Fifth Special Purpose Acquisition Company	<b>1,000</b>	<b>2</b>	<b>Until April 27, 2018</b>
BoKwang Industry Co., Ltd.	<b>90,000</b>	<b>473</b>	<b>Until October 26, 2018</b>
Dongbu Steel Co., Ltd.	<b>942,400</b>	<b>4,938</b>	<b>Until December 31, 2018</b>
Kukje, Machinery Co., Ltd.	<b>438,000</b>	<b>1,271</b>	<b>Until M&amp;A be made</b>
Kumho Tire Co., Ltd.	<b>2,427,429</b>	<b>16,337</b>	<b>Until resolution of creditors association</b>
			<b>Individual disposal is restricted for 420,755 shares due to a Block deal and 101,442 shares are safe deposit of securities certificates until December 31, 2016</b>
Oriental Precision & Engineering Co., Ltd.	<b>2,644,313</b>	<b>5,659</b>	
Chinhung International Inc.	<b>2,823,400</b>	<b>6,494</b>	<b>Until December 31, 2016 (except for 2,376,000 shares)</b>
Others		<b>–</b>	<b>(*)</b>
		<b>₩ 198,533</b>	

(\*) Of the shares included in others that are embedded with restrictions on disposal, 18,426,419 shares of Pantech Co., Ltd. are restricted until the resolution of shareholders’ committee, 1,844,400 shares of Kohap Co., Ltd. are restricted until the end of liquidation.

Debt securities as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015			
	Par value	Acquisition cost	Amortized cost	Fair value(book value)
Government and public bonds	<b>₩ 11,155,000</b>	<b>₩ 11,551,144</b>	<b>₩ 11,464,752</b>	<b>₩ 11,651,734</b>
Finance bonds	<b>8,683,300</b>	<b>8,695,273</b>	<b>8,689,566</b>	<b>8,709,941</b>
Corporate bonds	<b>7,944,349</b>	<b>7,997,536</b>	<b>7,971,525</b>	<b>8,076,654</b>
Bonds denominated in foreign currencies	<b>4,456,255</b>	<b>4,574,184</b>	<b>4,537,810</b>	<b>4,522,013</b>
	<b>₩ 32,238,904</b>	<b>₩ 32,818,137</b>	<b>₩ 32,663,653</b>	<b>₩ 32,960,342</b>

	December 31, 2014			
	Par value	Acquisition cost	Amortized cost	Fair value(book value)
Government and public bonds	₩ 12,038,800	₩ 12,444,293	₩ 12,389,296	₩ 12,615,930
Finance bonds Corporate bonds	9,565,139	9,559,868	9,566,397	9,611,076
Corporate bonds	6,830,900	6,919,162	6,858,320	6,992,986
Bonds denominated in foreign currencies	2,549,251	2,631,562	2,614,487	2,642,118
	₩ 30,984,090	₩ 31,554,885	₩ 31,428,500	₩ 31,862,110

The fair value of debt securities is measured based on the average of the valuations provided by KIS Pricing Inc., the Korea Asset Pricing Co. and NICE Pricing Service Inc.

Beneficiary certificates securities as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015			
	Acquisition cost	Book value before valuation	Accumulated other comprehensive income	Book value
Bond-type beneficiary certificates	₩ 606,580	₩ 617,267	₩ (7,270)	₩ 609,997
Securities certificates	193,897	191,115	(1,721)	189,394
Other certificates	2,654,615	2,652,015	2,713	2,654,728
	₩ 3,455,092	₩ 3,460,397	₩ (6,278)	₩ 3,454,119

	December 31, 2014			
	Acquisition cost	Book value before valuation	Accumulated other comprehensive income	Book value
Bond-type beneficiary certificates	₩ 610,004	₩ 550,004	₩ 5,897	₩ 555,901
Securities certificates	160,249	160,243	1,847	162,090
Other certificates	877,701	885,856	3,415	889,270
	₩ 1,647,954	₩ 1,596,103	₩ 11,159	₩ 1,607,261

Changes in the unrealized gain (loss) of the Group's available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015				
	Beginning balance	Unrealized gain (loss)	Realized loss	Tax effect	Ending balance
Equity securities	₩ 245,061	₩ (151,771)	₩ 190,326	₩ (9,330)	₩ 274,286
Other equity securities	12,322	(1,041)	(3,764)	1,163	8,680
Government and public bonds	194,247	(47,407)	(125,363)	41,810	63,287
Finance bonds	35,280	(14,573)	(28,488)	10,421	2,640
Corporate bonds	122,797	16,817	(40,359)	5,697	104,952
Securities denominated in foreign currencies	4,098	(5,236)	(43,414)	11,773	(32,779)
	₩ 613,805	₩ (203,211)	₩ (51,062)	₩ 61,534	₩ 421,066

	Year ended December 31, 2014				
	Beginning balance	Unrealized gain (loss)	Realized loss	Tax effect	Ending balance
Equity securities	₩ 241,232	₩ 222,512	₩ (217,460)	₩ (1,223)	₩ 245,061
Other equity securities	12,164	26,711	(26,502)	(51)	12,322
Government and public bonds	(2,575)	274,368	(14,709)	(62,837)	194,247
Finance bonds	1,610	47,635	(3,215)	(10,750)	35,280
Corporate bonds	18,415	159,422	(21,715)	(33,325)	122,797
Securities denominated in foreign currencies	8,159	11,286	(16,644)	1,297	4,098
	₩ 279,005	₩ 741,934	₩ (300,245)	₩ (106,889)	₩ 613,805

Realized gain and loss from disposal of available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	
	Realized gain	Realized loss
Equity securities	₩ 257,713	₩ 16,993
Other equity securities	48,728	6,540
Government and public bonds	197,174	815
Finance bonds	41,860	14
Corporate bonds	59,459	1,957
Securities denominated in foreign currencies	29,974	2,548
	₩ 634,908	₩ 28,867

	Year ended December 31, 2014	
	Realized gain	Realized loss
Equity securities	₩ 199,078	₩ 19,285
Other equity securities	28,195	11,087
Government and public bonds	97,074	1,288
Finance bonds	24,537	77
Corporate bonds	31,565	1,842
Securities denominated in foreign currencies	43,373	2,057
	₩ 423,822	₩ 35,636

Dividend gain on available-for-sale financial assets for the years ended December 31, 2015 and 2014 is as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Equity securities	₩ 26,379	₩ 33,106
Investment in partnerships	37,706	9,749
	₩ 64,085	₩ 42,855

Transferred financial assets that are not fully derecognized as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	
	Book value	Fair value
Assets:		
Financial assets held-for-trading (*)	₩ 4,056,837	₩ 4,056,837
Available-for-sale financial assets (*)	793,474	793,474
Held-to-maturity investments	70	71
	4,850,381	4,850,382
Liabilities:		
Bonds sold under repurchase agreements	4,609,093	4,609,093
Net position	₩ 241,288	₩ 241,289

	December 31, 2014	
	Book value	Fair value
Assets:		
Financial assets held-for-trading (*)	₩ 4,518,955	₩ 4,518,955
Available-for-sale financial assets (*)	1,095,310	1,095,310
Held-to-maturity investments	85,000	93,075
	5,699,265	5,707,340
Liabilities:		
Bonds sold under repurchase agreements	4,744,056	4,745,433
Net position	₩ 955,209	₩ 961,907

(\*) Loaned available-for-sale securities with no associated liabilities recognized amounting to ₩190,653 million and ₩1,551,498 million as at December 31, 2015 and 2014, respectively, have been included.

### 15. Held-to-maturity investments

Held-to-maturity investments as at December 31, 2015 and 2014 consist of the following (Korean won in millions):

	Details	Interest rate (%)	Book value	
			December 31, 2015	December 31, 2014
Government and public bonds	Treasury bonds	3.0~5.8	<b>₩ 513,310</b>	₩ 352,296
	Housing bonds	1.8~5.4	<b>484,594</b>	569,520
	Regional development bonds	2.5	<b>37</b>	51
			<b>997,941</b>	921,867
Finance bonds	Currency stabilization bonds	1.7~2.8	<b>1,121,050</b>	1,310,558
	Commercial bank bonds	3.4~7.1	<b>434,065</b>	391,944
	Small & medium industry finance bonds	3.3~4.4	<b>111,222</b>	100,369
	Industrial financial Bond	3.4	<b>11,274</b>	81,491
	Land and housing bonds	3.5	<b>100,001</b>	-
			<b>1,777,612</b>	1,884,362
Corporate bonds	SOE bonds	1.6~5.2	<b>764,180</b>	1,028,352
	Corporate bonds	2.1~6.5	<b>1,837,953</b>	249,964
	Specific law bonds	-	-	80,000
			<b>2,602,133</b>	1,358,316
Bonds denominated in foreign currencies	Bonds in foreign Currencies	2.0~7.4	<b>239,048</b>	200,905
			<b>₩ 5,616,734</b>	₩ 4,365,450

Details of held-to-maturity securities as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015			
	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	<b>₩ 1,028,125</b>	<b>₩ 979,442</b>	<b>₩ 997,941</b>	<b>₩ 997,941</b>
Finance bonds	<b>1,770,800</b>	<b>1,776,839</b>	<b>1,777,612</b>	<b>1,777,612</b>
Corporate bonds	<b>2,588,300</b>	<b>2,605,476</b>	<b>2,602,133</b>	<b>2,602,133</b>
Bonds denominated in foreign currencies	<b>237,018</b>	<b>238,338</b>	<b>239,048</b>	<b>239,048</b>
	<b>₩ 5,624,243</b>	<b>₩ 5,600,095</b>	<b>₩ 5,616,734</b>	<b>₩ 5,616,734</b>

	December 31, 2014			
	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 968,626	₩ 907,715	₩ 921,867	₩ 921,867
Finance bonds	1,880,000	1,885,218	1,884,362	1,884,362
Corporate bonds	1,345,400	1,360,719	1,358,316	1,358,316
Bonds denominated in foreign currencies	196,810	198,777	200,905	200,905
	₩ 4,390,836	₩ 4,352,429	₩ 4,365,450	₩ 4,365,450

### 16. Pledged assets

Assets pledged as collateral for the purpose of resale agreement bonds from other banks, futures options and securities deposits for membership maintenance at the stock exchange for trading financial assets, available-for-sale financial assets and held-to-maturity investments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	Details	Book value	
		December 31, 2015	December 31, 2014
Financial assets held-for-trading	Pledged securities	<b>₩ 1,701,392</b>	₩ 968,934
	Derivative instruments	<b>1,260,193</b>	1,757,305
	KRX, etc	<b>184,769</b>	290,076
	Client RP	<b>368,165</b>	3,550,021
	Others	<b>3,514,519</b>	-
		<b>1,701,392</b>	6,566,336
Available-for-sale financial assets	Futures	<b>292,141</b>	186,974
	Daylight credit	<b>286,742</b>	687,153
	Foreign currency borrowing	<b>571,859</b>	512,746
	Pledged securities	<b>183,155</b>	557,310
	Borrowings	<b>1,183,123</b>	596,664
	BOK payment	<b>3,526,229</b>	3,042,117
	Contract fulfillment guarantees	<b>591</b>	1,210
	Borrowing denominated in foreign currency (CSA)	-	47,255
	BOK borrowings	<b>617,428</b>	504,333
	Others	<b>581,638</b>	216,714
		<b>7,242,906</b>	6,352,476
Held-to-maturity investments	Foreign currency borrowing	<b>₩ 9,712</b>	₩ -
	Establishment of a pledge right	<b>600</b>	
	Futures	<b>100,101</b>	275,287
	BOK payment	<b>370,133</b>	933,045
	Daylight credit	-	610,359
	Borrowings	<b>20,803</b>	152,659
	Client RP	<b>250</b>	85,250
	Securities paid	<b>5,038</b>	5,046
	Borrowing denominated in foreign currency (CSA)	-	438,931
	BOK borrowings	<b>399,178</b>	
		<b>4,382</b>	243,554
		<b>910,197</b>	2,744,131
		<b>₩ 11,667,622</b>	₩ 15,662,943



### 17. Loans and receivables

Details of loans and receivables as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Loans and receivables:		
Loans in Korean won	<b>₩ 175,598,418</b>	₩ 165,574,424
Loans in foreign currencies	<b>22,791,170</b>	21,519,941
Domestic import usance	<b>3,648,048</b>	5,583,234
Call loans	<b>4,918,667</b>	3,299,790
Bills purchased in Korean won	<b>369,852</b>	737,816
Bills purchased in foreign currencies	<b>5,617,001</b>	7,151,175
Advance payments on acceptances and guarantees	<b>54,485</b>	29,432
Credit card loans	<b>5,710,051</b>	6,081,187
Bonds purchased under resale agreement	<b>1,330,701</b>	1,687,460
Installment receivables purchased	<b>616,874</b>	1,628,178
Privately-placed corporate bonds	<b>1,223,262</b>	1,316,895
Lease receivables	<b>1,423,334</b>	1,294,524
	<b>223,301,863</b>	215,904,056
Plus (less):		
Deferred loan fees and expenses	<b>271,055</b>	187,757
Present value discount	<b>(4,179)</b>	(5,613)
Allowance for possible loan losses	<b>(2,231,921)</b>	(2,123,062)
	<b>₩ 221,336,818</b>	₩ 213,963,138

Allocations of loans in Korean won and in foreign currencies by customer as at December 31, 2015 and December 31, 2014 are listed as follows (Korean won in millions):

	December 31, 2015		
	Korean won	Foreign currencies	Total
Corporate loans:			
Large business	<b>23,499,722</b>	<b>20,831,049</b>	<b>44,330,771</b>
Small and medium business	<b>61,625,702</b>	<b>7,534,958</b>	<b>69,160,660</b>
Public sector and others	<b>5,732,021</b>	<b>6,846,725</b>	<b>12,578,746</b>
	<b>90,857,445</b>	<b>35,212,732</b>	<b>126,070,177</b>
Household loans	<b>90,525,278</b>	<b>996,357</b>	<b>91,521,635</b>
Credit card loans	<b>5,710,051</b>	–	<b>5,710,051</b>
	<b>187,092,774</b>	<b>36,209,089</b>	<b>223,301,863</b>
Plus (less):			
Deferred loan fees and expenses	<b>280,697</b>	<b>(9,642)</b>	<b>271,055</b>
Present value discount	<b>(4,260)</b>	<b>81</b>	<b>(4,179)</b>
Allowance for possible loan losses	<b>(1,826,944)</b>	<b>(404,977)</b>	<b>(2,231,921)</b>
	<b>₩ 185,542,267</b>	<b>₩ 35,794,551</b>	<b>₩ 221,336,818</b>

	December 31, 2014		
	Korean won	Foreign currencies	Total
Corporate loans:			
Large business	₩ 29,734,087	₩ 20,651,806	₩ 50,385,893
Small and medium business	55,227,550	8,024,247	63,251,797
Public sector and others	5,156,620	8,413,400	13,570,020
	90,118,257	37,089,453	127,207,710
Household loans	81,878,187	737,095	82,615,282
Credit card loans	6,081,064	–	6,081,064
	178,077,508	37,826,548	215,904,056
Plus (less):			
Deferred loan fees and expenses	195,299	(7,542)	187,757
Present value discount	(5,703)	90	(5,613)
Allowance for possible loan losses	(1,857,189)	(265,873)	(2,123,062)
	₩ 176,409,915	₩ 37,553,223	₩ 213,963,138

Changes in deferred loan fees and expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	Year ended December 31, 2015			
	January 1, 2015	Increase	Decrease	December 31, 2015
Deferred loan fees and expenses	<b>₩187,757</b>	<b>₩ 303,700</b>	<b>₩ (220,402)</b>	<b>₩ 271,055</b>

	Year ended December 31, 2014			
	January 1, 2015	Increase	Decrease	December 31, 2014
Deferred loan fees and expenses	₩ 183,650	₩ 122,378	₩ (118,271)	₩ 187,757

Changes in allowance for possible loan losses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015							
	Loans in Korean won	Loans in foreign currencies	Advance payments on acceptances and guarantees	Bills purchased in foreign currencies	Credit card loans	Privately placed corporate bonds	Others	Total
As at January 1, 2015	<b>₩ 1,621,490</b>	<b>₩ 187,685</b>	<b>₩ 3,976</b>	<b>₩ 62,968</b>	<b>₩ 192,616</b>	<b>₩ 22,158</b>	<b>₩ 32,169</b>	<b>₩ 2,123,062</b>
Disposal of non-performing loans	<b>(53,764)</b>	–	<b>(6)</b>	–	–	–	–	<b>(53,770)</b>
Write-offs	<b>(767,391)</b>	<b>(37,687)</b>	<b>(32,233)</b>	–	<b>(195,956)</b>	<b>(700)</b>	<b>(15,605)</b>	<b>(1,049,572)</b>
Collection of loans written-off in prior periods	<b>153,781</b>	<b>8,516</b>	<b>6,064</b>	–	<b>44,162</b>	–	<b>4,277</b>	<b>216,800</b>
Debt-to-equity swap	<b>(11,142)</b>	–	–	–	<b>(12,717)</b>	<b>(836)</b>	–	<b>(24,695)</b>
Changes in exchange rate, etc.	<b>2,484</b>	<b>(30,842)</b>	<b>1</b>	<b>44,617</b>	–	<b>90</b>	<b>(4,066)</b>	<b>12,284</b>
Provisions of allowance for possible loan losses	<b>704,368</b>	<b>164,151</b>	<b>32,912</b>	<b>2,434</b>	<b>155,234</b>	<b>5,033</b>	<b>14,150</b>	<b>1,078,282</b>
Interest income from impaired loans	<b>(57,839)</b>	<b>38,863</b>	<b>(944)</b>	<b>(45,631)</b>	<b>(3,800)</b>	<b>(418)</b>	<b>(701)</b>	<b>(70,470)</b>
As at December 31, 2015	<b>₩ 1,591,987</b>	<b>₩ 330,686</b>	<b>₩ 9,770</b>	<b>₩ 64,388</b>	<b>₩ 179,539</b>	<b>₩ 25,327</b>	<b>₩ 30,224</b>	<b>₩ 2,231,921</b>

(Continued on next page)

	Year ended December 31, 2014							
	Loans in Korean won	Loans in foreign currencies	Advance payments on acceptances and guarantees	Bills purchased in foreign currencies	Credit card loans	Privately placed corporate bonds	Others	Total
As at January 1, 2014	₩ 1,658,028	₩ 195,523	₩ 23,455	₩ 9,148	₩ 181,161	₩ 23,775	₩ 84,523	₩ 2,175,613
Disposal of non-performing loans	(65,352)	(24)	(22,137)	–	(2,468)	–	–	(89,981)
Write-offs	(801,436)	(24,585)	(4,572)	(213)	(218,238)	(2,000)	(35,014)	(1,086,058)
Collection of loans written-off in prior periods	68,745	2,537	–	–	44,555	–	1,844	117,681
Debt-to-equity swap	(30,586)	–	–	–	112	–	610	(29,864)
Changes in exchange rate, etc.	37,722	13,281	(6,503)	342	(1,745)	60	(37,484)	5,673
Provisions of allowance for possible loan losses	827,481	48,791	14,504	9,942	193,987	523	18,626	1,113,854
Interest income from impaired loans	(73,112)	(3,666)	(771)	(423)	(4,748)	(200)	(936)	(83,856)
As at December 31, 2014	₩ 1,621,490	₩ 231,857	₩ 3,976	₩ 18,796	₩ 192,616	₩ 22,158	₩ 32,169	₩ 2,123,062

### 18. Derivative instruments

Unsettled derivative contracts held for trading purpose as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Currency:					
Forwards	<b>₩ 161,028,912</b>	<b>₩ 4,629,689</b>	<b>₩ 4,294,598</b>	<b>₩ 2,349,235</b>	<b>₩ 1,868,661</b>
Swap	<b>58,395,477</b>	<b>609,348</b>	<b>902,671</b>	<b>1,467,207</b>	<b>1,803,804</b>
Options purchased	<b>1,733,390</b>	<b>11,468</b>	<b>4,243</b>	<b>29,734</b>	<b>–</b>
Options sold	<b>1,766,431</b>	<b>3,410</b>	<b>4,010</b>	<b>–</b>	<b>32,944</b>
Futures	<b>900,801</b>	<b>53</b>	<b>15</b>	<b>53</b>	<b>15</b>
	<b>223,825,011</b>	<b>5,253,968</b>	<b>5,205,537</b>	<b>3,846,229</b>	<b>3,705,424</b>
Interest:					
Swap	<b>110,793,342</b>	<b>411,308</b>	<b>432,108</b>	<b>987,873</b>	<b>1,032,165</b>
Options purchased	<b>1,150,500</b>	<b>6,430</b>	<b>870</b>	<b>29,067</b>	<b>–</b>
Options sold	<b>4,572,440</b>	<b>1,021</b>	<b>11,578</b>	<b>–</b>	<b>95,166</b>
Futures	<b>4,619,955</b>	<b>662</b>	<b>115</b>	<b>662</b>	<b>115</b>
	<b>121,136,237</b>	<b>419,421</b>	<b>444,671</b>	<b>1,017,602</b>	<b>1,127,446</b>
Stock:					
Swap	<b>3,428,443</b>	<b>78,574</b>	<b>271,687</b>	<b>77,831</b>	<b>397,712</b>
Options purchased	<b>548,125</b>	<b>4,035</b>	<b>2,818</b>	<b>19,610</b>	<b>–</b>
Options sold	<b>1,651,801</b>	<b>20,871</b>	<b>31,766</b>	<b>–</b>	<b>148,747</b>
Futures	<b>486,803</b>	<b>80</b>	<b>7,307</b>	<b>80</b>	<b>7,307</b>
	<b>6,115,172</b>	<b>103,560</b>	<b>313,578</b>	<b>97,521</b>	<b>553,766</b>
Credit:					
Credit default swap	<b>4,166,783</b>	<b>22,864</b>	<b>17,680</b>	<b>100,941</b>	<b>12,557</b>
Others:					
Other derivatives	<b>3,263,475</b>	<b>101,545</b>	<b>56,910</b>	<b>47,411</b>	<b>122,112</b>
	<b>₩ 358,506,678</b>	<b>₩ 5,901,358</b>	<b>₩ 6,038,376</b>	<b>₩ 5,109,704</b>	<b>₩ 5,521,305</b>

	December 31, 2014				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Currency:					
Forwards	₩ 165,298,711	₩ 2,409,806	₩ 2,307,655	₩ 2,367,152	₩ 2,442,445
Swap	50,088,639	744,362	890,545	883,302	732,538
Options purchased	1,487,273	15,920	12,088	36,746	1,067
Options sold	2,881,344	14,571	11,995	4,976	37,001
Futures	772,376	123	–	123	–
	220,528,343	3,184,782	3,222,283	3,292,299	3,213,051

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	December 31, 2014				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Interest:					
Swap	125,215,984	771,203	774,645	940,588	967,072
Options purchased	1,198,500	9,516	2,119	19,200	–
Options sold	4,885,000	7,553	34,429	–	76,440
Futures	4,946,482	334	596	335	709
	136,245,966	788,606	811,789	960,123	1,044,221
Stock:					
Swap	6,111,479	104,014	112,132	170,938	199,884
Options purchased	1,171,351	2,224	4,677	7,365	4,779
Options sold	1,491,582	20,486	15,756	8,359	70,311
Futures	188,556	798	474	798	474
	8,962,968	127,522	133,039	187,460	275,448
Credit:					
Credit default swap	3,884,489	15,598	12,326	84,079	19,312
Others:					
Other derivatives	4,026,833	136,671	91,731	94,797	188,240
	₩ 373,648,599	₩ 4,253,179	₩ 4,271,168	₩ 4,618,758	₩ 4,740,272

Unsettled derivative contracts held for hedging purpose as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Fair value hedge:					
Currency swap	<b>₩ 25,003</b>	<b>₩ 620</b>	<b>₩ 18,443</b>	<b>₩ –</b>	<b>₩ 24,734</b>
Interest swap	<b>6,672,880</b>	<b>30,122</b>	<b>45,420</b>	<b>65,439</b>	<b>15,375</b>
	<b>6,697,883</b>	<b>30,742</b>	<b>63,863</b>	<b>65,439</b>	<b>40,109</b>
Cash flow hedge:					
Interest swap	<b>368,000</b>	<b>2,573</b>	<b>250</b>	<b>3</b>	<b>2,899</b>
	<b>₩ 7,065,883</b>	<b>₩ 33,315</b>	<b>₩ 64,113</b>	<b>₩ 65,442</b>	<b>₩ 43,008</b>

	December 31, 2015				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Fair value hedge:					
Currency swap	<b>₩ 334,400</b>	<b>₩ 3,002</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ 24,439</b>
Interest swap	<b>7,440,162</b>	<b>88,300</b>	<b>36,480</b>	<b>87,894</b>	<b>21,191</b>
	<b>7,774,562</b>	<b>91,302</b>	<b>36,480</b>	<b>87,894</b>	<b>45,630</b>
Cash flow hedge:					
Currency swap	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>
Interest swap	<b>693,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,106</b>
	<b>693,000</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>5,106</b>
	<b>₩ 8,467,562</b>	<b>₩ 91,302</b>	<b>₩ 36,483</b>	<b>₩ 87,894</b>	<b>₩ 50,736</b>

For derivative transactions involving both Korean won and foreign currency such as currency forwards, currency futures and currency swap, the fair value of the unsettled amount for such transaction is presented using the proper foreign exchange rate of the contract amount in foreign currency at the reporting date. For a derivative transaction involving only foreign currency, the fair value of the unsettled amount is presented using the proper foreign exchange rate of the foreign currency purchased at the reporting date.

19. Investments in associates and joint ventures

Details of investments in associates and joint ventures as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	Type	Country	Number of shares	Ownership (%)	Book value
Mirae Credit Information Services Corp	Associates	Korea	186,000	31.0	₩ 8,708
UAM Co., Ltd. (*1)	Associates	Korea	85,050	17.5	126,346
Bank of Jilin (*1)	Associates	China	1,200,000,000	17.0	625,760
PT. Sinarmas Hana Finance(*6)	Joint ventures	Indonesia	1,275	85.0	10,958
Hana UBS Asset Management	Associates	Korea	4,410,000	49.0	34,689
Odin 2 LLC (*3)	Associates	Korea	13,366,680	26.7	55,050
Maltani Development Co., Ltd. (formerly Taewon Lighting Co., Ltd.) (*1)(*3)	Associates	Korea	54,000	18.0	23,268
Plakor Co., Ltd. (*3)	Associates	Korea	1,788,769	30.6	38,908
Hyundai Cement Co., Ltd. (*3)	Associates	Korea	2,138,400	24.4	23,495
Hana Power Infra 1st Private Equity Fund (*1)(*5)	Associates	Korea	-	7.0	21,118
CM International Financing Leases	Associates	China	750,000,000	25.0	141,792
Korea Credit Bureau (*1)	Associates	Korea	180,000	9.0	5,146
Company KStartup Winwin Fund (*5)	Associates	Korea	-	23.8	8,722
KOCREF REIT 30 (*1)(*4)(*5)	Associates	Korea	-	10.9	20,080
Others					11,899
					₩ 1,155,939

	December 31, 2014				
	Type	Country	Number of shares	Ownership (%)	Book value
Mirae Credit Information Services Corp	Associates	Korea	186,000	31.0	₩ 8,126
UAM Co., Ltd. (*1)	Associates	Korea	85,050	17.5	114,240
Bank of Jilin (*1)	Associates	China	1,200,000,000	17.0	548,499
Hana UBS Asset Management	Associates	Korea	4,410,000	49.0	34,290
Odin 2 LLC (*3)	Associates	Korea	13,340,000	26.7	61,152
Doosan Capital (*1)(*2)(*3)	Associates	Korea	2,116,580	8.8	8,050
Taewon Lighting Co., Ltd. (*1)(*3)	Associates	Korea	54,000	18.0	22,438
Plakor Co., Ltd. (*3)	Associates	Korea	1,899,418	30.6	35,058
Najeon Co., Ltd. (*3)	Associates	Korea	546,093	31.1	6,737
LIG Nex1 Co., Ltd. (*1)(*3)	Associates	Korea	2,333,333	11.7	109,536
Hyundai Cement Co., Ltd. (*3)	Associates	Korea	2,138,400	24.4	22,560
Others					13,608
					₩ 984,294

(\*1) The Group exercises significant influence on the investee's BoD and therefore, is included as part of affiliated companies under the equity method.  
(\*2) The Group considered the treasury stock owned by Doosan Capital when assessing whether the Group has significant influence on Doosan Capital owned by Hana First PEF, a subsidiary of HFI.  
(\*3) The financial statements for the current period were not available therefore the financial statements from the prior 3 months were used and the effect from all material transactions or events from the current period were evaluated and appropriately reflected.  
(\*4) The financial statements for the current period were not available therefore the financial statements from the prior 1 month were used and the effect from all material transactions or events from the current period were evaluated and appropriately reflected.  
(\*5) The Group did not present number of investment shares since the company did not issue shares.  
(\*6) Equity method is applied since the Group cannot individually control the investees and other shareholders' consent is required to make important decisions for the company.

Balances of investment accounts became zero so equity method was no longer applied. In this regard, unrecognized amount of changes in equity for the current year and unrecognized accumulated amount of changes in equity for the prior year are as follows (Korean won in millions):

	Number of shares	Ownership (%)	Unrecognized changes in equity for year ended December, 31, 2015	Unrecognized accumulated changes in equity as at December,31, 2014
Somesevit Corporation (formerly Flossom Co., Ltd.)	165,000	1.9	₩ (117)	₩ (661)
Mirae Asset KEB Second Securitization Specialty Co., Ltd.	450	45.0	(285)	(114)

The condensed financial information of investments in associates as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015							
	Assets	Liabilities	Equity	Revenue (*)	Net income (loss) (*)	Income from discontinued operations after tax	Other comprehensive income (loss) (*)	Comprehensive income(loss) (*)
Mirae Credit Information Services Corp	₩ 34,453	₩ 6,362	₩ 28,091	₩ 56,050	₩ 3,032	₩ -	₩ 10	₩ 3,042
Korea Credit Bureau	63,960	13,076	50,884	53,184	2,005	-	-	2,005
UAM Co., Ltd.	4,068,354	3,331,647	736,707	452,759	61,830	6,249	(276)	67,803
Bank of Jilin	62,967,673	59,207,164	3,760,509	6,515,249	459,675	-	61,983	521,658
Hyundai Cement Co., Ltd.	479,985	522,033	(42,048)	262,998	(91,103)	-	(6,863)	(97,966)
CM International Financing Leases	1,614,812	1,049,246	565,566	59,160	25,484	-	-	25,484
Company KStartup Winwin Fund	36,634	-	36,634	29	(823)	-	-	(823)
PT. Sinarmas Hana Finance	12,907	15	12,892	371	140	-	-	140
Hana UBS Asset Management	75,241	4,448	70,793	34,333	11,968	-	45	12,013
Odin 2 LLC	360,607	154,274	206,333	1,220	(44,958)	-	9,886	(35,072)
Maltani Development Co., Ltd. (formerly Taewon Lighting Co., Ltd.)	66,870	22,512	44,358	92,588	5,613	-	-	5,613
Plakor Co., Ltd.	277,142	149,874	127,268	348,888	17,677	-	(5,038)	12,639
Hana Power Infra 1st Private Equity Fund	302,298	606	301,692	7,884	5,506	-	5,737	11,243
KOCREF REIT 30	445,068	260,332	184,736	1,800	835	-	-	835

	December 31, 2014						
	Assets	Liabilities	Equity	Revenue (*)	Net income (loss) (*)	Other comprehensive income (loss) (*)	Comprehensive income(loss) (*)
Mirae Credit Information Services Corp	₩ 32,912	₩ 6,698	₩ 26,214	₩ 49,922	₩ 2,585	₩ 3	₩ 2,588
UAM Co., Ltd.	4,357,490	3,688,589	668,901	548,990	57,541	-	57,541
Bank of Jilin	48,878,619	45,739,128	3,139,491	5,264,651	451,217	-	451,217
Hana UBS Asset Management	75,079	5,099	69,980	36,031	12,297	27	12,324
Odin 2 LLC	386,677	157,472	229,205	9,854	(6,339)	3,526	(2,813)
Doosan Capital	1,797,101	1,588,720	208,381	25,266	(73,825)	(404)	(74,229)
Taewon Lighting Co., Ltd.	59,812	20,066	39,746	77,350	915	-	915
Plakor Co., Ltd.	250,944	136,269	114,675	275,669	12,373	(2,270)	10,103
Najeon Co., Ltd	57,612	35,954	21,658	115,270	4,736	-	4,736
LIG Nex1 Co., Ltd.	1,742,338	1,381,191	361,147	549,003	68,874	2,159	71,033
Hyundai Cement Co., Ltd.	470,155	463,357	6,798	79,228	63,233	(171)	63,062

(\*) Revenue and net income or loss incurred after the acquisition date was only taken into consideration in case of acquisition during the term.



Changes in the investments in associates and joint ventures for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015							Year ended December 31, 2015						
	Equity method valuation							Equity method valuation						
	Ownership (%)	Beginning Balance	Addition	Replace	Dividend	Book value before valuation		Earnings (loss)	Other comprehensive income	Disposal	Impairment loss	Book value	Goodwill and others	Proportionate net asset
Korea Credit Bureau	9.0	₩ 4,892	₩ -	₩ -	₩ -	₩ 4,892		₩ 254	₩ -	₩ -	₩ -	₩ 5,146	₩ 567	₩ 4,579
Mirae Credit Information Services Corp	31.0	8,126	-	-	(186)	7,940		765	3	-	-	8,708	-	8,708
UAM Co., Ltd.	17.5	114,240	-	-	-	114,240		12,080	26	-	-	126,346	(2,577)	128,923
Bank of Jilin	17.0	548,499	-	-	(21,597)	526,902		77,472	21,386	-	-	625,760	(12,774)	638,534
Hana UBS Asset Management	49.0	34,290	-	-	(5,487)	28,803		5,864	22	-	-	34,689	-	34,689
Odin 2 LLC	26.7	61,152	3,254	-	-	64,406		(11,995)	2,639	-	-	55,050	-	55,050
Doosan Capital	6.5	8,050	-	(2,247)	-	5,803		(3,688)	315	(2,430)	-	-	-	-
Maltani Development Co., Ltd. (formerly Taewon Lighting Co., Ltd.)	18.0	22,438	-	-	(180)	22,258		1,010	-	-	-	23,268	15,283	7,985
Plakor Co., Ltd.	30.6	35,058	-	-	-	35,058		5,404	(1,554)	-	-	38,908	-	38,908
Najeon Co.,Ltd	0.0	6,737	-	-	-	6,737		(34)	-	(6,703)	-	-	-	-
LIG Nex1 Co., Ltd	0.0	109,536	-	(88,667)	(1,470)	19,399		3,559	(1,717)	(21,241)	-	-	-	-
Hyundai Cement Co., Ltd.	24.4	22,560	2	-	-	22,562		(7,751)	(4,512)	-	13,196	23,495	33,765	(10,270)
CM International Financing leases	25.0	-	136,832	-	-	136,832		6,361	(1,401)	-	-	141,792	401	141,391
Company KStartup Winwin Fund	23.8	-	9,000	-	-	9,000		(278)	-	-	-	8,722	3	8,719
PT. Sinarmas Hana Finance	85.0	-	10,586	-	-	10,586		119	253	-	-	10,958	-	10,958
Hana Power Infra 1st Private Equity Fund	7.0	-	21,000	-	-	21,000		(283)	401	-	-	21,118	-	21,118
KOCREF REIT 30	10.9	-	20,000	-	-	20,000		91	(11)	-	-	20,080	-	20,080
Others		8,716	1,888	-	(75)	10,529		1,340	30	-	-	11,899	482	11,417
		₩ 984,294	₩ 202,562	₩ (90,914)	₩ (28,995)	₩ 1,066,947		₩ 90,290	₩ 15,880	₩ (30,374)	₩ 13,196	₩ 1,155,939	₩ 35,150	₩ 1,120,789

	Year ended December 31, 2014							Year ended December 31, 2014						
	Equity method valuation							Equity method valuation						
	Ownership (%)	Beginning Balance	Addition	Replace	Dividend	Book value before valuation		Earnings (loss)	Other comprehensive income	Disposal	Impairment loss	Book value	Goodwill and others	Proportionate net asset
Mirae Credit Information Services Corp	31.0	₩ 7,605	₩ -	₩ -	₩ (186)	₩ 7,419		₩ 707	₩ -	₩ -	₩ -	₩ 8,126	₩ 567	₩ 8,126
UAM Co., Ltd.	17.5	139,286	-	-	(35,041)	104,245		10,052	(57)	-	-	114,240	(2,818)	117,058
Bank of Jilin	17.0	485,900	-	-	(15,758)	470,142		76,618	1,739	-	-	548,499	15,413	533,086
Hana UBS Asset Management	49.0	33,201	-	-	(4,949)	28,252		6,026	12	-	-	34,290	-	34,290
Odin 2 LLC	26.7	61,855	-	-	-	61,855		352	(1,054)	-	(1)	61,152	-	61,152
Doosan Capital	8.8	12,532	-	-	-	12,532		(4,507)	25	-	-	8,050	-	8,050
Taewon Lighting Co., Ltd.	18.0	22,619	-	-	(720)	21,899		537	2	-	-	22,438	15,284	7,154
Plakor Co., Ltd.	30.6	45,061	-	-	-	45,061		5,238	(1,276)	(13,965)	-	35,058	-	35,058
Najeon Co.,Ltd	31.1	5,264	-	-	-	5,264		1,473	-	-	-	6,737	-	6,737
LIG Nex1 Co., Ltd	11.7	102,973	-	-	(1,563)	101,410		7,875	252	-	(1)	109,536	67,402	42,134
Sambo Motors Co., Ltd. (*)	-	13,692	-	-	-	13,692		1,385	-	(15,077)	-	-	-	-
Korea Finance Security Co., Ltd	-	5,321	-	-	(81)	5,240		(5)	-	(5,235)	-	-	-	-
Hyundai Cement Co., Ltd.	24.4	-	-	38,705	-	38,705		15,840	-	-	(31,985)	22,560	20,901	1,659
Others		13,377	1,109	-	(1,199)	13,287		850	(532)	-	3	13,608	675	12,933
		₩ 948,686	₩ 1,109	₩ 38,705	₩ (59,497)	₩ 929,003		₩ 122,441	₩ (889)	₩ (34,277)	₩ (31,984)	₩ 984,294	₩ 116,857	₩ 867,437

## 20. Property and equipment

Details of property and equipment as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 1,516,159	₩ –	₩ 1,516,159
Buildings	817,258	(155,672)	661,586
Leasehold improvements	446,349	(360,968)	85,381
Vehicles, furniture and fixtures	1,403,165	(1,098,543)	304,622
Construction in progress	198,237	–	198,237
Operating lease assets	124,707	(17,117)	107,590
	₩ 4,505,875	₩ (1,632,300)	₩ 2,873,575

	December 31, 2014		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 1,589,115	₩ –	₩ 1,589,115
Buildings	817,055	(135,838)	681,217
Leasehold improvements	423,234	(339,138)	84,096
Vehicles, furniture and fixtures	1,467,367	(1,156,112)	311,255
Construction in progress	89,873	–	89,873
Operating lease assets	12,430	(8,647)	3,783
	₩ 4,399,074	₩ (1,639,735)	₩ 2,759,339

Changes in property and equipment for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015						December 31, 2015
	January 1, 2015	Addition	Disposal	Depreciation	Transfer in (out)	Others (*)	
Land	₩ 1,589,115	₩ 2,411	₩ (50,703)	₩ –	₩ (2,160)	₩ (22,504)	₩ 1,516,159
Buildings	681,217	30,256	(18,976)	(27,475)	(3,395)	(41)	661,586
Leasehold improvements	84,096	33,893	(637)	(35,207)	2,471	765	85,381
Vehicles, furniture and fixtures	311,255	115,066	(670)	(121,829)	–	800	304,622
Construction in progress	89,873	111,213	–	–	(3,883)	1,034	198,237
Operating lease assets	3,783	210,619	(96,182)	(10,629)	–	(1)	107,590
	₩ 2,759,339	₩ 503,458	₩ (167,168)	₩ (195,140)	₩ (6,967)	₩ (19,947)	₩ 2,873,575

	Year ended December 31, 2014							December 31, 2014
	January 1, 2014	Addition	Disposal	Depreciation	Impairment loss	Transfer in (out)	Others (*)	
Land	₩ 1,597,177	₩ 127	₩ (15,188)	₩ –	₩ –	₩ 6,952	₩ 47	₩ 1,589,115
Buildings	721,448	30,961	(12,443)	(28,489)	(22,236)	(9,114)	1,090	681,217
Leasehold improvements	73,262	40,710	(1,557)	(31,405)	(9)	2,693	402	84,096
Vehicles, furniture and fixtures	274,587	142,705	(1,571)	(112,147)	(1)	5,148	2,534	311,255
Construction in progress	11,101	91,909	–	–	–	(13,137)	–	89,873
Operating lease assets	10,876	11,207	(15,479)	(2,821)	–	–	–	3,783
	₩ 2,688,451	₩ 317,619	₩ (46,238)	₩ (174,862)	₩ (22,246)	₩ (7,458)	₩ 4,073	₩ 2,759,339

(\*) It includes changes due to exchange rate difference and error in revision of land revaluation amounting to 22,648 million.

## 21. Investment properties

Details of investment properties as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 504,600	₩ –	₩ (2)	₩ 504,598
Buildings	224,408	(53,615)	(617)	170,176
	₩ 729,008	₩ (53,615)	₩ (619)	₩ 674,774

	December 31, 2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 378,367	₩ –	₩ (2,356)	₩ 376,011
Buildings	182,962	(43,496)	(2,489)	136,977
	₩ 561,329	₩ (43,496)	₩ (4,845)	₩ 512,988

Changes in investment properties for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015						December 31, 2015
	January 1, 2015	Addition	Disposal	Depreciation	Reclassification	Others	
Land	₩ 376,011	₩ 132,625	₩ (6,200)	₩ –	₩ 2,160	₩ 2	₩ 504,598
Buildings	136,977	37,524	(2,620)	(5,501)	4,276	(480)	170,176
	₩ 512,988	₩ 170,149	₩ (8,820)	₩ (5,501)	₩ 6,436	₩ (478)	₩ 674,774

	Year ended December 31, 2014						December 31, 2014
	January 1, 2014	Addition	Disposal	Depreciation	Reclassification	Others	
Land	₩ 382,754	₩ –	₩ –	₩ –	₩ (6,743)	₩ –	₩ 376,011
Buildings	132,677	1,995	(6,507)	(5,145)	13,756	201	136,977
	₩ 515,431	₩ 1,995	₩ (6,507)	₩ (5,145)	₩ 7,013	₩ 201	₩ 512,988

The Group uses the straight-line depreciation method to measure its buildings’ market value and their useful lives range from 40 to 50 years. The fair value of the investment properties provided by independent values are ₩664,140 million and ₩441,754 million, respectively. All investment properties are classified as the level 3 in the fair value hierarchy described in Note 5–1.

Rental income and operating expenses arising from the Group’s investment properties for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Rental income	₩ 10,150	₩ 11,020
Operating expenses	1,252	4,866

## 22. Finance leases and operating leases

Gross and net investment in the finance leases as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015		
	Short-term	Long-term	Total
Present value of minimum lease payment	₩ 419,816	951,212	₩ 1,371,028
Initial direct cost	1,538	50,768	52,306
Net investment in the lease	421,354	1,001,980	1,423,334
Unearned finance income	74,222	72,924	147,146
Gross investment in the lease	₩ 495,576	1,074,904	₩ 1,570,480

	December 31, 2014		
	Short-term	Long-term	Total
Present value of minimum lease payment	₩ 395,292	₩ 856,365	₩ 1,251,657
Initial direct cost	1,122	41,745	42,867
Net investment in the lease	396,414	898,110	1,294,524
Unearned finance income	68,484	66,375	134,859
Gross investment in the lease	₩ 464,898	₩ 964,485	₩ 1,429,383

The maturities of gross and net investment in the finance leases as at December 31, 2015 and 2014 are as follows (Korean won in millions):

December 31, 2015		
	Gross investment	Net investment
Within 1 year	<b>₩ 495,577</b>	<b>₩ 421,355</b>
After 1 year but no later than 5 years	<b>1,074,226</b>	<b>1,001,305</b>
Later than 5 years	<b>677</b>	<b>674</b>
	<b>₩ 1,570,480</b>	<b>₩ 1,423,334</b>

December 31, 2014		
	Gross investment	Net investment
Within 1 year	₩ 464,898	₩ 396,414
After 1 year but no later than 5 years	964,095	897,734
Later than 5 years	390	376
	₩ 1,429,383	₩ 1,294,524

Amounts to be collected as operating lease revenues for each upcoming period as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Within 1 year	<b>₩ 6,225</b>	₩ 850
After 1 year but no later than 5 years	<b>12,447</b>	206
	<b>₩ 18,672</b>	₩ 1,056

### 23. Intangible assets

Details of intangible assets as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

December 31, 2015				
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Goodwill	<b>₩ 98,498</b>	<b>₩ –</b>	<b>₩ (18,722)</b>	<b>₩ 79,776</b>
Industrial property	<b>57,376</b>	<b>(44,781)</b>	<b>–</b>	<b>12,595</b>
Core deposits	<b>992,088</b>	<b>(555,247)</b>	<b>(3,116)</b>	<b>433,725</b>
Client relationship	<b>388,486</b>	<b>(133,483)</b>	<b>–</b>	<b>255,003</b>
Software and system development	<b>1,005,745</b>	<b>(796,760)</b>	<b>(347)</b>	<b>208,638</b>
Membership	<b>75,642</b>	<b>(366)</b>	<b>(22,024)</b>	<b>53,252</b>
Others	<b>114,922</b>	<b>(65,606)</b>	<b>(439)</b>	<b>48,877</b>
	<b>₩ 2,732,757</b>	<b>₩ (1,596,243)</b>	<b>₩ (44,648)</b>	<b>₩ 1,091,866</b>

December 31, 2014				
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Goodwill	₩ 98,560	₩ –	₩ (18,722)	₩ 79,838
Industrial property	57,313	(33,360)	–	23,953
Core deposits	991,785	(413,352)	(3,116)	575,317
Client relationship	388,486	(98,749)	–	289,737
Software and system development	930,253	(751,979)	–	178,274
Membership	78,620	(300)	(25,553)	52,767
Others	115,515	(56,586)	(483)	58,446
	₩ 2,660,532	₩ (1,354,326)	₩ (47,874)	₩ 1,258,332

Details of goodwill as at December 31, 2015 and 2014 are as follows (Korean won in millions):

December 31, 2015			
	Acquisition cost	Accumulated impairment loss	Book value
Hana Savings Bank	<b>₩ 75,229</b>	<b>₩ (18,722)</b>	<b>₩ 56,507</b>
Hana Asset Trust	<b>22,377</b>	<b>–</b>	<b>22,377</b>
Others	<b>892</b>	<b>–</b>	<b>892</b>
	<b>₩ 98,498</b>	<b>₩ (18,722)</b>	<b>₩ 79,776</b>

December 31, 2014			
	Acquisition cost	Accumulated impairment loss	Book value
Hana Savings Bank	₩ 75,229	₩ (18,722)	₩ 56,507
Hana Asset Trust	22,377	–	22,377
Others	954	–	954
	₩ 98,560	₩ (18,722)	₩ 79,838

The Group allocated goodwill to cash-generating units which are composed of operating segments or its sub-segments. Impairment test was performed regularly on an annual basis and at times there is any indication of impairment through comparing the carrying amount of cash-generating units including goodwill with its recoverable amount.

The recoverable amount of a cash-generating unit is estimated to be the higher of the cash-generating unit's fair value and its value in use. The fair value is based on the best information available to reflect the amount that the Group could obtain, at the end of the reporting period, from the disposal of the assets or the transfer of the liabilities in formal transaction between participants, after deducting the costs of disposal. However, if the fair value could not be measured with sufficient reliability, it is possible applying the value in use which is present value of future cash flows. The Group estimates future cash flows based on the financial budget authorized by management. The estimation period cannot exceed 5 years without reasonable causes.

The goodwill allocated by cash-generating unit for the impairment test as at December 31, 2015 is as follows (Korean won in millions):

	Hana Savings Bank	Hana Asset Trust
Value in use (recoverable amount)	<b>₩ 274,927</b>	<b>₩ 237,240</b>
Carrying amount of net assets	<b>178,896</b>	<b>142,521</b>
Value in use which exceeds carrying amount of net assets	<b>96,031</b>	<b>94,719</b>
Discount rate (%)	<b>9.08</b>	<b>7.45</b>
Permanent growth rate (%)	<b>1.00</b>	<b>1.00</b>

The Group estimates future cash flows based on the assumption that cash flows will continue to grow at 1.0% over 5 years referred to a recent macroeconomic indicator provided by EIU (Economist Intelligence Unit). The pre-tax discount rate used for discounting future cash flows is calculated based on the assumption of risk-free interest rate, market risk premium, systematic risk of cash generating unit and other factors.

Changes in the carrying amount of intangible assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

Year ended December 31, 2015								
	January 1, 2015	Addition	Disposal	Amortization	Impairment loss	Reclassification	Others (*)	December 31, 2015
Goodwill	<b>₩ 79,838</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ –</b>	<b>₩ (62)</b>	<b>₩ 79,776</b>
Industrial property	<b>23,953</b>	<b>31</b>	<b>–</b>	<b>(11,438)</b>	<b>–</b>	<b>48</b>	<b>1</b>	<b>12,595</b>
Core deposits	<b>575,317</b>	<b>–</b>	<b>–</b>	<b>(141,851)</b>	<b>–</b>	<b>–</b>	<b>259</b>	<b>433,725</b>
Client relationship	<b>289,737</b>	<b>–</b>	<b>–</b>	<b>(34,734)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>255,003</b>
Software and system development	<b>178,274</b>	<b>71,569</b>	<b>(3)</b>	<b>(74,617)</b>	<b>(9,024)</b>	<b>42,710</b>	<b>(271)</b>	<b>208,638</b>
Membership	<b>52,767</b>	<b>7,028</b>	<b>(4,586)</b>	<b>(48)</b>	<b>(1,805)</b>	<b>(203)</b>	<b>99</b>	<b>53,252</b>
Others	<b>58,446</b>	<b>44,800</b>	<b>(138)</b>	<b>(11,579)</b>	<b>–</b>	<b>(42,290)</b>	<b>(362)</b>	<b>48,877</b>
	<b>₩ 1,258,332</b>	<b>₩ 123,428</b>	<b>₩ (4,727)</b>	<b>₩ (274,267)</b>	<b>₩ (10,829)</b>	<b>₩ 265</b>	<b>₩ (336)</b>	<b>₩ 1,091,866</b>

(Continued on next page)



	Year ended December 31, 2014							
	January 1, 2014	Addition	Disposal	Amortization	Impairment loss	Reclassification	Others (*)	December 31, 2014
Goodwill	₩ 79,872	₩ –	₩ –	₩ –	₩ –	₩ –	₩ (34)	₩ 79,838
Industrial property	35,228	38	–	(11,417)	–	104	–	23,953
Core deposits	717,002	–	–	(142,046)	–	–	361	575,317
Client relationship	324,471	–	–	(34,734)	–	–	–	289,737
Software and system development	202,843	63,011	–	(93,771)	–	7,373	(1,182)	178,274
Membership	56,655	6,328	(7,044)	(34)	(3,443)	409	(104)	52,767
Others	41,115	34,746	(30)	(8,478)	(12)	(7,441)	(1,454)	58,446
	₩ 1,457,186	₩ 104,123	₩ (7,074)	₩ (290,480)	₩ (3,455)	₩ 445	₩ (2,413)	₩ 1,258,332

(\*) Includes the effect of exchange rate differences.

## 24. Non-current assets held for sale

There is one secured property, the tangible asset for non-business use, which is recorded under non-current assets held-for-sale as at December 31, 2015. The Group acquired it from customers to repay loans (3 secured properties as at December 31, 2014). They were classified as non-current assets held for sale but undisposed.

Details of non-current assets held for sale as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Acquisition cost	₩ 415	₩ 749
Accumulated impairment loss	–	(220)
Book value	₩ 415	₩ 529

The fair market values of non-current assets held-for-sale are based on the valuation report of a qualified, independent appraisal and assessment institution, and all of them are classified as the level 3 in the fair value hierarchy described in Note 5-1.

## 25. Other assets

Other assets as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Guarantee deposits	₩ 1,214,455	₩ 1,508,311
Accounts receivable	9,533,851	8,032,147
Accrued income	874,288	1,055,807
Prepaid expenses	157,147	196,743
Advance payments	60,873	39,918
Reinsurance assets	2,360	2,223
Unamortized new contract	9,123	6,968
Separate account assets	1,037,332	1,049,315
Receivables from spot exchange	891,611	1,708,198
Others	2,785,869	2,468,276
Allowance for possible losses	(53,845)	(97,530)
	₩ 16,513,064	₩ 15,970,376

Changes in the allowance for possible losses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	₩ 97,530	₩ 91,473
Write-offs	(14,381)	(17,146)
Provision for possible losses	(31,438)	19,942
Interest income from impaired assets	(729)	(293)
Others	2,863	3,554
	₩ 53,845	₩ 97,530

Changes in reinsurance assets and unamortized new contract fee for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	January 1, 2015	Increase	Decrease	December 31, 2015
Reinsurance assets	₩ 2,223	350	(213)	₩ 2,360
Unamortized new contract fee	6,968	2,155	–	9,123
	₩ 9,191	2,505	(213)	₩ 11,483

	January 1, 2014	Increase	Decrease	December 31, 2014
Reinsurance assets	₩ 1,872	₩ 351	₩ –	₩ 2,223
Unamortized new contract fee	2,894	4,074	–	6,968
	₩ 4,766	₩ 4,425	₩ –	₩ 9,191

## 26. Financial liabilities held-for-trading

Financial liabilities held-for-trading as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Derivative liabilities held for trading purpose (*)	₩ 5,521,305	₩ 4,740,272
Securities sold	232,013	499,388
	₩ 5,753,318	₩ 5,239,660

(\*) Refer to Note 18.

## 27. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Bonds	₩ 100,698	₩ –
Deposits	539,854	249,049
Derivatives linked securities sold	7,377,004	6,414,918
Deferred day 1 profit or loss	20,307	23,833
	₩ 8,037,863	₩ 6,687,800

With respect to derivative linked securities and structured deposits, the Group does not separate embedded derivatives from main contracts but designates them as fair value through profit or loss.

## 28. Deposits

Details of deposits as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Demand deposits:		
Demand deposits in Korean won:	<b>₩ 9,103,112</b>	₩ 25,772,460
Demand deposits in foreign currency:	<b>20,134,098</b>	14,976,812
	<b>29,237,201</b>	40,749,272
Time and saving deposits:		
Time and saving deposits in Korean won:	<b>164,528,602</b>	145,815,305
Time and saving deposits in foreign currency:	<b>10,829,359</b>	14,406,933
	<b>175,357,961</b>	160,222,238
Certificate of deposits	<b>2,215,187</b>	925,475
	<b>₩ 206,810,358</b>	₩ 201,896,985

Allocations of deposits by customer as at December 31, 2015 and 2014 are listed as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Individuals	<b>₩ 76,986,166</b>	₩ 72,880,481
Corporations	<b>56,989,517</b>	55,028,337
Other banks	<b>6,782,528</b>	8,250,145
Public institutions	<b>3,954,082</b>	4,192,730
Other financial institutions	<b>30,458,614</b>	29,615,785
Government	<b>6,009,535</b>	5,582,858
Non-profit corporations	<b>10,096,723</b>	11,475,222
Foreign corporations	<b>7,445,467</b>	8,362,427
Others	<b>8,087,726</b>	6,509,000
	<b>₩ 206,810,358</b>	₩ 201,896,985

## 29. Borrowings

Borrowings as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	Lender	Interest rate (%)	December 31, 2015	December 31, 2014
Borrowings in Korean won				
BOK borrowings	BOK	0.5~0.8	<b>₩ 2,072,068</b>	₩ 1,606,495
Government borrowings	Korean Energy Management corporation, etc.	0.0~3.1	<b>2,473,379</b>	3,101,489
Other borrowings	Small & medium Business Corporations, etc.	0.0~4.3	<b>2,307,169</b>	1,712,246
			<b>6,852,616</b>	6,420,230
Borrowings in foreign currencies:				
Bank overdrafts	Foreign banks, etc.	0.0~18.4	<b>97,003</b>	159,142
Other borrowings	The Export-Import Bank of Korea, etc.	0.0~4.9	<b>8,413,807</b>	10,253,620
			<b>8,510,810</b>	10,412,762
Call money:				
Call money in Korean won	Mizuho Corporate bank Seoul branch, etc.		-	641,000
Call money in foreign Currencies	City, etc.		<b>2,106,331</b>	780,304
			<b>₩ 2,106,331</b>	₩ 1,421,304
Bonds sold under repurchaseagreements:				
Bonds sold under repurchase agreements in Korean won	General customers	0.0~4.0	<b>₩ 4,098,983</b>	₩ 4,300,611
Bonds sold under repurchase agreements in foreign currencies	Nomura International Ltd., etc.	0.2~3.1	<b>510,110</b>	414,201
			<b>4,609,093</b>	4,714,812
Other borrowings	Osung-Steel			
Bills sold		0.9~2.2	<b>123,286</b>	294,878
			<b>₩ 22,202,136</b>	₩ 23,263,986

## 30. Debentures

Debentures as at December 31, 2015 and December 31, 2014 are as follows (Korean won in millions):

	Lender	Interest rate (%)	December 31, 2015	December 31, 2014
Korean won:				
Debentures	Financial institutions	1.6~5.3	<b>₩ 17,987,000</b>	₩ 16,784,000
Subordinated bonds	Various investors	0.0~7.8	<b>5,361,898</b>	5,344,223
Net gain on fair value hedges (this term)			<b>(1,941)</b>	(3,539)
Net gain on fair value hedges (before the previous term)			<b>3,557</b>	9,043
Issuance premium (present value discount)			<b>(25,827)</b>	(24,736)
			<b>23,324,687</b>	22,108,991
Foreign currencies:				
Debentures	Morgan Stanley, etc.	0.1~5.0	<b>5,716,999</b>	6,267,616
Subordinated bonds	BOA-Merrill Lynch, etc.	4.3~4.6	<b>943,460</b>	884,856
Net gain (loss) on fair value hedges (this term)			<b>(11,162)</b>	(18)
Net gain on fair value hedges (before the previous term)			<b>54,173</b>	65,692
Issuance premium (present value discount)			<b>(19,685)</b>	(19,022)
			<b>6,683,785</b>	7,199,124
			<b>₩ 30,008,472</b>	₩ 29,308,115

## 31. Net defined benefit liability

Actuarial assumptions as at December 31, 2015 and 2014 are as follows:

	Ratio (%)		Notes
	December 31, 2015	December 31, 2014	
Demographic assumptions:			
Mortality	0.0~3.0	0.0~2.4	Table from Korea insurance development institute and etc.
Rates of employee turnover	2.8~36.0	2.5~43.1	Table from Korea insurance development institute and etc.
Financial assumptions:			
Expected rate of salary increase	0.7~15.7	0.7~39.2	
Discount rate	2.3~2.8	2.5~3.8	Return on corporate bond with the same credit rating

Details of net defined benefit liability as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Present value of defined benefit obligation	<b>₩ 1,327,796</b>	₩ 1,188,619
Fair value of plan assets	<b>(1,165,871)</b>	(1,019,451)
Net defined benefit liability	<b>₩ 161,925</b>	₩ 169,168

Changes in present value of defined benefit obligation for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	<b>₩ 1,188,619</b>	₩ 954,338
Current service cost	<b>154,492</b>	137,268
Past service cost	<b>16,308</b>	37,714
Interest cost on benefit obligation	<b>34,990</b>	37,836
Remeasurements of the net defined benefit liability	<b>73,839</b>	98,532
Benefits paid	<b>(133,828)</b>	(76,751)
Others	<b>(6,624)</b>	(318)
	<b>₩ 1,327,796</b>	₩ 1,188,619

Details of losses incurred from severance and retirement benefit plan for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Current service cost	₩ 154,492	₩ 137,268
Past service cost	16,308	37,714
Net interest on the net defined benefit liability	4,700	6,128
	175,500	181,110
Benefits paid for the defined contribution plan	2,040	828
Long-term employee payment and others	(6,009)	2,112
	₩ 171,531	₩ 184,050

Plan assets for severance benefit as at December 31, 2015 and 2014 consist of the followings (Korean won in millions):

	December 31, 2015	December 31, 2014
Plan assets which have market price quoted in an active market:		
Time deposit	₩ 626,060	₩ 773,478
ELS / ELB	3,983	-
Bonds	5,916	99,449
Others	529,912	146,524
	₩ 1,165,871	₩ 1,019,451

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance of fair value of plan assets	₩ 1,019,451	₩ 792,285
Employer contributions	249,615	265,487
Expected return on plan assets	30,290	31,708
Remeasurements of the plan assets	(5,712)	(9,716)
Benefits paid	(126,351)	(60,311)
Others	(1,422)	(2)
	₩ 1,165,871	₩ 1,019,451

Details of remeasurement accompanied by the application of actuarial assumptions for the years ended December 31, 2015 and 2014 are as follows (Korea won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Actual gains (losses)		
Changes in demographic assumptions	₩ (3,886)	₩ (1,919)
Changes in financial assumptions	(76,302)	(100,679)
Experience adjustments	6,349	4,889
	(73,839)	(97,709)
Income on planned assets		
Actual income on planned assets	24,578	21,992
Amounts included in net interest on the net defined benefit liability	30,290	31,708
	(5,712)	(9,716)
	₩ (79,551)	₩ (107,425)

A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 and 2014 are as follows (Korea won in millions):

(1) Discount rate

	Year ended December 31, 2015	1% point increase	1% point decrease
Present value of defined benefit obligation	₩ 1,327,796	₩ 1,218,724	₩ 1,467,602

	Year ended December 31, 2014	1% point increase	1% point decrease
Present value of defined benefit obligation	₩ 1,188,619	₩ 1,079,827	₩ 1,310,476

(2) Expected rate of salary increase

	Year ended December 31, 2015	1% point increase	1% point decrease
Present value of defined benefit obligation	₩ 1,327,796	₩ 1,463,009	₩ 1,220,148

	Year ended December 31, 2014	1% point increase	1% point decrease
Present value of defined benefit obligation	₩ 1,188,619	₩ 1,305,312	₩ 1,082,220

The sensitivity analyses above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Employer contributions for the years ended December 31, 2015 and 2014 are reasonably estimated to be ₩152,972 million and ₩133,468 million, respectively, and the average durations of the defined benefit plan obligation as at December 31, 2015 and 2014 are 6.9~10.1 years and 7.4~10.2 years, respectively.

32. Provisions

Details of provisions as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Allowance for possible losses on acceptances and guarantees:		
Financial acceptances and guarantees	₩ 8,436	₩ 2,331
Non-financial acceptances and guarantees	73,077	59,436
Bills endorsed	238	450
	81,751	62,217
Allowances for unused commitments	99,100	111,804
Other allowance:		
Allowances for restoration cost	43,908	44,527
Allowances for reward points	36,936	35,018
Allowance for lawsuits	56,882	68,572
Others	20,195	42,157
	157,921	190,274
	₩ 338,772	₩ 364,295

(\*) The Group recognizes the amount of financial guarantee contracts subsequently measured that exceed the unamortized balance as provisions for acceptances and guarantees on initial recognition. The unamortized balance amounts to ₩24,893 million and ₩24,950 million as at December 31, 2015 and 2014, respectively and is categorized as financial guarantee contract liability.

Changes in provisions for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015				
	January 1, 2015	Net loss of allowance (reversal of allowance)	Allowance used	Others	December 31, 2015
Allowance for possible					
losses on acceptancesand guarantees	₩ 62,217	₩ 17,448	₩ -	₩ 2,086	₩ 81,751
Allowances for unused commitments	111,804	(14,217)	-	1,513	99,100
Other allowance:					
Allowances for restoration cost	44,527	(166)	(1,802)	1,349	43,908
Allowances for reward points	35,018	32,271	(31,038)	685	36,936
Allowance for lawsuits	68,572	38,333	(50,986)	963	56,882
Others	42,157	3,330	(12,905)	(12,387)	20,195
	190,274	73,768	(96,731)	(9,390)	157,921
	₩ 364,295	₩ 76,999	₩ (96,731)	₩ (5,791)	₩ 338,772



	December 31, 2014				
	January 1, 2014	Net loss of allowance (reversal of allowance)	Allowance used	Others	December 31, 2014
Allowance for possible losses on acceptancesand guarantees	₩ 67,343	₩ (6,482)	₩ –	₩ 1,356	₩ 62,217
Allowances for unused commitments	117,265	(4,243)	–	(1,218)	111,804
Other allowance:					
Allowance for possible losses on acceptances and guarantees	42,271	146	(2,071)	4,181	44,527
Allowances for reward points	30,976	43,054	(58,475)	19,463	35,018
Allowance for lawsuits	142,514	(70,229)	(3,701)	(12)	68,572
Others	48,603	(2,038)	(2,968)	(1,440)	42,157
	264,364	(29,067)	(67,215)	22,192	190,274
	₩ 448,972	₩ (39,792)	₩ (67,215)	₩ 22,330	₩ 364,295

Details of guarantees as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Financial acceptances and guarantees in Korean won:		
Collateral for loans	₩ 108,761	₩ 117,912
Loans for purchase	642,090	947,775
Others	12,576	29,029
	763,427	1,094,716
Financial acceptances and guarantees in foreign currencies		
Local financial acceptances and guarantees	1,439,519	1,807,051
Confirmed acceptances and guarantees in Korean won	2,085,206	2,239,995
Confirmed acceptances and guarantees in foreign currencies:		
Acceptance on letter of credit	843,495	1,247,454
Acceptance on letter of guarantees	120,008	134,837
Others	12,763,401	15,026,794
	13,726,904	16,409,085
Contingent acceptances and guarantees:		
Letters of credit	3,205,035	5,468,770
Others	595,836	647,143
	3,800,871	6,115,913
Bills endorsed	40,219	33,976
	₩ 21,856,146	₩ 27,700,736

Details of unused commitments as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Commitments on loans in Korean won	₩ 91,691,298	₩ 95,496,733
Commitments on loans in foreign currencies	24,950,052	26,329,617
Commitments on purchase of asset-backed commercial papers	64,900	475,818
Commitments on credit lines on asset-backed securities	1,252,796	1,648,542
Commitments on purchase of securities	722,751	702,942
	₩ 118,681,797	₩ 124,653,652

As at December 31, 2015, the Group is involved in 1,573 lawsuits as a plaintiff and 253 lawsuits as a defendant. The aggregate amount of claims as a plaintiff and a defendant is in the amount of approximately ₩519,246 million and ₩428,174 million, respectively. The Group’s material lawsuits in progress as a defendant are as follows (Korean won in millions):

Defendant	Plaintiff	Amount	Status of lawsuit		Content
			First trial	On appeal	
KEB Hana Bank	Park Man Song	₩ 57,015	In-progress	–	Return of deposit
KEB Hana Bank	Shinhan Bank	31,701	Partially won	In-progress	Return of a prepayment
	Emirates and 4 others	36,230	In-progress	–	Return of deposit
KEB Hana Bank	Fairfield Sentry Limited Bankruptcy administrator	39,455	In-progress	–	Return of earnings of fund
KEB Hana Bank	Hyundai Merchant Marine Co., Ltd	80,033	Lost	3rd trial is in progress	Return of performance bond
H&DS	Eun Ik Soo and 1 others	6,167	In-progress	–	Claim for damages
Hana Saving Bank	Tae Seung LP Co., Ltd	19,473	Won	In-progress	Objection to litigation for finalization of reorganization claim

### 33. Other liabilities

Details of other liabilities as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Accounts payable	₩ 10,231,407	₩ 8,334,927
Accrued expense payables	1,723,653	2,298,450
Advances	97,597	82,542
Income in advance	281,018	283,782
Policy reserve	2,410,233	2,019,163
Separate account liabilities	1,043,191	1,054,921
Borrowing from trust accounts	4,639,182	2,882,793
Foreign exchanges settlement credits	493,024	530,719
Domestic exchange settlement credits	3,539,359	2,223,147
Deposits for letter of guarantees and others	533,644	559,197
Taxes withheld	97,053	150,397
Security deposits received	71,729	24,992
Accounts for agency businesses	248,069	274,125
Agency	1,854,831	2,744,881
Others	2,934,217	2,804,135
Present value discount	(20,297)	(20,245)
	₩ 30,177,910	₩ 26,247,926

Details of policy reserve as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Premium reserve	₩ 2,375,788	₩ 1,989,827
Prepaid premium reserve	866	859
Guaranteed reserve	9,415	9,042
Outstanding claim	24,164	19,435
	₩ 2,410,233	₩ 2,019,163

Changes in the policy reserve for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	January 1, 2015	Changes	December 31, 2015
Premium reserve	₩ 1,989,827	₩ 385,961	₩ 2,375,788
Prepaid premium reserve	859	7	866
Guaranteed reserve	9,042	373	9,415
Outstanding claim	19,435	4,729	24,164
	₩ 2,019,163	₩ 391,070	₩ 2,410,233

	January 1, 2014	Changes	December 31, 2014
Premium reserve	₩ 1,694,851	294,976	₩ 1,989,827
Prepaid premium reserve	747	112	859
Guaranteed reserve	6,157	2,885	9,042
Outstanding claim	14,840	4,595	19,435
	₩ 1,716,595	302,568	₩ 2,019,163

### 34. Capital stock and capital surplus

Details of capital stock as at December 31, 2015 and December 31, 2014 are as follows:

	December 31, 2015	December 31, 2014
Number of shares authorized	<b>800,000,000 shares</b>	800,000,000 shares
Par value per share	<b>₩ 5,000</b>	₩ 5,000
Number of shares issued	<b>296,003,062 shares</b>	289,894,062 shares

Changes in capital stock and capital surplus from December 1, 2005 (inception) to December 31, 2015 are as follows (Korean won in millions except for number of shares):

	Date	Shares	Common stock	Capital surplus
Incorporation	Dec. 1, 2005	204,256,243	₩ 1,021,281	₩ 5,075,488
Stock dividends	Mar. 24, 2006	2,042,562	10,213	-
Shares swap (*1)	Oct. 13, 2006	5,552,788	27,764	215,427
Paid-in capital increase	Feb. 21, 2011	31,198,170	155,991	1,168,759
Shares swap (*2)	Apr. 5, 2013	46,844,299	234,221	1,511,856
Paid-in capital increase	Apr. 21, 2015	6,109,000	30,545	149,298
		296,003,062	₩ 1,480,015	₩ 8,120,828

(\*1) Represents transactions the Company conducted to incorporate HFI (formerly Hana IB) into its subsidiaries.

(\*2) Represents transactions the Company conducted to incorporate KEB Hana Bank (formerly KEB) into its wholly owned subsidiaries.

Details of hybrid equity securities classified as equity attributable to equity holders of the parent as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	Issuance date	Maturity	Interest rate (%)	Amount	
				December 31, 2015	December 31, 2014
The 1th Hybrid Tier I (*1)	Feb. 21, 2011	Feb. 21, 2041	6.43	<b>₩ 170,000</b>	₩ 170,000
The 2nd Hybrid Tier I (*1)	Feb. 28, 2011	Feb. 28, 2041	6.27	<b>130,000</b>	130,000
The 1-1st hybrid debentures (*1)	May. 29, 2015	May. 29, 2045	3.95	<b>80,000</b>	-
The 1-2nd hybrid debentures (*2)	May. 29, 2015	May. 29, 2045	4.45	<b>190,000</b>	-
The 2-1st hybrid debentures (*1)	Nov. 6, 2015	Nov. 6, 2045	4.24	<b>155,000</b>	-
The 2-2nd hybrid debentures (*2)	Nov. 6, 2015	Nov. 6, 2045	4.61	<b>20,000</b>	-
				<b>745,000</b>	300,000
Issuance cost				<b>(2,110)</b>	(879)
				<b>₩ 742,890</b>	₩ 299,121

(\*1) 5 years after the hybrid equity securities are issued, these can be redeemed at any point before the maturity date with an approval of the governor of the Financial Supervisory Service.

(\*2) 10 years after the hybrid equity securities are issued, these can be redeemed at any point before the maturity date with an approval of the governor of the Financial Supervisory Service.

Capital surplus as at December 31, 2015 and 2014 consists of the followings (Korean won in millions):

	December 31, 2015	December 31, 2014
Paid-in capital in excess of par value	<b>₩ 8,120,828</b>	₩ 7,971,530
Gain on disposal of treasury stock	<b>76,382</b>	76,397
Other capital surplus	<b>2,267,320</b>	2,303,821
	<b>₩ 10,464,530</b>	₩ 10,351,748

### 35. Capital adjustment

Details of capital adjustment as at December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Other capital adjustment	<b>₩ (13,232)</b>	₩ (13,122)

Changes in the Group's treasury stock for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions and shares in unit):

	January 1, 2015	Acquisition	Disposal	December 31, 2015
Number of shares	-	<b>1,782</b>	<b>(1,782)</b>	-
Carrying amount	<b>₩ -</b>	<b>₩ 69</b>	<b>₩ (69)</b>	<b>₩ -</b>

	January 1, 2014	Acquisition	Disposal	December 31, 2014
Number of shares	4,341,877	5,388	(4,341,877)	-
Carrying amount	₩ 170,023	₩ 210	₩ (170,023)	₩ -

### 36. Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015						
	Gain (loss) on valuation of available-for-sale financial assets	Changes in unrealized gain (loss) on valuation of equity method investments	Gain (loss) on valuation of net investment hedges of foreign operations	Net gain (loss) on cash flow hedges	Exchange differences on transaction of foreign operations	Remeasurements of the net defined benefit liabilities (assets)	Total
January 1, 2015	<b>₩ 613,805</b>	<b>₩ (4,259)</b>	<b>₩ -</b>	<b>₩ (1,891)</b>	<b>₩ (164,715)</b>	<b>₩ (191,782)</b>	<b>₩ 251,158</b>
Changes in the unrealized loss of available-for-sale securities	<b>(203,211)</b>	-	-	-	-	-	<b>(203,211)</b>
Realized gain of available- for-sale securities	<b>(51,062)</b>	-	-	-	-	-	<b>(51,062)</b>
Changes in unrealized gain on valuation of equity method investments	-	<b>15,880</b>	-	-	-	-	<b>15,880</b>
Increase in loss on valuation of net investment hedges of foreign operations	-	-	<b>(20,245)</b>	-	-	-	<b>(20,245)</b>
Changes in net gain (loss) on cash flow hedges	-	-	-	<b>1,941</b>	-	-	<b>1,941</b>
Changes in exchange differences on transaction of foreign operations	-	-	-	-	<b>(2,527)</b>	-	<b>(2,527)</b>
Changes in remeasurements of the net defined benefit liability (asset)	-	-	-	-	-	<b>(79,551)</b>	<b>(79,551)</b>
Income tax effect	<b>61,534</b>	<b>(3,912)</b>	<b>4,899</b>	<b>(470)</b>	-	<b>19,184</b>	<b>81,235</b>
December 31, 2015	<b>₩ 421,066</b>	<b>₩ 7,709</b>	<b>₩ (15,346)</b>	<b>₩ (420)</b>	<b>₩ (167,242)</b>	<b>₩ (252,149)</b>	<b>₩ (6,382)</b>

	Year ended December 31, 2014					Total
	Gain (loss) on valuation of available-for-sale financial assets	Changes in unrealized gain (loss) on valuation of equity method investments	Net gain (loss) on cash flow hedges	Exchange differences on transaction of foreign operations	Remeasurements of the net defined benefit liabilities (assets)	
January 1, 2014	<b>₩ 279,005</b>	<b>₩ 6,343</b>	<b>₩ (680)</b>	<b>₩ (183,381)</b>	<b>₩ (111,027)</b>	<b>₩ (9,740)</b>
Changes in the unrealized loss of available-for-sale securities	<b>742,651</b>	-	-	-	-	<b>742,651</b>
Realized gain of available-for-sale securities	<b>(300,245)</b>	-	-	-	-	<b>(300,245)</b>
Changes in unrealized gain on valuation of equity method investments	-	<b>(13,987)</b>	-	-	-	<b>(13,987)</b>
Changes in net gain (loss) on cash flow hedges	-	-	<b>(1,598)</b>	-	-	<b>(1,598)</b>
Changes in exchange differences on transaction of foreign operations	-	-	-	<b>24,625</b>	-	<b>24,625</b>
Changes in remeasurements of the net defined benefit liability (asset)	-	-	-	-	<b>(107,425)</b>	<b>(107,425)</b>
Income tax effect	<b>(107,606)</b>	<b>3,385</b>	<b>387</b>	<b>(5,959)</b>	<b>26,670</b>	<b>(83,124)</b>
December 31, 2014	<b>₩ 613,805</b>	<b>₩ (4,259)</b>	<b>₩ (1,891)</b>	<b>₩ (164,715)</b>	<b>₩ (191,782)</b>	<b>₩ 251,158</b>

### 37. Retained earnings

Retained earnings as at December 31, 2015 and 2014 consist of the following (Korean won in millions):

	December 31, 2015	December 31, 2014
Legal reserve (*)	<b>₩ 467,692</b>	₩ 458,261
Voluntary reserve	<b>3,664,005</b>	3,774,744
Unappropriated retained earnings	<b>5,350,150</b>	4,555,918
	<b>₩ 9,481,847</b>	₩ 8,788,923

(\*) In accordance with the Financial Holding Company Act, whenever dividends are paid, an amount equal to at least 10% of net income is required to be appropriated as a legal reserve until the reserve amount equals the aggregate par value of common stock. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

Changes in retained earnings for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	<b>₩ 8,788,923</b>	₩ 7,982,838
Net income	<b>909,732</b>	937,707
Dividends	<b>(174,852)</b>	(114,872)
Dividends on hybrid equity securities	<b>(27,014)</b>	(19,082)
Others	<b>(14,942)</b>	2,332
	<b>₩ 9,481,847</b>	₩ 8,788,923

### 38. Regulatory reserve for bad debts

Regulatory reserve for bad debt is calculated and disclosed in accordance with Article 27, Section 1 and 2 of the Financial Holding Company Act.

Regulatory reserve for bad debt as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Beginning balance	<b>₩ 2,203,719</b>	₩ 2,180,422
Planned regulatory reserve for bad debts	<b>(20,656)</b>	23,297
Ending balance	<b>2,183,063</b>	2,203,719
Attributable to equity holders of the parent	<b>2,137,256</b>	2,125,288
Attributable to non-controlling interests	<b>₩ 45,807</b>	₩ 78,431

Provisions for bad debt reserve and income adjusted for deductions of provisions for bad debt for the years ended December 31, 2015 and 2014 are as follows.

	Year ended December 31, 2015	Year ended December 31, 2014
Net income attributable to equity holders of the parent before deducting provisions for bad debt	<b>₩ 909,732 million</b>	₩ 937,707 million
Provisions for bad debt reserve	<b>11,968 million</b>	25,059 million
Adjusted income after deducting provisions for bad debt	<b>897,764 million</b>	912,648 million
Basic earnings per share on adjustment	<b>₩ 2,960</b>	₩ 3,091
Diluted earnings per share on adjustment	<b>₩ 2,949</b>	₩ 3,082

### 39. Operating income and expense

Total operating income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Interest income	<b>₩ 9,037,902</b>	₩ 10,092,874
Fee and commission income	<b>2,688,786</b>	2,535,613
Gain on financial assets and liabilities held-for-trading	<b>16,555,441</b>	11,734,728
Gain on financial assets and liabilities designated at fair value through profit or loss	<b>694,596</b>	168,372
Gain on derivative instruments used for hedging purpose	<b>100,102</b>	144,060
Gain on financial instruments	<b>827,832</b>	556,546
Gain on foreign currency transactions	<b>3,255,028</b>	1,901,748
Recovery of impairment loss on financial assets	<b>32,250</b>	905
Other operating income	<b>831,754</b>	792,313
	<b>₩ 34,023,691</b>	₩ 27,927,159

Total operating expense for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Interest expense	<b>₩ 4,499,043</b>	₩ 5,398,366
Fee and commission expense	<b>992,341</b>	917,786
Loss on financial assets and liabilities held-for-trading	<b>16,575,671</b>	11,495,922
Loss on financial assets and liabilities designated at fair value through profit or loss	<b>492,415</b>	326,498
Loss on derivative instruments used for hedging purpose	<b>106,287</b>	137,940
Loss on financial instruments	<b>₩ 56,589</b>	₩ 62,935
Loss on foreign currency transactions	<b>₩ 3,128,205</b>	₩ 1,628,473
Impairment loss of financial assets	<b>1,154,894</b>	1,444,915
General and administrative expense	<b>4,530,976</b>	3,936,205
Other operating expense	<b>1,476,755</b>	1,334,672
	<b>₩ 33,013,176</b>	₩ 26,683,712



#### 40. Net interest income

Interest income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Interest income on due from banks	<b>₩ 156,247</b>	₩ 213,310
Interest income on available-for-sale financial assets	<b>778,334</b>	836,037
Interest income on held-to-maturity investments	<b>176,765</b>	166,120
Interest income on loans receivable	<b>7,519,104</b>	8,418,065
Others	<b>70,160</b>	84,506
	<b>8,700,610</b>	9,718,038
Interest income on financial assets designated at fair value through profit or loss	<b>17,037</b>	7,537
Interest income on financial assets held-for-trading	<b>320,255</b>	367,299
	<b>₩ 9,037,902</b>	₩ 10,092,874

Interest expense for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Interest expense on deposit liabilities	<b>₩ 2,978,077</b>	₩ 3,812,113
Interest expense on borrowings	<b>307,405</b>	398,045
Interest expense on debentures	<b>866,620</b>	983,497
Others	<b>346,941</b>	204,711
	<b>₩ 4,499,043</b>	₩ 5,398,366

#### 41. Net fee and commission income

Fee and commission income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Fee and commission received from loans and others	<b>₩ 911,998</b>	₩ 757,045
Fee and commission received on credit card	<b>1,456,446</b>	1,438,046
Fee and commission received on guarantee	<b>81,262</b>	84,386
Fee and commission received from redemption before maturity	<b>1,016</b>	6,041
Fee and commission related foreign exchange	<b>238,064</b>	250,095
	<b>₩ 2,688,786</b>	₩ 2,535,613

Fee and commission expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Commission paid borrowings and others	<b>₩ 255,520</b>	₩ 254,909
Commission paid on credit card	<b>693,912</b>	654,189
Commission related foreign exchange	<b>42,856</b>	8,627
Commission paid trust	<b>53</b>	61
	<b>₩ 992,341</b>	₩ 917,786

#### 42. Gain (loss) on financial assets and liabilities held-for-trading

Gain (loss) on financial assets and liabilities held-for-trading for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Gain on financial assets and liabilities held-for-trading:		
Trading securities:		
Gain on valuation	<b>₩ 20,601</b>	₩ 77,143
Gain on disposal	<b>165,537</b>	156,321
Gain on redemption	<b>416</b>	328
Dividend income	<b>3,805</b>	4,526
	<b>₩ 190,359</b>	₩ 238,318
Derivatives held for trading purpose:		
Gain on valuation of derivatives:		
Currency related derivatives	<b>₩ 5,253,968</b>	₩ 3,184,782
Interest related derivatives	<b>419,421</b>	788,606
Stock related derivatives	<b>103,560</b>	127,522
Credit related derivatives	<b>22,864</b>	15,598
Others related derivatives	<b>101,545</b>	136,671
	<b>5,901,358</b>	4,253,179
Gain on settlement of derivatives:		
Currency related derivatives	<b>8,952,584</b>	6,091,916
Interest related derivatives	<b>1,062,601</b>	511,040
Stock related derivatives	<b>162,733</b>	28,170
Credit related derivatives	<b>25,477</b>	-
Others related derivatives	<b>230,720</b>	588,454
	<b>10,434,115</b>	7,219,580
Gain on securities sold	<b>18,621</b>	10,106
Gain on others	<b>10,988</b>	13,545
	<b>₩ 16,555,441</b>	₩ 11,734,728
Loss on financial assets and liabilities held-for-trading:		
Trading securities:		
Loss on valuation	<b>₩ 29,022</b>	₩ 18,613
Loss on disposal	<b>124,875</b>	96,524
Loss on redemption	<b>17,209</b>	10,705
	<b>171,106</b>	125,842
Derivatives held for trading purpose:		
Loss on valuation of derivatives:		
Currency related derivatives	<b>5,205,537</b>	3,222,283
Interest related derivatives	<b>444,671</b>	811,789
Stock related derivatives	<b>313,578</b>	133,039
Credit related derivatives	<b>17,680</b>	12,326
Others related derivatives	<b>56,910</b>	91,731
	<b>6,038,376</b>	4,271,168
Loss on settlement of derivatives:	<b>8,755,863</b>	5,936,252
Currency related derivatives	<b>1,201,237</b>	566,095
Interest related derivatives	<b>87,944</b>	27,981
Stock related derivatives	<b>18,981</b>	-
Credit related derivatives	<b>264,312</b>	513,742
Others related derivatives	<b>₩ 10,328,337</b>	₩ 7,044,070
Loss on securities sold	<b>₩ 37,792</b>	₩ 54,842
Others	<b>60</b>	-
	<b>16,575,671</b>	11,495,922
	<b>₩ (20,230)</b>	₩ 238,806

**43. Gain (loss) on financial assets and liabilities designated at fair value through profit or loss**

Gain (loss) on financial assets and liabilities designated at fair value through profit or loss for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Gain on financial assets and liabilities designated at fair value through profit or loss:		
Securities designated at fair value through profit and loss:		
Gain on valuation	<b>₩ 8,815</b>	₩ 15,535
Gain on redemption	<b>1,170</b>	1,672
Gain on disposal	<b>41,768</b>	7,506
	<b>51,753</b>	24,713
Derivative linked securities purchased:		
Gain on valuation	<b>3,830</b>	3,321
Gain on redemption	<b>27,284</b>	-
	<b>31,114</b>	3,321
Deposit liabilities		
Gain on valuation	<b>2,254</b>	1,657
Gain on disposal	<b>3,869</b>	26
	<b>6,123</b>	1,683
Derivative linked securities sold:		
Gain on valuation	<b>590,053</b>	115,338
Gain on redemption	<b>15,553</b>	23,317
	<b>605,606</b>	138,655
	<b>₩ 694,596</b>	₩ 168,372

	Year ended December 31, 2015	Year ended December 31, 2014
Loss on financial assets and liabilities designated at fair value through profit or loss:		
Securities designated at fair value through profit and loss:		
Loss on valuation	<b>₩ 154,337</b>	₩ 2,570
Loss on disposal	<b>1,151</b>	2,022
	<b>155,488</b>	4,592
Deposit liabilities		
Loss on valuation	<b>4,924</b>	1,715
Loss on disposal	<b>1,770</b>	-
	<b>6,694</b>	1,715
Borrowing:		
Loss on valuation	<b>698</b>	-
Derivative linked securities purchased:		
Loss on valuation	<b>5,754</b>	3,161
Loss on redemption	<b>4</b>	-
	<b>5,758</b>	3,161
Derivative linked securities sold:		
Loss on valuation	<b>98,108</b>	162,115
Loss on redemption	<b>225,669</b>	154,915
	<b>323,777</b>	317,030
	<b>492,415</b>	326,498
	<b>₩ 202,181</b>	₩ (158,126)

**44. Gain (loss) on derivative instruments used for hedging purpose**

Gain (loss) on derivative instruments used for hedging purpose for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Gain on derivative instruments used for hedging purposes:		
Hedged item:		
Gain on valuation of hedged item:		
Debentures	<b>₩ 43,440</b>	₩ 35,315
Deposits	<b>6,852</b>	3,252
	<b>50,292</b>	38,567
Gain on disposal of hedged item:		
Debentures	<b>10,842</b>	4,253
Deposits	<b>676</b>	-
	<b>11,518</b>	4,253
Derivative instruments used for hedging purposes:		
Gain on valuation of derivatives:		
Currency related derivatives	<b>620</b>	3,002
Interest related derivatives	<b>30,120</b>	88,300
	<b>30,740</b>	91,302
Gain on settlement of derivatives:		
Currency related derivatives	<b>3,126</b>	-
Interest related derivatives	<b>4,426</b>	9,938
	<b>7,552</b>	9,938
	<b>₩ 100,102</b>	₩ 144,060
Loss on derivative instruments used for hedging purposes:		
Hedged item:		
Loss on valuation of hedged item:		
Debentures	<b>₩ 27,068</b>	₩ 31,756
Deposits	<b>5,785</b>	59,572
	<b>32,853</b>	91,328
Loss on disposal of hedged item:		
Deposits	<b>3,742</b>	10,137
Derivative instruments used for hedging purposes:		
Loss on valuation of derivatives:		
Currency related derivatives	<b>18,443</b>	3
Interest related derivatives	<b>45,420</b>	36,480
	<b>63,863</b>	36,483
Loss on settlement of derivatives:		
Currency related derivatives	<b>654</b>	(43)
Interest related derivatives	<b>5,175</b>	35
	<b>5,829</b>	(8)
	<b>106,287</b>	137,940
	<b>₩ (6,185)</b>	₩ 6,120

#### 45. Net other income on financial instruments

Net other income on financial instruments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Other income on financial instruments:		
Available-for-sale financial assets:		
Gain on disposal	₩ 634,908	₩ 415,477
Gain on redemption	–	8,345
Dividend income	64,085	42,855
	698,993	466,677
Held-to-maturity investments:		
Gain on disposal	–	492
Loans receivable:		
Gain on disposal	128,839	89,377
	827,832	556,546
Other loss on financial instruments:		
Available-for-sale financial assets:		
Loss on disposal	₩ 27,266	₩ 35,636
Loss on redemption	1,601	–
	28,867	35,636
Loans receivable:		
Loss on disposal	27,722	27,299
	56,589	62,935
	₩ 771,243	₩ 493,611

#### 46. Impairment loss of financial instruments

Impairment loss on financial instruments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Available-for-sale financial assets		
Impairment loss	₩ 76,612	₩ 311,119
Recovery of impairment loss	(812)	(905)
Loans receivable		
Provision of allowances for possible loan losses for loans	1,078,282	1,113,854
Other assets		
Provision(reversal) of allowances for possible loan losses for other assets	(31,438)	19,942
	₩ 1,122,644	₩ 1,444,010

#### 47. General and administrative expenses

General and administrative expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries	₩ 2,017,666	₩ 1,838,265
Provision for severance and retirement benefits	168,760	181,291
Termination benefits	341,919	93,027
Employee benefits	128,066	104,403
Rental expenses	330,697	299,002
Entertainment expenses	35,813	42,691
Depreciation on property and equipment	184,018	171,195
Depreciation on investment property	5,501	5,145
Amortization	274,033	289,970
Taxes and dues	229,120	145,600

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	Year ended December 31, 2015	Year ended December 31, 2014
Advertising expenses	154,025	139,909
Servicing expenses	362,351	237,653
Supplies expense	14,406	13,034
Others	284,601	375,020
	₩ 4,530,976	₩ 3,936,205

#### 48. Other operating income

Other operating income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Reversal of allowance for possible losses on acceptances and guarantees	₩ –	₩ 6,482
Reversal of allowances for unused commitments	14,217	4,243
Reversal of allowance for restoration cost	166	–
Reversal of allowance for lawsuits	–	70,229
Trust commissions	179,737	147,526
Adjustment for offered price	10,497	–
Insurance profit	547,882	448,471
Others	79,255	115,362
	₩ 831,754	₩ 792,313

#### 49. Other operating expense

Other operating expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Provision of allowances for possible losses on acceptances and guarantees	₩ 17,448	₩ –
Provision of allowance for restoration cost	–	146
Provision for reward points	32,271	43,054
Provision of allowance for lawsuits	38,333	–
Provision of allowance for other losses	24,555	3,481
Contribution to guarantee fund	246,503	273,320
Insurance fee on deposit	279,493	287,698
Contribution to housing credit guarantee fund	84,267	72,006
Insurance cost	201,909	200,767
Provision for policy reserves	391,069	302,486
Others	160,907	151,714
	₩ 1,476,755	₩ 1,334,672

#### 50. Other non-operating income

Other non-operating income for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Rental fee income	₩ 10,483	₩ 11,020
Disposal of property and equipment	11,989	10,360
Disposal of investment property	544	187
Disposal of investment in subsidiaries and associates	64,785	2,750
Recovery of impairment loss on investments in associates	13,196	–
Others	97,444	65,920
	₩ 198,441	₩ 90,237



51. Other non-operating expense

Other non-operating expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Disposal of property and equipment	₩ 13,822	₩ 8,185
Disposal of investment in associates	1,480	3,164
Contribution	32,578	41,032
Impairment loss on tangible and intangible assets	10,861	26,034
Impairment loss on investments in associates	–	31,984
Commissions received on collection of special bond	4,469	4,753
Others	39,646	88,410
	₩ 102,856	₩ 203,562

52. Income taxes

The major components of income tax expense for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Current income taxes	₩ 226,625	₩ 378,070
Additional refund of prior year's income tax	(47,950)	(39,176)
Changes of deferred income taxes due to the tax effect of temporary differences	33,520	65,207
Current and deferred income taxes recognized directly to equity	55,109	(76,129)
Tax effect of consolidated tax returns	(25,195)	(55,198)
Income tax expense	₩ 242,109	₩ 272,774

Reconciliations of income tax expense applicable to income before income tax at the Korea statutory tax rate to income tax expense at the effective income tax rate of the Group for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Income before income tax	₩ 1,196,390	₩ 1,252,563
Tax at domestic statutory income tax rate of 24.2%	293,613	300,787
Income not subject to tax	(13,086)	(10,073)
Expenses not deductible for tax purposes	14,339	15,260
Tax deduction	(28,261)	(23,293)
Deduction of tax loss carryforwards	–	(6,618)
Income tax expense of foreign branches and subsidiaries	21,991	21,757
Tax effect of consolidated tax return	(25,195)	(55,198)
Additional refund of prior year's income tax	(47,951)	(39,176)
Effect of tax rates change	(6,363)	924
Others	33,022	68,404
Income tax expense	₩ 242,109	₩ 272,774
Effective income tax rate (%)	20.2	21.8

Temporary differences and deferred income tax assets (liabilities) as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Gain on valuation of trading securities	₩ 248,558	₩ 60,183
Impairment loss on investments	542,816	131,222
Gain on valuation of investments in subsidiaries	(290,542)	(69,394)
Gain on valuation of derivatives	(268,373)	(64,952)
Deemed dividends	6,528	1,580
Deferred loan fees and expenses	(250,384)	(60,593)

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	December 31, 2015	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Accrued income	(322,256)	(77,986)
Accrued expenses	197,875	47,826
Allowance for acceptance guarantees	80,064	19,375
Plan assets for severance benefit	(1,137,252)	(275,001)
Defined benefit obligation	1,224,722	296,094
Allowance for other losses	254,639	61,618
Bad debt expenses	327,433	78,377
Depreciation	75,056	18,162
Fair value valuation resulting from merger	(15,880)	(3,843)
Dormant deposits	9,139	2,212
Advanced depreciation provision	(180,315)	(43,636)
Deemed cost for property and equipment	(582,787)	(141,035)
Available-for-sale financial assets	(743,080)	(179,825)
Tax loss carryforwards	145,447	33,348
Investment in kind	₩ 18,479	₩ 4,472
Financial acceptances and guarantees	22,966	5,558
Deferred point income	129,334	31,299
Fair value differences due to the business combination	(702,673)	(170,047)
Others	(391,424)	(95,004)
	₩ (1,601,910)	₩ (389,990)
Domestic deferred income tax liabilities		(389,990)
Foreign deferred income tax assets (*)		56,616
Foreign deferred income tax liabilities		(2,633)
		₩ (336,007)

	December 31, 2014	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Gain on valuation of trading securities	₩ 78,157	₩ 18,954
Impairment loss on investments	541,405	129,997
Gain on valuation of investments in subsidiaries	(342,571)	(81,990)
Gain on valuation of derivatives	13,713	3,244
Deemed dividends	10,109	2,446
Deferred loan fees and expenses	(131,303)	(31,787)
Accrued income	(379,290)	(91,774)
Accrued expenses	160,785	38,458
Allowance for acceptance guarantees	51,242	12,400
Plan assets for severance benefit	(879,669)	(212,202)
Defined benefit obligation	984,442	237,648
Allowance for other losses	201,291	48,709
Bad debt expenses	411,653	98,891
Depreciation	42,209	10,183
Fair value valuation resulting from merger	(14,870)	(3,598)
Dormant deposits	6,879	1,665
Advanced depreciation provision	(180,315)	(43,636)
Deemed cost for property and equipment	(595,773)	(144,177)
Available-for-sale financial assets	(894,897)	(215,565)
Tax loss carryforwards	179,724	41,352
Investment in kind	137,879	33,367
Financial acceptances and guarantees	22,723	5,499

(Continued on next page)

	December 31, 2014	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Deferred point income	₩ 104,749	₩ 23,116
Fair value differences due to the business combination	(829,505)	(195,463)
Others	(3,879)	(7,828)
	₩ (1,305,112)	₩ (322,091)
Domestic deferred income tax liabilities		(322,091)
Foreign deferred income tax assets (*)		51,045
Foreign deferred income tax liabilities		(32,167)
		₩ (303,213)

(\*) Deferred income tax assets of foreign branches are not offset against the deferred income tax liabilities due to differences in tax jurisdictions.

The effective income tax rate of 24.2% is applied when calculating deferred income tax assets or liabilities that will be realized. Also, deferred income tax assets are recognized when it is foreseeable that future taxable income will be incurred and that future tax credits will be realized.

Details of deferred income taxes charged (credited) directly to equity as at December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	
	Before tax amounts	Deferred income tax assets (liabilities)
Gain (loss) on valuation of available-for-sale financial assets	<b>₩ 1,186,992</b>	<b>₩ (282,866)</b>
Gain (loss) on valuation of derivative instruments	<b>(5,469)</b>	<b>1,203</b>
Changes in valuation of equity method investments	<b>(838)</b>	<b>166</b>
Exchange differences on translation of foreign operations	<b>465</b>	<b>(158)</b>
Remeasurements of the net defined benefit liability (asset)	<b>(107,351)</b>	<b>25,903</b>
	<b>₩ 1,073,799</b>	<b>₩ (255,752)</b>
Gain (loss) on valuation of available-for-sale financial assets	<b>₩ 650,985</b>	<b>₩ (160,785)</b>
Gain (loss) on valuation of derivative instruments	<b>(5,520)</b>	<b>1,221</b>
Changes in valuation of equity method investments	<b>(16,106)</b>	<b>3,895</b>
Exchange differences on translation of foreign operations	<b>7,401</b>	<b>(2,292)</b>
Remeasurements of the net defined benefit liability (asset)	<b>52,289</b>	<b>(12,842)</b>
	<b>₩ 689,049</b>	<b>₩ (170,803)</b>

### 53. Dividends

Details of the Group's dividend including interim dividend for the years ended December 31, 2015 and 2014 are as follows (Korean won in units):

	Year ended December 31, 2015			
	Number of shares	Dividend per share	Dividend per share ratio (%)	Dividends
Cash dividend (interim)	<b>296,003,062</b>	<b>₩ 150</b>	<b>3.00</b>	<b>₩ 44,400</b>
Cash dividend (annual)	<b>296,003,062</b>	<b>500</b>	<b>10.0</b>	<b>148,002</b>
				<b>₩ 192,402</b>

	Year ended December 31, 2014			
	Number of shares	Dividend per share	Dividend per share ratio (%)	Dividends
Cash dividend (interim)	289,894,062	₩ 150	3.00	₩ 43,484
Cash dividend (annual)	289,894,062	450	9.00	130,452
				₩ 173,936

Details of the Group's dividend payout ratio and dividend yield ratio for the years ended December 31, 2015 and 2014 are as follows.

	Calculating formula	Year ended December 31, 2015	Year ended December 31, 2014
Dividend payout ratio (%)	Cash dividends/Net income	<b>20.16</b>	17.75
Dividend yield ratio (%)	Cash dividends per share/Market value per share at reporting date	<b>2.75</b>	1.88

Details of dividends on hybrid equity securities for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Par value	<b>₩ 745,000</b>	₩ 300,000
Weighted-average interest rate	<b>5.12%</b>	6.36 %
Total dividends	<b>₩ 27,015</b>	₩ 19,082

### 54. Earnings per share

Weighted-average numbers of common shares for the years ended December 31, 2015 and 2014 are calculated as follows (shares in units):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning	<b>289,894,062</b>	285,552,185
Paid-in capital increase	<b>4,267,932</b>	-
Issuance of common shares	<b>(1,009)</b>	(4,315)
Disposal of treasury shares	<b>923</b>	3,572,599
Weighted-average number of shares of common stocks outstanding	<b>294,161,908</b>	289,120,469

The Group's basic earnings per share for the years ended December 31, 2015 and 2014 are calculated as follows (Korean won and per share amounts in units):

	Year ended December 31, 2015	Year ended December 31, 2014
Net income for the period	<b>₩ 909,731,786,140</b>	₩ 937,706,832,786
Dividends on hybrid equity securities	<b>(27,014,486,685)</b>	(19,082,000,000)
Net income attributable to common stock	<b>₩ 882,717,299,455</b>	₩ 918,624,832,786
Weighted-average number of shares of common stocks outstanding	<b>294,161,908 shares</b>	289,120,466 shares
Basic earnings per share	<b>₩ 3,001</b>	₩ 3,177

Weighted-average numbers of common shares adjusted for the effect of dilution for the years ended December 31, 2015 and 2014 are calculated as follows (shares in units):

	Year ended December 31, 2015	Year ended December 31, 2014
Weighted-average number of common shares of outstanding for basic earnings per share	<b>₩ 294,161,908</b>	₩ 289,120,469
Dilution effect due to:		
Stock grants	<b>1,063,510</b>	843,300
Weighted-average number of common shares (Diluted)	<b>₩ 295,225,418</b>	₩ 289,963,769

The Group's diluted earnings per share for the years ended December 31, 2015 and 2014 are computed as follows (Korean won and number of shares in units):

	Year ended December 31, 2015	Year ended December 31, 2014
Net income attributable to common stock holders	<b>₩ 882,717,299,455</b>	₩ 918,624,832,786
Weighted-average number of shares of common stocks outstanding (Diluted)	<b>295,225,418 shares</b>	289,963,769 shares
Diluted earnings per share	<b>₩ 2,990</b>	₩ 3,168

### 55. Share-based payment transactions

The Group has granted employees and directors of HFG and its subsidiaries share options which may be settled by the issuance of additional shares or by cash payment equal to the difference between the market value and exercise price.

Details of outstanding share options granted by HFG as at December 31, 2015 are as follows (in Korean won, rate in %):

Grant date	Settlement method	Exercise price	Exercisable period (*2)	Maturity	Assumptions to estimate fair value of the stock options							
					Option pricing model	Risk free rate (%)	Expected exercise period	Estimated share volatility (%) (*3)	Expected dividend	Stock price at the grant date	Fair value of share options	
KEB Hana Bank (formerly KEB)												
2009.03.12	(*)1	5,800	2011.03.13~2016.03.12	2016-03-12	Black Scholes	1.63	7.01	23.18	483	5,700	1	
2009.08.04	(*)1	10,900	2011.08.05~2016.08.04	2016-08-04	Black Scholes	1.63	7.01	23.15	483	11,700	-	
2010.03.10	(*)1	13,200	2013.03.11~2017.03.10	2017-03-10	Black Scholes	1.63	7.01	27.06	483	13,450	-	
2010.03.30	(*)1	13,500	2013.03.31~2017.03.30	2017-03-30	Black Scholes	1.63	7.01	26.96	483	13,600	-	
2010.08.04	(*)1	12,400	2013.08.05~2017.08.04	2017-08-04	Black Scholes	1.64	7.01	26.25	483	12,300	1	
2010.09.29	(*)1	13,500	2013.09.29~2017.09.28	2017-09-28	Black Scholes	1.64	7.01	25.42	483	13,550	-	
2011.08.10	(*)1	9,100	2014.08.11~2018.08.10	2018-08-10	Black Scholes	1.65	7.01	25.54	483	8,060	45	
2011.08.26	(*)1	8,500	2014.08.27~2018.08.26	2018-08-26	Black Scholes	1.65	7.01	26.20	483	7,720	75	
2011.09.02	(*)1	8,400	2014.09.03~2018.09.02	2018-09-02	Black Scholes	1.66	7.01	26.13	483	7,930	79	

(\*1) KEB Hana Bank (formerly KEB) chooses one of the following at its discretion: additional equity issue grants, treasury stock grant or cash settlement.  
(\*2) The above stock options will vest after a two-year vesting period and become exercisable within 3 years after the vesting date, except if KEB's employees or directors retire at the regular retirement age or for reasons not attributable to the fault of the employees or directors, such options will vest and become exercisable immediately within 6 months from the retirement date (one year for the second granted options), or if death of KEB's employee or director occurs, such options will vest and become exercisable immediately within two years from the date of death. In addition, if KEB's employee or director is terminated voluntarily after the options have become vested, such options should be exercised within 30 days from the termination date.  
(\*3) Estimated share volatility is assessed based on the volatility of KEB's share price for the same period as the expected exercise period.

Changes in stock options granted by the Group for the years ended December 31, 2015 are summarized as follows (number of shares in units):  
<KEB Hana Bank (formerly KEB)>

Grant date	Company	Beginning	Forfeited	Exercised	Exercisable
2009.03.12	KEB Hana Bank	490,000	(56,260)	(181,035)	252,705
2009.08.04	KEB Hana Bank	470,000	(54,390)	-	415,610
2010.03.10	KEB Hana Bank	350,000	(37,650)	-	312,350
2010.03.30	KEB Hana Bank	360,000	(122,860)	-	237,140
2010.08.04	KEB Hana Bank	420,000	(168,110)	-	251,890
2010.09.29	KEB Hana Bank	90,000	(72,190)	-	17,810
2011.08.10	KEB Hana Bank	550,000	(217,000)	-	333,000
2011.08.26	KEB Hana Bank	100,000	(57,710)	-	42,290
2011.09.02	KEB Hana Bank	30,000	(18,750)	-	11,250
		2,860,000	(804,920)	(181,035)	1,874,045

The Group calculates compensation costs for cash-settled stock options by using fair value approach. Every closing period, the subsidiaries of the Group remeasures fair value of liabilities and reflects them on compensation costs. The stock option liabilities in accounts payable amount to ₩20 million and ₩195 million as at December 31, 2015 and 2014, respectively.

The details of stock grants as at December 31, 2015 are summarized as follows:

Grant date	Grant date	Settlement method	Exercisable period (appraisal period)	Payment date	Estimated vested shares as at December 31, 2015
HFG					
Grant in 2013	2013.01.01	(*1)	2013.01.01 ~ 2015.12.31	2015.12.31	249,550(*2)
Grant in 2014	2014.01.01	(*1)	2014.01.01 ~ 2016.12.31	2016.12.31	233,710(*2)
Grant in 2015	2015.01.01	(*1)	2015.01.01 ~ 2017.12.31	2017.12.31	158,120(*2)
KEB Hana Bank (formerly KEB)					
Grant in 2011	2011.09.21	Cash settlement	2013.09.21 ~ 2016.09.20	2013.09.21	59,450
Grant in 2011	2011.02.21	Cash settlement	2013.02.21 ~ 2016.02.21	2013.02.21	14,330
Grant in 2011	2011.02.21	Cash settlement	2013.02.21 ~ 2016.02.21	2013.02.21	7,590
Grant in 2011	2011.03.21	Cash settlement	2013.03.20 ~ 2016.03.19	2013.03.20	366
Grant in 2011	2011.03.21	Cash settlement	2014.03.20 ~ 2017.03.19	2014.03.20	344
Grant in 2011	2011.09.08	Cash settlement	2012.09.08 ~ 2015.09.08	2012.09.08	500
Grant in 2011	2011.09.08	Cash settlement	2013.09.08 ~ 2016.09.07	2013.09.08	430
Grant in 2012	2012.02.21	Cash settlement	2013.02.22 ~ 2017.02.21	2013.02.22	3,535
Grant in 2012	2012.02.21	Cash settlement	2014.02.22 ~ 2017.02.21	2014.02.22	11,415
Grant in 2012	2012.02.21	Cash settlement	2013.02.22 ~ 2017.02.21	2013.02.22	715
Grant in 2012	2012.02.21	Cash settlement	2014.02.22 ~ 2017.02.21	2014.02.22	33,970

(\*1) HFG chooses one of the following at its discretion: treasury stock grant or cash settlement.  
(\*2) The maximum number of shares to be compensated is pre-determined before the grant date, and vested shares are determined by performance measures. The performance assessment consists of the group performance assessment (relative shareholder return) constituting 40% and the business unit performance assessment (stocks granted in 2013 and 2014 are based on the company's ROE and ROIC, and stocks granted in 2015 are based on the company's ROE and rate of achieving goal net income) constituting 60% of the total performance scorecard.

The Group uses the cash settlement method in connection with the performance-linked stock grant liabilities based on past practice, and compensation costs are recorded by re-measuring fair value of liabilities at the end of every vesting year. The stock grant liabilities in accounts payable are in the amount ₩17,681 million as at December 31, 2015 (₩18,630 million as at December 31, 2014).

### 56. Cash flow information

Cash and due from banks as at December 31, 2015 and 2014 is summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Cash	₩ 2,248,698	₩ 2,895,743
Due from banks in Korean won	9,022,110	10,965,345
Due from banks in other banks	8,474,968	8,396,643
	19,745,776	22,257,731
Restricted balances	10,395,179	10,068,991
Due from banks with original maturities exceeding three months from the date of acquisition	1,116,429	2,517,095
	₩ 8,234,168	₩ 9,671,645

Significant non-cash transactions for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Decrease in loans receivables due to loans written-off	₩ 1,103,342	₩ 1,176,039
Changes in gain or loss on valuation of available-for-sale financial assets, net	(203,447)	442,208
Debt-to-equity swap	111,005	38,705
Decrease in allowance for possible loan losses due to sale of non-performing loans	53,770	89,981

Cash flows from interest and dividend for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	Year ended December 31, 2015	Year ended December 31, 2014
Interest receipts	₩ 9,184,668	₩ 10,061,181
Interest payments	(4,351,019)	(5,568,234)
Dividend receipts	90,864	108,550



57. Related party transactions

Details of transactions with related parties for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

Related party	Year ended December 31, 2015							
	Type	Income			Expense			Other expense
		Interest income	Fee and commission income	Other income	Bad debt expense	Interest expense	Fee and commission expense	
Mirae Credit Information Services Corp.	Associate	₩ –	₩ –	₩ –	₩ 1	₩ 113	₩ 5,997	₩ 445
Korea Credit Bureau	Associate	–	2	–	–	35	205	217
Darby-Hana Infrastructure Fund Management	Associate	–	–	–	–	172	–	–
UAM Co., Ltd.	Associate	3,367	36	284	–	–	–	958
Hana UBS Asset Management	Associate	–	12,685	–	1	46	–	–
Odin 2 LLC	Associate	1,578	6	–	105	–	–	–
F&U Credit Information	Associate	–	–	618	–	–	2,146	12,555
MIDAN City Development Co., Ltd	Associate	–	25	–	(2)	50	–	–
Maltani Development Co., Ltd. (formerly Taewon Lighting Co., Ltd.)	Associate	12	–	–	–	–	–	–
Plakor Co., Ltd.	Associate	408	13	–	45	302	–	–
Hyundai Cement Co., Ltd.	Associate	351	5	62	3	8	–	–
HN NSC Private Equity Fund	Associate	–	115	–	–	–	–	–
Masan Marine New Town Co., Ltd.	Associate	85	80	2	3	7	–	–
Advanced & Different Credit Information Co., Ltd.	Associate	–	–	33	–	–	–	–
Hana Lantern Energy Factory PEF	Associate	–	32	–	–	–	–	–
Hana Power Infra 1st Private Equity Fund	Associate	–	2,300	–	–	–	–	–
KOCREF REIT 30	Associate	–	–	–	–	–	–	760
Key management personnel		150	323	52	–	378	2	–
		₩ 5,951	₩ 15,622	₩ 1,051	₩ 156	₩ 1,111	₩ 8,350	₩ 14,935

Related party	Year ended December 31, 2014							
	Type	Income			Expense			Other expense
		Interest income	Fee and commission income	Other income	Bad debt expense	Interest expense	Fee and commission expense	
Mirae Credit Information Services Corp.	Associate	₩ 22	₩ –	₩ –	₩ (1)	₩ 116	₩ 4,311	₩ –
Korea Credit Bureau	Associate	–	5	–	(2)	33	–	–
Darby-Hana Infrastructure Fund Management	Associate	–	–	1	–	194	–	–
UAM Co., Ltd.	Associate	4,117	–	1,025	–	–	–	50
Hana UBS Asset Management	Associate	–	15,593	–	–	101	–	–
Odin 2 LLC	Associate	1,809	5	–	–	–	–	–
Doosan Capital Co., Ltd.	Associate	41	–	–	–	48	–	2
F&U Credit Information	Associate	–	1	–	–	–	1,142	12,085
Korea Travels	Associate	–	323	–	–	136	372	1,630
MIDAN City Development Co., Ltd	Associate	581	212	–	–	1	–	–
Najeon Co., Ltd.	Associate	67	–	–	–	48	–	–
LIG NEX1 Co., Ltd.	Associate	₩ 30	₩ 67	₩ 22	₩ –	₩ 25	₩ –	₩ –
Flossom Corporation	Associate	1	–	1	–	1	–	–
Taewon Lighting Co., Ltd.	Associate	6	–	–	–	–	–	–
Plakor Co., Ltd. Hyundai Cement Co., Ltd.	Associate	497	–	12	–	352	–	–
Hyundai Cement Co., Ltd.	Associate	9	–	–	(2)	–	–	–
HN NSC Private Equity Fund	Associate	–	6	–	–	–	–	–
Key management personnel		167	31	216	–	168	–	–
		₩ 7,347	₩ 16,243	₩ 1,277	₩ (5)	₩ 1,223	₩ 5,825	₩ 13,767

Outstanding balances with related parties arising from the below transactions as at December 31, 2015 and December 31, 2014 are summarized as follows (Korean won in millions):

Related party	Year ended December 31, 2015						
	Type	Assets			Liabilities		
		Loans receivables	Other receivables	Allowance for possible loan losses	Deposits	Borrowings	Other payables
Mirae Credit Information Services Corp.	Associate	₩ 198	₩ –	₩ 1	₩ 7,959	₩ –	₩ 28
Korea Credit Bureau	Associate	–	9,413	–	2,028	–	3
Darby-Hana Infrastructure Fund Management	Associate	13	101,436	–	8,660	–	–
UAM Co., Ltd.	Associate	4	2,337	–	3	–	–
Hana UBS Asset Management	Associate	65	1	2	5,816	–	–
Odin 2 LLC	Associate	27,388	–	300	–	–	–
F&U Credit Information	Associate	454	–	–	–	–	1,768
MIDAN City Development Co., Ltd.	Associate	20	–	–	17,608	–	–
Maltani Development Co., Ltd. (formerly Taewon Lighting Co., Ltd.)	Associate	2	–	–	–	–	–
Plakor Co., Ltd.	Associate	11,125	–	45	251	11,125	1,000
Hyundai Cement Co., Ltd.	Associate	3	–	3	753	–	–
HN NSC Private Equity Fund	Associate	–	121	–	–	–	–
KOCREF REIT 30	Associate	–	–	–	–	–	698
Masan Marine New Town Co., Ltd.	Associate	1,513	8	3	763	–	19
Hana Lantern Energy Factory PEF	Associate	–	32	–	–	–	–
Hana Power Infra 1st Private Equity Fund	Associate	–	597	–	–	–	–
Key management personnel		3,273	–	–	2,294	–	–
		₩ 44,058	₩ 113,945	₩ 354	₩ 46,135	₩ 11,125	₩ 3,516

Related party	Year ended December 31, 2014						
	Type	Assets			Liabilities		
		Loans receivables	Other receivables	Allowance for possible loan losses	Deposits	Borrowings	Other payables
Mirae Credit Information Services Corp.	Associate	₩ –	₩ 175	₩ –	₩ 5,761	₩ –	₩ –
Korea Credit Bureau	Associate	–	–	–	1,549	–	4
Darby-Hana Infrastructure Fund Management	Associate	–	10	–	7,317	–	–
UAM Co., Ltd.	Associate	–	96,912	–	5	–	–
Hana UBS Asset Management	Associate	–	2,862	–	6,705	–	–
Odin 2 LLC	Associate	29,093	–	195	–	–	–
Doosan Capital Co., Ltd.	Associate	8,000	79	–	25,055	–	9
F&U Credit Information	Associate	–	498	–	–	–	1,105
Korea Travels	Associate	–	9	–	6,500	–	–
MIDAN City Development Co., Ltd.	Associate	–	18	2	–	–	–
Najeon Co., Ltd.	Associate	1,300	–	–	236	–	–
LIG NEX1 Co., Ltd	Associate	–	51	–	3	–	29
Taewon Lighting Co., Ltd.	Associate	1,000	2	–	–	–	–
Plakor Co., Ltd.	Associate	12,625	–	–	4,125	–	–
Hyundai Cement Co., Ltd.	Associate	979	1	–	–	–	–
HN NSC Private Equity Fund	Associate	–	6	–	–	–	–
Key management personnel		4,088	–	–	10,621	–	24
		₩ 57,085	₩ 100,623	₩ 197	₩ 67,877	₩ –	₩ 1,171

As at December 31, 2015, money transactions between related parties are as follows (Korean won in millions).

Related party	December 31, 2015		
	Type	Changes in loans receivables	Changes in deposits and borrowings
Mirae Credit Information Services Corp.	Associate	₩ 198	₩ 2,198
Korea Credit Bureau	Associate	–	479
Darby–Hana Infrastructure Fund Management	Associate	13	1,343
UAM Co., Ltd	Associate	4	(2)
Hana UBS Asset Management	Associate	65	(889)
Odin 2 LLC	Associate	(1,705)	–
MIDAN City Development Co., Ltd.	Associate	20	17,608
Maltani Development Co., Ltd. (formerly Taewon Lighting Co.,Ltd.)	Associate	(998)	–
Plakor Co., Ltd.	Associate	(1,500)	7,250
Hyundai Cement Co., Ltd.	Associate	(976)	753
Masan Marine New Town Co., Ltd.	Associate	1,513	763
F&U Credit Information	Associate	454	–
Key management personnel		(815)	(8,327)
		₩ (3,727)	₩ 21,176

As at December 31, 2014, money transactions between related parties are as follows (Korean won in millions)

Related party	December 31, 2014			
	Type	Changes in loans receivables	Changes in deposits and Debentures	Investments in cash
Mirae Credit Information Services Corp.	Associate	₩ (1,000)	₩ 545	–
Korea Credit Bureau	Associate	–	(1,496)	–
Darby–Hana Infrastructure Fund Management	Associate	–	1,191	–
UAM Co., Ltd	Associate	–	1	–
Hana UBS Asset Management	Associate	–	4,415	–
Odin 2 LLC	Associate	23	–	–
Doosan Capital Co., Ltd.	Associate	8,000	–	–
Korea Travels	Associate	–	(552)	–
MIDAN City Development Co., Ltd	Associate	(19,723)	–	–
Najeon Co., Ltd.	Associate	(900)	1,214	–
Korea Finance Security Co., Ltd	Associate	–	(10,000)	(807)
Taewon Lighting Co., Ltd.	Associate	1,000	–	–
Plakor Co., Ltd.	Associate	(375)	16,427	–
Hyundai Cement Co., Ltd.	Associate	979	–	–
Key management personnel		(666)	(16,762)	–
		₩ (12,662)	₩ (5,017)	₩ (807)

Collateral provided between related parties as at December 31, 2015 and 2014 is summarized as follows (Korean won in millions):

December 31, 2015				
Related parties		Transactions	Amounts	Content
Benefactor	Beneficiary			
KEB Hana Bank	Plakor Co., Ltd.	Guarantee	₩ 1,000	Confirmed acceptance and guarantees

December 31, 2014				
Related parties		Transactions	Amounts	Content
Benefactor	Beneficiary			
KEB	LIG NEX1 Co., Ltd.	Issuance of Import L/C	₩ 3,380	
KEB	LIG NEX1 Co., Ltd.	Guarantee	₩ 11,684	

Details of compensation paid to key management personnel for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Short-term employee payment	₩ 28,783	₩ 29,165
Severance payment	3,073	1,769
Share-based compensation expenses	4,994	3,838
	₩ 36,850	₩ 34,772

## 58. Business Combination

### 58.1 Integration of Hana Bank and KEB

The Board of Director of KEB resolved to change the terms and conditions of the integration agreement on July 9, 2015. KEB integrated with Hana Bank in accordance with the terms and conditions on September 1, 2015 and changed the name to KEB Hana Bank. Consequently, the original shareholders listed on the roster of shareholders of Hana Bank, the extinct company, as at the integration date (September 1, 2015) received 2.5250728 ordinary shares (par value at KRW 5,000) of KEB, the surviving company, per one ordinary share (par value at KRW 5,000) of Hana Bank.

### 59. Virtually confirmed date of financial statements and approval authority

The 2015 consolidated financial statements of the Group were approved by the BoD on March 4, 2016.

# Corporate Information

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## Investor Relations

Please visit Hana Financial Group IR website for more information.  
[www.hanafn.com/ir](http://www.hanafn.com/ir)

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## Forward Looking Statements

Some of the information in this report constitute ‘forward looking statements’ which reflect Hana Financial Group’s current intentions, plans, forecasts, expectations, assumptions and beliefs about future events or results and are subject to risks, uncertainties and other factors. These statements may be identified by words such as “aim,” “believe,” “estimate,” “expect,” “plan,” “seek,” “target,” “will,” or words of similar meaning. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Hana Financial Group’s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Hana Financial Group’s forward-looking statements.





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