Best Bank
Expanding to Global
Stable Portfolio
Trusted Group

HANA FINANCIAL GROUP ANNUAL REPORT 2014

Hana Financial Group

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THE TRUSTED PREMIER GLOBAL FINANCIAL GROUP

Last year Hana Financial Group drew up the new vision, 'The Trusted Premier Global Financial Group', together with its executives and employees, and took many steps in line with the vision. All of us at Hana Financial Group did our best to improve customer satisfaction and to enhance shareholders value in the face of challenging economic environments at home and abroad.

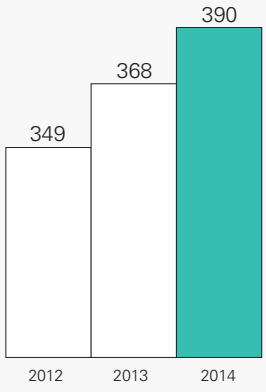
In 2015, Hana Financial Group will continue moving forward toward its vision, creating synergy and improving upon its competencies in banking, securities, credit card, insurance, retail financing and overseas business. We also will do our share in building a better tomorrow for all, through pursuit of "Happy Finance".

KEY HIGHLIGHTS

In 2014, Hana Financial Group took many long-ranged steps toward realizing its vision, recording interim results indicative of the soundness of the strategy being employed; both low-cost deposits and low-risk loans grew markedly; operating income increased while general and administrative expenses decreased, all contributing to enhance profitability.

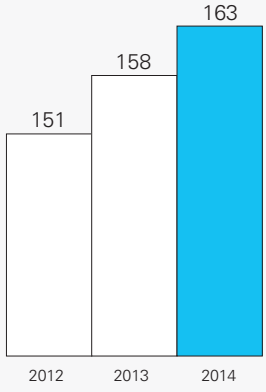
Total Assets (Consolidated)

390 KRW in trillion



KRW Loans

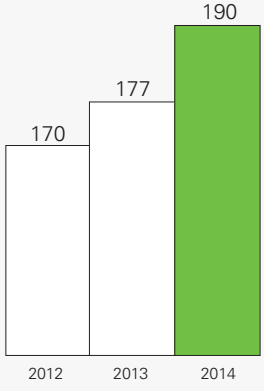
163 KRW in trillion



Sum of Hana Bank's and KEB's KRW loans

Total Deposits (Ending Balance)

190 KRW in trillion



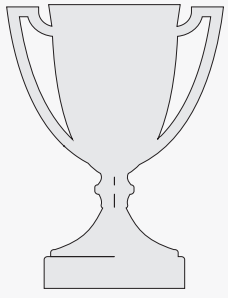
Sum of Hana Bank's and KEB's KRW deposits

Global Awards in 2014

"Best Bank in Korea"
Hana Bank
The Banker

"Best Foreign Exchange Provider in Korea 2014"
Korea Exchange Bank
Global Finance

"Best Private Bank in Korea"
Hana Bank
Euromoney



www
Hana Financial Group
http://www.hanafn.com/eng/main.do

Global Network

As of April 2015

The Industry's Largest Global Network

136 Points of Operation

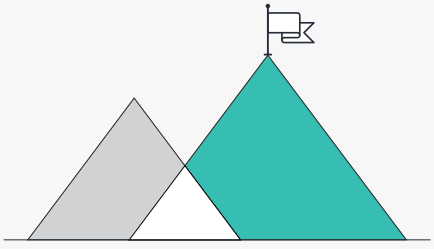
24 Countries

Asia & Pacific 100 • Europe & Middle East 10 • America 26

The Banker "Top 1000 World Banks 2014"

As of July 2014

84th

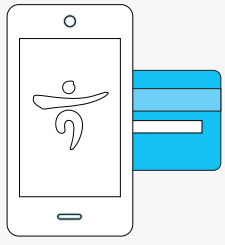


Hana Bank ranked 532nd (1993)

Future Finance Mobile Banking Users

As of Dec. 2014

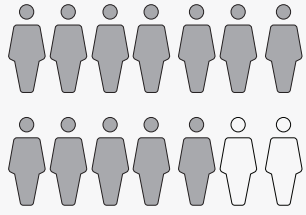
4,668,823



Employees

As of Dec. 2014

21,684



FINANCIAL HIGHLIGHTS

Hana Financial Group is strengthening its growth engines as a way to realize the vision. To rise above the challenge of the low interest rate environment and to grow into a premier global financial group, we will further strengthen our competitive advantages in the non-banking sector and overseas business, both of which still possess relatively high growth potential.

(KRW in billion)

Financial Summary	**2014**	2013
Profitability		
General Operating Income	**6,331.6**	6,239.7
Operating Income	**1,243.4**	1,165.0
Consolidated Net Income	**937.7**	933.9
ROA	**0.32%**	0.34%
ROE	**4.55%**	5.16%
EPS (KRW)	**3,177**	3,399
Cost to Income Ratio	**62.17%**	61.64%
Business Volume		
Total Assets	**390,486.7**	368,486.4
Total Sales	**267,121.2**	252,143.2
(Total Deposits)	**237,683.3**	225,119.8
(Sales of Beneficiary Certificates)	**29,437.9**	27,023.4
Asset Soundness		
Substandard & Below (NPL) Ratio	**1.35%**	1.48%
Substandard & Below (NPL) Coverage Ratio	**123.30%**	120.66%
Delinquency Ratio	**0.62%**	0.58%
Capital Adequacy*		
BIS CAR	**12.63%**	12.28%
Tier 1 Ratio	**9.67%**	9.24%
Common Equity Tier 1 Ratio	**9.18%**	8.63%
BPS (KRW)	**71,848**	68,754

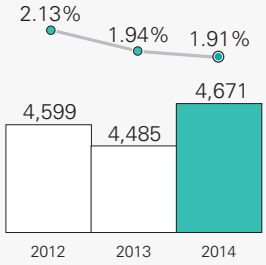
*Based on Basel III standards

www
Financial Information
http://www.hanafn.com/eng/ir/financial/summary/importantDetail.do

Net Interest Income (Consolidated)

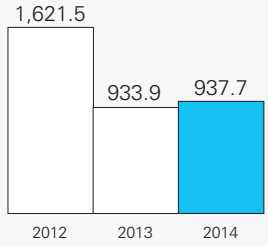
○NIM ■ Int. Income

4,671 KRW in billion



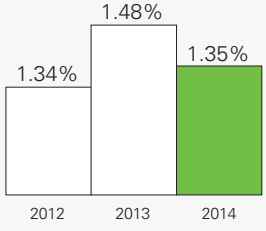
Net Income (Consolidated)

937.7 KRW in billion



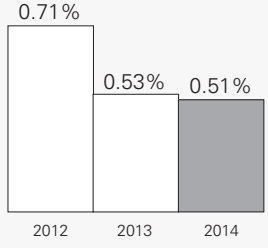
NPL Ratio

1.35%

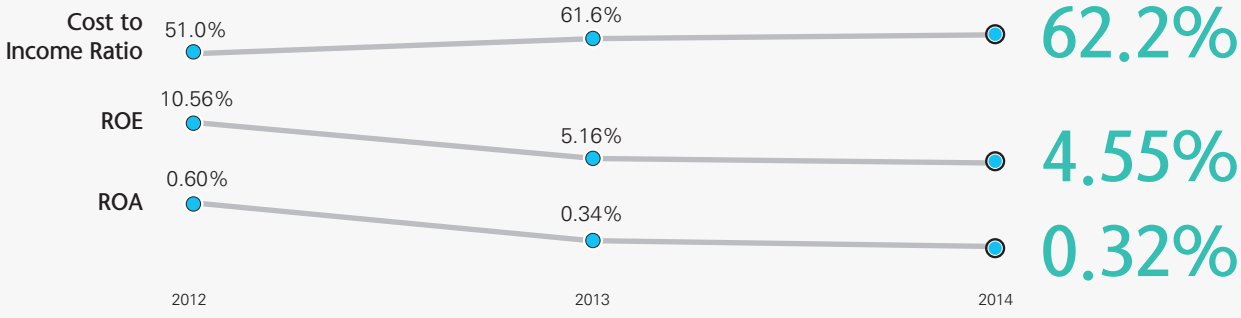


Credit Cost (Cumulative)

0.51%



Major Indices (Cumulative, %)

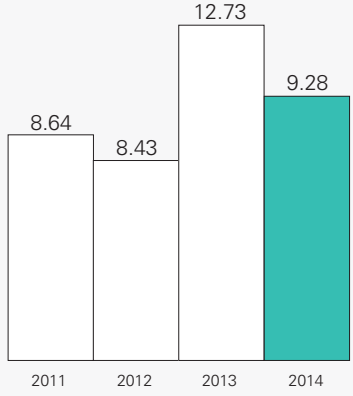


STOCK INFORMATION

Despite the inert stock market, which negatively affected the Group's market capitalization, we maintained our unbroken dividend payout legacy, paying more in 2014 than in the two previous years. Going forward, we will continue our business strategy of depending less on interest incomes but relying more on low-cost core deposits, lending more to healthy SMEs and optimizing asset/liability portfolio management.

Market Capitalization

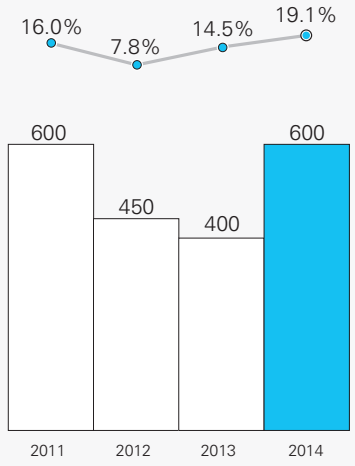
9.28 KRW in trillion



Consistent Dividend History

600 KRW per share

○ Dividend Payout Ratio
■ Dividend per share (KRW)

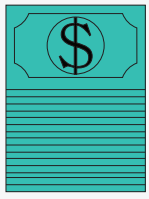


Share Ownership

As of Dec. 2014

31.21%

DOMESTIC



FOREIGN

68.79%

Share Price Movements

(KRW, Point)

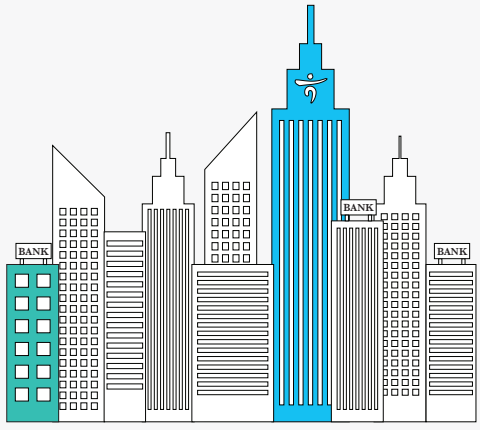
	2014	2013	2012	2011	2010
High	**43,850**	43,900	44,900	49,700	44,000
Low	**31,450**	31,850	30,350	29,000	28,700
Year-end	**32,000**	43,900	34,700	35,550	43,300
KOSPI index (year-end)	**1,915.59**	2,011.34	1,997.05	1,825.74	2,051.00

www
Stock Information
http://www.hanafn.com/eng/ir/irStock-Info01.do

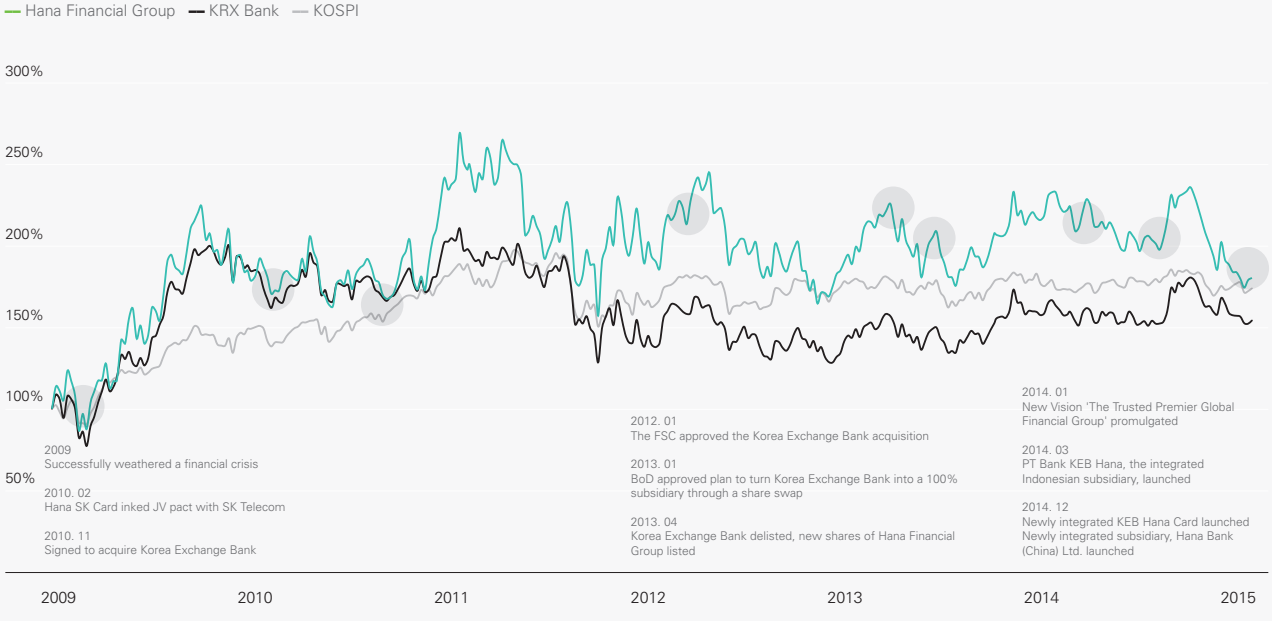
Outstanding Credit Ratings

As of May 2015

Moody's	A1 Hana Bank	A1 Korea Exchange Bank
S&P	A Hana Bank	A Korea Exchange Bank



Stock Performance



2014 NEWS HIGHLIGHTS

New vision, 'The Trusted Premiere Global Financial Group', promulgated

On Jan. 11, 2014, Hana Financial Group held a 'Start 2014' event. Attended by 12,000 executives and employees, the event served as an occasion to promulgate the Group's new vision, 'The Trusted Premiere Global Financial Group', and to make the pledge to grow Hana Financial Group into a top-tier global financial group trusted by its shareholders and customers.

KEB Hana Card Launched

On Dec. 1, KEB Hana Card held a launching ceremony at its HQ office, announcing the outcome of the integration of Hana SK Card and KEB Card. As a result of the complete integration of the two card companies, KEB Hana Card has emerged a mid-sized card company with 4.7 million in membership, KRW 6 trillion in assets, KRW 55.2 trillion in annual sales, and over 8% in market share. By 2025 it aims to grow annual sales to KRW 140 trillion, net income to KRW 500 billion, and market share to 15%.

Hana Bank (China) Launched

In Dec. 2014, Hana Bank (China) was emerged through the consolidation of the two local subsidiaries of Hana Bank and Korea Exchange Bank. With about CNY 45 billion in assets and CNY 5.2 billion in equity, the newly integrated Chinese subsidiary aims to become a top five foreign bank in assets by 2025 through expansion of the branch network and the customer base.

Hana Bank Named "Best Global Private Bank"

At the 6th Global Private Banking Awards on Oct. 30, 2014, Hana Bank won the 'Global Best Digital Communication Private Bank' award. Jointly organized by 'The Banker' and 'PMW', the annual event held at Geneva, Switzerland, identifies and honors global financial institutions with private banking performances outstanding not only by their national but also by global standards.

Integrated Indonesian Subsidiary Launched

On Mar. 10, 2014, Hana Financial Group launched PT Bank KEB Hana, a new Indonesian subsidiary into which the two local subsidiaries of Korea Exchange Bank and Hana Bank have integrated. The emergence of the new Indonesian subsidiary is the first case of integrating the business operations of Hana Bank and Korea Exchange Bank, and is significant in that the subsidiary is in a position to better serve not only local customers but local corporate clients as well.

LETTER TO SHAREHOLDERS AND CUSTOMERS

Dear valued shareholders and customers,

In 2014, Hana Financial Group focused all of its resources and energies on enhancing shareholders value in the face of challenging economic environments at home and abroad. I am delighted to share with our shareholders and customers that we have strengthened the foundation for future growth through the integration of card operations and overseas subsidiaries.

2014 marked first steps toward the new vision

Last year we formulated a new vision based on the aspirations of Hana Financial Group employees, pronounced 'The Trusted Premier Global Financial Group', and geared our business activities toward realizing the vision. In the process, we significantly grew loans by taking full advantage of government policies promoting the growth of SMEs and made visible improvements in core incomes.

Interest income increased by 4.1% from the year before despite base rate cuts. The increase of this core income is a natural outcome of our concerted efforts aimed at attracting stable deposits and extending new lending to select SMEs.

Fee income, another component of the core incomes, performed even better, recording a 5.2% increase. Our strategy of steering private banking customers toward equity-linked trust products proved fruitful, while membership drives and other efforts to spur the new card operation paid off.

While expanding the scale of many of our operations, we managed to cap the growth of general & administrative expenses at 2.3%. This modest increase of the key expense component was possible because of the pains we all endured in streamlining the manpower and the branch operations and other efficiency-focused efforts we made in the past couple of years.

We improved the quality as well as size of our assets. The year-end NPL ratio stood at 1.35%, which represents the most stability since the 1st quarter of 2013.

To minimize NPLs, we stepped up the monitoring of corporate borrowers on the watch list and stepped in with preemptive measures whenever deemed necessary.

We also made concrete achievements toward a full integration of Korea Exchange Bank into our operations, which has become all the more crucial to our future competitiveness; the two Indonesian subsidiaries of Hana Bank and Korea Exchange Bank have been consolidated, resulting in more synergy benefits than anticipated. This encouraging example

www
Vision & Mission
http://www.hanafn.com/eng/info/aboutus/vision.do

of integration was followed by another merger between the two banks' Chinese subsidiaries, with similar effects. Closer to home, KEB Hana Card has newly emerged through the merger of Hana SK Card and KEB Card.

In 2015, we will continue our pursuit of higher efficiency in the business operations of Hana Financial Group.

A complete integration of Korea Exchange Bank will be pursued with a renewed resolve toward creating a sustainable "One Bank" base and will be consummated to the full satisfaction of all stakeholders. Collaboration and convergence will be two main principles which we will follow in realizing a seamless integration.

Moreover, we will also continue to grow into a foremost financial group true in every aspect; the customer base will be further expanded and synergy multiplied among Hana Financial Group subsidiaries through innovation of sales; and our market leadership in smart banking and other new business will be maintained at all costs.

2015 to see Hana Financial Group leap forward

This year, the economic environment and financial market conditions are expected to be as daunting as before; the ending of the US quantitative easing, a falling Japanese yen, a slowing Chinese economy and other global risks continue to stir uncertainties surrounding the market; the projected domestic economic growth rate of 3% will have little impact on the ongoing low-growth environment. Nor will we be deterred by these unnerving developments and uninspiring projections from taking on new challenges as we have done before.

Firstly, we will leverage the integrations of last year into synergy creation. Spurred by the results of the initial steps taken in 2014, we are working hard to realize a full integration of the two banks in the nearest future. All of our Group members will collaborate with one another and converge our resources and energies into change and innovation. Individual passions and institutional characters will be harnessed toward the expansion of the synergy creation base. IT systems and business channels will be redirected toward business efficiency enhancement. The rationalization of IT, channels, organizations, and other business operations will be the core components of the full integration we will pursue in the coming years.

Secondly, we will expand the customer base and enhance channel productivity. We will take all possible measures that will help attract new customers. Development of new products and services will be geared toward accommodating a wider range of SOHO and SME needs. The diversification of on/off-line channels will be undertaken with a focus on improving customer convenience; the capacity and efficiency of channels will also be expanded, all to make it easier for customers to bank with us.

Thirdly, we will continue to develop future growth models. To grow into a financial group competitive in all of its operations, we will bolster our competencies in the overseas business and non-banking areas which still have high growth potential. By leveraging our strengths in global operations, we will further expand our unrivaled overseas network and continue to generate stories of clients making successful overseas expansions. New business models will be explored based on fin-tech and other advanced IT.

Lastly, we will play a bigger role in creating a society that cares more for the less fortunate. While continuing to honor financial consumer rights, we will step up efforts supporting the development of "Creative Economy" and the financial independence of low-income classes. Embodying our business philosophy of 'Growing together and sharing happiness through finance', we will stay faithful to our role as a responsible corporate citizen doing all we can to grow together with our communities.

Hana Financial Group has led the domestic financial industry with many industry firsts: Korea Exchange Bank and Hana Bank introduced Korea's first credit card business and Private Banking (PB) and Relationship Manager (RM) systems, respectively; the branch-in-branch system, mobile banking and other digital financial services also are components of our innovative legacy. By drawing on such a spirit of innovation, we will focus the creative energies of all of our group members on making another great leap forward in 2015.

Thank you,

김 정 태

Kim Jung-tai

Chairman & CEO of Hana Financial Group

INTERVIEWS WITH THE MANAGEMENT

In 2014, Hana Financial Group made noteworthy achievements in integrating its banking operations and strengthening the business structure. In this section, the top management of Hana Financial Group share some of the details about more memorable steps taken in 2014 and lay out their business plans for 2015.

Kim Byoung-ho
President & CEO of Hana Bank

Kim Han-jo
President & CEO of Korea Exchange Bank

Chang Seung-chul
President & CEO of Hana Daetoo Securities

Jeong Hae-boong
President & CEO of KEB Hana Card

WWW
IR Web Casting
http://www.hanafn.com/eng/ir/presentationsList.do

Faced with low interest rates, can Hana Financial Group make any meaningful progress in 2015?

Kim Jung-tai : "Considering the current state of interest rates, competition-fueling market developments, and tightening regulations, growing core incomes won't be easy. Nevertheless, in 2015, Hana Financial Group aims for a significant improvement in ROE.

To reach this goal, we will first seek to increase net interest incomes by growing interest-earning assets and maintaining our pricing strategy regarding loan products.

In the area of fee income, we will increase card fees based on expanded synergies following the integration of the card operations and enlarge FX fees by leveraging Korea Exchange Bank's unrivalled dominance in FX and trade finance.

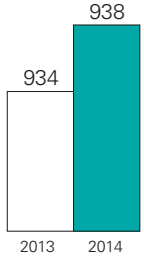
As for managing general and administrative expenses, we will continue the group-wide expense rationalization campaign launched in 2013, and explore various measures to improve profitability.

As for credit loss provision, we expect it to be no more than KRW 1.1 trillion in 2015, which represents a credit cost objective of 0.45%, 0.06%p lower than in 2014; the credit cost objective is lower because we made significant improvements in risk management last year. Once the above steps have been implemented as planned, we should be able to reach the 2015 ROE objective."

What are the steps the Group plans to take to improve its non-interest income and non-banking operations?

Kim Jung-tai : "Last year we executed with vigor the integration of Hana SK Card and KEB Card, which should contribute to increase non-banking related incomes and to diversify the business portfolio. The integration itself will further enlarge the card customer base, render card marketing more cost-effective, and contribute to the growth of sales and related incomes for many years to come.

Net Income
(KRW in billion)



Kim Jung-tai
Chairman & CEO of Hana Financial Group

"We will continue the group-wide expense rationalization campaign launched in 2013 and explore various measures to improve profitability."

WWW
IR Data Book
http://www.hanafn.com/eng/ir/financial/databookDetail.do

For overseas operations, the integrated Indonesian subsidiary has already started showing benefits of synergies created through the integration, while Hana Bank (China) is expected to spring forward on the back of its December 2014 merge. Meanwhile, Hana Daetoo Securities, which went through an extensive restructuring in 2014 to improve structural efficiencies, plans to spur organic cooperation with Hana Financial Group affiliates toward putting together joint IB deals, which should contribute substantially to enhance profitability."

Kim Byoung-ho
President & CEO of Hana Bank

"Increasing SME loans does not necessarily entail asset quality deterioration. In fact, we believe we can improve asset quality by increasing SME loans in proportion to total loans"

It is understood that Hana Bank and Korea Exchange Bank both are to maintain their SME-focused lending strategy in 2015. Could Hana Financial Group continue to increase SME loans without sacrificing its stellar asset quality?

_____ **Kim Byoung-ho & Kim Han-jo :** "Increasing SME loans does not necessarily entail asset quality deterioration. In fact, we believe we can improve asset quality by increasing SME loans in proportion to total loans. In the past, the domestic financial services industry focused on lending to large corporations rather than to SMEs or SOHOs; as a result, loan concentration grew at the expense of asset quality, especially as large-amount loans and lending to business cycle-sensitive industries rose in proportion. The resultant imbalance in loan portfolios has lowered the profitability of the overall lending operation of the financial industry.

To correct this discrepancy and to improve the profitability of its loan portfolio, Hana Financial Group adopted in 2014 'Establishing a well-proportioned portfolio' as the mid/long-term core objective and started taking appropriate steps, mainly increasing loans to healthy SMEs and expanding the SME customer base.

Moreover, it makes more sense to lend to SMEs as average interest rates applied to SME and SOHO loans are higher than those of large corporate loans.

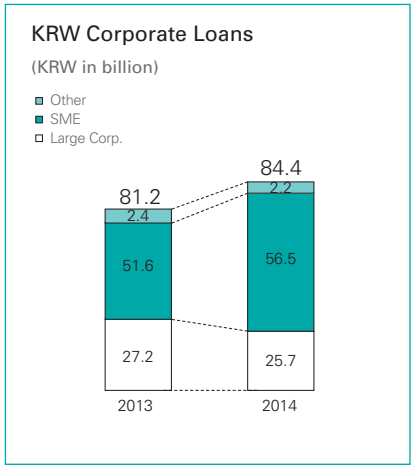
So to address your specific concern about asset quality, it is true that SME loans, compared to large corporate loans, have traditionally been associated with a higher NPL ratio, and that the speed at which SME loans increase can have a direct impact on the NPL ratio. But in 2014, we substantially increased SME and SOHO loans in proportion to total loans without causing the NPL ratio to go up, and we were able to do so by lending to healthy SOHO and SMEs which have been shown to be less likely to default than large corporations. And as we plan to continue our SME/SOHO lending strategy, we believe the danger of deteriorating asset quality will be minimal at the most."

Hana Financial Group's annualized loan growth rate in 2014 was lower than the market average. Are there any particular reasons for the lower rate?

_____**Kim Byoung-ho :** "In contrast to the average loan growth rate of 7.4% for the market, that of Hana Bank and Korea Exchange Bank was 3.5%, which can be mainly attributed to concerted efforts on the part of both banks to reduce large corporate loans as one of the steps taken in preparation for a full integration of the two banks. In fact, both banks reduced their respective large corporate loan portfolios by

5.2% or KRW 1.4 trillion, of which KRW 1.1 trillion was cut by Hana Bank and KRW 0.3 trillion by Korea Exchange Bank.
Another reason for the low rate lies in the slowing growth of household loans; Hana Bank increased its household loan portfolio by KRW 3 trillion or 5.5%, while Korea Exchange Bank decreased its by KRW 0.6 trillion or 2.7%; by satisfying a regulation requiring banks to increase their fixed rate mortgage loans in proportion to total loans, earlier than its competitors, Korea Exchange Bank was able to free itself from an unprofitable rate competition.

In 2015, as mortgage loans are to be securitized and transferred to Korea Housing Financing Corporation as part of the government effort to improve the household debt structure, we will offset the decrease of household loans by making new mortgage loans and increasing unsecured personal loans."



It is understood that the Group is reducing credit lines on large corporations and expanding the watch list to better manage high-risk borrowers. Can you state the selection criteria and total exposure of the watch list and the exposure reduction plan for 2015?

Kim Han-jo : "In 2014, we identified high-risk corporate borrowers by their group affiliation and made concerted efforts to reduce our overall exposures to the relevant groups.

To identify those deemed a default risk, we, through use of our own credit evaluation model, evaluate the financial and non-financial aspects of all business groups with a balance of loans more than KRW 100 billion, with a focus on estimating the likelihood of them having a liquidity problem and the ability to handle such a problem.

As of Dec. 2014, our exposures to the 30 groups on the watch list are about KRW 9 trillion. To these groups, we have administered various exposure reduction measures of varying intensity, adjusting the intensity of measures to their rate of exposure. In 2015, we plan to reduce the exposures by KRW 0.8 trillion."

Kim Han-jo
President & CEO of Korea Exchange Bank

"In 2014, we adopted 'establishing a well-proportioned portfolio' as the mid/long-term core objective to improve the income structure, and began to implement action plans"

The Group's CET 1 Ratio of 9% appears inadequate for absorbing the usual bumps of an economic slide or responding to government calls for more capital. Won't the current BIS ratio hinder lending growth?

Kim Jung-tai : "Though financial authorities have not made public guidelines or an application roadmap with respect to capital buffers, but in view of a maximum regulatory capital ratio of 10.5% as speculated by industry analysts, I agree that the current CET 1 ratio of 9.18% is somewhat below the level we expect to be enforced in 2019. But, as market concerns about our capital adequacy are based on the highest BIS capital requirement which won't be implemented until 2019, we believe, given our current rate of profit growth, the Group will be adequately capitalized by then.
Hana Financial Group will take all necessary steps to better manage risk-weighted assets, to improve profitability, and thus to maintain a stable capital ratio to market expectations.

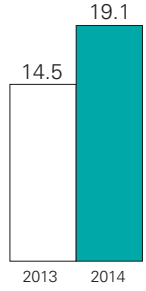
To answer the question regarding the BIS ratio and loan growth, Hana Bank intentionally reduced its large corporate loan balance as part of its plan to integrate with Korea Exchange Bank; the growth rate of SME loans, on the other hand, was similar to a market average. Moreover, Hana Bank recorded a low growth rate in household loans as a result of its efforts to keep the ratio of fixed-rate loans to total at a government-required level and to maintain NIM at a level deemed sustainable. Though the capital ratio is somewhat below that of the competitors, Hana Bank's CET 1 ratio, which came to 11.22% at the end of 2014, is not so inadequate as to limit asset growth.

Korea Exchange Bank also lagged behind the competition in loan growth in 2014; total KRW loans amounted to KRW 52.5 billion, which represents a 4.1% increase from the year before; of the amount, SME loans represent a 14.8% increase YoY while both large corporate and household loans embody a 2.7% decrease. The decrease of the latter reflects the Bank's firm policy of not lending below a certain margin rate and the Bank's lending focus on SOHOs. Korea Exchange Bank also plans to rebalance its loan asset portfolio by proportionally increasing lending to healthy SOHO and SME customers and decreasing large corporate loans. Korea Exchange Bank's CET 1 ratio of 11.44%, as of Dec. 2014, is deemed adequate enough to support loan growth."

Will there be any change in the dividend policy in the near future?

Kim Jung-tai : "Regarding the 2014 dividend policy of the financial industry, the payout rate has increased across the board, and Hana Financial Group plans to maintain its dividend policy in step with the industry trend.
The dividend paid out at the end of 2014 was calculated not only in line with the market trend but also based on many factors, including Hana Financial Group's capital situation, investor expectations and stock performances.

Dividend Payout Ratio
(%)



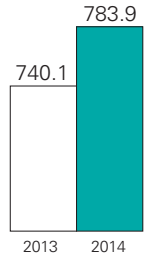
We paid a dividend of KRW 600 per share, which, compared with the previous year, represents a 19.1% increase. Moreover, in contrast to other financial groups, we paid an interim dividend despite unfavorable market conditions as a way to improve shareholders' cash flows. Once a full integration of Hana Bank and Korea Exchange Bank starts to generate cost-saving synergies boosting operating incomes, we should be able to gradually increase dividends as we have always wanted to."

Having newly emerged out of a momentous integration, what are KEB Hana Card's current status and future plans?

Jeong Hae-boong: "KEB Hana Card newly emerged on December 1, 2014, through the integration of Hana SK Card and KEB Card; now it is a mid-size card company with a market share of over 8% and economies of scale strong enough to build a viable foundation for competing with bigger players head to head.
Most of all, the integration has also had the effect of turning the branch networks of Hana Bank and Korea Exchange Bank into a unified constellation of well-equipped channels through which KEB Hana Card can boost its card membership by 1 million each year for the next several years. The integration is also expected to eliminate overlaps and thus to slash costs and to boost sales by encompassing KEB Card's merchant network.

In the near future, KEB Hana Card is expected to generate synergy effects that can be harnessed and turned into a marketing platform strategy ideal for developing such new business opportunities as developing overseas markets and getting a head-start in the IT-based payment settlement market, in partnership between the customer-based retail operations of the Company and other businesses.

Fee Income_Credit Card
(KRW in billion)



Jeong Hae-boong
President & CEO of KEB Hana Card

"KEB Hana Card has newly emerged a mid-size company with a credit card membership of 4.7 million, assets of KRW 6 trillion, annual sales of KRW 55.2 trillion, and a market share of over 8%."

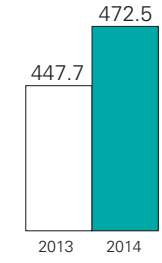
For example, an increase in membership will contribute to enhance the Company's power to bargain with its merchants, which can result in an increase in sales. Even before the integration, both Hana SK Card and KEB Card were close to turning in a profit for 2014, as their years-long all-out efforts to strengthen their profit structures began to bear fruit. As such, once the synergy effects described above start to take intended effects, it is possible for the Company to report a sizable increase in revenue in 2015, even with a large integration-related expense booked in the beginning of the year.

By 2019 the synergy effects will have been more than likely fully developed into, among many things, a substantial boost to the growth of non-interest income. Moreover, the growth of the card operation will accompany a sizable increase in payment settlement accounts, which will contribute to increase low-cost deposits and to strengthen the overall competitiveness of the entire group operations."

How does Hana Daetoo Securities plan to strengthen its asset management operation?

Chang Seung-chul : "In 2015, Hana Daetoo Securities plans to focus on expanding income sources through diversification of products and asset management strategies and on establishing a comprehensive asset management service structure with customer profit being at the center.
In response to sliding interest rates and diminishing investment opportunities at home, we will diversify underlying assets and enlarge the selection of overseas investment products. In addition to increasing the selection of investment products of China, the U.S. and other advanced markets, we will identify and select investment products ideal for asset management.

Fee Income_Asset Mgmt
(KRW in billion)



Jang Seung-chul
President & CEO of Hana Daetoo Securities

"Hana Daetoo Securities will focus on expanding income sources through diversification of product and the asset management methodologies and realigning the asset management services structure to customer returns."

To establish a comprehensive and customer profit-focused asset management service structure, we will more reflect the role of returns on customer assets in employee performance evaluations; thus put the goals of customers, employees and the Company on the same plane; and expand the number of well-trained private bankers and the team sales system. To carry out these, we have increased and reorganized the portfolio solution teams comprising specialists not only in fund, equity, fixed income, derivatives and other investment tools, but also in tax, pension, bequest and inheritance."

Regarding the 'Hana Financial Group 2025' vision adopted in 2014, what are the areas on which Hana Financial Group is focusing to achieve the vision?

Kim Jung-tai : "As we clearly stated at the time of promulgating the vision, we aim to increase global revenue to 40% and non-banking income to 30% in proportion to total revenue by 2025. We will make strategic moves in earnest to achieve the overseas goal starting in 2015. In 2014, we made some tangible results in our overseas operations. By integrating the Indonesian subsidiaries in March and the Chinese subsidiaries in December, we launched overseas-based sales. The integrated Indonesian subsidiary has since grown 40% in profit. The Chinese subsidiary has made decisive moves to cultivate synergies created by the integration; CNY-based services, which were offered only by the previous subsidiary of Hana Bank, are now available at all 30 branches of the newly integrated subsidiary, which will substantially expand local sales; marketing opportunity will increase targeting large corporates, thanks to the increase of the capital; and sales competency is expected to strengthen. Based on these expectations, the Chinese subsidiary aims to reach KRW 200 billion in profit in the next three years and to enter the top 5 list among foreign banks in China.

We also have expanded the global network by adding branches and subsidiaries in Indonesia, Russia and other nations.

In 2015, we will continue efforts to reorganize and expand the global network. The Chinese subsidiary is in the process of expanding into non-banking areas as well as of stepping up localization. By opening branches in Vietnam and India, we will expand our overall banking operations. In addition, we plan to expand into the Central American market by opening an office in Mexico City and linking it with the Panama branch, and to expand our presence in Indonesia, China, and Canada."

Kim Jung-tai
Chairman & CEO of Hana Financial Group

"In 2015, we will continue efforts to reorganize and expand the global network."

VISION

Hana Financial Group, approaching an era of new standards and uncertainty, felt an increasing need to make a proper response to new and emerging market challenges; and with the addition of Korea Exchange Bank diversifying the composition of the Group, the need was elevated into an obligation to define new management direction and to set business objectives which all employees can accept.

Accordingly, in 2014, the Group gathered employee views and aspirations for its and their future, and based on general consensus, adopted and promulgated 'The Trusted Premier Global Financial Group' as a new 10-year vision. The core strategy of the vision has been defined and dubbed 'BEST 2025' as follows:

- Best Bank (becoming Korea's No. 1 bank);
- Expanding to Global (growing global revenue to 40% of total revenue);
- Stable Portfolio (raising non-banking income to 30% of total); and
- Trust Group (improving the brand loyalty of Hana Financial Group)

Jan. 2014
New vision 'The Trusted Premier Global Financial Group' promulgated

Mar. 2014
PT Bank KEB Hana launched, the integrated Indonesian subsidiary of Hana Bank and Korea Exchange Bank

Dec. 2014
KEB Hana Card launched fully integrated
Hana Bank (China) Ltd., the integrated Chinese subsidiary, launched

Mid/long-term tasks taken toward realization of the vision

Hana Financial Group conducted diverse mid/long-term tasks in 2014 to implement 'BEST 2025'.

In 2014, to grow into Korea's 'Best Bank', we devised and executed diverse strategies. First, we made noteworthy achievements in our efforts to expand globally. By integrating the subsidiaries of Hana Bank and Korea Exchange Bank in Indonesia and China and establishing a micro finance company in Myanmar, we solidified the foundation for raising the global business to 40% of total in revenue (Expanding to Global).

To expand the non-banking sector to 30% of total revenue (Stable Portfolio), we launched KEB Hana Card through the integration of Hana SK Card and KEB Card, armed with an over 8% market share. To enhance brand loyalty (Trusted Group), we proactively carried out community services promoting financial consumer rights and supporting the economic activity of low income people.

The Trusted Premier Global Financial Group

Strategic Target: **BEST 2025**

Best Bank[1]

- Retail: Long-tail Customer Value
  - Households: Mass/ Mass Affluent
  - Corporate: SME/SOHO
- Optimal Omni-channel Network
  - Future Finance Activation

Expanding to Global[2]

- Leading Globalization
  - China/Indonesia as Pilot Countries
- Global Payment System
  - Opportunities in Transaction Banking Increase Utilizing Global Network

Stable Portfolio[3]

- Promote Convergence Business
- Leader in Mobile Banking
- Insurance : Scale Enlargement
- Competitive Consumer Finance

Trusted Group

- Include Trust, a Core Tool of Differentiation, in the Strategic Objectives
- Enhance Hana Financial Group's Brand Image
- Strengthen Financial Consumer Protection

Agility

Business Model Innovation

Customer Centricity

Digitalization

1. 1st in Net Income
2. Global Income to Domestic Income = 40% : 60%
3. Non-banking Income to Banking Income = 30% : 70%.

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. The Group provides management strategy and funding supports to its 11 subsidiaries.

Total Assets_Consolidated (KRW in billion)

390,487

Net Income_Consolidated (KRW in billion)

937.7

Equity_Consolidated (KRW in billion)

21,894

(KRW in billion)

	HFG Ownership	Total Assets	Net Income	Equity
Hana Financial Group Inc. (Consolidated)	-	390,487	937.7	21,894
Hana Bank	100%	185,555	842.8	12,024
Korea Exchange Bank	100%	136,023	390.8	8,814
Hana Daetoo Securities	100%	22,454	82.0	1,640
KEB Hana Card	74.58%	7,221	(11.1)	1,327
Hana Capital	50.1%	3,871	50.4	312
Hana Life	100%	3,377	2.9	252
Hana Savings Bank	100%	1,067	11.2	159
Hana Asset Trust	100%	18,520	10.1	95
Hana Bancorp. Inc. (Consolidated)	71.37%	298	(14.5)	31
Hana I&S	89.98%	132	2.3	106
Hana Institute of Finance	100%	4	0.1	3

* The figures represent the rate of share ownership by Hana Financial Group Inc., as of Dec. 2014
* Based on separate financial statements
* Hana Financial Group's consolidated data include trust assets.

Hana Bank

Established in 1991, Hana Bank is the best bank in Korea according to *Euromoney, Finance Asia*, and other leading industry journals. Playing the role as Hana Financial Group's main distribution channel, the Bank offers comprehensive financial services.

Korea Exchange Bank

Launched in 1967, Korea Exchange Bank joined Hana Financial Group in 2012 as a major subsidiary of the Group. Korea Exchange Bank boasts top quality services in FX, corporate banking, and overseas business. Korea Exchange Bank is fast expanding its market share in Private Banking (PB) and Wealth Management (WM) by leveraging Hana Financial Group's business network.

Hana Daetoo Securities

Hana Daetoo Securities plays a central role in Hana Financial Group's asset management operation. The first to introduce funds to Korea, the company has maintained the No.1 position in brand power in the security trust sector and aims to grow into the best IB institution in Asia.

KEB Hana Card

KEB Hana Card emerged in Dec. 2014 out of the integration of KEB Card, which pioneered the credit business in Korea, and Hana SK Card, a joint venture between Hana Bank and SK Telecom. The newly integrated KEB Hana Card aims to grow into a top tier card business by 2025.

Hana Capital

Hana Capital joined Hana Financial Group in 2005 as a consumer finance company specializing in lease, financing, loan, and other consumer-focused services. The company is fast developing innovative products to meet rapidly evolving customer needs.

Hana Life

Having introduced the first bancassurance products in Korea in February 2003, Hana Life is strengthening its asset management competencies, expanding the product lineup, and upgrading the manpower, setting its sight on the title of Korea's top-tier insurance company.

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

Founded in 2006, as Korea's first to specialize in real estate asset management, Hana Asset Management joined Hana Financial Group in 2010 with the goal of becoming Korea's top alternative investment management company.

Hana Bancorp. Inc.

Hana Bancorp, Inc. joined Hana Financial Group in 2013. The latest subsidiary of Hana Financial Group was the first bank set up by Korean-Americans in the eastern U.S. under the name of BNB. The US subsidiary is to be the stepping stone leading Hana Financial Group into the North American market.

Hana I&S

Established in 1990, Hana I&S is the IT arm of Hana Financial Group, specializing in information and data management systems related to securities, investment, trust, credit card, brokerage, global finance, and other services operations.

Hana Institute of Finance

Established in 1987, Hana Institute of Finance is Hana Financial Group's think-tank, supporting Hana Financial Group in formulating management strategies. The R&D center aims to lead change and innovation in the nation's financial services industry through establishment of knowledge-based management systems.

WWW
Hana Network
http://www.hanafn.com/eng/network/hanaNetwork/networkIndex.do

RISK MANAGEMENT

Risk management being the essence of financial business, Hana Financial Group spares no effort to preemptively deal with business issues of any shape or form. Through operation of the Risk Management Committee, the Group establishes and puts into practice risk management policy guidelines and oversees all risk management activities of its subsidiaries.

Risk Governance & Organization

Hana Financial Group's risk management-related operations and functions are executed through the Corporate Center to keep track of all risks facing the Group and its subsidiaries and make preemptive responses whenever necessary.

Risk Management Committee

The Risk Management Committee, Hana Financial Group's top risk management decision-making body, devises, approves, and monitors basic plans and policies related to diverse risks inherent in business operations. Through the Risk Management Executive Committee, the committee maintains an organic governance system through which it discusses risk issues and ways to control them in close consultation with the Group's key subsidiaries, Hana Bank and Korea Exchange Bank, and other subsidiaries.

Credit Capital management

Credit risk is defined as expected and unexpected losses that could result from a counterparty's default or credit rating deterioration. Credit risk is intrinsic to traditional financial products such as loans and credit card debt as well as complex products like derivatives.

Hana Financial Group operates credit ratings evaluation and early warning systems as well as a team of credit risk specialists, all to preemptively respond to business fluctuations at the earliest sign.

Market Capital management

Hana Financial Group stands ready to preemptively manage market risk by regularly measuring risks and setting and monitoring exposures by product, VaR, loss limits, and other various market risk limits. To maintain the stability of its interest-earning assets and interest-bearing liabilities, Hana Financial Group calculates the gap ratio and the interest rate VaR on a monthly basis and maintains interest rate risk within a pre-defined range. Hana Bank and Korea Exchange Bank each measures and manages interest rate risk by using advanced risk calculation methods including the Maturity GAP Analysis, the NI Simulation, and net interest EaR.

Liquidity Capital management

Hana Financial Group operates a liquidity risk early warning system and analyzes relevant statistical data and runs liquidity simulations under various stress scenarios not only to manage its exposure to liquidity risk but also to identify at the earliest possible time a liquidity crisis related to imbalance in the world financial markets as well as to comply with the financial authorities' revised guidelines. To adopt itself in a seamless manner to Basel III, the Group has set up a detailed execution plan for complying with the new standards phase by phase as required as well as for spot checking the execution progress.

Operational Capital management

Hana Financial Group manages and controls within a pre-determined range its operational risk level fluctuating to change in the business environment or in the level of internal controls by regularly measuring and monitoring the risk level and setting appropriate exposure limits. Each subsidiary calculates its operational risk level according to the methodology pursuant to the guidelines set by its respective authorities and reports the results to the Risk Management Committee and the Risk Management Execution Committee on a monthly and quarterly basis. Partner companies in sectors with no supervising authorities are required to monitor their operational risk level and report the results including any IT accidents to Hana Financial Group on a regular basis.

In 2015, Hana Financial Group will continue to pursue the industry's highest asset quality.

To prepare itself against the possibility of the current economic recession and surrounding uncertainties morphing into a long-term crisis, the Group will strengthen its systemic and structural capacity to withstand such a development while keeping close tabs on its areas of vulnerability.

Meanwhile, by establishing a group risk management system based on Basel III standards, the Group will respond to regulatory changes in a preemptive manner.

2015 Major Tasks

- Preemptive risk management: Improve and keep up to date the early warning system and strengthen risk management with regard to industries and corporate clients exposed to growing risks.
- Stable portfolios: improve portfolio proportions by customer, rebalance the credit portfolio with quality assets, and prevent the concentration of large loans in any particular groups.
- Advanced risk management: establish and get government approval on a Basel III standards-based group risk management system, and implement a system managing internal capital limits reflective of crisis situations.
- Risk management support for overseas subsidiaries: provide risk management support for inroads in new-growth overseas markets and develop credit evaluation systems to the customer characteristics of each market.

CORPORATE GOVERNANCE

Hana Financial Group strives to realize its mission, 'growing together and sharing happiness' by establishing a healthy corporate governance structure and creating new values for customers, shareholders, and employees, based on a board of directors independent from and free of conflict of interest with the Group's business operations. Aspiring to grow into a trusted and premiered global financial group, Hana Financial Group contributes to the development of the financial industry by formulating sound management and growth strategies for its subsidiaries.

Composition and Operation of the Board of Directors

Composition

The Board of Directors (BoD) is composed of nine directors, of whom eight are outside directors comprising one legal scholar, three financial experts, one CPA, one professional manager, one economics specialist and one journalist. By having outside directors make up the majority of its membership, the Board pursues objectivity and transparency in its decision making process.

Independence

Hana Financial Group operates an Outside Director Nomination Committee for selection of candidates for non-standing directorship, and to select better qualified non-standing director candidates, maintains a candidate pool by pre-screening at least twice a year people of integrity with required backgrounds. The Group also receives recommendations from its shareholders and third-party entities on possible candidates. In screening candidates in terms of independence, expertise, fairness in conduct, ethics, responsibility, and job dedication, the Group abides by the regulations stipulated in its corporate charter and other industry guidelines set by financial authorities. The qualifications of candidates thus pre-screened are further reviewed and vetted by the Outside Director Nomination Committee which then presents its nominees of candidates to shareholders at the general shareholders meeting for final approval. Through the process of selecting outside directors that have no conflict of interest with Hana Financial Group, the Board maintains independence in the execution of its responsibilities.

Operation

Hana Financial Group Inc. holds Board meetings on a regular base, with special sessions convened if warranted. In 2014, the Board was convened nine times to receive quarterly performance reports, to approve the settlement of financial statements, to deliberate on forming Hana Capital's Indonesian subsidiary, integrating Hana Bank and Korea Exchange Bank operations, and integrating Hana SK Card and KEB Card, and other major management issues. The attendance of the Board directors averaged 99%.

Performance Evaluation

At the beginning of each year, the non-standing directors of Hana Financial Group conduct BoD evaluations with respect to the previous year composition and efficiency and functions of the BoD; and the BoD reflects resultant recommendations in its operation. In addition, the Group has its overall corporate governance structure evaluated by Korea Corporate Governance Service on a regular basis. The Group also has established a top management succession plan, an advanced performance evaluation structure, and an efficient communication channel with its shareholders, for which the Group has been high acclaimed by many industry watchers.

Operation of BoD Committees

In pursuit of higher-level management transparency and more stable corporate governance, Hana Financial Group operates within its Board of Directors the Steering committee, Audit Committee, Outside Director Nomination Committee, Risk Management Committee and Management Development and Compensation Committee. Through these committees, Hana Financial Group seeks improvement in its corporate governance, evaluates its executive officers' performances, keeps track of various risk management issues affecting its business operations, and publishes the contents of major management activities at the financial authorities' sites as well as on its website.

Hana Financial Group has quickly adopted the "Criteria for Model Financial Company Governance Structures" introduced by financial authorities last December, and expanded the role of the CEO Candidates Nomination Committee and created the Group Director Candidates Nomination Committee. The former is responsible for devising a management succession plan every year and nominating candidates for the Group's CEO upon resignation, retirement, or death of the CEO. The BoD is kept informed by the committee of the status of CEO candidates in the pool and verifies the effectiveness of the management succession plan in force.

EVALUATION RATINGS OF CORPORATE GOVERNANCE

	2011	2012	2013	**2014**
Rating	A+	A+	A+	**A+**

※ESG evaluation ratings by Korea Corporate Governance Service

COMMITTEES IN OPERATION

Committees	Composition	Goals and Responsibilities
Steering Committee	1 standing, 4 outside directors	Deliberates on issues related to rational corporate governance and efficient operation of BoD and its committees; Deliberates and makes decision on issues delegated by BoD
Management Development and Compensation Committee	3 outside directors	Formulates ways of improving business performance; Makes decision with respect to evaluation and rewarding of Hana Financial Group and subsidiary executive officers
Risk Management Committee	5 outside directors	Sets up, approves, and oversees policies and basic management plans regarding various types of risks inherent in Hana Financial Group's business operations
Audit Committee	5 outside directors	Sets up and executes plans for accounting and business audit and related internal controls plans;
Outside Director Nomination Committee	1 standing, 4 outside directors	Searches for, evaluates and recommends outside directorial candidates qualified for the execution of Hana Financial Group's strategic objectives
Audit Director Nomination Committee	8 outside directors	Nominates candidates for the Audit Committee to the general shareholders meeting

BOARD OF DIRECTORS

Kim In-bae
Professor of Economics in Ewha Womans University

- Senior Researcher, The Korea Institute for International Economic Policy
- Associate professor of Economics & International Commerce, Soong-Sil University

Hong Eun-Ju
Professor of Economics & Finance in Hanyang Cyber University

- CEO, iMBC
- Head of Financial Editor, MBC

Kim Jung-tai
Chairman & CEO, Hana Financial Group

- President & CEO, Hana Bank
- President & CEO, Hana Daetoo Securities Co., Ltd.

Yang Won-keun
Visiting Fellow, The Korea Institute of Finance

- Deputy President of KB Financial Group
- Standing Audit Committee Member, Woori Bank

Lee Jin-kook
Former Vice President of Shinhan Investment Corp.

- Vice President of Goodmorning Shinhan Securities Co.

WWW
Board of Directors
http://www.hanafn.com/eng/info/governance/directCommittee.do

Yoon Sung-bock
Former CEO,
KPMG Samjong Accounting Corp.

- Head of Audit, KPMG Samjong Accounting Corp.

Yoon Jong-nam
(Chairman of BoD)

Representative Attorney,
Law Office Chung-Pyung

- Director, Seoul Southern District Prosecutor's Office
- Director, Suwon District Prosecutor's Office

Park Moon-kyu
Chairman & CEO, AJ Co., Ltd.

- President & CEO, AJ Co., Ltd.
- President & CEO, PMK Inc.

Song Ki-jin
Non-executive Advisor,
DR & AJU Law Firm

- CEO, Kwangju Bank
- Deputy President, Woori Bank

GLOBAL NETWORK

A global network linking 136 points of financial business in 24 nations (as of April 2015)

15 local subsidiaries (with a total 91 branches), 23 branches and branch offices, and 7 field offices

Asia & Pacific: 100
Europe & the Middle East: 10
America: 26

2014 Results of the Global Strategy

Hana Financial Group pursues a continuous expansion of its global network and formation of strategic partnerships with overseas financial institutions.

As the first step of its global strategy, in March 2014, Hana Financial Group launched PT Bank KEB Hana in Indonesia by integrating the two local subsidiaries of Hana Bank and Korea Exchange Bank. The launch of the subsidiary also marked the first case of integration since Korea Exchange Bank joined Hana Financial Group. Another integration took place, this time involving the Chinese subsidiaries of the two banks, and Hana Bank (China) Ltd., emerged In December 2014.

With these integrations, Hana Financial Group has an overseas network linking 136 places of financial business in 24 countries, the most extensive in Korea, and has taken a big step toward its goal of expanding the proportion of global incomes to 40% by 2025.

Mar. 10, 2014: Indonesian subsidiaries consolidated

Dec. 15, 2014: Chinese subsidiaries consolidated

Overseas places of business expanded

- Feb. 6, 2014: Indonesian Kemang-Lippomal branch opened
- Mar. 10, 2014: Korea Exchange Bank Sidney branch opened
- Mar. 26, 2014: Hana Bank Xian branch opened
- July 7, 2014: Korea Exchange Bank Russian subsidiary established
- Aug. 7, 2014: Hana Micro Finance subsidiary established
- Aug. 18, 2014: Korea Exchange Bank of Canada (KEBOC) Richmond branch opened
- Dec. 26, 2014: Indonesian subsidiary's Purwakarta branch office opened

Review of Operations

- Retail Banking
- Corporate Banking
- Global Operations
- IB & Asset Management
- Credit Card
- Trust & Pension

Retail Banking

Last year, Hana Financial Group, in pursuit of its new vision 'The Trusted Premier Global Financial Group', took measured steps in line with the vision in the area of retail banking and recorded meaningful results; KRW loans increased substantially, following the easing of real estate regulations, and core incomes improved visibly.

KRW HOUSEHOLD LOANS
(KRW in billion)

79,012

KRW DEPOSITS
(KRW in billion)

170,154

MOBILE BANKING USERS
(users)

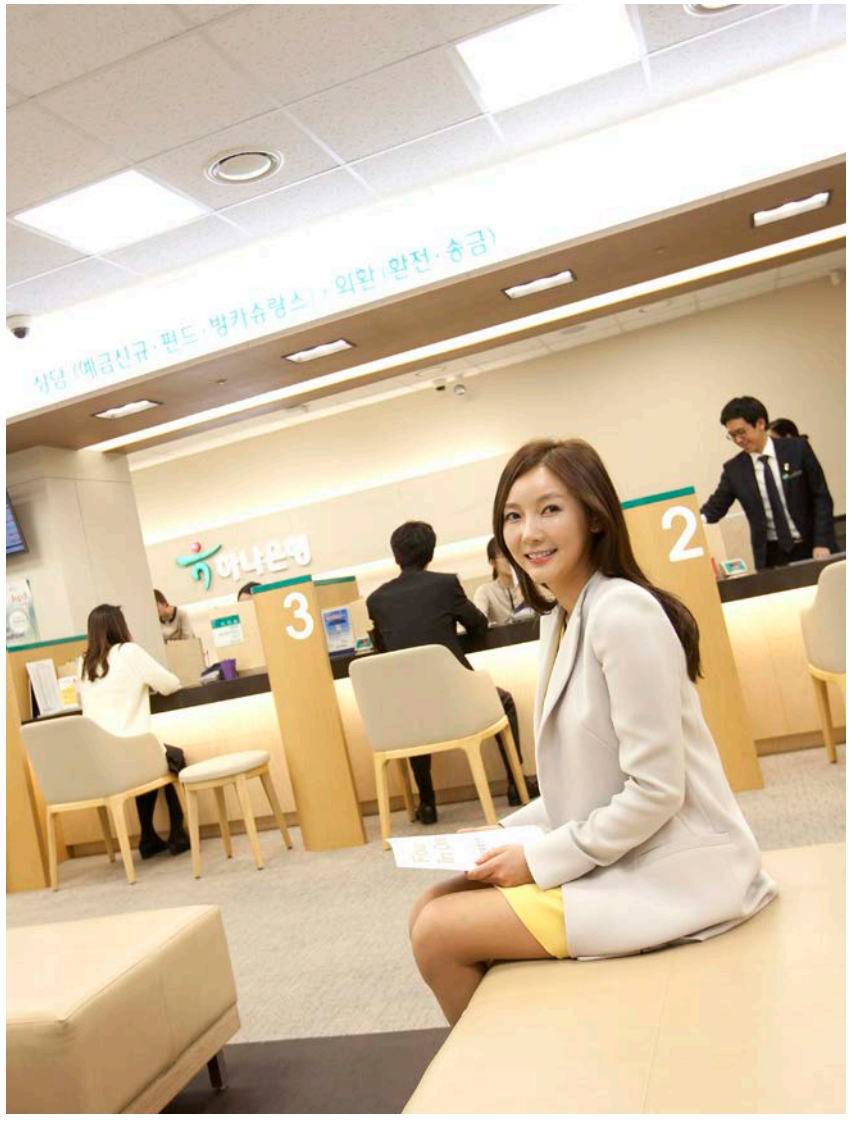
4,668,823

PRIVATE BANKING
No. of Customers (customers)

139,853

PRIVATE BANKING
Total Sales (KRW in billion)

52,705



Household loans grew with Hana Bank playing the leading role

In 2014, the real estate market showed signs of a long-anticipated recovery, as housing prices stopped falling and sales started rising in response to a series of market-friendly measures unleashed by the government. Accordingly, Hana Bank's mortgage loans increased 9.1% over the course of the year to KRW 35.9 trillion, while total household loans rose 5.5% to KRW 57.7 trillion. In 2015, the market is expected to continue to grow, albeit at a less-than-hoped-for rate: Though LTV, DTI and other important market controlling measures are expected to be further loosened up, an illusive recovery of the economy is more than likely to keep household consumption at a level that will have no significant impact on the growth of the real estate market.

The Bank will continue its effort to grow mortgage loans, but in view of the sluggish recovery of the real estate market and the introduction of a Housing Loan Conversion Program in March 2015, which will shift existing loans to the balance sheet of state-run mortgage companies, no substantial growth is expected in loan assets.

Meanwhile, Korea Exchange Bank grew its mortgage loans, particularly in the second half, which offset a dip in the first half, by pushing a program that lends to home owners who need to close their housing deals, thereby ending the year with a slight increase from 2013. The delinquency ratio, however, was a little lower than that of the previous year.

In 2015, Korea Exchange Bank will continue to closely monitor the real estate and household loan markets for any sign of an undue development and to take all steps necessary to keep the delinquency ratio from deteriorating. To fulfill its corporate responsibility, the Bank will also continue to offer financial services designed to help low-income people.

Meanwhile, the growth of household loans on the group level is expected to be somewhat similar to that of the market, with Korea Exchange Bank likely to surpass Hana Bank in growth rate.

KRW Household Loans

(KRW in trillion)

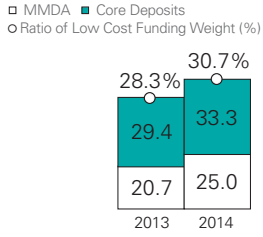
Hana Bank and Korea Exchange Bank both grew core deposits

In 2014, Hana Bank recorded a KRW 6 trillion, or 18.7%, increase in low-cost deposits. Of the figure, core deposits accounted for KRW 2.7 trillion, which represents a 15.8% rise from the year before, a result of the Bank's concerted efforts to attract low interest-bearing deposits.

Korea Exchange Bank also focused its resources and energies on attracting low-cost deposits. As a result, its low interest-bearing deposits, consisting of core deposits and MMDA, grew KRW 2.3 trillion (12.7%), of which core deposits accounted for KRW 1.3 trillion, representing a 10.6% increase from 2013. In 2015, Korea Exchange Bank will continue to attract low-cost deposits in an effort to improve NIMs and enhance profitability.

Low Cost Funding

(KRW in trillion)



Foreign Currency Deposits
(KRW in trillion)

As a sweeping "Current Account Switch Service" system, scheduled to take effect in 2015, is expected to present a whole new type of challenge, Hana Bank and Korea Exchange Bank will spare no effort to maintain customer loyalty and to expand the deposit base by taking full advantage of group synergies.

Bancassurance bouncing back

Since the Feb. 2013 revision of tax benefits related to tax-exempt, savings-type insurance products, the performance of bancassurance dwindled throughout the industry; the 2014 total bancassurance sales of the banking industry dropped 27%from the previous year. Hana Financial Group also suffered a similar fate, recording a 29.7% decrease. Meanwhile, following the revision of the tax benefits, the 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. Accordingly, Hana Bank developed and conducted employee education and training programs highlighting the intricacies of retirement, old-age pension, guarantee-type, and other installment-based insurance policies that would better appeal to middle-class customers, as a result, reaping large increases in the sales of old-age and guarantee-type insurance products that carry small premiums. In the areas of guarantee-type and savings-type installment-based insurance, the number of policies sold increased dramatically in proportion.

In 2015, bancassurance sales are expected to turn gradually upward. Along with the base effect, product competitiveness and a relatively strong customer base are expected to boost the growth of bancassurance sales. Meanwhile, as for product strategy, both banks will focus on installment-type insurance, particularly pension and savings-type insurance, as middle-class customers will continue to remain at the center of the bancassurance market in response to a growing interest among baby boomers in their post-retirement lives. In addition to increasing the number of certified bancassurance sales personnel and expanding sales training programs, both banks will focus marketing resources on pension, old-age, guarantee-type and other installment-based insurance and securing a long-term fee income base.

Mid-risk/return funds, new darlings

In 2014, financial market volatility began to expand. The recovery of the US economy accelerated the rise of the dollar, especially, against the Japanese yen of Abenomics. While the stock markets of advanced nations showed signs of a sustainable recovery, those of emerging markets remained weak in general. However, the Chinese stock market, which had long been sluggish, started to turn sharply on the back of the gradual opening of capital markets. Even with a US rate hike looming large, the bond rates of advanced economies continued to fall amid fears of deflation. Korea cut its base rate to a historic low.

In the 2014 domestic fund market, overseas equity-type funds experienced a net cash outflow, while dividend equity funds, public-offered fixed income-type funds, and private equity funds enjoyed a net cash inflow;

YouTube
Hana Bank
https://www.youtube.com/user/Hana-bankNewBiz

WWW
Hana Bank Homepage
http://www.hanabank.com/contents/eng/index.jsp?cid=THUB_Util&oid=UTLGo_h

PB Awards Hana Bank Received in 2014

'Outstanding WM Service for the Affluent 2014' by PBI
'Best Private Bank in Korea 2014' by The Asset
'Overall Best Private Bank in Korea 2014' by Asiamoney (3rd year in a row)
'Best Private Bank in Korea 2014' by Asian Private Banker (2nd year in a row)

while the equity type recorded a net outflow, for third year in a row, the cash inflows of the fixed income type and MMFs grew substantially, reflecting the relative merit of the funds following market rate cuts. Needs for mid-risk/return products rose amid an historic-low interest rate environment; and hybrid-type funds and structured products, which offer returns based on the prices of underlying assets within a predetermined framework, became popular.

Hana Bank expanded its customer base and stabilized the fee income base through the use of long-term installment-type funds in general and 'Income Tax Deduction Long-term Fund' in particular, an installment-type fund introduced in March 2014. Korea Exchange Bank took advantage of an appreciating US dollar and substantially increased the balance of foreign currency-based offshore funds.

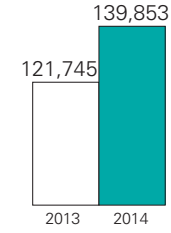
In 2015, advanced nations are expected to continue to lead the growth of the world economy amid a prolonging low-growth environment; most economies seem too weak to generate a sustainable recovery except for the U.S., while volatility could further expand in response to a US rate hike, growing deflation concerns, and continuing geopolitical fears; which requires risk management through maintaining of a balanced portfolio when it comes to investing in funds. Accordingly, Hana Financial Group will develop income funds that offer higher return rates than savings rates, such as public placement ELFs, and other mid-risk/return products. As retirement planning is gaining popularity in a fast-ageing society, the Group as a whole will focus on growing and managing the retirement assets of customers through pension savings accounts (fund), which are relatively easy in asset allocation and rebalancing to market situations.

High-net worth (HNW) customers increased and "Best PB House" stature regained

In 2014, despite the rollout of the Foreign Account Tax Compliance Act, the lowering of the amount exempted from 'Aggregated Taxation on Financing Income', and other regulatory changes, Hana Bank increased the number of HNW customers by 9% and related incomes by 11%.

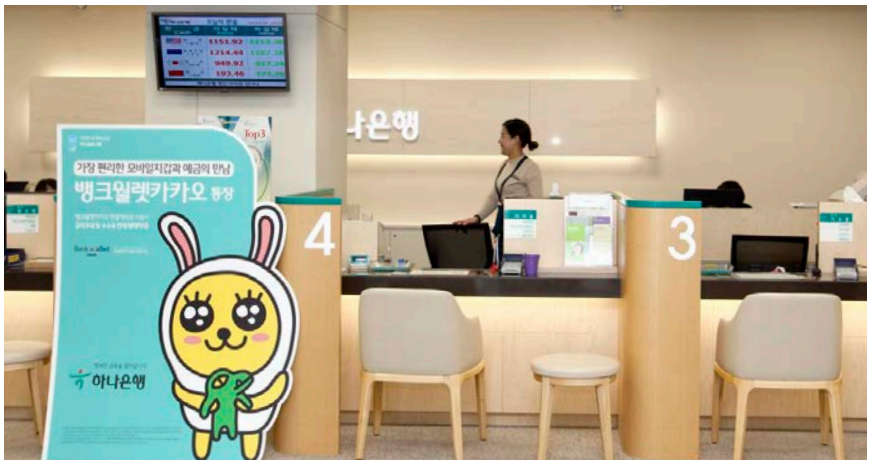
These increases can be ascribed to the completion of a system that allows PB sales personnel to effortlessly interact and share business knowhow with one another. The use of tablet PCs, as well as the launching of 'N PB', a smartphone app developed for customers, also contributed to the increases . The Bank proactively responded to the fast-paced evolution of the financial market and enhanced customer satisfaction. In the recognition of these, 'The Banker' and 'PMW' which jointly honored the Bank with 'Global Best Private Bank for Digital Communication 2014' and of other respected industry watchers who praised the Bank as the best PB bank in Korea.

PB Customers
(household)



Balancing customer asset portfolios

In 2015, Hana Bank will continue to fine-tune the risk/return profile of PB customers through use of the 'Hana portfolio Early Analysis and Diagnosis (HEAD)' system. PB customers will be promptly informed in the event of an undue risk development and advised of the best possible action to take to minimize the impact of the potential threat on their assets.



Moreover, the Bank plans to expand the PIB business, a combination of PB and IB, to enhance customer convenience. Also planned is development of IB deals ideal for UHNW (Ultra-High Net Worth) customers in particular, and of one-stop solutions, in cooperation with other Hana Financial Group affiliates, suitable for PB customers, in general.

Strengthening the PB business

As for Korea Exchange Bank's PB business performance in 2014, the year was marked by a steep rise in the number of customers seeking advice on PB in response to the growing popularity of tax and investment products. As of Dec. 2014, Korea Exchange Bank had nine PB centers and 85 PB branches. In January 2014, the Bank increased the number of PB-exclusive branches to 32. Total PB sales rose from KRW 8.3 trillion in 2013 to KRW 8.8 trillion in 2014, a 6.0% increase; the number of HNW customers increased from 15,000 in 2013 to 16,000 in 2014, up 6.6%.

Korea Exchange Bank aims to become the best in an increasingly competitive domestic market by continually expanding the scope and improving the quality of its PB products; by developing products and services to the investment needs of PB customers; and by holding asset seminars and holding cultural events corresponding to the investment preferences and lifestyles of HNW customers. In addition, by blending its strengths in FX and in overseas operations, the Bank will upgrade the quality of asset management services targeting Koreans living abroad.

Moreover, to further strengthen group synergies in the PB operation, Korea Exchange Bank will continue to expand the frequency and scope of its interaction with Hana Bank in search of ways of sharing each other's PB strengths, to create products and services synergetic to those of Hana Bank and other affiliates, and to conduct IB sales training.

Kim Byoung-ho
President & CEO of Hana Bank

Corporate Banking

In SME banking, Hana Financial Group created units dedicated to corporate sales and made other efforts to steer its channels toward corporate banking, while directing group-wide attention to the growing role of technology finance. As a result, Hana Financial Group ranked No.1 in growth rate of SME loans among the four major banking institutions.

KRW SOHO LOANS
(KRW in billion)

22,595

KRW SME LOANS
(KRW in billion)

56,485

KRW LARGE CORPORATE LOANS
(KRW in billion)

25,753

NO. OF SME LOAN CLIENTS

50,083

YouTube
Korea Exchange Bank
https://www.youtube.com/user/smart-bankkeb

WWW
Korea Exchange Bank Homepage
http://www.keb.co.kr/IBS/multi_lang/ncompany/eng/index.jsp

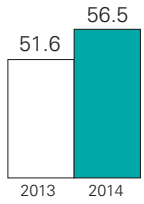
Growing SME loans as a leader in technology finance

In 2014, SME banking was marked by the continued growth of technology finance, which centers on financial support for SMEs with a cutting technical edge; as the Financial Services Commission implemented a new system of evaluating the "innovativeness" of commercial banks based on their technology finance performances and started to use the results in its allocation of incentives to the banks, technology finance has become a major topic of the industry. In response to such a clear government stance, commercial banks comparatively developed related products and support measures. Many banks also engaged in an interest rate race to increase lending to SMEs. To rise up in such a competitive environment, in September, Hana Bank formed a 'Creative Finance Support Center' dedicated to technology finance, developed relevant products and strengthened support for branch operations, all in an effort to maintain its stature as an industry leader in technology finance.

In 2014 alone, Hana Bank allocated a great deal of resources and energies to technology finance, directing many of its channels toward expanding SME sales. As a result, SME lending increased a laudable 6.6% compared with 2013.

'Loan Design Team', a sales support unit recently created to guide households and SOHO through the intricacies of advanced loan products, contributed to the growth of new loans amounting to KRW 300 billion; 'Global Consulting Center' played a major role in the development of new clients and markets overseas through the provision of business support to Foreign Direct Investment (FDI) companies.

KRW SME Loans
(KRW in trillion)



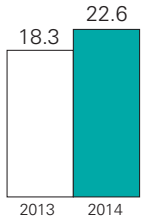
Attracting long-term customers through hybrid products

In 2015, to vitalize technology finance and to enhance its stature as an industry leader in an SME sector crucial to the promotion of Creative Economy, the Bank will continue to develop innovative products and diverse support measures.

As interest rate competition intensifies among commercial banks at the expense of the profitability of lending operations, multiple products comprising deposit-taking, FX, account settlement and other banking services play an increasing role in attracting long-term customers; as such, the Bank will develop more diverse multiple products.

KRW SOHO Loans

(KRW in trillion)



Also planned is a continued support of SMEs through issuance of credit guarantees in link with the Korea Credit Guarantee Fund and other institutions with similar functions; as well as conduct of "dummy marketing" in link with corporations and related associations as a way to create business opportunity and attract new customers.

Besides these, the Bank will continue to cut expenses through active use of real estate collateral trust services and to strive to construct a profit-focused sales structure by expanding FX and IB fee incomes.

Growing SOHO loans and planning double-digit growth

In the SOHO area, Hana Bank sought to expand the customer and profit bases through the expansion of the lending operation and the strengthening of support for SOHO owners. Also, through the expansion of cross-sales centered on settlement-type accounts, the Bank strove to improve profitability.

As a result of the introduction of business type-specific products and the conduct of customer segment-specific marketing, SOHO loans increased by KRW 2.4 trillion, sustaining the growth trend of the last two years.

The customer and business bases were also expanded: financing support programs were marketed in partnership with large corporations, franchise head offices and related associations; and start-up seminars were held for aspiring SOHO owners.

In 2015, competition among financial institutions going after SOHO is certain to intensify, while calls are expected to become louder for banks to do more for fledgling entrepreneurs as part of their social responsibility. In response to these, the Bank will develop more products and services specific to customer segments and business types and improve the loan portfolios, with an eye toward fortifying the market position and securing a stable profit base. Also, as part of its corporate social responsibility, the Bank also will continue to roll out start-up- and SOHO-specific products, hold customer support events, and promote industry support for individual entrepreneurs. Through these, the Bank will repeat its two-digit growth performance of 2014 in SOHO banking.

Noteworthy growth in SME banking

In 2014, as before, Korea Exchange Bank performed admirably in corporate banking; lending to SMEs rose, the client base expanded, and other performances, as described below, improved.

As of Dec. 2014, KRW corporate loans amounted to KRW 31.2 trillion, which represents a KRW 2.7 trillion or 9.3% increase from a year ago; KRW SME loans stood at KRW 19.8 trillion, a KRW 2.6 trillion or 14.8% increase, the highest rate among its peers. The quality of loan assets has improved along with the quantity, despite rating reductions of some corporate borrowers following the application of a revised credit evaluation model in the 1st half of 2014: the proportion of corporate loans deemed sound increased 2.0% over the year to 66.9%, while that of current SMEs loans rose 2.1% to 51.9%.

As part of its strategy to improve customer relationships and identify sound businesses, many SME customers were paid a visit by Bank executives and some SME owners were invited to talks with the Bank CEO and exchanged opinions on ways of developing better support measures.

SOHO was another area of noteworthy improvement: lending soared 53.8%, or KRW 1.9 trillion, to KRW 5.5 trillion, on the back of products developed to the unique characteristics of SOHOs. Despite the hefty growth of loans, however, the delinquency ratio improved, recording 0.47%, 0.03%p below that of 2013.

The Bank further solidified its stature as Korea's unrivaled leader in import/export trade and FX; by developing various funding and administrative programs reflective of its strengths in FX, the Bank supported the export finance of SMEs; and by providing FX consulting services through the 'SME Global Consulting Center', Korea Exchange Bank contributed to the overseas expansion and globalization of export-driven SMEs.

The SME customer base was also expanded, following the execution of the strategy of improving customer portfolios; the total number of SMEs increased 6.3%, or 13,000, to 212,000; of which those, who are categorized as active based on the frequency of their transactions, rose 8.4%, or 3,800, to 48,200, continuing the growth trend of the last few years. To strengthen the competitiveness of its non-face-to-face channels, a weakness compared with those of its peers, the Bank actively pushed an account settlement service, and as a result, the number of corporate customers using the service jumped to 44,700, 185% or 29,000 more than in 2013.

SME lending plans centering on SOHOs

In 2015, Korea Exchange Bank will give a top priority to expansion of the SME customer base, especially of internally-audited businesses. To attract mid-risk yet promising SMEs, the Bank will concentrate on developing such mid/long-term loan products as state-guaranteed policy and facility loan programs, in an effort to expand SOHO loans and to formulate various support measures. Moreover, by expanding cooperation with other group affiliates,

Korea Exchange Bank will not only maintain its competitive advantage in corporate banking but also take a step further toward securing best-in-class competitiveness. In 2015, Korea Exchange Bank aims to grow its SME and SOHO banking operations by a double digit, which are together expected to lead the growth of loans on the group level.

Focusing on value growth in large corporate banking

At the end of 2014, Hana Bank's and Korea Exchange Bank's KRW large corporate loans amounted to KRW 15.4 trillion and KRW 10.3 trillion, respectively, representing 6.8% and 2.7% decreases from a year ago. The decreases can be ascribed to preemptive reductions it made in credit line to conglomerates and in the number of corporate borrowers on the watch list; the reductions were made in anticipation of an increase of credit risk following the slowdown of the economy. In view of the uncertainty of the market environment, the Bank turned 2014 into a recess so as to evaluate the potential risk and to re-chart the direction, of its large corporate lending operation, and to explore better ways to improve the quality of loan portfolios. Having taken these actions during a much-needed breather in the large corporation lending business, the Bank hopes that it has done its best it could to strengthen the basis for growing corporate loans both in quality and quantity.

In 2015, Korea Exchange Bank, in pursuit of the qualitative growth of loan portfolios, plans to implement a comprehensive marketing strategy aiming at enhancing capital efficiency through conduct of precise customer analysis. By improving the effectiveness of the information network through which its extensive lending units share with one another information on customers—both existing and prospective—and industries, the Bank will strengthen competencies in responding to risk developments. By recalibrating its measurement of the capital efficiency of existing lines of credit, Korea Exchange Bank will conduct a loan policy of inducing selective sales and improve the RoRWA (return on risk-weighted assets) of the large corporate portfolio.

Kim Han-jo
President & CEO of Korea Exchange Bank

Global Operations

Hana Financial Group pursues a continuous expansion of its global network and formation of strategic partnerships with overseas financial institutions. As of February 2015, Hana Financial Group has a global network linking 136 places of financial business in 24 countries, industry's most extensive in Korea

PT BANK KEB HANA INDONESIA, THE INTEGRATED INDONESIAN SUBSIDIARY, LAUNCHED

February 2014

HANA MICRO FINANCE A MYANMAR SUBSIDIARY, LAUNCHED

August 2014

HANA BANK (CHINA) THE INTEGRATED CHINESE SUBSIDIARY, LAUNCHED

December 2014

Korea's largest global network, with 136 points of operation in 24 countries

(As of April 2015)

Subsidiaries of Hana Bank and Korea Exchange Bank consolidated

In 2014, Hana Bank and Korea Exchange Bank consolidated some of their overlapping overseas operations and confirmed the possibility of expanding the global network through the launch of new operations. In February 2014, the two banks integrated their Indonesian subsidiaries and launched PT Bank KEB Hana Indonesia, thereby taking the first step toward a full integration of the two scheduled in the near future. Leveraging the combined synergies of the two subsidiaries, the parent banks, plus other group affiliates, the newly launched has substantially grown assets and improved its income performances.

In August 2014, Hana Bank founded Hana Micro Finance Limited in Myanmar. The microfinance subsidiary marks the Bank's first non-banking foray into the Southeast Asian market and represents the Korean financial industry's first business presence in the resource-rich country. Engaged in the business of microfinance, which centers on the lending of unsecured small-amount loans, the Myanmar subsidiary is an embodiment of Hana Financial Group's commitment to the development of local communities wherever it has a business presence. Staffed with all local talent, the subsidiary is practicing the Group's global strategy focusing on localization.

On December 12, 2014, Hana Financial Group received final approval from Chinese authorities for its second overseas merger, involving the two Beijing-based subsidiaries of the two banks; three days afterward, the two Chinese subsidiaries were officially consolidated. Another green light was received from Vietnam authorities for an arduous effort Hana Financial Group had undertaken to convert its Ho Chi Minh representative office into a full-blown branch; and the office has since been busy preparing itself to restart as a bona fide branch of Hana Bank. As of Dec. 2014, Hana Bank (China) had 30 branches, the most among Korean banks in the world's most populous nation. Having successfully integrated some of their overlapping operations, starting overseas first, in 2014, Hana Bank and Korea Exchange Bank together projected a stable image of two institutions in the process of becoming one.

Expanding abroad to overcome growth limits at home

As of December 2014, Hana Bank's Ho-chi-min representative office was busy putting finishing touches on a new branch office and getting other works done for an April 2015 opening. As for its newly merged Chinese subsidiary, the Bank plans to support a post merger integration of the subsidiary to ensure the creation of positive synergies and the stable operations of Hana Bank (China).

In addition, in 2014, a subsidiary in Russia was formed, a branch in India and an office in Mexico opened in the early 2015.

Besides rationalizing the existing network and supporting the organic growth of overseas subsidiaries, Hana Financial Group is exploring diverse overseas expansion options, including non-banking opportunities, as a way to deal with the dwindling profitability of a domestic market nearing its growth potential. In addition to the traditional method of opening branches and forming subsidiaries, the Group is looking into minority stake acquisition, joint venture, and other expansion options.

IB & Asset Management

In 2014, Hana Financial Group strived to diversify income sources through the development of promising growth engines and the arrangement of both domestic and cross-border M&A deals encompassing the U.S., Canada, China and other regions.

M&A FINANCING ARRANGED

19%, No.1 in Market Share

(KRW in billion)

1,210

SECURITIES SALES

ETF, ELW included (KRW in billion)

104,954

BROKERAGE COMMISSIONS

Including Stock, Securities, Derivatives; Including Overseas Stocks/Futures/OTC Bonds/Interest Rate Futures

(KRW in billion)

123

BENEFICIARY CERTIFICATES AUM

(KRW in billion)

15,899

YouTube
Hana Daetoo Securities
https://www.youtube.com/channel/UCG-wUKUfdHfIgunIV2vlMa5Q

WWW
Hana Daetoo Securities Homepage
https://www.hanaw.com

Ranking No.1 in M&A finance

In 2014, Hana Daetoo Securities ranked No.1 in M&A finance by arranging a total of KRW 1.2 trillion for seven deals, equivalent to 19% of the market. Some of the more noteworthy deals include a KRW 800 billion refinancing for MBK Partners' acquisition of Coway and a KRW 300 billion financing for Orix Consortium's acquisition of Hyundai Logistics. In addition to domestic M&A 'Big Deals', the Company conducted a number of cross-border M&A deals, including a KRW 100 billion acquisition finance advisory/arrangement involving a Canadian oil claim, a KRW 200 billion acquisition finance advisory/arrangement for share in a U.S. gas power plant, and a KRW 100 billion lead-management of China's Lancy Group's acquisition of Korea's Agabang & Company.

One noteworthy deal involved the acquisition of three power plant businesses of SK E&S through a PEF which Hana Daetoo Securities set up; totaling about KRW 1.2 trillion, this SOC financing deal has helped fortify the market competitiveness and is expected to boost the profit performance, of the Company with a steady flow of income for the next 14 years.

Besides the deals mentioned above, Hana Daetoo Securities, as of this report writing, has in the work several advisory/arrangement deals involving alternative investment restructuring in the areas of natural resources development, port construction, highway service station development, and aircraft-finance. In 2015, the Company will continue to expand its dominance in the domestic M&A market by leveraging, the 'Senior Loan Fund' it set up in 2014.

Maximizing IB competency

Faced with aggressive new challengers and other economy-related difficulties, Korea Exchange Bank fared well in M&A financing in particular and in the structured, infrastructure, and international financing operations in general; the Bank also recorded laudable results and achieved meaningful feats by expanding into overseas resources development, ship finance and overseas real estate finance.

The 2014 IB achievements of Korea Exchange Bank include the financing of the ADT Caps acquisition, which was named by Asiamoney and IFR Asia 'Deal of the Year', and the arrangement of a KRW 84 billion syndicated loan for the acquisition of a leading landmark office building in London, UK. Also included are a joint arrangement with Korea Exim Bank and Korea Trade Insurance Corporation of a large-scale resources development project and another joint arrangement with Hana Daetoo Securities of KRW 100 billion for a fuel cell generation business.

Pursuing growth through development of promising sectors

To secure the foundation for mid/long-term growth, Korea Exchange Bank seeks to implement a number of such strategies aimed at strengthening its core competencies and developing areas with great growth potential, as follows:

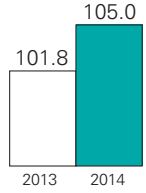
First, identify more opportunities to arrange financing and improve related fee incomes through marketing based on synergies between IB and sales operations. As M&A markets at home and abroad are expected to pick up steam, cross-selling will be pursued with vigor through coordination of various sales channels.

Second, offshore deals will be expanded through use of Korea Exchange Bank Asia Finance (KAF), an overseas IB subsidiary of the Bank, as a way to develop overseas IB markets, which are relatively high in growth potential.

Third, power generation, new & renewable energy and other promising growth industries will be explored in cooperation with export finance institutions at home and abroad.

Fourth, multiplex financial products will be developed and fine-tuned to the IB needs of customers. New business models will be developed that pack securities, equity

Securities Sales, including ETF, ELW
(KRW in trillion)



management, mezzanine as well as lending functions and reflect Hana Financial Group's extensive financial operations and ability to accommodate a wide range of the financial needs of customers.

Fifth, mid-sized corporates with a sound business structure and a stable cash flow will be identified and nurtured with a financial restructuring service as a way to develop new income sources.

Strengthening overseas products and improving infrastructure

Hana Daetoo Securities will focus on strengthening the competitiveness of domestic and overseas investment products and portfolio products, with an eye toward solidifying the stature as an asset management power house. Also, by expanding the operation of multiplex channels, the Hana Daetoo Securities will contribute to strengthen the competitiveness of Hana Financial Group's sales channels. By strengthening employee job competencies through IB training, the Hana Daetoo Securities will offer more distinctive financing arrangement services; and through construction of 'Big Data' systems and next-generation IT systems, infrastructure improvements will be sought.

The Hana Daetoo Securities has taken a number of proactive steps in response to the tedious stock market movements, including the steady decrease of trade volume, of the past few years, and other changes in the financial environment. As mobile trading customers soar and outdoor sales (ODS) are to be authorized this year, more refined online and off-line channels are in the works and employee training process and programs are being developed with respect to strengthening mobile branch and ODS operations. As for the Private Investment Banking (PIB) sales offices, created in 2014 as a way to enhance productivity and thereby enhance a healthy growth basis, the Company will expand the supply of PIB product in 2015. For better customer satisfaction, consulting services will be upgraded through portfolio rebalancing and customer profit-oriented asset management. By linking the performance of customer investment portfolios more closely to the evaluation of employee performances and taking up other measures, the Hana Daetoo Securities will seek to enhance customer satisfaction.

Chang Seung-chul
President & CEO of Hana Daetoo Securities

Credit Card

To strengthen the market competitiveness of its credit card operation, KEB Hana Card newly emerged on December 1, 2014, through the integration of Hana SK Card and KEB Card, a mid-size card company with a credit card membership of 4.7 million, assets of KRW 6 trillion, annual sales of KRW 55.2 trillion, and a market share of over 8%.

TOTAL CREDIT CARD MEMBERSHIP

(thousand)

4,697

MERCHANTS

(customers in thousands)

2,300

TOTAL SALES

(KRW in trillion)

55.2

'SyncCard' MEMBERSHIP, INTRODUCED IN 2014

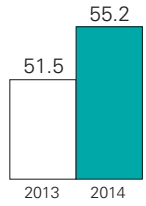
As of March 2015 (members)

300,000

YouTube
KEB Hana Card
https://www.youtube.com/channel/UCsn-lgvmpylLeDhxPQvUcMCA

WWW
KEB Hana Card Homepage
http://www.hanacard.co.kr

Total Card Sales
(KRW in trillion)



*KEB Hana Card Launched on Dec. 1, 2014
(Hana SK Card and KEB Card Consolidated)

Seeking economies of scale through integration

As of Dec. 2014, total credit card membership numbered 4.7 million accounts, which reflects the expansion of card membership drives conducted through various channels, including marketing. The increase of card membership had a direct impact on card sales, which amounted to KRW 55.2 trillion, 7.2% more than 2013. The total sales represent 8.1% in market share, about 0.3%p more than 2013.

'2XCard' and 'ClubSKCard', two leading card products, both reached the industry milestone of 1 million accounts. 'SyncCard', introduced by the integrated KEB Hana Card, became an instant hit, attracting 300,000 accounts in two months from its debut. In the mobile card market, a fast-rising sector, 'Mobi' was introduced to represent the integrated card operation of KEB Hana Card, contributing a great deal to the KRW 300 billion the Company recorded in mobile card sales in 2014, a whopping 48% increase from the previous year. The credit card delinquency ratio, however, did not deteriorate despite the hefty increase of card assets. As of Dec. 2014, the rate stood at 1.68%, remaining in a stable 1% range for the past two years. The funding structure is stable as well; borrowings are generally well matched in maturity, and debentures carry relatively low interest rates, which have rendered KEB Hana Card's funding cost lower than the industry average.

Sustaining growth through maximization of merger synergies

The domestic card market is faced with a number of policy-related issues that have a direct impact on profitability: merchant fee reduction, revolving restrictions on cash advance service, increased scrutiny on consumer information management, to name but a few. In response to these, card companies are slashing card alliance services, expanding into new business areas, and exploring other options to supplement their dwindling incomes; and many are resorting to the expansion of check card operations.

Even with stiffening industry regulations, private consumption could very well rise along with card sales, once diverse economic stimulus programs and expansionary monetary policies that have been implemented take their intended effects. With a well-coordinated marketing campaign timed to the manifestation of such desired effects, sales can soar and profitability recovers. As card sales are expected to grow on the back of a recovering economy, KEB Hana Card has set up ambitious business objectives consisting of KRW 57.4 trillion in sales, 4% more than the year before, and of 2 million of new card accounts. To achieve these, the Company will focus on five key tasks—completion of post merger integration (PMI), expansion of new business, enhancement of product/service competitiveness, expansion of the customer base, and strengthening of risk management. Maximization of merger synergies will also be pursued. New membership drive will be carried out through Hana Bank and KEB branches, the merchant network of the merged KEB Card utilized to their full extent, and supplementary operations strengthened.

Jeong Hae-boong
President & CEO of KEB Hana Card

Trust & Pension

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

TRUST AUM
(KRW in billion)

74,900

TOTAL TRUST INCOME
(KRW in billion)

147.5

CUMULATIVE PENSION CONTRIBUTIONS
(KRW in trillion)

7.7

-Hana Bank: 4.5 KRW in trillion
-Korea Exchange Bank: 2.9 KRW in trillion
-Hana Daetoo Securities: 0.3 KRW in trillion

Diversifying customer asset portfolios with mid-risk/return products

In 2014, Hana Bank's trust operation developed and marketed innovative products through sales channels with the aim of supplying competitive products tuned to customer needs at the right time; and diversified customer asset portfolios by actively promoting 'Special Money Intrust Chance-up ELT', a product pursuing mid risk/return in sync with the growing market trend. Year-end total trust sales amounted to KRW 21.7 trillion (KRW 12.9 trillion in money trust and KRW 8.8 trillion in asset trust), recording a total profit of KRW 84.8 billion. In addition, non-profit trust products were employed to promote the public awareness of the socially and financially marginalized.

The top priority of the trust operation was development of diverse quality assets in order to supply products that satisfy both market trends and customer needs. To strengthen financial consumer protection, employee training was reinforced; through the use of SNS and other means, customers were kept informed of products approaching their maturities and early retirement options on investment products; and through the adoption of a system of confirming complete sales via customer contacts. An outstanding trust performance was made possible through a successful re-sale of Chance-up ELTs early retired , an expansion of branch sales, and a timely supply of products and services that meet customer needs and market changes.

Maintaining high growth in retirement pension by targeting DC market

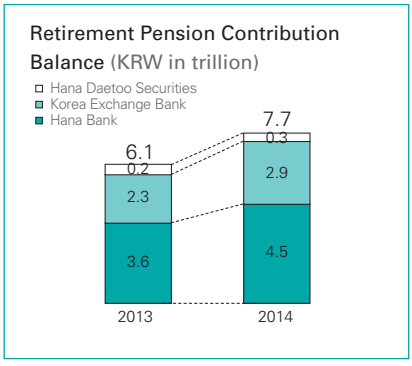
In 2014, contributions in the retirement pension market totaled KRW 106.5 trillion, KRW 23.1 trillion or 27.6% more than the previous year; contributions at Hana Financial Group comprised KRW 4.5 trillion (up 23.6%) collected by Hana Bank, KRW 2.9 trillion (up 24.6%) by Korea Exchange Bank, and KRW 300 billion (up 52.0%) by Hana Daetoo Securities.

Since 2013, Hana Bank has maintained its retirement pension business focus on the defined contribution (DC) market catering to SMEs, rather than on the defined benefit (DB) market serving large corporations. As a result, the year-end balance of contributions in DC plans amounted to KRW 900 billion, representing a 54.5% jump from 2013, while the number of new corporate customers stood at 2,400 and the net increase of DC plan holders was 24,500, up 26.6% from the year before. The individual retirement pension business, which had adopted an expansionary strategy in 2013 to enlarge pension assets and to attract dedicated customers, achieved a net increase of 66,000 accounts.

Hana Bank shifted its focus to the DC market because it was popular among SMEs and SOHOs and still had room to grow; and because its DC plan business had been relatively weak.

Another reason was that government-run institutions, in pursuit of a healthier balance sheet, generally prefer retirement pension plans over the traditional and increasingly burdensome employee severance system, and those with DB plans would, if given opportunity, readily switch to the more affordable DC plan. Accordingly, the Bank has actively targeted public institutions, and by the end of 2014, 39 institutions have signed up for DC plans with the Bank, and cumulative contributions stood at about KRW 167 billion, 95.7% more than a year ago.

Meanwhile, Korea Exchange Bank focused on expanding the range of products and value-added services to offer more choices to customers enduring low interest rates, ending the year with KRW 3.2 trillion in pension plan sales, up 22% from the year before.



Targeting institutions in need of new plans

In 2015, considering government policies promoting "privatization" of the severance system of public institutions, the retirement pension market is expected to grow to about KRW 123 trillion in terms of contributions. As tax deductions on individual contributions to their retirement pension plans are set to increase in 2015, marketing will be expanded highlighting the increased benefit of individual retirement pension (IRP) plans.

As the "Salary Peak" system is to go into effect in 2015, and a sharp increase is expected in the number of high-paid civil employees interested in DC plans, the membership recruitment strategy of 2014 will be continued, for it has proven effective so far. As corporates with over 300 employees are required to adopt retirement pension plans by the end of 2015, and subsequently mid/large-size corporations and public institutions are expected to sign up for pension plans in large numbers, public institutions will be catered to and developed through direct marketing while mid/large-size corporations will be approached through marketing in linked with branches.

Hana Bank, in response to customer demands for high-yield products, plans to expand high-performing beneficiary certificate products of other financial institutions and to actively explore other options of securing product competitiveness.

Meanwhile, Korea Exchange Bank will focus on highlighting the benefits of IRP and other products and services related to retirement finance.

The retirement pension business is expected to establish itself as an important non-banking operation contributing a great deal to expand the retail banking basis, while playing the role of a reliable partner in the post-retirement lives of customers.

Corporate Social Responsibility

Social Contribution Through Finance

Hana Bank Opens a Financial Consumer Protection System

Protecting Financial Consumers

Hana Financial Group and its subsidiaries have made various system and structural revisions, in an effort to better protect financial consumer rights, including the formation of a financial consumer protection council, in 2013. In the August of the year, the Group devised and announced a consumer protection charter for the purpose of heightening the employee awareness of the importance of financial consumer protection. In October 2014, the Group developed a "Financial Consumer Protection System", a first of its kind in the industry, to consolidate various consumer protection-related functions and processes, including voice-of-customer systems, dispersed at different subsidiaries, and to manage product development, monitor product sales, conduct employ education, and evaluate employee performances, with regards to consumer protection, in a one-stop manner. The quality of consumer service has also been improved: The new system enables customers to file complaints with ease, keep track and stay informed via text messages of the progress of the complaints they have registered. Meanwhile, 'Healthy Finance Check-up Day', a monthly event of Hana Daetoo Securities, has been adopted and expanded group-wide, engaging each subsidiary to educate its employees on consumer rights and ensure its compliance with related industry regulations.

Hana Bank plans to evaluate the relevancy of all of its consumer rights-related regulations and take other measures conducive to the enhancement of consumer rights, including expansion

Socially Responsible Finance

KRW 492.0 billion

No. of Branches with the Hope Finance Plaza Service (Hana Bank + Korea Exchange Bank)

24 nationwide

of 'Hana Solomon', the industry's first consumer protection advisory panel program, launched in 2013.

Over the years, the Bank has established hardware for protecting consumer rights, including 'Financial Consumer Protection Division', another industry first, launched in April 2013. During the entire May of 2014, the Bank held an event highlighting how to identify and eliminate the sources of customer complaints and awarded select employees who made outstanding suggestions; of a total of 108 ideas suggested by 89 employees, eight were selected by the 'Consumer Protection Consultative Group' of the Bank, based on how thoroughly the ideas, if adopted, would eliminate the sources and how much they would contribute to the improvement of customer service. In particular, the selection was made with respect to the relevancy of complaints addressed and innovativeness in terms of strengthening the consumers right to know, eliminating the sources of complaints, and preventing other potential sources of complaints.

Korea Exchange Bank has also made diverse efforts to improve financial consumer protection, and as a result, ranked by the Financial Supervisory Services "Satisfactory" in its 2013 evaluation of the customer complaints registered with financial institutions. With the establishment of a financial consumer protection system, in November 2014, the Bank has further strengthened its consumer protection and customer complaint management operations. In addition, by defining the standard guidelines on product description in cooperation with Hana Financial Group, Korea Exchange Bank has sought to help customers better understand and purchase with more confidence the products of their choice, and continues to improve product descriptions by listening to customer opinions through 'Korea Exchange Bank Sol Together', a customer communication channel. The Bank continues to develop such customer services that not only protect consumer rights but also offer practical benefits as provide information on dormant accounts upon a phone request and allow customers to use a unified form to conduct either Won or foreign currency-denominated account transactions.

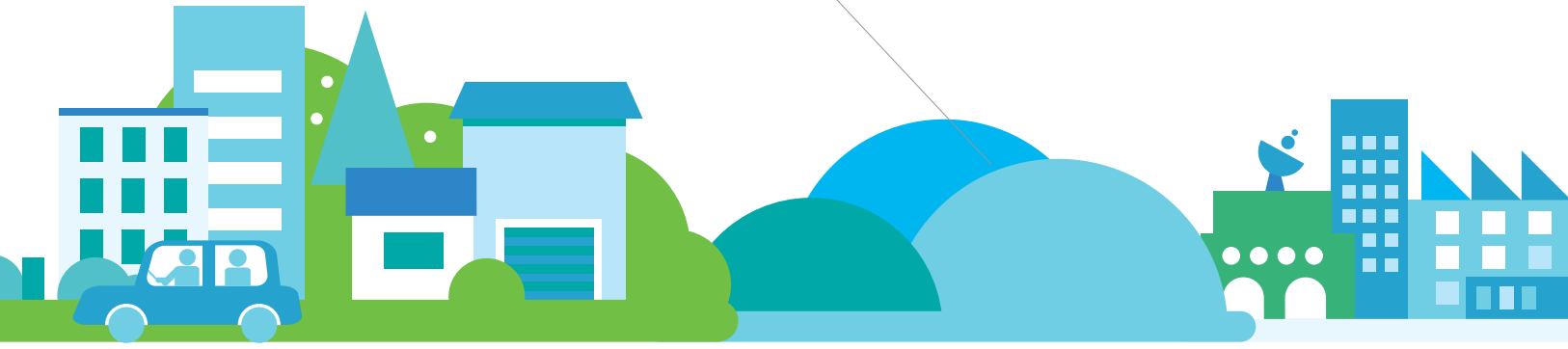
KEB Hana Card is in the process of completing the details of internal guidelines on eliminating business practices that conflict with consumer rights. Through the operation of a consumer protection department, the Company also operates diverse programs aimed at preempting complaints and protecting customer rights. Also in operation is 'Silver Green Zone', a consultative channel for the elderly.

www
Sustainability Report
http://www.hanafn.com/eng/csr/sustain-ability/sustainabilityReport.do

No. of Employees Involved in Community Service (Hana Financial Group)

11,294

(53% participation rate)



Hana Financial Group actively promotes "Creative Economy".

Financial Products and Services Promoting Public Interests

Hana Financial Group conducts business operations that promote customer trust, care for the less fortunate, and respect the interest of society.

Through Hana Smile Microcredit Bank launched in September 2008, Hana Financial Group helps the socially marginalized become financially independent, the financially troubled build up their credit, and the bankrupted rebuild their lives. In particular, Hana Smile Microcredit Bank is the financial industry's only microcredit institution to use its own funding source to provide credit-damaged people with loans. In May 2013, Hana Financial Group boosted its commitment to the economic independence of the financially marginalized by investing KRW 10 billion in Hana Smile Microcredit Bank and Smile Microcredit Bank each. Another leading financial product promoting public interest is the "Babonanum" account, developed in July 2011 in cooperation with the non-profit foundation of the same name. Within six months of its introduction, the savings product attracted over 200,000 accounts.

'Win-Win Package Loan', developed in Oct. 2010, lends credit to SMEs, from the moment they win business contracts from large corporations to the delivery of contracted products, based on the credit of the corporations. As of Dec. 2014, a total of KRW 1.5 trillion has been lent to SME suppliers to large corporations.

Moreover, the Bank's performance in on-lending, which involves borrowing low-interest funds from state-run financial institutions and funneling them into promising SMEs, has improved over the years, recording KRW 0.5 trillion in 2011, KRW 1.1 trillion, in 2012, KRW 1.2 trillion in 2013, and KRW 1.8 trillion in 2014.

Another loan product with similar purposes was created in 2013, to provide high-tech start-ups with financial support, and to offer lower interest rate funds, the Bank explores partnership opportunities with public institutions and local governments.

Korea Exchange Bank launches "KITA ePay" Service

2014 Social Contribution Expenses
(Hana Financial Group)

KRW 70.8 billion

Financial Products and Services Promoting Public Interests

Hana Financial Group's social contribution is conducted through the organic cooperation among the holding company and its subsidiaries, and for the purpose of making its group-wide contributions better coordinated and thus more efficient, the Group operates the Committee for Sharing Happiness.

Moreover, Hana Foundation, Hana Smile Microcredit Bank, Hana Academy, Korea Exchange Bank Foundation, and Hana Volunteer Group each carries out a variety of projects all directed towards building a better society for all.

Hana Financial Group launches "2014 Everyone Hana Day" campaign

Specifically, Hana Financial Group strives to help solve or ease diverse social problems by organizing various community activities, supporting employee-run voluntary programs, and regularly making financial contributions.

To help solve social issues related to multi-cultural families, North Korean exiles living in Korea, and socially-marginalized youths, the Group focuses its resources on education programs designed to help such people develop a healthy perspective of life. For some 1.7 million foreigners living in Korea, the Group runs 'Hana Kids of Asia', 'Darin', and other programs promoting a matured society that respects cultural diversity. For some 27,000 North Korean exiles living in Korea, Hana Financial Group operates programs helping adapt them to the economic and social practices of South Korea. In response to a fast-growing population of the elderly, the Group runs the Hana Care Center, a financial industry first of its kind dedicated to the care of poor seniors, and supporting various child care centers. To support seniors living alone, children of a single spouse, and other socially marginalized people in a more consistent manner, the Group has developed "Happy Box", a program of delivering by branch employees boxes filled with daily necessities to the needy in their neighborhoods on major holidays and seasonal occasions.

Hana Financial Group expands 'Darin'

Moreover, diverse employee-run voluntary activities are organized and conducted through 'Hana Volunteer Group', a 2007 consolidation of some 100 volunteer clubs each independently operating at different subsidiaries. The consolidated voluntary group was further boosted in 2013 with the addition of a group of voluntary units consisting of employees and their family members in different regions. As of Dec. 2014, there are some 500 spouses of Hana Financial Group employees serving their communities with their homemaking skills through 24 teams in 16 regions.

Financials

- Management's Discussion and Analysis
- Independent Auditors' Report
- Consolidated Financial Statements
- Notes to the Consolidated Financial Statements

Management's Discussion and Analysis

Hana Financial Group

Ⅰ Overview

In 2014, the domestic economy struggled despite improving exports, due mainly to such structural problems as a fast ageing population and mounting household debts compounded by a sharp drop in consumption following a disastrous ferry accident that gripped the entire nation for many months. The financial market in particular was more or less shaped by such developments of high volatility as the end of the U.S. monetary easing policy, the reductions by the Bank of Korea of its base rate, and a protracted descent of global oil prices.

In 2014, with a new vision, "The Trusted Premier Global Financial Group", promulgated at the beginning of the year, Hana Financial Group endeavored to maximize group synergies through the integration of some of its subsidiaries, and made proactive efforts in response to the dwindling profitability of the financial market.

As financial authorities maintained their low-interest rate policies, Hana Financial Group's NIM inched down 0.03%p to 1.91%, but consolidated net profit surpassed the previous year's to KRW 937.7. Meanwhile, ROE, ROA, and other profitability indexes were less than satisfactory, and the cost to income ratio also deteriorated, to 62.17%, up 0.53%p from the year before. Throughout the year, the growth of total assets remained upward, ending the year at 6.9% more than a year earlier. As total deposits and beneficiary certificates sales rose 5.6% and 8.9%, respectively, the Group's total sales rose by 6%.

Hana Financial Group's overall asset quality improved over the year. The NPL ratio decreased 0.13%p to 1.35%, while the NPL coverage ratio increased 2.6%p to 123.3%. Though the delinquency ratio inched up 0.04%p from 0.58% in 2013 to 0.62%, the year-end ratio still represented sound asset quality.

As of Dec. 2014, by Basel III standards, the BIS ratio was 12.63% and the Tier 1 ratio was 9.67%, attesting that the capital adequacy ratios of Hana Financial Group and its subsidiaries were well above government requirements.

Going forward, robust synergy development is expected in many areas as Hana Bank and Korea Exchange Bank continue their efforts to bring the ongoing process of full integration to a successful end. In addition, the Group's competitive advantage in smart banking is expected to translate into a commanding position in the fin-tech market, which could very well shaped the landscape of the financial industry beyond recognition.

Table 1. Summarized Financial Information

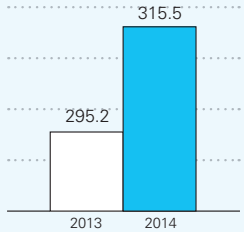
(KRW in billion)

	2014	2013	YoY	%
Profitability				
General Operating Income	**6,331.6**	6,239.7	91.9	1.47%
Operating Income	**1,243.4**	1,165.0	78.4	6.73%
Consolidated Net Income	**937.7**	933.9	3.8	0.41%
ROA	**0.32%**	0.34%	-0.02%p	-
ROE	**4.55%**	5.16%	-0.62%p	-
EPS (KRW)	**3,177**	3,399	-221	-6.51%
Cost to Income Ratio	**62.17%**	61.64%	0.53%p	-
Business Volume				
Total Assets*	**315,548.2**	295,188.6	20,359.6	6.90%
Total Sales	**267,121.3**	252,143.2	14,978.1	5.94%
(Total Deposits)	**237,683.2**	225,119.8	12,563.4	5.58%
(Sale of Beneficiary Certificates)	**29,437.9**	27,023.4	2,414.5	8.93%
Asset Soundness				
Substandard & Below (NPL) Ratio	**1.35%**	1.48%	-0.13%p	-
Substandard & Below (NPL) Coverage Ratio	**123.30%**	120.66%	2.64%p	-
Delinquency Ratio	**0.62%**	0.58%	0.04%p	-
BPS (KRW)	**71,848**	68,754	3,093	4.50%

*Total assets exclusive of trust assets

(Continued on next page)

Total Assets
(KRW in trillion)



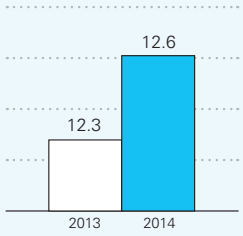
Management's Discussion and Analysis

Hana Financial Group

	2014	2013	YoY	%
Capital Adequacy*				
BIS CAR - Group	**12.63%**	12.28%	0.35%p	-
Tier 1 Ratio - Group	**9.67%**	9.24%	0.43%p	-
Common Equity Tier 1 Ratio - Group	**9.18%**	8.63%	0.55%p	-
BIS CAR - Hana Bank	**14.72%**	13.91%	0.81%p	-
Tier 1 Ratio - Hana Bank	**11.38%**	10.54%	0.84%p	-
Common Equity Tier 1 Ratio - Hana Bank	**11.22%**	10.53%	0.69%p	-
BIS CAR - KEB	**14.40%**	13.83%	0.57%p	-
Tier 1 Ratio - KEB	**11.72%**	11.66%	0.06%p	-
Common Equity Tier 1 Ratio - KEB	**11.44%**	11.12%	0.32%p	-
Net Capital Ratio - Hana Daetoo	**422.56%**	418.04%	4.52%p	-
Adjusted Equity Capital Ratio - KEB Hana Card	**21.78%**	20.70%	1.08%p	-
Solvency Margin Ratio - Hana Life	**211.20%**	211.52%	-0.32%p	-
Adjusted Equity Capital Ratio - Hana Capital	**9.29%**	9.46%	-0.17%p	-

*Based on Basel III standards

BIS CAR
(%)



Ⅱ Summary of Business Performance

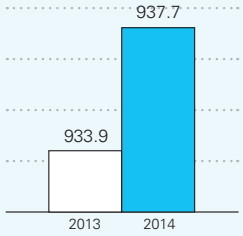
Hana Financial Group's consolidated net income amounted to KRW 937.7 billion at the end of 2014, up 0.41% from a year ago. The increase is directly related to robust interest and fee income operations in the face of narrowing net interest margins.

Table 2-1. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**6,331.6**	6,239.7	91.9	1.47%
Net Interest Income	**4,670.6**	4,485.0	185.6	4.14%
Net Fee and Commission Income	**1,762.5**	1,675.6	86.9	5.19%
Gains on Disposition & Valuation	**459.4**	408.4	51.0	12.49%
Other Operating Income	**-561.0**	-329.3	-231.7	-
General & Administrative Expenses	**3,936.2**	3,846.3	89.9	2.34%
Pre-Provisioning Operating Profit (PPOP)	**2,395.4**	2,393.4	2.0	0.08%
Credit Loss Provision	**1,151.9**	1,228.4	-76.5	-6.22%
Operating Income	**1,243.4**	1,165.0	78.4	6.73%
Non-Operating Income	**9.1**	105.3	-96.2	-91.34%
Net Income before Income Tax	**1,252.6**	1,270.3	-17.7	-1.39%
Income Tax Expense	**272.8**	277.3	-4.5	-1.63%
Net Income	**979.8**	993.0	-13.2	-1.33%
Attributable to Non-Controlling Interests	**42.1**	59.1	-17.0	-28.78%
Net Income Attributable to Controlling Interests	**937.7**	933.9	3.8	0.41%

Net Income Attributable to Controlling Interests
(KRW in billion)



General operating income rose to KRW 6,331.6 billion. The increase can be attributed to the growth of interest earning assets which boosted interest incomes and the rise of fee incomes, despite falling NIMs mired in a low-interest rate environment. In particular, the overall performance of fee and commission income improved over the year on the back of increasing trust fees from high-yielding ELT sales and rising credit card fees led by growing sales.

Fee and commission income, gains on disposition & valuation, and other operating income will be reported in detail in Table 3. Non-Interest Income.

Other operating income suffered a setback compared with the previous year which had benefited from the negative goodwill effect related to the acquisition of Hana Life shares and the gains from the debt to equity swap involving STX Engine.

General & administrative expenses amounted to KRW 3,936.2 billion, 2.3% more than the year before, due mainly to group-wide cost-saving efforts maintained throughout the year.

As of Dec. 2014, credit loss provision amounted to KRW 1,151.9 billion, which represents a reduction less than expected, due mainly to a loan fraud engineered by Moneual.

For such increases in core incomes and an efficient management of expenses and provisions as briefly described above, Hana Financial Group recorded an operating income of KRW 1,243.4 billion in 2014, up about 7% from the previous year.

Table 2-2. Comprehensive Income Statement by Subsidiaries

(KRW in billion)

	Hana Bank	Korea Exchange Bank	Hana Daetoo Securities	KEB Hana Card*	Hana Capital	Hana Asset Trust	Hana Asset Management	Hana Life	Hana Savings Bank	Overseas Affiliates		
											Hana Bank (China)**	PT Bank KEB Hana Indonesia**
General Operating Income	2,900.5	2,307.9	404.8	410.4	171.5	26.6	6.0	32.2	49.1	309.6	155.4	61.7
Net Interest Income	2,531.6	1,660.7	152.2	-119.6	159.3	1.4	0.2	68.6	47.2	253.5	146.2	51.2
Net Fee and Commission Income	411.4	568.1	206.8	510.4	4.7	24.8	5.7	18.5	1.0	30.8	9.4	6.4
Gains on Disposition & Valuation	234.3	273.7	23.8	6.8	-0.2	0.6	-	23.5	2.6	17.5	6.6	5.8
Other Operating Income	-276.7	-194.6	22.1	12.7	7.7	-0.2	0.1	-78.4	-1.7	7.8	-6.7	-1.6
General & Administrative Expenses	1,562.5	1,358.0	308.7	244.7	42.8	14.2	4.4	29.4	25.0	171.0	90.4	27.1
Pre-Provisioning Operating Profit (PPOP)	1,338.0	949.9	96.1	165.7	128.7	12.4	1.6	2.8	24.1	138.6	65.0	34.6
Credit Loss Provision	419.4	451.9	3.2	159.3	65.0	-	-	0.7	10.0	43.8	38.0	-1.7
Operating Income	918.6	498.0	93.0	6.4	63.7	12.4	1.6	2.1	14.0	94.8	27.1	36.4
Non-Operating Income	150.0	-62.8	12.6	1.2	1.8	0.4	-	2.6	0.2	-7.2	-2.0	0.3
Net Income before Income Tax	1,068.7	435.2	105.6	7.6	65.5	12.8	1.5	4.7	14.2	87.6	25.1	36.6
Income Tax Expense	225.9	44.4	23.6	2.5	15.2	2.8	0.3	1.8	3.1	37.8	10.9	9.9
Net Income	842.8	390.8	82.0	5.1	50.4	10.1	1.2	2.9	11.2	49.8	14.2	26.7

*Simple addition of the incomes generated by Hana SK Card (Jan.~Nov.), KEB Card (Sept.~Nov.), KEB Hana Card (Dec.)
** Simple addition of the incomes of the Chinese and Indonesian subsidiaries of Hana Bank and Korea Exchange Bank

To review income performance by subsidiary, Hana Bank's net income was KRW 842.8 billion, up KRW 187.6 billion from the previous year, while Korea Exchange Bank's was KRW 390.8 billion, up KRW 30.3 billion. General operating income came to KRW 2,900.5 billion for the former and KRW 2,307.9 billion for the latter, both owing to a hefty increase in interest income resulted by the healthy growth of interest earning assets, to a surge in trust fee income derived from the robust growth of high-yielding ELT sales, and to a FX translation loss caused by the appreciation of Korean Won. Compared with Hana Bank, Korea Exchange Bank incurred a bigger drop in general operating income in 2014, as the figure reflects the spin-off of its credit card operations effective September 2014. In addition, Korea Exchange Bank's general operating income further suffered a KRW 110 billion drop as a result of lower gains on disposition and valuation, compared with the previous year. The lower gains was attributed to a KRW 105.0 billion impairment losses on investment securities, including its holdings of shares in Taihan Electric Wire, the People's Happiness Fund, and STX affiliates, as well as to FX translation losses, off-setting KRW 104.7 billion gained from the sale of SK Hynix holdings.

Management's Discussion and Analysis

Hana Financial Group

General & administrative expenses rose for Hana Bank, as retirement benefits increased retroactively due solely to a sweeping change in the way employee base salaries are calculated; the expense item for Korea Exchange Bank decreased due mainly to the base effect of a special bonus discontinued in 2014. Credit loss provision amounted to KRW 419.4 billion and KRW 451.9 billion, respectively, for Hana Bank and Korea Exchange Bank. With the credit card business spinoff taken into account, Korea Exchange Bank's credit loss provision would be around KRW 380.0 billion.

Hana Daetoo Securities' net profit shows a 20% increase from the year before, at KRW 82.0 billion. The increase can be attributed to sizeable trading gains and a hefty increase in security sales, even though general & administrative expenses were boosted higher by an early retirement program (ERP) offered in 2014 and the base effect of Woongjin related write-back happened in 2013.

2014 became the first year for the integrated KEB Hana Card. Based on a simple addition of the two entities' P&L, the Group's card operations recorded a net income of KRW 5.1 billion, attracted 1.33 million new members, and secured a transaction volume of KRW 55.2 trillion, including mobile card transactions. The integrated KEB Hana Card, launched in December 2014, has become a major independent card company with KRW 6 trillion in credit card assets. Due to one-off expenses related to the integration and the upgrade of IC devices, the newly integrated entity ended up recording a net loss of KRW 11.2 billion in a fiscal year which lasted only four months.

Hana Capital grew its financial assets by 19% over the course of 2014. As a result of increases in core incomes, general operating income rose to KRW 171.5 billion. Increased sales, however, accompanied a relatively small increase in general & administrative expenses, boosting net income to KRW 50.4 billion.

Hana Life performed well in generating operating income considering a hefty rise in reserves in response to cuts in market rates. Hana Savings also turned into a profit, a clear sign of stabilizing operations. Hana Asset Trust, despite a depressed real estate market, managed to cut the cost to income ratio through cost rationalization efforts, and improved ROE and other profit indicators.

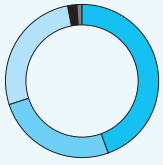
Table 3. Non-Interest Income

(KRW in billion)

	2014	2013	YoY	%
Net Fee and Commission Income	**1,762.5**	1,675.6	86.9	5.19%
Credit Card	**783.9**	740.1	43.8	5.92%
Loans and FX-related	**453.0**	456.5	-3.5	-0.77%
Asset Management	**472.5**	447.7	24.8	5.54%
Beneficiary Certificates	**126.2**	134.5	-8.3	-6.16%
Brokerage	**106.7**	101.6	5.1	5.03%
Trust Fees	**147.5**	89.1	58.4	65.61%
Bancassurance	**65.6**	93.4	-27.8	-29.74%
M&A Advisory	**34.1**	39.0	-4.9	-12.43%
Other	**19.1**	-7.7	26.8	-347.86%
Gains on Disposition & Valuation	**459.4**	408.4	51.0	12.49%
Other Operating Income	**-561.0**	-329.3	-231.7	-
Dividend Income	**49.1**	42.8	6.3	14.61%
Contribution to the Credit Guaranteed Fund	**-345.3**	-309.9	-35.5	-
Deposit Insurance Fee	**-287.7**	-269.8	-17.9	-
Others	**23.8**	207.6	-183.8	-88.5%
Total	**1,661.0**	1,754.7	-93.7	-5.34%

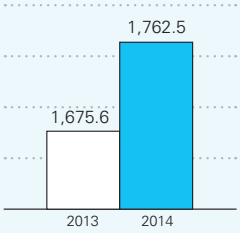
Fee & Commissions Income Break-down

(KRW in billion)



Net Fee and Commission Income

(KRW in billion)



To review non-interest income of Table 3., trust fee income increased the most on the back of robust ELT sales, followed by credit card fee. Bancassurance fees fell over the year following the discontinuation of related tax benefits; and beneficiary certificate and securities underwriting fees shrank, reflecting the sluggish state of a stock market that prevailed throughout the year; and FX-related fees, despite an increase in FX sales, inched down, due to narrowing margins fueled by rising market competition.

To review Hana Financial Group's major operations in terms of market share, Hana Financial Group's market share increased from 7% to 8% in credit card sales; inched down to 44% in FX sales; up to 3.2% in securities sales despite daunting market conditions; down to 7.7% in beneficiary certificates sales; and slipped a tiny bit to 9.8% in relatively high-yielding equity-type (hybrid) products.

Gains on disposition and valuation increased KRW 51 billion to KRW 459.4 billion, mainly due to a KRW 260.0 billion increase in gains related to marketable securities, ending the year at KRW 205.0 billion. Gains on FX trading also increased, by KRW 25.0 billion to KRW 270.0 billion. Gains on derivatives trading, however, fell KRW 250.0 billion to a negative KRW 19.0 billion.

Other operating income consists of contributions to the Credit Guaranteed Fund, deposit insurance fee, and dividend income. The first two, which increase in proportion to relevant loan balance and deposits, inched up over the year to KRW 345.3 billion and KRW 287.7 billion, respectively.

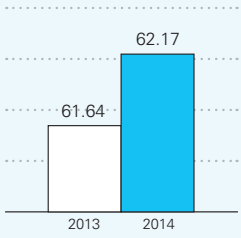
Table 4. General and Administrative Expenses

(KRW in billion)

	2014	2013	YoY	%
General & Administrative Expenses	**3,936.2**	3,846.3	89.9	2.34%
Salaries and Employment Benefits	**1,812.5**	1,792.4	20.1	1.12%
Severance and Retirement Benefits	**274.3**	200.5	73.8	36.80%
Administrative Expenses	**1,247.4**	1,238.9	8.5	0.69%
Depreciation and Amortization	**466.3**	491.0	-24.7	-5.03%
Taxes and Dues	**135.7**	123.4	12.3	9.99%
Cost to Income Ratio	**62.17%**	61.64%	0.53%p	-

Cost to Income Ratio

(%)



General and administrative expense rose 2.34% over the course of 2014 to KRW 3,936.2 billion due mainly to group-wide cost-cutting efforts maintained throughout the year.

However, as the increase of general operating income was offset by that of general and administrative expenses, the cost to income ratio ended up increasing 0.53%p to 62.17%.

Management's Discussion and Analysis

Hana Financial Group

Ⅲ Summarized Group Financial Position

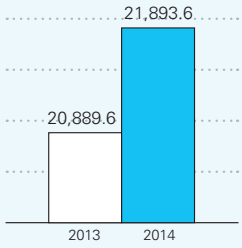
Table 5. Condensed Balance Sheets

(KRW in billion)

	2014	2013	YoY	%
Interest Earning Assets	**272,674.9**	256,068.6	16,606.3	6.49%
Due from Banks	**11,212.5**	10,981.4	231.1	2.10%
Fixed Income Securities	**47,499.2**	41,489.4	6,009.8	14.49%
Loans	**213,963.1**	203,597.8	10,365.3	5.09%
Other Revenue Earning Assets	**5,973.0**	5,147.5	825.5	16.04%
Non-Revenue Earning Assets	**36,900.4**	33,972.5	2,927.8	8.62%
Total Assets	**315,548.2**	295,188.6	20,359.6	6.90%
Interest Bearing Liabilities	**259,620.1**	244,597.4	15,022.7	6.14%
Deposits	**201,897.0**	187,225.7	14,671.3	7.84%
Borrowings	**23,264.0**	21,833.6	1,430.3	6.55%
Debentures	**29,557.2**	30,419.6	-862.4	-2.84%
Policy Reserve	**2,019.2**	1,716.6	302.6	17.63%
Borrowings from Trust Accounts	**2,882.8**	3,401.9	-519.1	-15.26%
Non-Interest Bearing Liabilities	**34,034.5**	29,701.7	4,332.8	14.59%
Total Liabilities	**293,654.6**	274,299.0	19,355.6	7.06%
Shareholders' Equity	**21,893.6**	20,889.6	1,004.0	4.81%
Total Liabilities & Shareholders' Equity	**315,548.2**	295,188.6	20,359.6	6.90%

Shareholder`s Equity

(KRW in billion)



In 2014, Hana Financial Group's assets grew 6.9% over the year to KRW 315.5 trillion, as its major subsidiaries continued their asset growth. To grow assets both in quality and in quantity, Hana Financial Group strengthened risk management and continued to optimize the asset portfolio. As a result, delinquency remained at a level similar to that of the previous year and the NPL ratio improved 0.13%p to 1.35%, while other asset quality indexes improved over the year.

To review assets by subsidiary, Hana Bank grew its KRW loans, which take up the biggest part of the interest-earning assets, by 3.3% to KRW 110.9 trillion, while Korea Exchange Bank increased KRW loans 4.1% to KRW 52.5 trillion.

Shareholders' equity rose 4.81% over the year to KRW 21.9 trillion as retained earnings increased on the back of the consolidated net profit of KRW 937.7 billion and gains on valuation of available-for-sale securities.

Table 6. Total Sales

(KRW in billion)

	2014	2013	YoY	%
Total Deposits	**237,683.3**	225,119.8	12,563.5	5.58%
Deposits	**178,589.2**	166,519.5	12,069.7	7.25%
Core Deposits	**36,188.8**	31,792.4	4,396.4	13.83%
MMDA	**25,041.3**	20,874.7	4,166.6	19.96%
Time Deposits	**103,770.7**	103,458.7	312.0	0.30%
Installment Deposits	**13,588.4**	10,393.7	3,194.7	30.74%

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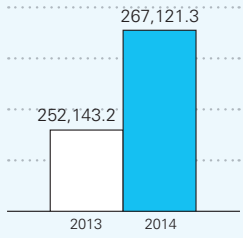
	2014	2013	YoY	%
Certificate of Deposits	**925.5**	797.3	128.2	16.08%
Bonds Sold under Repurchase Agreements	**16.6**	87.2	-70.6	-80.93%
Bills Sold	**294.9**	181.4	113.5	62.54%
Trust Account	**57,857.1**	57,534.4	322.7	0.56%
Sale of Beneficiary Certificates	**29,437.9**	27,023.4	2,414.5	8.93%
(Mixed) Equity Type	**8,796.1**	9,377.5	-581.4	-6.20%
(Mixed) Fixed Income Type	**5,413.9**	4,848.6	565.3	11.66%
MMF	**8,667.5**	6,722.2	1,945.3	28.94%
Others	**6,560.3**	6,075.1	485.3	7.99%
Total Sales	**267,121.3**	252,143.2	14,978.1	5.94%

Total Sales
(KRW in billion)



Hana Financial Group's total sales, a sum of total deposits and beneficiary certificates sales as of year-end, rose 5.94% to KRW 267.1 trillion. The rise can be attributed to flight-to-quality, and stepped-up sales effort.

In beneficiary certificates sales, equity-type (hybrid) sales inched down amid an overall sluggish stock market. However, beneficiary certificates increased 8.9% to KRW 29.4 trillion due to customer preferences for fixed income and MMF, which offset the decrease of equity-type (hybrid) sales.

To review total sales by subsidiary, Hana Bank recorded KRW 137.6 trillion in total deposits, up about 7% from the year before, and KRW 8.2 trillion in beneficiary certificates sales, up 1.6%, despite a 12.5% decrease in equity-type (hybrid) sales. Korea Exchange Bank posted KRW 83.4 trillion in total deposits, up about 2%, and KRW 3.9 trillion in beneficiary certificates sales, about 1% down, owing to an 11% decrease in equity-type (hybrid) sales. Hana Daetoo Securities recorded KRW 15.9 trillion in beneficiary certificates sales, up 14%, owing to about a 3% increase in equity-type (hybrid) sales.

Ⅳ Asset Quality

Table 7. Asset Quality and Loan Loss Provision

(KRW in billion)

	2014	2013	YoY	%
Total Credit	**230,818.7**	222,030.0	8,788.7	3.96%
Normal	**225,147.2**	215,392.3	9,755.0	4.53%
Precautionary	**2,552.9**	3,346.4	-793.5	-23.71%
Substandard	**2,005.5**	1,952.0	53.5	2.74%
Doubtful	**574.8**	654.9	-80.1	-12.23%
Estimated Loss	**538.3**	684.4	-146.1	-21.35%
Precautionary & Below				
Amount	**5,671.4**	6,637.7	-966.3	-14.56%
Ratio	**2.46%**	2.99%	-0.53%p	-
Substandard & Below (NPL)				
Amount	**3,118.5**	3,291.3	-172.8	-5.25%
Ratio	**1.35%**	1.48%	-0.13%p	-

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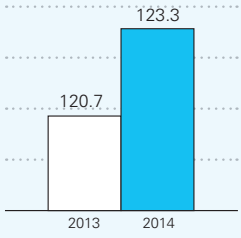
Substandard & Below (NPL) Coverage Ratio
(%)



	2014	2013	YoY	%
Loan Loss Allowance	**3,845.2**	3,971.4	-126.3	-3.18%
Loan Loss Reserve	**2,134.4**	2,308.4	-174.0	-7.54%
Credit Loss Reserve	**1,710.7**	1,663.0	47.7	2.87%
Substandard & Below (NPL) Coverage Ratio	**123.3%**	120.7%	2.6%p	-

As of Dec. 2014, Hana Financial Group's total credit amounted to KRW 230.8 trillion, up 4% from the year before, of which NPLs totaled KRW 3.1 trillion. While Precautionary & Below inched down to 2.46% in proportion to total credits, NPLs also decreased, to 1.35%, representing an overall asset quality improvement. The NPL coverage ratio increased 2.6%p to 123.3% due to the NPLs reduction despite the growth of assets, representing a sufficient provisioning level.

Ⅴ Capital Adequacy

Table 8. BIS Capital and Ratio

(KRW in billion, %)

	2014	2013	YoY	%
Common Equity Tier 1 Capital	**17,302.0**	15,933.9	1,368.1	8.59%
Additional Tier 1 Capital	**906.0**	1,135.0	-229.0	-20.17%
Tier 2 Capital	**5,578.7**	5,605.6	-26.9	-0.48%
Total BIS Capital	**23,786.7**	22,674.5	1,112.2	4.90%
Risk Weighted Assets	**188,380.7**	184,685.6	3,695.1	2.00%
BIS Capital Adequacy Ratio *	**12.63%**	12.28%	0.35%p	-
Tier 1 Ratio	**9.67%**	9.24%	0.42%p	-
Common Equity Tier 1 Ratio	**9.18%**	8.63%	0.55%p	-

*Based on Basel III standards

Hana Financial Group's total BIS capital increased KRW 1.1 trillion, or 4.9%, over the course of 2014 to KRW 23.8 trillion, while risk-weighted assets rose KRW 3.7 trillion, or 2.0%, to KRW 188.4 trillion, together contributing to increase the BIS capital adequacy ratio by 0.35%p to 12.63%.

The increase of total BIS capital can be ascribed mainly to a KRW 1,368.1 billion increase in common equity Tier 1 capital which stemmed from increases in net income and cumulative other comprehensive income. Additional Tier 1 capital showed a slight decrease from the year before as a result of an amortization effect on the hybrid bonds issued prior to the enforcement of Basel III standards, while Tier 2 capital was strengthened through the issuance by Hana Bank and Korea Exchange Bank of a USD 300 million subordinated bond each, totaling USD 600 million, carried out in full compliance with Basel III standards.

The 2% growth of risk-weighted assets, in contrast to a 6% asset growth can be ascribed to the stringent risk management practices and capital adequacy improvement efforts maintained group-wide.

Management's Discussion and Analysis

Hana Bank

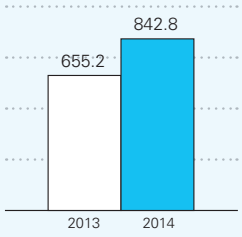
Ⅰ Summary of Business Performance

Table 1. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**2,866.9**	2,707.7	159.2	5.88%
Net Interest Income	**2,531.6**	2,489.3	42.3	1.70%
Net Fee and Commission Income	**411.4**	385.6	25.8	6.69%
Gains on Disposition & Valuation	**254.1**	166.9	87.2	52.25%
Other Operating Income	**-330.2**	-334.1	3.9	-1.17%
General & Administrative Expenses	**1,562.5**	1,470.7	91.8	6.24%
Pre-Provisioning Operating Profit (PPOP)	**1,304.4**	1,237.0	67.4	5.45%
Credit Loss Provision	**385.7**	443.4	-57.7	-13.01%
Operating Income	**918.6**	793.6	125.0	15.75%
Non-Operating Income	**150.0**	5.4	144.6	2,677.78%
Net Income before Income Tax	**1,068.7**	799.0	269.7	33.75%
Income Tax Expense	**225.9**	143.8	82.1	57.09%
Net Income	**842.8**	655.2	187.6	28.63%
ROA	**0.53%**	0.38%	0.15%p	-
ROE	**8.18%**	5.94%	2.24%p	-
EPS (KRW)	**3,834**	2,981	853	28.61%
BPS (KRW)	**54,706**	51,016	3,690	7.23%
Cost to Income Ratio	**54.50%**	54.32%	0.18%p	-

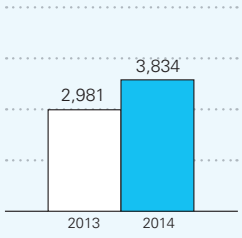
Net Income
(KRW in billion)



In 2014, Hana Bank earned KRW 842.8 billion in net income, KRW 187.6 billion more than the year before, by conducting stellar performances in the core income and disposition and valuation areas by improving asset quality which led to a reduction in provisions. General operating income rose KRW 159.2 billion to KRW 2,866.9 billion, while operating income increased KRW 125.0 billion as general & administrative expenses rose moderately and credit loss provision decreased over the course of 2014.

Net interest income inched up 1.7% to KRW 2,531.6 billion. NIM inched down 5bps as market rates continued to fall following two base rate cuts. Net interest income, however, increased on the expansion of interest earning assets, while the increase of core deposits led to lower funding costs in 2014.

EPS
(KRW)



Fee and commission income rose 6.69% YoY to KRW 411.4 billion; trust fee income rose KRW 41.2 billion following the increased sale of equity-linked trust (ELT) products, while lending-related fees represented an increase of KRW 10.7 billion from 2013, a result of the expansion of cross sales in linked with the Group's IB divisions. On the other hand, fees related to mortgage securitization decreased KRW 11.5 billion as the securitization of mortgage loans decreased. Bancassurance commission reduced KRW 11.3 billion, following the discontinuation of relevant tax benefits.

Gains on disposition & valuation soared 52.25% to KRW 254.1 billion; while the market value of the Bank's holdings of equity investments decreased, resulting in the increase in impairment loss; gains on securities disposition and valuation rose KRW 82.2 billion thanks to increased gains on investment securities sold; and gains on FX derivatives disposition and valuation increased KRW 5.1 billion.

General & administrative expenses increased KRW 91.8 billion; though retirement benefits rose due to the revision of base salary calculations, the growth of administrative expenses was kept below that of price increases through the conduct of expense rationalization efforts.

Management's Discussion and Analysis

Hana Bank

Credit loss provision stood at KRW 385.7 billion, down KRW 57.7 billion from the year before. Of the amount, KRW 391.9 was reserved for loan losses, down KRW 59.5 billion compared with the year before, a result of rigorous risk management, NPL sales and other asset quality-focused efforts made during the year.

Non-operating income increased KRW 144.6 billion over the year: dividend income rose from Hana-invested affiliates and gains went up on the sale of the Bank's holdings of shares in its Indonesian subsidiary to Korea Exchange Bank.

Net income before income tax rose by 33.75% to KRW 1,068.7 billion, and net income came to KRW 842.8 billion.

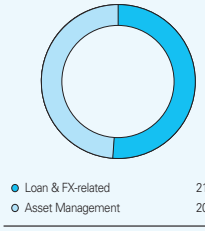
Table 2. Non-Interest Income

(KRW in billion)

	2014	2013	YoY	%
Fee & Commissions Income	**411.4**	385.6	25.8	6.69%
Loan & FX-related	**210.7**	211.0	-0.3	-0.14%
Fees in Acceptances and Guarantees	**24.2**	25.5	-1.3	-5.10%
Fees Related to Loans	**57.9**	47.2	10.7	22.67%
Fees in Foreign Currencies	**42.1**	45.7	-3.6	-7.88%
Others	**86.5**	92.6	-6.1	-6.59%
Asset Management	**200.7**	174.6	26.1	14.90%
Sales of Beneficiary Certificate	**58.4**	62.2	-3.8	-6.11%
Bancassurance	**58.3**	69.6	-11.3	-16.24%
Trust Fees	**84.0**	42.8	41.2	96.26%
Gains on Disposition & Valuation	**254.1**	166.9	87.2	52.25%
Other Operating Income	**-330.2**	-334.1	3.9	-
Dividend Income	**24.5**	27.1	-2.6	-9.59%
Deposit Insurance Fee	**-156.8**	-166.1	9.3	-
Contribution to the Credit Guarantee Fund	**-208.1**	-204.3	-3.8	-
Others	**10.2**	9.2	1.0	10.87%

Fee & Commissions Income Break-down

(KRW in billion)



Hana Bank's 2014 non-interest income came to KRW 335.3 billion, KRW 116.9 billion more than the year before; fee & commission income rose 6.69% to KRW 411.4 billion; gains on disposition and valuation rose KRW 87.2 billion to KRW 254.1 billion; and other operating loss inched down KRW 3.9 billion to minus KRW 330.2 billion.

To review loan & FX-related fee, loan-related fees rose by KRW 10.7 billion on the increase of fees for handling regular and "preferential" loans following the expansion of IB-linked sales; remittance fee by KRW 4.7 billion; ATM fee by KRW 3.0 billion; while mortgage loan fee decreased by KRW 11.5 billion, pinched by the reduction of mortgage loans supplied; FX fee by KRW 3.6 billion; and ABS fee by KRW 2.6 billion.

Asset management fee increased by KRW 26.1 billion to KRW 200.7 billion; Bancassurance fees, mirroring the negative effect of the tax benefits revision, decreased KRW 11.3 billion; and beneficiary certificates fee went down KRW 3.8 billion on the slowing sales of the certificates amid an inert stock market.

Gains on Disposition & Valuation

(KRW in billion)

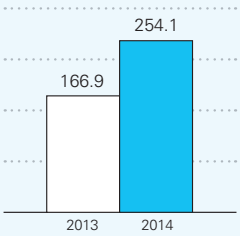
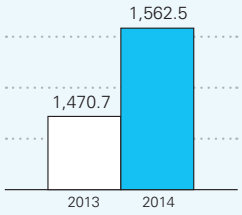


Table 3. General and Administrative Expenses

(KRW in billion)

	2014	2013	YoY	%
General & Administrative Expenses	**1,562.5**	1,470.7	91.8	6.24%
Salaries and Employee Benefits	**731.4**	675.2	56.2	8.32%
Severance and Retirement Benefits	**143.3**	91.2	52.1	57.13%
Administrative Expenses	**511.7**	503.1	8.6	1.71%
Depreciation and Amortization	**112.5**	146.4	-33.9	-23.16%
Taxes and Dues	**63.7**	54.7	9.0	16.45%
Cost to Income Ratio	**54.50%**	54.32%	0.18%p	-

General & Administrative Expenses
(KRW in billion)



General & administrative expenses rose 6.24% to KRW 1,562.5 billion; salaries & employee benefits went up KRW 56.2 billion mainly owing to a retirement benefit increase of KRW 52.1 billion following the base salary-related revision and an increase in the number of senior employees who accepted the early retirement offer.

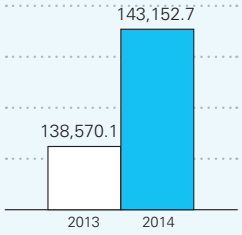
Ⅱ Summarized Financial Position

Table 4. Condensed Balance Sheets

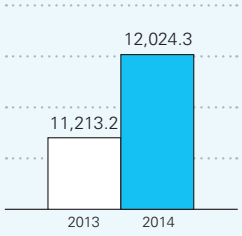
(KRW in billion)

	2014	2013	YoY	%
Interest Earning Assets	**143,152.7**	138,570.1	4,582.6	3.31%
Due from Banks	**2,261.1**	3,978.5	-1,717.4	-43.17%
Fixed Income Securities	**20,950.2**	19,270.9	1,679.3	8.71%
Loans	**119,941.4**	115,320.7	4,620.7	4.01%
Other Revenue Earning Assets	**6,368.2**	6,361.0	7.2	0.11%
Stocks and Others	**3,648.0**	3,990.0	-342.0	-8.57%
Domestic Import Usance	**2,720.2**	2,371.0	349.2	14.73%
Non-Revenue Earning Assets	**15,103.9**	12,670.8	2,433.1	19.20%
Total Assets	**164,624.7**	157,601.9	7,022.8	4.46%
Interest Bearing Liabilities	**143,351.8**	138,131.0	5,220.8	3.78%
Deposits	**120,519.6**	111,356.7	9,162.9	8.23%
Borrowings	**8,727.5**	9,788.9	-1,061.4	-10.84%
Debentures	**12,356.7**	14,355.7	-1,999.0	-13.93%
Borrowings from Trust Accounts	**1,748.0**	2,629.6	-881.6	-33.53%
Non-Interest Bearing Liabilities	**9,248.6**	8,257.8	990.8	12.00%
Total Liabilities	**152,600.4**	146,388.8	6,211.6	4.24%
Shareholders' Equity	**12,024.3**	11,213.2	811.1	7.23%
Total Liabilities & Shareholders' Equity	**164,624.7**	157,601.9	7,022.8	4.46%

Interest Earning Assets
(KRW in billion)



Shareholders' Equity
(KRW in billion)



Over the course of 2014, the Bank's total assets rose KRW 7.0 trillion to KRW 164.6 trillion; loans and marketable securities increased, while dues from banks decreased.

Interest earning assets rose by KRW 4.6 trillion to KRW 143.2 trillion; loans went up by KRW 4.6 trillion to KRW 119.9 trillion: corporate loans by KRW 0.6 trillion; household loans by KRW 3.0 trillion; and bills bought by KRW 0.4 trillion. The increase of corporate loans comprised mostly SME loans, while that of household loans consisted mainly of mortgage loans. Marketable securities rose KRW 1.7 trillion on the expansion of the Bank's government and public bond holdings.

Management's Discussion and Analysis

Hana Bank

Interest bearing liabilities rose KRW 5.2 trillion; deposits increased KRW 9.2 trillion while borrowings decreased by KRW 1.1 trillion, debentures by KRW 2.0 trillion, and trust account borrowings by KRW 0.9 trillion.

Shareholders' equity rose KRW 0.8 trillion; retained earnings increased by KRW 672.0 billion as a dividend of KRW 170.8 billion which had been paid out at the beginning of 2014, was subtracted from a year-end net income of KRW 842.8 billion; and other comprehensive income went up KRW 139.0 billion on the increase of gains on valuation of available-for-sale securities.

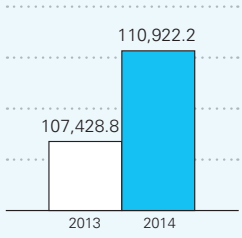
Table 5. KRW Loans & Deposits

(KRW in billion)

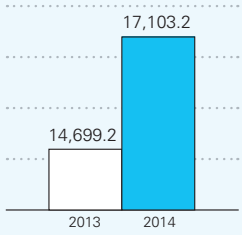
	2014	2013	YoY	%
KRW Loans	**110,922.2**	107,428.8	3,493.4	3.25%
Loans to Corporate	**53,238.1**	52,731.3	506.8	0.96%
SME	**36,677.6**	34,396.2	2,281.4	6.63%
(SOHO)	**17,103.2**	14,699.2	2,404.0	16.35%
Large Corporate	**15,442.4**	16,573.8	-1,131.4	-6.83%
Others	**1,118.1**	1,761.4	-643.3	-36.52%
Loans to Households	**57,684.1**	54,697.4	2,986.7	5.46%
KRW Deposits *	**116,042.4**	107,429.6	8,612.8	8.02%
Low Cost Funding	**37,808.1**	31,841.8	5,966.3	18.74%
(Core Deposits)	**19,421.7**	16,766.3	2,655.4	15.84%
(MMDA)	**18,386.4**	15,075.5	3,310.9	21.96%
Time Deposits	**70,597.1**	69,429.9	1,167.2	1.68%
Installment Deposits	**6,601.0**	5,421.1	1,179.9	21.76%
CD & Others	**1,036.2**	733.2	303.0	41.33%

*Excluding foreign currency and trust deposits

KRW Loans
(KRW in billion)



SOHO Loans
(KRW in billion)



KRW loans as of Dec. 2014, stood at KRW 110.9 trillion, KRW 3.5 trillion more than the year before; corporate loans rose KRW 0.5 trillion. Noteworthy of the increase of corporate loans is that SOHO loans jumped by KRW 2.4 trillion, while large corporate loans dropped KRW 1.1 trillion, compared with the year before. Household loans rose by KRW KRW 3 trillion comprising mostly mortgage loans.

KRW deposits rose KRW 8.6 trillion to KRW 116.0 trillion; core deposits increased KWR 2.7 trillion, or 15.84%, contributing to the improvement of the overall funding structure.

Ⅲ Asset Quality

Table 6. Asset Quality and Loan Loss Provision

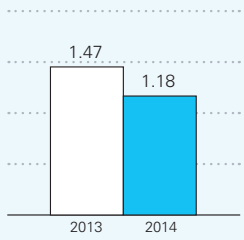
(KRW in billion)

	2014	2013	YoY	%
Total Credit	**126,793.8**	122,758.4	4,035.4	3.29%
Normal	**124,500.7**	119,672.0	4,828.6	4.03%
Precautionary	**801.5**	1,276.0	-474.5	-37.19%
Substandard	**959.5**	1,085.5	-126.0	-11.60%
Doubtful	**267.9**	341.9	-74.0	-21.63%
Estimated Loss	**264.2**	383.0	-118.8	-31.02%

(Continued on next page)

	2014	2013	YoY	%
Precautionary & Below				
Amount	**2,293.1**	3,086.3	-793.2	-25.70%
Ratio	**1.81%**	2.51%	-0.71%p	-
Substandard & Below (NPL)				
Amount	**1,491.6**	1,810.3	-318.7	-17.61%
Ratio	**1.18%**	1.47%	-0.30%p	-
Loan Loss Reserves	**888.7**	1,063.1	-174.5	-16.41%
Credit Loss Reserves	**1,064.7**	1,077.4	-12.6	-1.17%
Substandard & Below (NPL) Coverage Ratio	**130.96%**	118.24%	12.72%p	-

NPL Ratio
(%)

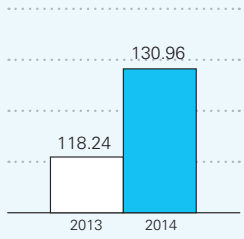


Over the course of 2014, the Bank's total credit rose KRW 4,035.4 billion to KRW 126,793.8 billion, while NPLs decreased KRW 318.7 billion to KRW 1,491.6 billion as a result of a rigorous liquidation of collateral and write-off/sales of NPLs conducted during the year.

The year-end NPL figure represents a reduction of KRW 318.7 billion from 2013, a result of a KRW 838.3 write-off/sales and a KRW 21.9 billion debt to equity swap, which led to the NPL ratio to improve 0.3%p to 1.18%.

Loan loss reserves amounted to KRW 888.7 billion as of Dec. 2014, down KRW 174.5 billion from the year before, reflective of a drop in new NPLs.
The NPL coverage ratio increased 12.72%p to 130.96%, well above the target rate of 110%.

NPL Coverage Ratio
(%)



Ⅳ Capital Adequacy

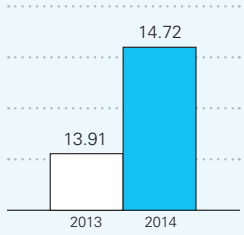
Table 7. BIS Capital and Ratio

(KRW in billion)

	2014	2013	YoY	%
Tier 1 Capital	**11,132.5**	9,957.2	1,175.3	11.80%
Common Equity Tier 1 Capital	**10,976.8**	9,945.0	1,031.8	10.38%
Tier 2 Capital	**3,270.8**	3,185.3	85.5	2.68%
Loan Loss Reserve	**545.1**	530.5	14.6	2.75%
Basel Ⅲ Tier 2	**329.8**	-	329.8	-
Basel Ⅱ Tier 2	**2,357.2**	2,651.9	-294.7	-11.11%
Others	**38.7**	2.9	35.8	1,217.67%
Total BIS Capital	**14,403.3**	13,142.5	1,260.8	9.59%
Risk Weighted Assets	**97,851.6**	94,459.4	3,392.2	3.59%
BIS Capital Adequacy Ratio*	**14.72%**	13.91%	0.81%p	-
Tier 1 Ratio	**11.38%**	10.54%	0.69%p	-
Common Equity Tier 1 Ratio	**11.22%**	10.53%	0.84%p	-
Tier 2 Ratio	**3.34%**	3.37%	-0.03%p	-

*Based on Basel III standards

BIS Ratio
(%)



The Bank issued a subordinated bond of USD 300 million in 2014, as part of the effort to strengthen the capital base. Efforts were also made to maintain BIS capital adequacy ratios at recommended levels through the regular monitoring and analysis of risked-weighted assets.

From December 2013, the Bank started reporting BIS ratios in accordance with Basel IIII standards, and, as of Dec. 2014, maintained all BIS capital adequacy ratios well above recommended levels as shown in the chart above.

Management's Discussion and Analysis

Korea Exchange Bank

Ⅰ Summary of Business Performance

Table 1. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**2,343.1**	2,519.1	-176.0	-6.99%
Net Interest Income	**1,660.6**	1,577.9	82.7	5.24%
Net Fee and Commission Income	**568.1**	662.1	-94.0	-14.19%
Gains on Disposition & Valuation	**273.9**	376.7	-102.8	-27.30%
Other Operating Income	**-159.5**	-97.6	-61.9	-
General & Administrative Expenses	**1,358.0**	1,434.8	-76.8	-5.36%
Pre-Provisioning Operating Profit (PPOP)	**985.2**	1,084.3	-99.1	-9.14%
Credit Loss Provision	**451.8**	530.9	-79.1	-14.90%
Operating Income	**533.4**	553.4	-20.0	-3.62%
Non-Operating Income	**-98.2**	-107.5	9.3	-
Net Income before Income Tax	**435.2**	445.9	-10.7	-2.40%
Income Tax Expense	**44.4**	85.4	-41.0	-48.02%
Net Income	**390.8**	360.4	30.4	8.41%
ROA	**0.53%**	0.35%	0.18%p	-
ROE	**6.15%**	4.01%	2.14%p	-
EPS (KRW)	**625**	530	95	17.99%
BPS (KRW)	**16,703**	13,936	2,767	19.86%
Cost to Income Ratio	**57.95%**	56.96%	1.00%p	-

In 2014, Korea Exchange Bank posted a net income of KRW 390.8 billion, KRW 30.4 billion more than the previous year. The increase of net income would have been higher, had not for the spin-off effect from the credit card operations which led a sizeable hole in fee income and for the exchange rate fluctuations which cut deep into gains on securities disposition and valuation. This is one reason why general operating income decreased KRW 176.0 billion to KRW 2,343.1 billion, despite a 5.24% increase in net interest income.

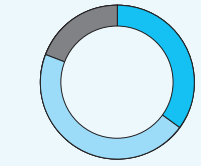
Table 2. Non-Interest Income

(KRW in billion)

	2014	2013	YoY	%
Fee & Commissions Income	**568.1**	662.1	-94.0	-14.19%
Credit Card	**199.7**	317.3	-117.6	-37.05%
Loan & FX-related	**260.2**	241.0	19.2	7.96%
Fees in Acceptances and Guarantees	**57.1**	53.2	3.9	7.24%
Fees Related to Loans	**80.3**	65.8	14.5	22.08%
Fees in Foreign Currencies	**122.8**	122.0	0.8	0.65%
Asset Management	**108.2**	103.8	4.4	4.24%
Sales of Beneficiary Certificate	**30.7**	33.6	-2.9	-8.69%
Bancassurance	**23.2**	31.2	-8.0	-25.48%
Trust Fees	**54.3**	39.0	15.3	39.24%
Gains on Disposition & Valuation	**273.9**	376.7	-102.8	-27.30%
Other Operating Income	**-159.5**	-97.6	-61.9	-
Dividend Income	**45.1**	10.3	34.8	337.75%
Deposit Insurance Fees	**-110.2**	-103.8	-6.4	-
Contribution to the Credit Guarantee Fund	**-141.0**	-101.8	-39.2	-
Others	**46.6**	97.7	-51.1	-52.32%

Fee & Commissions Income Break-down

(KRW in billion)



As of Dec. 2014, non-interest income was KRW 682.5 billion, down KRW 258.7 billion from the year before; fee and commission income reduced KRW 94.0 billion to KRW 568.1 billion; disposition and valuation gains diminished KRW 102.8 to KRW 273.9 billion; and other operating income fell to a negative KRW 159.5 billion.

Fees related to loans increased by KRW 14.5 billion following a strong profit performance in M&A financing; FX-related and acceptance and guarantee fees combined inched up.

Credit card fee decreased as the spin-off of card operations caused card fee income to drop KRW 117.6 billion.

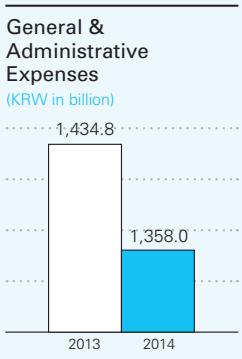
Disposition and valuation gains decreased KRW 102.8 billion to KRW 273.9 billion, due to FX translation losses of non-monetary assets and impairment losses on investment securities.

Other operating income suffered a KRW 61.9 billion decrease to a negative KRW 159.5 billion, as the overall growth of assets and loans led to sizable increases in deposit insurance fees and in contribution to the Credit Guarantee Fund.

Table 3. General and Administrative Expenses

(KRW in billion)

	2014	2013	YoY	%
General & Administrative Expenses	**1,358.0**	1,434.8	-76.8	-5.36%
Salaries and Employee Benefits	**709.4**	771.9	-62.5	-8.10%
Severance and Retirement Benefits	**92.3**	86.2	6.1	7.13%
Administrative Expenses	**420.9**	438.1	-17.2	-3.92%
Depreciation and Amortization	**97.6**	100.7	-3.1	-3.07%
Taxes and Dues	**37.7**	37.9	-0.2	-0.59%
Cost to Income Ratio	**57.95%**	56.96%	1.00%	-



General & administrative expenses decreased KRW 76.8 billion to KRW 1,358.0 billion; salaries and employee benefits KRW 62.5 billion owing to the spin-off of card operations and an increase in the number of employees who took annual leaves; administrative expense decreased KRW 17.2 billion, as the spinoff led to a cut in outsource service costs and a bank-wide cost rationalization; and retirement benefits increased KRW 6.1 billion, as the number of senior employees increased who took advantage of an early retirement offer made during the year.

Ⅱ Summary of Financial Position

Table 4. Condensed Balance Sheets

(KRW in billion)

	2014	2013	YoY	%
Interest Earning Assets	**88,982.4**	83,427.9	5,554.5	6.66%
Due from Banks	**3,981.0**	3,061.7	919.3	30.03%
Fixed Income Securities	**13,770.4**	10,662.4	3,108.0	29.15%
Loans	**71,231.0**	69,703.8	1,527.2	2.19%
Other Revenue Earning Assets	**1,613.3**	1,925.4	-312.1	-16.21%
Stocks and Investments	**1,524.9**	1,859.1	-334.2	-17.98%
Others	**88.4**	66.3	22.1	33.31%
Non-Revenue Earning Assets	**16,732.3**	15,818.7	913.6	5.78%
Total Assets	**107,328.0**	101,172.0	6,156.0	6.08%

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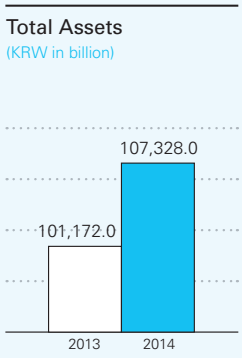


Management's Discussion and Analysis

Korea Exchange Bank

	2014	2013	YoY	%
Interest Bearing Liabilities	**84,462.4**	79,150.2	5,312.2	6.71%
Deposits	**69,371.0**	65,135.3	4,235.7	6.50%
Borrowings	**9,018.2**	6,520.7	2,497.5	38.30%
Debentures	**4,872.5**	6,582.0	-1,709.5	-25.97%
Borrowings from Trust Accounts	**1,200.7**	912.3	288.4	31.61%
Non-Interest Bearing Liabilities	**14,051.8**	12,605.1	1,446.7	11.48%
Total Liabilities	**98,514.2**	91,755.3	6,758.9	7.37%
Shareholders' Equity	**8,813.8**	9,416.7	-602.9	-6.40%
Total Liabilities & Shareholders' Equity	**107,328.0**	101,172.0	6,156.0	6.08%

Total assets as of Dec. 2014, stood at KRW 107.3 trillion, up KRW 6.2 trillion from the year before. Loans and other interest earning assets and non-revenue earning assets rose, while other revenue earning assets decreased.

Interest earning assets increased by KRW 5.6 trillion to KRW 88.9 trillion. Loans rose by KRW 1.5 trillion to KRW 71.2 trillion; the increase of loans extended to SMEs and SOHOs offset the effect of decreases in household loans and in credit card loans following the spinoff of card operations. The increase of non-revenue earning assets is mostly related to the increase in the reserves made to the Bank of Korea.

Interest bearing liabilities rose KRW 5,312.2 billion; deposits and borrowings increased KRW 4.2 trillion and KRW 2.5 trillion, respectively, while debentures inched down. The increase of deposits, in particular, composed mostly of core deposits and MMDA, both of which are regarded as low cost deposits.

Shareholders' equity decreased by KRW 602.9 billion, due mainly to the spin-off of card operations.

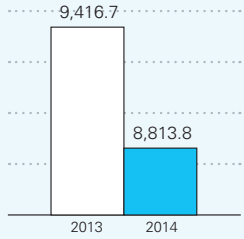
Table 5. KRW Loans & Deposits

(KRW in billion)

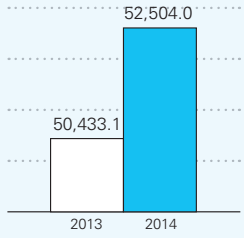
	2014	2013	YoY	%
KRW Loans	**52,504.0**	50,433.1	2,070.9	4.11%
Loans to Corporate	**31,176.2**	28,512.5	2,663.7	9.34%
SME	**19,807.8**	17,256.5	2,551.3	14.78%
(SOHO)	**5,491.4**	3,570.6	1,920.8	53.80%
Large Corporate	**10,310.2**	10,596.4	-286.2	-2.70%
Public Sector & Others	**1,058.1**	659.6	398.5	60.42%
Loans to Households	**21,327.8**	21,920.6	-592.8	-2.70%
KRW Deposits *	**54,111.2**	51,664.7	2,446.5	4.74%
Low Cost Funding	**20,524.3**	18,209.1	2,315.2	12.71%
Core Deposit	**13,926.8**	12,591.7	1,335.1	10.60%
MMDA	**6,597.5**	5,617.4	980.1	17.45%
Time Deposits	**30,557.5**	30,519.4	38.1	0.13%
Installment Deposits	**2,799.5**	2,598.6	200.9	7.73%
CD & Others	**230.0**	337.6	-107.6	-31.88%

*Excluding foreign currency and trust deposits

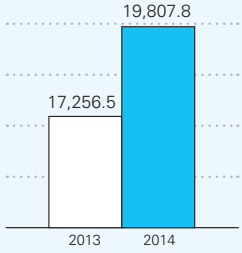
Shareholders' Equity
(%)



KRW Loans
(KRW in billion)



SME Loan
(KRW in billion)



KRW loans expanded KRW 2.1 trillion in 2014 to KRW 52.5 trillion; in particular, SME loans grew significantly, contributing to the rebalance of the loan portfolio. The amount of loans made to SMEs increased KRW 2.6 trillion; and SOHO loans increased KRW 1.9 trillion; while household loans decreased KRW 0.6 trillion and large corporate loans decreased KRW 0.3 trillion.

KRW deposits rose KRW 2.4 trillion to KRW 54.1 trillion. In particular, core deposits swelled KRW 1.3 trillion while MMDA rose KRW 1 trillion, thereby contributing to the improvement of the funding structure. Time deposits also increased, by a modest KRW 38.1 billion, while installment deposits rose by KRW 200.9 billion.

Ⅲ Asset Quality

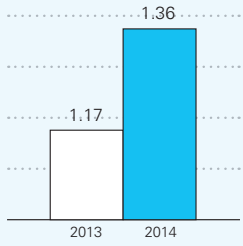
Table 6. Asset Quality and Loan Loss Provision

(KRW in billion)

	2014	2013	YoY	%
Total Credit	**81,687.0**	80,512.2	1,174.8	1.46%
Normal	**79,878.3**	78,298.1	1,580.2	2.02%
Precautionary	**696.7**	1,274.1	-577.4	-45.32%
Substandard	**850.8**	657.5	193.3	29.40%
Doubtful	**143.5**	170.8	-27.3	-15.99%
Estimated Loss	**117.7**	111.6	6.1	5.45%
Precautionary & Below				
Amount	**1,808.7**	2,214.0	-405.3	-18.31%
Ratio	**2.21%**	2.75%	-0.54%p	-
Substandard & Below (NPL)				
Amount	**1,112.0**	939.9	172.1	18.31%
Ratio	**1.36%**	1.17%	0.19%p	-
Loan Loss Reserve	**655.6**	712.7	-57.1	-8.02%
Credit Loss Reserve	**517.0**	534.3	-17.3	-3.24%
Substandard & Below (NPL) Coverage Ratio	**105.45%**	132.67%	-27.22%p	-

NPL Ratio

(%)



Total credit rose KRW 1,174.8 billion to KRW 81,687.0 billion. NPLs increased KRW 172.1 billion to KRW 1,112.0 billion. The NPL stood at 1.36% due mainly to unexpected credit events that transpired in Dec. 2014.

Loan loss reserve amounted to KRW 655.6 billion at the end of 2014, down KRW 57.1 billion from 2013, a result of the card business spin-off.

Management's Discussion and Analysis

Korea Exchange Bank

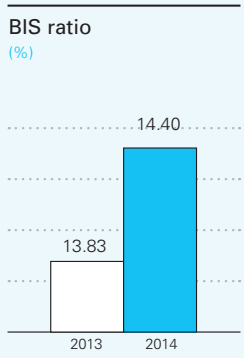
Ⅳ Capital Adequacy

Table 7. BIS Capital and Ratio

(KRW in billion, %)

	2014	2013	YoY	%
Tier 1 Capital	**8,063.4**	8,375.1	-311.7	-3.72%
Common Equity Capital	**7,869.5**	7,989.3	-119.8	-1.50%
Paid in Capital	**2,584.5**	3,224.5	-640.0	-19.85%
Retained Earnings	**5,369.0**	5,001.8	367.2	7.34%
Others	**-84.0**	-237.1	153.1	-64.59%
Hybrid Bonds	**180.0**	384.8	-204.8	-53.22%
Tier 2 Capital	**1,840.6**	1,559.4	281.2	18.03%
Loan Loss Reserve	**557.6**	514.3	43.3	8.41%
Subordinated Bonds	**1,265.6**	1,045.0	220.6	21.12%
Others	**17.4**	0.1	17.3	-
Total BIS Capital	**9,904.0**	9,934.5	-30.5	-0.31%
Risk Weighted Assets	**68,782.0**	71,820.6	-3,038.6	-4.23%
BIS Capital Adequacy Ratio*	**14.40%**	13.83%	0.57%p	-
Common Equity Tier 1 Ratio	**11.44%**	11.12%	0.32%p	-
Tier 1 Ratio	**11.72%**	11.66%	0.06%p	-
Tier 2 Ratio	**2.68%**	2.17%	0.50%p	-

*Based on Basel III standards



The BIS ratio as of Dec. 2014 stood at 14.40%, well above the FSS-set minimum commercial banks have to meet in order to be classified as "Grade A". In comparison with 2013, the 2014 ratio represents a 0.57%p increase, which can be ascribed to the USD 300 million subordinated bond issue, and the active management of risk-weighted assets. The common equity tier 1 ratio is at a stable 11.44%. Going forward, Korea Exchange Bank plans to maintain a stable capital structure centering on common equity capital in full compliance with Basel III standards.

Management's Discussion and Analysis

Hana Daetoo Securities

Ⅰ OVERVIEW

In 2014, the domestic securities industry stagnated in the area of brokerage fee but improved its overall income performance on the backs of increasing disposition and valuation gains following the interest rate cuts and of growing gains on interest income following the increase of OTC issues.

In response to structural problems plaguing the securities industry as a whole, Hana Daetoo Securities (HDS) induces its employees to retire early, closed or consolidated branches, and took other steps for rationalizing under-performing business operations. As a result, HDS's 2014 profitability indexes improved, compared with those of the previous year.

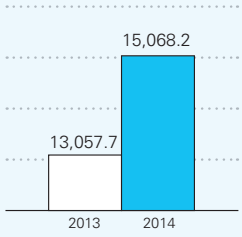
Going forward, HDS will continue to pursue efficiency in workforce management and other business operations and to take active yet measured steps of investing in areas deemed vital to its sustainable growth.

Table 1. Summarized Financial Information

(KRW in billion, %)

	2014	2013	YoY	%
Business Volume				
Total Assets	**15,068.2**	13,057.7	2,010.5	15.40%
Shareholders' Equity	**1,639.5**	1,604.1	35.4	2.21%
Profitability				
General Operating Income	**404.8**	348.8	56.0	16.07%
Operating Income	**93.0**	65.8	27.2	41.23%
Net Income	**82.0**	68.2	13.8	20.22%
ROA	**0.54%**	0.52%	0.02%p	-
ROE	**5.06%**	4.30%	0.76%p	-
Cost to Income Ratio	**76.26%**	83.04%	-6.78%p	-
Capital Adequacy				
Net Capital Ratio	**422.56%**	418.04%	4.52%p	-

Total Assets
(KRW in billion)



Ⅱ Summary of Business Performance

In 2014, Hana Daetoo Securities earned KRW 82.0 billion in net profit, up KRW 13.8 billion from the year before; despite a smaller write-back of credit loss provision than that in 2013, and an ERP related general & administrative expenses, the Company improved profit performances in the trading and brokerage operations.

Table 2. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**404.8**	348.8	56.0	16.07%
Net Interest Income	**152.2**	153.7	-1.5	-0.99%
Net Fees and Commissions Income	**206.8**	202.3	4.5	2.21%
Gains on Disposition & Valuation	**23.8**	-32.2	56.0	-
Other Operating Income	**22.1**	25.0	-2.9	-11.45%
General & Administrative Expenses	**308.7**	289.6	19.1	6.59%
Pre-Provisioning Operating Profit (PPOP)	**96.1**	59.2	37.0	62.46%

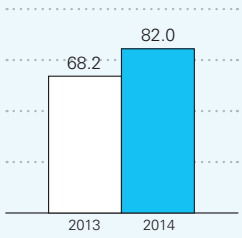
(Continued on next page)

Management's Discussion and Analysis

Hana Daetoo Securities

	2014	2013	YoY	%
Credit Loss Provision	**3.2**	-6.7	9.8	-
Operating Income	**93.0**	65.8	27.1	41.23%
Non-Operating Income	**12.6**	23.1	-10.5	-45.50%
Income before Income Tax	**105.6**	89.0	16.6	18.67%
Income Tax Expense	**23.6**	20.8	2.8	13.60%
Net Income	**82.0**	68.2	13.8	20.22%

Net Income
(KRW in billion)



General operating income increased 16% over the course of 2014 to KRW 404.8 billion.

To review HDS' general operating income performance in detail;

Fee & commission income, despite the continued slowdown of the IB market, increased KRW 4.5 billion on the back of growing market share in brokerage which resulted in an KRW 5.1 billion or 5% increase;

Gains on disposition and valuation securities jumped KRW 56.0 billion to KRW 23.8 billion on the strengths of robust bond operations boosted by the base rate cuts of the BOK, of strong stock/fixed-income OTC operations, and of a realization of IPO investment profits amounting to KRW 9.8 billion;

General & administrative expenses rose KRW 19.1 billion to KRW 308.7 billion, reflective of a high cost (KRW 18.7 billion) of the early retirement program offered in the year;

Credit loss provision decreased KRW 9.8 billion to a KRW 3.2 billion, a result of HDS' successful efforts to recover Woongjin-related bad loans, which led to a write-back of credit loss provision;

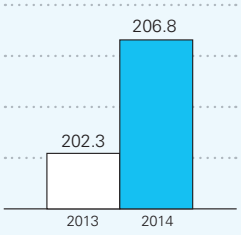
Non-operating income decreased KRW 10.5 billion to KRW 12.6 billion, as a result of a decrease in the dividend income and the impairment loss from overseas equity investments.

Table 3. Fee & Commissions Income

(KRW in billion)

	2014	2013	YoY	%
Fee & Commissions Income	**206.8**	202.3	4.5	2.21%
Brokerage Commissions	**106.8**	101.6	5.1	5.03%
Management Fee on Wrap Account and Asset Management	**69.6**	70.1	-0.6	-0.83%
Underwriting Commissions	**11.8**	11.5	0.3	2.98%
Commissions on Merger & Acquisition	**22.3**	27.5	-5.2	-18.88%
Others	**-3.7**	-8.5	4.8	-

Fee & Commissions Income
(KRW in billion)



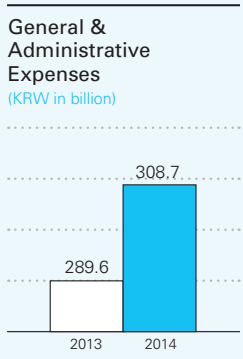
Net fee and commission income increased 2.2% in 2014 to KRW 206.8 billion, despite a stagnating securities industry hampered by a sluggish equity market. As HDS improved its research capacity, which elevated its ranking to the 2nd place in 2014, compared with the 10th in 2012, HDS continued to expand its market share in brokerage, bringing in KRW 106.8 billion in fees, up 5% from 2013, a laudable feat when viewed in the light of a brokerage sector that remained languid throughout the year,

HDS ranked No.1 in the league table of M&A finance and provided advisory service to three special purpose acquisition companies (SPAC) IPOs, despite the decrease in commission and fee on merger & acquisition on the account of the drop of 'big deal' in the M&A market.

Table 4. General and Administrative Expenses

(KRW in billion)

	2014	2013	YoY	%
General & Administrative Expenses	**308.7**	289.6	19.1	6.59%
Salaries and Employee Benefits	**166.1**	161.0	5.2	3.21%
Severance and Retirement Benefits	**28.0**	10.5	17.5	166.38%
Administrative Expenses	**91.6**	93.1	-1.4	-1.55%
Depreciation and Amortization	**11.2**	13.5	-2.3	-16.76%
Taxes and Dues	**11.7**	11.6	0.2	1.45%
Cost to Income Ratio	**76.26%**	83.04%	-6.78%p	-



General & administrative expenses increased KRW 19.1 billion to KRW 308.7 billion. Despite the hefty price of KRW 18.7 billion attached to the early retirement program, the cost to income ratio decreased 6.78%p on the back of increased general operating income.

To review general & administrative expenses in detail, salaries and employee benefits rose KRW 5.2 billion to KRW 166.1 billion on the increase of bonus payouts;

Administrative expense decreased KRW 1.4 billion to KRW 91.6 billion as a result of the closure and consolidation of 10 branches and of concerted cost-rationalization efforts made during the year.

Ⅲ Key Figures

Table 5. AUM Breakdown

(KRW in billion)

	2014	2013	YoY	%
Customer Assets of HDS (AUM)	**57,772.9**	50,980.5	6,792.4	13.3%
Beneficiary Certificates	**15,899.4**	13,937.1	1,962.3	14.1%
Equity (hybrid) Type	**3,700.5**	3,600.5	100.0	2.8%
Fixed Income (hybrid) Type	**3,490.2**	3,223.0	267.2	8.3%
MMF	**3,756.8**	2,787.4	969.4	34.8%
Other	**4,951.9**	4,326.2	625.7	14.5%
Financial Products	**24,273.7**	23,028.0	1,245.7	5.4%
Trust	**7,112.1**	6,606.8	505.3	7.6%
RP	**3,370.0**	3,385.3	-15.3	-0.5%
Fixed Income/CD/CP	**7,405.3**	7,369.2	36.1	0.5%
Other	**6,386.4**	5,666.7	719.7	12.7%
Entrusted Assets	**17,599.8**	14,015.4	3,584.4	25.6%
Market	**381,902.6**	334,895.9	47,006.7	14.0%
M/S	**4.16%**	4.16%	-	-

Customer assets entrusted to HDS rose 13.3% in 2014 to KRW 57.8 trillion, as beneficiary certificates rose by KRW 2.0 trillion, financial products by KRW 1.2 trillion, entrusted assets by KRW 3.6 trillion.

Beneficiary certificates sold rose 14.1% to KRW 15.9 trillion, which represents 4.16% in market share. In particular, the equity (hybrid) type, though the market as a whole shrank 6%, increased 2.8%, which can be ascribed to concerted efforts made to develop and market products tailored to customer needs.

Management's Discussion and Analysis

Hana Daetoo Securities

Financial products sold to customers illustrate HDS's superior competencies in managing customer assets, as trust, fixed income-type wrap, and other in-house products showed robust growth. In particular, "China (mainland) No. 1 Equity" recorded KRW 200 billion in sales, demonstrating HDS's leadership of developing competitive alternatives to domestic investment products stagnating in a market verging on growth limits.

Entrusted assets showed a noteworthy 25% jump from 2013, which can be ascribed to the increase of investments in market research and the distribution of quality reports to branches and customers.

Table 6. Acquisition and Issuance

(KRW in billion)

	2014	2013	YoY	%
IPO & Capital Increase (lead-managed)	**214.6**	177.7	36.9	20.8%
Debenture Issued	**1,340.0**	1,020.0	320.0	31.4%
ELS/DLS issued (ELB/DLB included)	**7,503.5**	5,141.5	2,362.0	45.9%

In the IPO area, HDS lead-managed the listing of six corporations, in particular, by successfully listing Daechang Steel which had previously failed in two IPO attempts lead-managed by another securities company. Having well received by the SPAC market for its 2013 merger of Sunday Toz and Hana Green SPAC, HDS listed three SPACs in 2014, of which Hana Must SPAC and Hana Must No.3 SPAC are each scheduled to acquire other businesses in 2015.

Debentures issued in 2014 reached KRW 1,340.0 billion, up 31.4% from the year before.

OTC products issued in 2014 jumped a staggering 45.9% to KRW 7,503.5 billion on the rise of a market demand in response to the low interest rate environment and on the early redemption of derivative linked bond (DLB) products linked to GTAA, an index developed by HDS. Together with China No.1 Equities, OTC products have become leading financial products at HDS.

Table 7. Brokerage Contracts

(KRW in billion)

	2014	2013	YoY	%
Brokerage Contracts	**104,953.7**	101,840.6	3,113.1	3.1%
OFF	**32,506.7**	30,537.0	1,969.7	6.5%
ON	**72,447.2**	71,303.6	1,143.6	1.6%
Market	**3,270,961.1**	3,306,487.0	-35,525.9	-1.1%
M/S	**3.21%**	3.08%	0.13%p	-

HDS's brokerage contracts increased 3.1% to KRW 10.5 trillion, or 3.21% in market share, up 0.13%p from the year before. The increase can be attributed to HDS's improved research ratings, with expanded research coverage and strengthened research competencies.

Ⅳ Asset Quality

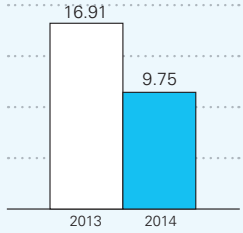
Table 8. Asset Quality and Loan Loss Provision

(KRW in billion)

	2014	2013	YoY	%
Total Credit	**1,185.6**	898.9	286.7	31.90%
Normal	**1,069.1**	745.8	323.3	43.34%
Precautionary	**0.9**	1.0	-0.1	-9.07%
Substandard	**23.7**	34.8	-11.1	-31.88%
Doubtful	**6.7**	14.4	-7.7	-53.35%
Estimated Loss	**85.2**	102.8	-17.6	-17.14%
Precautionary & Below				
Amount	**116.5**	153.0	-36.5	-23.84%
Ratio	**9.83%**	17.02%	-7.19%p	-
Substandard & Below (NPL)				
Amount	**115.6**	152.0	-36.4	-23.94%
Ratio	**9.75%**	16.91%	-7.16%p	-
Loan Loss Reserve	**91.9**	117.3	-25.4	-21.59%

NPL Ratio

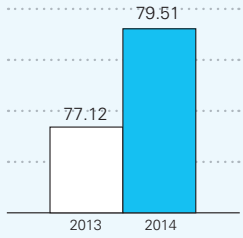
(%)



	2014	2013	YoY	%
Loan Loss Reserve	**91.9**	117.3	-25.4	-21.59%
Normal	**-**	-	-	-
Precautionary	**-**	-	-	-
Substandard	**-**	-	-	-
Doubtful	**6.7**	14.4	-7.7	-53.46%
Estimated Loss	**85.2**	102.8	-17.6	-17.14%
Precautionary & Below				
Loan Loss Reserve	**91.9**	117.3	-25.4	-21.59%
Coverage Ratio	**78.89%**	76.62%	2.27%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	**91.9**	117.3	-25.4	-21.59%
Coverage Ratio	**79.51%**	77.12%	2.39%p	-

NPL Coverage Ratio

(%)



Total credit as of Dec. 2014 stood at KRW 1,185.6 billion, up KRW 286.7 billion from a year ago. The NPL ratio improved about 7.16%p over the course of 2014, while loan loss provision decreased about KRW 25.4 billion. The NPL coverage ratio increased 2.39%p to 79.51%. Loan loss reserve was at a level sufficient enough to deal with any decline in credit cycle.

Management's Discussion and Analysis

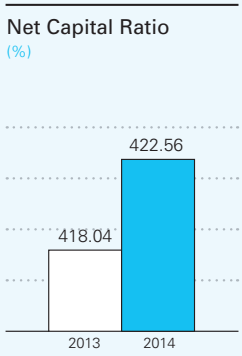
Hana Daetoo Securities

V Capital Adequacy

Table 9. Net Capital Ratio

(KRW in billion, %)

	2014	2013	YoY	%
Net Capital	**1,412.8**	1,354.6	58.2	4.30%
(+)Shareholders' Equity on B/S	**1,639.5**	1,604.1	35.4	2.21%
(+)Allowances for Currency Assets	**3.9**	34.3	-30.4	-88.66%
(+)Subordinated debentures	**60.0**	80.0	-20.0	-25.00%
(–)Fixed Assets	**73.0**	76.2	-3.2	-4.16%
(–)Prepaid Expenses	**3.2**	5.3	-2.1	-40.24%
(–)Unsecured Loans (over 3M)	**99.7**	161.8	-62.1	-38.40%
(–)Others	**114.6**	120.5	-5.9	-4.83%
Gross Risk Amount	**334.4**	324.0	10.4	3.18%
Market Risk	**227.9**	206.2	21.7	10.50%
Counter Party Risk	**43.2**	47.1	-3.9	-8.26%
Credit Concentration Risk	**16.0**	26.7	-10.7	-39.99%
Operational Risk	**47.2**	44.0	3.2	7.33%
Indirect Investment Risk	**-**	-	-	-
Net Capital Ratio	**422.56%**	418.04%	4.52%p	-



The net capital ratio as of Dec. 2014 stood at 423%, up 4.5%p from a year ago, well above the 200% level by the newly enacted Capital Market Act, and the 250% level set by Hana Financial Group.

Shareholders' equity on the B/S rose by 2% to KRW 1,639.5 billion, while net capital increased by KRW 58.2 billion to KRW 1,412.8 billion. The increase of net capital can be attributed to a decrease in loans with 3-month and longer maturities.

Gross risk amount rose KRW 10.4 billion over the year, reflecting an increase in market risk following the growth of assets.

Management's Discussion and Analysis

KEB Hana Card

Ⅰ OVERVIEW

Table 1. Summarized Financial Information

(KRW in billion, thousands)

	2014
Profitability	
General Operating Income	**103.2**
Operating Income	**-8.0**
Net Income	**-11.2**
Balance Sheet Outstanding*	
Credit sales	**2,848**
Cash Advance	**574**
Card Loan	**1,539**

*Other credit card assets and installments are included in credit sales.

In a year characterized by a contracting economy, devastating news of customer data leaks involving some card companies, and a stiffening regulatory environment, KEB Hana Card recorded KRW 55.2 trillion* in sales and grew 7.2%, 2.6%p more than the market growth rate of 4.6%.

Despite a high cost of the merger it underwent during the year, the Company achieved a net profit of KRW 5.1 billion by maintaining its firm focus on profitability.

In December 2014, KEB Hana Card merged with KEB Card, thereby expanding market share to over 8% and becoming the industry's 5th largest, with 11 million card membership (including 4.7 million card membership for credit card only) and 2.3 million merchants.

* Sales

(KRW in trillion)

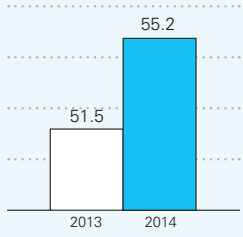
	2014	2013	YoY	%
Hana SK Card	**30.8**	28.8	2.0	6.94%
KEB Card	**24.3**	22.7	1.6	7.05%
Total	**55.2**	51.5	3.7	7.18%

* Net income

(KRW in billion)

	Jan.~Aug.	Sep.~Nov.	Dec.	**Total**
Hana SK Card	3.0	13.3	-	**16.3**
KEB Card	-	3.3	-	**3.3**
KEB Hana Card	-	-	-14.5	**-14.5**
Total	3.0	16.6	-14.5	**5.1**

Sales
(KRW in trillion)



Management's Discussion and Analysis

KEB Hana Card

Ⅱ Summary of Business Performance

Table 2. Comprehensive Income Statement

(KRW in billion)

	2014
General Operating Income	**103.2**
Net Interest Income	**-26.5**
Net Fee & Commission Income	**133.2**
Other Operating Income	**-3.5**
General & Administrative Expense	**78.8**
Pre-Provisioning Operating Profit (PPOP)	**24.4**
Credit Loss Provision	**32.4**
Operating Income	**-8.0**
Non-Operating Income	**-2.7**
Income Tax Expense	**0.4**
Net Income*	**-11.2**

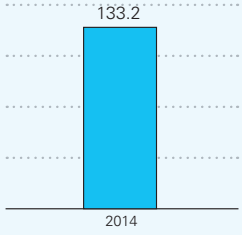
*The KRW -11.2 billion is the sum of Hana SK Card's net income through December of 2014, and KEB Card's from September to November.

Table 3. Fee Structure

(KRW in billion)

	2014
Fee Revenue	**307.8**
Credit Card Receivables in Won	**155.3**
Cash Advance	**23.0**
Card Loan	**38.7**
Others	**90.9**
Fee Expense	**174.7**
Fee Income	**133.2**

Fee Income
(KRW in billion)



The merger with KEB Card generated an expense of KRW 12.6 billion (KRW 3.0 billion in advertising, KRW 4.1 billion in consulting, and KRW 5.5 billion for destroying unused cards). Despite this one-off expense, KEB Hana Card recorded KRW 5.1 billion in net profit. Though the card loan market continued to face the downward pressures of toughening regulations and the waning risk appetites of industry players, KEB Hana Card was able to improve its asset portfolio through the merger and thus enhance profitability through the expansion of revolving assets comprising some card payments.

*Financial Assets Before/After Merger

(KRW in trillion)

	2014 (After Merger)	2013 (Before Merger)	Change
Product Assets	6.17	4.18	1.99
Financial Assets	2.55	1.28	1.27
The Portion of Financial Assets (%)	**41.30%**	**30.60%**	**10.70%p**

*Financial Products Outstanding Before/After Merger

(KRW in trillion)

	2014 (After Merger)	2013 (Before Merger)	Change
Card Loans	1.54	0.84	0.70
Cash Service	0.6	0.32	0.28
Revolving	0.41	0.12	0.29
Total	2.55	1.28	1.27

Ⅲ Asset Quality

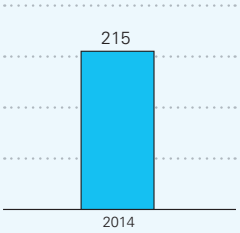
Table 4. Asset Quality and Loan Loss Provision

(KRW in billion)

	2014
Total Credit	**6,301**
Normal	**5,930**
Precautionary	**278**
Substandard	**1**
Doubtful	**61**
Estimated Loss	**32**
Substandard & Below (NPL)	**93**
Substandard & Below (NPL) Ratio*	**1.47%**
Precautionary & Below	**371**
Precautionary & Below Ratio	**5.88%**
Loan Loss Reserves	**200**
Normal	**81**
Precautionary	**46**
Substandard	**-**
Doubtful	**47**
Estimated Loss	**26**
Coverage Ratio	
Substandard & Below (NPL) Coverage	**215%**
Precautionary & Below	**54%**

* NPL ratio inclusive of factoring

NPL Coverage Ratio
(%)



KEB Hana Card maintained a conservative risk management stance through the practice of a provisioning policy approaching the level of the first-tier financial industry.
The NPL ratio for card assets was kept at 1.38%, the lowest in the industry.

Ⅳ Capital Adequacy

Table 5. Adjusted Equity Capital Ratio and Leverage Ratio

(KRW in billion)

	2014
Adjusted Equity Capital*	**1,316**
Adjusted Total Asset	**6,018**
Adjusted Equity Capital Ratio (%)	**21.9%**
Total Equity Capital	**1,333**
Total Assets	**7,312**
Leverage Ratio (multiples)*	**5.49**

*Adjusted Equity Capital Ratio based on separate F/S; Leverage Ratio based on consolidated F/S

The leverage ratio, before the merger (as of the end of November 2014) stood at 6.0% for Hana SK Card and 4.8% for KEB Card, and after the merger, came to 5.5%, below the regulation of 6.0%.

The leverage ratio of 5.49% for KEB Hana Card, which is somewhat higher than that of the competition, reflects a temporary rise in the amount of cash held at the Company after the November merger. Once adjusted, the ratio dropped to a stable 5.2% range.

Management's Discussion and Analysis

Hana Capital

I Summary of Business Performance

In 2014, Hana Capital posted a net income of KRW 50.4 billion, the largest in its corporate history. Financial assets totaled KRW 3,777.3 billion.

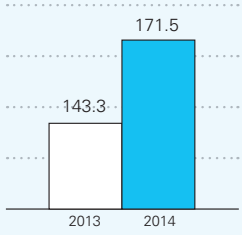
Through a continued expansion of financial assets and efforts aimed at improving risk management, the Company has made progress while maintaining a fine balance between asset growth and asset quality. In 2015 the Company plans to realign a part of its business portfolio through product diversification and maximize profitability through efficient cost management.

Table 1. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**171.5**	143.3	28.2	19.7%
Net Interest Income	**159.3**	142.6	16.7	11.7%
Net Fee and Commission Income	**4.7**	-7.1	11.8	-165.8%
Gains on Disposition & Valuation	**-0.2**	-	-0.2	-
Other Operating Income	**7.7**	7.8	-0.1	-1.2%
General & Administrative Expenses	**42.8**	38.4	4.4	11.6%
Pre-Provisioning Operating Profit (PPOP)	**128.7**	104.9	23.8	22.6%
Credit Loss Provision	**65.0**	46.3	18.7	40.2%
Operating Income	**63.7**	58.6	5.1	8.7%
Non-Operating Income	**1.8**	0.3	1.5	522.9%
Net Income before Income Tax	**65.5**	58.9	6.6	11.3%
Income Tax Expense	**15.2**	14.5	0.7	4.8%
Net Income	**50.4**	44.4	6.0	13.4%

General Operating Income
(KRW in billion)

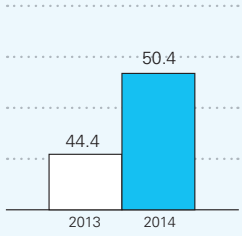


General operating income rose 19.7% in 2014, as both interest income and fee incomes rose. Domestic auto and facility financing and construction equipment financing increased by KRW 308.0 billion, KRW 62.9 billion, and KRW 30.9 billion, respectively. Auto financing rose 5.8%p from 53.3% to 59.1% in proportion to total assets, while facility financing and construction equipment financing combined decreased 0.2%p from 17.5% to 17.3%.

General & administrative expenses rose 11.6%, or KRW 4.4 billion, due to an increase in wages following the expansion of business operations. The cost to income ratio, however, improved by 0.81%p to 24.97%.

Loan loss provision increased KRW 8.5 billion YoY, while the reserve ratio inched down 0.17%p from 2.35% to 2.52%.

Net Income
(KRW in billion)



Ⅱ Financial Assets

Table 2. Lease/Installment

(KRW in billion, %)

	2014	2013	YoY	%
Lease	**1,267.2**	959.3	307.9	32.1%
Auto	**998.1**	702.8	295.3	42.0%
General	**269.1**	256.5	12.6	4.9%
Installment	**240.8**	276.4	-35.6	-12.9%
Durable goods	**81.5**	31.5	50.0	158.4%
Auto	**158.4**	242.5	-84.1	-34.7%
General	**0.9**	2.4	-1.5	-62.4%
Total	**1,508.0**	1,235.7	272.3	22.0%

In 2014, lease/financing assets rose KRW 272.3 billion or 22.0%, to KRW 1,508.0 billion. Auto lease increased 42% and durable goods financing increased 158.4% in growth on the strength of stable distribution channels. 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.

Ⅲ Asset Quality

Table 3. Asset Quality and Loan Loss Provision

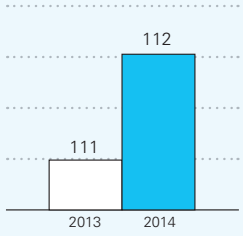
(KRW in billion)

	2014	2013	YoY	%
Total Credit	**3,777.3**	3,184.4	592.9	18.62%
Normal	**3,599.0**	2,997.3	601.7	20.08%
Precautionary	**99.4**	115.2	-15.8	-13.70%
Substandard	**37.8**	41.6	-3.8	-9.08%
Doubtful	**37.8**	27.9	9.9	35.67%
Estimated Loss	**3.2**	2.4	0.8	32.29%
Precautionary & Below				
Amount	**178.3**	187.1	-8.8	-4.72%
Ratio	**4.72%**	5.88%	-1.16%p	-
Substandard & Below (NPL)				
Amount	**78.9**	71.9	7.0	9.67%
Ratio	**2.09%**	2.26%	-0.17%p	-

(KRW in billion)

	2014	2013	YoY	%
Loan Loss Reserve	**88.6**	80.1	8.5	10.59%
Normal	**24.6**	23.2	1.4	6.02%
Precautionary	**24.3**	20.8	3.5	16.73%
Substandard	**5.8**	11.8	-6.0	-50.65%
Doubtful	**30.8**	21.8	9.0	41.44%
Estimated Loss	**3.0**	2.5	0.5	21.97%
Precautionary & Below				
Loan Loss Reserve	**64.0**	56.9	7.1	12.46%
Coverage Ratio	**49.70%**	42.82%	6.88%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	**39.7**	36.1	3.6	9.99%
Coverage Ratio	**112.30%**	111.37%	0.93%p	-

NPL Coverage Ratio
(%)



NPLs rose KRW 7.0 billion YoY to KRW 78.9 billion, but the NPL ratio improved 0.17%p to 2.09% on the continued efforts directed at managing bad debts. Compared with an industry average NPL ratio being in the upper part of 2%, Hana Capital's NPL ratio of 2.09% represents sound asset quality.

Ⅳ Capital Adequacy

Table 4. Adjusted Equity Capital Ratio

(KRW in billion, %)

	2014	2013	YoY	%
Adjusted Equity Capital	**357.7**	303.3	54.4	17.93%
Tier 1 Capital	**311.7**	261.1	50.6	19.39%
Shareholders' Equity	**311.7**	261.1	50.6	19.39%
Tier 2 Capital	**46.0**	42.2	3.8	8.96%
Subordinate Debt	**4.0**	6.0	-2.0	-33.33%
Loan Loss Reserve	**49.0**	44.1	4.9	11.09%
(–)Deduction	**6.9**	7.8	-0.9	-11.48%
Adjusted Total Assets	**3,848.5**	3,207.8	640.7	19.97%
Total Assets on B/S	**3,870.7**	3,271.3	599.4	18.32%
(–)Deduction	**22.2**	63.4	-41.2	-64.99%
Adjusted Equity Capital Ratio	**9.29%**	9.46%	-0.17%p	-

The adjusted equity capital ratio decreased 0.17%p YoY to 9.29% due to the slight increase of assets. Though the figure is below the industry average, it is well above the regulatory minimum guideline of 7%.

Management's Discussion and Analysis

Hana Life

Ⅰ OVERVIEW

Overview of the life insurance industry in 2014

In 2014, among the life insurance distribution channels, telemarketing was severely suffered by data leak incidents which occurred at the beginning of the year. The performance of the company-specific face-to-face channel was also partially affected by stricter regulations regarding incomplete sales. General agencies, however, enjoyed robust growth, while online channels were newly launched. In terms of products, protection-type insurance products grew in sales, due to rising concerns among consumers over medical expenses and retirement plans, amid the acceleration of the ageing population. The saving-type insurance performance gradually recovered despite the discontinued tax benefit revision in 2013.

Ⅱ Summary of Business Performance

Table 1. Main Performance Indicators

(KRW in billion)

	2014	2013	YoY	%
MCP (Monthly Converged Premiums)	**10.6**	11.9	-1.3	-10.92%
Annuity	**4.6**	3.8	0.8	21.05%
Saving	**5.6**	7.3	-1.7	-23.29%
Protection	**0.4**	0.6	-0.2	-33.33%
Variable	**-**	0.2	-0.2	-100.00%
Premium Income	**441.0**	378.4	62.6	16.54%
Investment Income	**95.4**	93.9	1.5	1.60%
Investment Income Ratio	**4.65%**	4.58%	0.07%p	-
Operating Expense	**32.9**	44.9	-12.0	-26.73%
Cost to Income Ratio (Operating Expense/Gross Premium Written)	**7.46%**	11.87%	-4.41%p	-
Net Income	**2.9**	18.1	-15.2	-83.98%
Adjusted Net Income*	**17.1**	5.8	11.3	194.83%
MVA Effect	**14.2**	-12.3	26.5	-215.45%

* The calculation of the adjusted net income excludes the profit/loss effect of market value-added (MVA) incomes generated by asset-linked products.

As of Dec. 2014, Hana Life's adjusted net income reached KRW 17.1 billion, a notable KRW 11.3 billion improvement from the previous year, exceeding the business target set at the beginning of the year, thus laying a firm base for sustainable profit growth.

Management's Discussion and Analysis

Hana Life

In terms of monthly converged premiums (MCP), this important performance indicator, improved utilizing bancassurance sales channels. The volume of protection-type products slightly shrank due to the restructuring of the telemarketing and agency channels. The Company boosted the sales of protection-type insurance products through bancassurance channels as part of its product portfolio diversification strategy. Meanwhile, the investment income ratio improved 7bp, as the Company shrank the proportion of interest-bearing assets in response to the low interest rate environment and instead expanded alternative investments and loans. In terms of management efficiency, Hana Life led the industry in 2014. The Company dramatically improved the cost to income ratio on the strength of channel and organizational innovations that helped secure a strong revenue structure and sustainable growth. As a result, the cost to income ratio decreased 4.41%p over the year, as the Company's premium income increased KRW 62.5 billion, while reducing operating expenses by KRW 3.6 billion.

Table 2. Comprehensive Income Statement

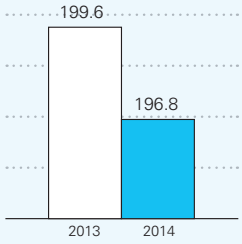
(KRW in billion)

	2014	2013	YoY	%
Net Insurance Business Income	**196.8**	199.6	-2.8	-1.40%
Insurance Income	**448.3**	385.0	63.3	16.44%
Premium Income	**441.0**	378.4	62.6	16.54%
Reinsurance Income	**7.3**	6.6	0.7	10.61%
Insurance Expense	**251.5**	185.4	66.1	35.65%
Benefit & Payments	**191.3**	111.3	80.0	71.88%
Reinsurance Expense	**8.2**	7.8	0.4	5.13%
General & Administrative Expense	**30.9**	41.2	-10.3	-25.00%
Increase of Deferred Acquisition Cost	**21.1**	25.1	-4.0	-15.94%
Discount	**-**	-	-	-
Net Investment Business Income	**91.4**	77.4	14.0	18.09%
Investment Income	**95.4**	93.9	1.5	1.60%
Investment Expense	**4.0**	16.5	-12.5	-75.76%
Increase of Policy Reserve	**302.5**	269.6	32.9	12.20%
Operating Income	**-14.3**	7.3	-21.6	-
Non-operating Income	**18.9**	16.2	2.7	16.67%
Net Income Before Income Tax	**4.7**	23.5	-18.8	-80.00%
Income Tax Expense	**1.8**	5.4	-3.6	-66.67%
Net Income	**2.9**	18.1	-15.2	-83.98%

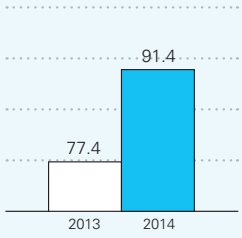
Hana Life's net income decreased KRW 15.2 billion in 2014 to KRW 2.9 billion. Net insurance business income also dwindled KRW 2.8 billion to KRW 196.8 billion, as the growth of insurance premiums was offset by increases in benefit and payments. Meanwhile, general & administrative expenses fell by KRW 10.3 billion, due mainly to such cost-saving efforts as a workforce reduction made in October. Net investment business income rose KRW 14.0 billion to KRW 91.4 billion, as net interest income and securities trading gains increased KRW 2.5 billion and KRW 9.0 billion, respectively. Reserves increased proportionately to the increase of assets. Other operating income also rose, as sundry income increased with a refund of education tax.

The Company's narrowed net income margin can be attributed to additional reserves allocated for asset-linked products in holding. In 2014, an additional KRW 15.7 billion was reserved in response to market value added (MVA)

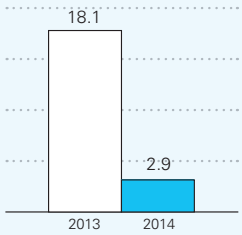
Net Insurance Business Income
(KRW in billion)



Net Investment Business Income
(KRW in billion)



Net Income
(KRW in billion)



changes in the aftermath of the asset-linked products' lower disclosure rates following market interest downturns. The additional reserves, however, were offset by higher gains on the valuation of bonds held by the Company (amid lower market interests), which were included in cumulative other comprehensive incomes, thereby leaving no impact on the Company's financial structure.

Without this market value-added (MVA) effect, the improvement of the expense structure as a result of personnel expense would drop and the steady growth of premium incomes are expected to have a lasting impact on the Company's profit performance.

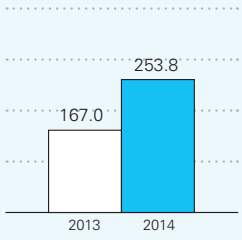
Ⅲ Capital Adequacy

Table 3. Solvency Margin Ratio

(KRW in billion, %)

	2014	2013	YoY	%
Solvency Margin	**253.8**	167.0	86.8	52.00%
Shareholders' Equity	**251.5**	168.2	83.3	49.53%
Loan Loss Reserve	**0.6**	0.1	0.5	459.83%
Subordinated Debts	**-**	-	-	-
Net Premium Reserve in Excess	**54.2**	56.7	-2.5	-4.42%
(–)Deduction	**52.5**	58.1	-5.4	-9.49%
Standard Amount of Solvency Margin	**120.2**	78.9	41.3	52.23%
Solvency Margin Ratio	**211.2%**	211.5%	-0.3%p	-

Solvency Margin
(KRW in billion)



Hana Life's RBC ratio slightly decreased 0.3%p in 2014. The Company's shareholders' equity increased KRW 83.3 billion, thanks to a capital increase of KRW 50.0 billion, a KRW 2.9 billion improvement in retained earnings, and a KRW 30.5 billion increase in other comprehensive income on account of lower interest rate (5-year government bond rate dropped from 3.23% to 2.28%).

As of Dec. 2014, the Company's standard amount of solvency margin stood at KRW 120.2 billion, up KRW 41.3 billion from a year ago. As for contributing factors, interest risk exposure increased by KRW 31.6 billion on account of the increased exposure and extended durations of marketable securities, and that credit risk exposure increased KRW 5.7 billion on the increased exposure of special purpose bonds, corporate bonds, and loans as part of investment diversification strategies.

Management's Discussion and Analysis

Hana Savings Bank

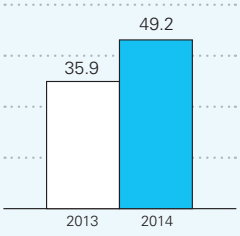
Ⅰ Summary of Business Performance

Table 1. Comprehensive Income Statement

(KRW in billion)

	2014	2013	YoY	%
General Operating Income	**49.2**	35.9	13.3	36.9%
Net Interest Income	**47.2**	37.2	10.0	26.8%
Net Fee and Commission Income	**1.0**	0.3	0.7	257.1%
Gains on Disposition & Valuation	**3.4**	2.2	1.2	53.5%
Other Operating Income (Expenses)	**-2.3**	-3.7	1.4	-
General & Administrative Expenses	**25.0**	25.5	-0.5	-1.9%
Pre-Provisioning Operating Profit (PPOP)	**24.2**	10.5	13.7	131.5%
Credit Loss Provision	**10.2**	4.3	5.9	136.9%
Operating Income	**14.0**	6.2	7.8	127.7%
Non-Operating Income	**0.2**	-3.2	3.4	-105.5%
Net Income before Income Tax	**14.2**	3.0	11.2	376.1%
Income Tax Expense	**3.1**	-2.8	5.8	-209.8%
Net Income	**11.2**	5.8	5.4	93.6%

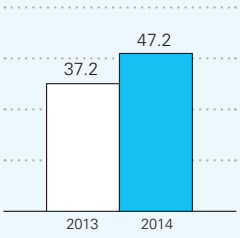
General Operating Income
(KRW in billion)



In 2014, Hana Savings Bank recorded a net profit of KRW 11.2 billion, an increase of 93.6% YoY, reflecting increased loans, a decreased NPL ratio, and decreased funding costs.

Having reached the break-even point in 2013, HSB has since maintained a stable profit structure, which is expected to further improve as the Bank makes progress in its efforts to de-market the bad debts of the savings banks it has acquired.

Net Interest Income
(KRW in billion)



Ⅱ Summary of Financial Position

Table 2. Condensed Balance Sheets

(KRW in billion)

	2014	2013	YoY	%
Interest Earning Assets	**948.2**	742.8	205.4	27.65%
Due from Banks	**157.7**	72.8	84.9	116.71%
Fixed Income Securities	**-**	-	-	-
Loans	**882.7**	804.2	78.5	9.76%
Loan Loss Allowance	**-92.3**	-134.2	41.9	-
Other Revenue Earning Assets	**8.5**	6.8	1.7	24.98%
Stocks and Others	**5.0**	5.1	-0.1	-0.38%
Lease	**-**	-	-	-
Trust Account Assets	**-**	-	-	-
Domestic Exchange Settlement	**3.4**	1.7	1.7	100.66%
Non-Revenue Earning Assets	**110.2**	126.7	-16.5	-13.06%
Total Assets	**1,066.8**	876.2	190.5	21.74%
Interest Bearing Liabilities	**885.9**	710.8	175.1	24.64%
Deposits	**885.9**	709.1	176.8	24.93%
Borrowings	**-**	-	-	-

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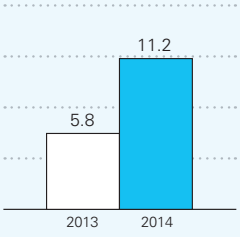
Net Income
(KRW in billion)



	2014	2013	YoY	%
Debentures	**-**	-	-	-
Policy Reserve	**-**	-	-	-
Borrowings from Trust Accounts	**-**	-	-	-
Trust Account Liabilities	**-**	-	-	-
Domestic Exchange Settlement	**-**	1.7	-1.7	-
Non-Interest Bearing Liabilities	**21.5**	18.1	3.4	18.53%
Total Liabilities	**907.4**	728.9	178.5	24.48%
Shareholders' Equity	**159.4**	147.3	12.1	8.19%
Total Liabilities & Shareholders' Equity	**1,066.8**	876.2	190.6	21.74%

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

Hana Savings Bank (HSB) is a bank Hana Financial Holding Company has established with a paid-in capital of KRW 184.3 billion with which the Company acquired Jeil and Ace Savings Banks in February and Korea Savings Bank in September 2012 in a P&A method. As of Dec. 2014, HSB has eight branches and three offices, KRW 1,066.8 billion in assets, KRW 907.4 billion in liabilities, and KRW 159.4 billion in equity.

In 2014, HSB's total assets amounted to KRW 1,066.8 billion, up KRW 191 billion from the year before, hitting the trillion mark which puts HSB in the top tier among domestic savings banks. The growth of assets can be ascribed to an increase in loan and a decrease in loan loss reserve, reflective of HSB's stabilizing asset/liability structure.

Loans rose KRW 78.5 billion from 2013, to KRW 882.7 billion, of which household loans took up KRW 340.4 billon (up KRW69.5 billion) and business loans KRW 542.3 billion (up 9.0 billion).

Total deposits rose KRW 176.8 billion to KRW 885.9 billion on the back of a stable loan enlargement policy, while the year-end balance of demand deposits represented a KRW 56.4 billion increase, contributing to the stabilization of funding costs.

Ⅲ Asset Quality

Table 3. Asset Quality and Loan Loss Provision

(KRW in billion)

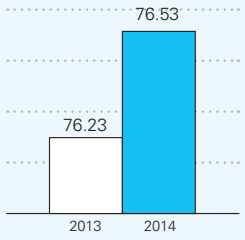
	2014	2013	YoY	%
Total Credit	**883.2**	804.9	78.3	9.73%
Normal	**347.3**	311.7	35.6	11.41%
Precautionary	**414.9**	316.5	98.4	31.10%
Substandard	**48.9**	69.7	-20.8	-29.91%
Doubtful	**45.5**	44.6	0.9	2.08%
Estimated Loss	**26.6**	62.3	-35.7	-57.35%
Precautionary & Below				
Amount	**535.9**	493.2	42.7	8.67%
Ratio	**60.68%**	61.27%	-0.59%p	-
Substandard & Below (NPL)				
Amount	**121.0**	176.6	-55.6	-31.51%
Ratio	**13.70%**	21.95%	-8.25%p	-

Management's Discussion and Analysis

Hana Savings Bank

	2014	2013	YoY	%
Loan Loss Reserve	**92.6**	134.7	-42.1	-31.24%
Normal	**5.0**	5.4	-0.4	-7.51%
Precautionary	**13.2**	10.3	2.9	27.49%
Substandard	**20.2**	33.7	-13.5	-40.07%
Doubtful	**33.0**	35.4	-2.4	-6.71%
Estimated Loss	**21.2**	49.9	-28.7	-57.40%
Precautionary & Below				
Loan Loss Reserve	**87.6**	129.3	-41.7	32.23%
Coverage Ratio	**17.28%**	27.30%	-10.02%p	-
Substandard & Below (NPL)				
Loan Loss Reserve	**74.5**	119.0	-44.5	-37.42%
Coverage Ratio	**76.53%**	76.23%	0.30%p	-

NPL Coverage Ratio
(KRW in billion)



Total credit increased KRW 78.3 billion to KRW 883.2 billion on the back of efficacious product development and robust lending operations.

NPLs decreased KRW 55.6 billion to KRW 121.0 billion on the strength of rigorous bad debt management. Accordingly, the NPL ratio lowered 8.25%p to 13.70%.

The NPL coverage ratio increased 0.30%p to 76.53% thanks to the management of loan loss reserve at an appropriate level, reflecting the improvement of asset soundness.

Ⅳ Capital Adequacy

Table 4. BIS Capital and Ratio

(Unit : KRW in billions)

	2014	2013	YoY	%
Tier 1 Capital	**102.5**	90.5	12.0	13.34%
Common Equity Capital	**102.5**	90.5	12.0	13.34%
Capital Stock	**75.0**	75.0	-	-
Capital Surplus	**108.3**	108.3	-	-
Retained Earnings	**-19.0**	-24.0	-	-
Others	**-61.8**	-68.9	-	-
Hybrid Bonds	**-**	-	-	-
Tier 2 Capital	**12.5**	10.8	1.7	16.26%
Loan Loss Reserve	**11.7**	10.4	1.3	12.23%
Subordinated Bonds	**-**	-	-	-
Others	**0.8**	0.3	0.5	142.56%
Total BIS Capital	**115.0**	101.2	13.8	13.65%
Risk Weighted Assets	**865.1**	724.4	140.7	19.43%
BIS Capital Adequacy Ratio*	**13.30%**	13.97%	-0.67%p	-
Tier 1 Ratio	**11.85%**	12.49%	-0.64%p	-
Tier 2 Ratio	**1.45%**	1.48%	-0.03%p	-

*Based on Basel I standards

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Hana Financial Group Inc. (the Hana Financial Group) and its subsidiaries (collectively, the Company), which comprise the consolidated statements of financial position as at December 31, 2014, and 2013, and the related 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audit. 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 audits 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 above present fairly, in all material respects, the financial position of Hana financial Group Inc. and its subsidiaries as at December 31, 2014, and 2013, and the results of its financial performance, and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Matter of emphasis

The users of this audit report need to pay attention to Note 59-3, which does not influence our audit opinion. Note 59-3 describes that Hana Financial Group Inc. decided a merger between Hana Bank and Korea Exchange Bank at the Board of Director's meeting on October 29, 2014, and on February 4, 2015, the Seoul Central District Court ordered an injunction to hold-off on the merger between Hana Bank and Korea Exchange Bank until June 30, 2015.

Other matter

The consolidated financial statements of Hana Financial Group Inc. and its subsidiaries for the year ended December 31, 2013, presented herewith for comparative purposes, were audited in accordance with previous auditing standards generally accepted in the Republic of Korea applicable to the previous period.

March 6, 2015

Ernst & Young Han Young

This audit report is effective as at March 6, 2015, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this audit report.

Consolidated Statements of Financial Position

as at December 31, 2014 and 2013

(KRW in million)

	Notes	December 31, 2014	December 31, 2013
Assets			
Cash and due from banks	5, 6, 7, 9, 11, 57	**₩ 22,257,731**	₩ 19,343,218
Financial assets held-for-trading	5, 6, 7, 8, 9, 12, 17, 19	**17,218,152**	15,766,359
Financial assets designated at fair value through profit and loss	5, 6, 7, 9, 13	**1,045,676**	240,597
Available-for-sale financial assets	5, 6, 7, 8, 9, 14, 17	**35,065,938**	29,529,156
Held-to-maturity investments	5, 6, 7, 9, 15, 17	**4,365,450**	4,736,987
Loans receivable	5, 6, 7, 8, 9, 17, 18, 23	**213,963,138**	203,597,827
Derivative assets used for hedging purposes	5, 6, 7, 8, 9, 19	**87,894**	96,068
Investments in associates	10, 20	**984,294**	948,686
Property and equipment	10, 21	**2,759,339**	2,688,451
Investment property	10, 22	**512,988**	515,431
Intangible assets	10, 24	**1,258,332**	1,457,186
Deferred income tax assets	53	**51,045**	45,595
Current tax assets		**7,364**	7,316
Non-current assets held for sale	25	**529**	660
Other assets	5, 6, 7, 8, 9, 26	**15,970,376**	16,215,102
Total assets		**₩ 315,548,246**	₩ 295,188,639
Liabilities			
Financial liabilities held-for-trading	5, 6, 7, 8, 9, 19, 27	**5,239,660**	4,373,515
Financial liabilities designated at fair value through profit and loss	5, 6, 7, 9, 28	**6,687,800**	4,904,171
Deposits	5, 6, 7, 9, 29	**201,896,985**	187,225,676
Borrowings	5, 6, 7, 8, 9, 30	**23,263,986**	21,833,638
Debentures	5, 6, 7, 9, 31	**29,308,115**	30,419,564
Derivative liabilities used for hedging purposes	5, 6, 7, 8, 9, 19	**50,736**	140,081
Net defined benefit liability	32	**169,168**	162,053
Provisions	33	**364,295**	448,972
Deferred income tax liabilities	53	**354,258**	304,447
Current tax liabilities		**71,675**	31,004
Other liabilities	5, 6, 7, 8, 9, 34	**26,247,926**	24,455,893
Total liabilities		**293,654,604**	274,299,014
Equity			
Issued capital	35	**1,449,470**	1,449,470
Hybrid equity securities	35	**299,121**	299,121
Capital surplus	35	**10,351,748**	10,380,574
Capital adjustments	36	**(13,122)**	(170,261)
Accumulated other comprehensive income	37	**251,158**	(9,740)
Retained earnings	38	**8,788,923**	7,982,838
Equity attributable to equity holders of the parent		**21,127,298**	19,932,002
Non-controlling shareholders' equity		**766,344**	957,623
Total equity		**21,893,642**	20,889,625
Total liabilities and equity		**₩ 315,548,246**	₩ 295,188,639

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

Consolidated Statements of Comprehensive Income

for the years ended December 31, 2104 and 2013

(KRW in million, except per share amounts)

	Notes	2014	2013
Net interest income:	40, 41		
Interest income		**₩ 10,215,433**	₩ 10,534,899
Interest expense		**(5,561,526)**	(6,049,858)
		4,653,907	4,485,041
Net fee and commission income:	40, 42		
Fee and commission income		**2,535,613**	2,478,039
Fee and commission expense		**(917,786)**	(885,223)
		1,617,827	1,592,816
Net trading income	40, 43	**279,407**	233,557
Net loss on financial assets and liabilities designated at fair value through profit and loss	40, 44	**(158,126)**	(63,625)
Net gain (loss) on derivative financial instruments used for hedging purposes	40, 45	**6,120**	(37,243)
Net gain on available-for-sale financial assets and other financial assets not measures at fair value	40, 46	**493,611**	285,477
Gain on foreign currency translation and transactions		**273,275**	247,322
Total operating income		**7,166,021**	6,743,345
Impairment loss on financial assets	40, 47	**(1,444,010)**	(1,271,655)
Net operating income		**5,722,011**	5,471,690
General and administrative expenses	40, 48	**(3,936,205)**	(3,846,309)
Other operating income	40, 49	**792,313**	564,597
Other operating expenses	40, 50	**(1,334,672)**	(1,024,968)
Operating income		**1,243,447**	1,165,010
Non-operating expense:			
Share of earnings from investments in associates and joint ventures	10, 20	**122,441**	85,213
Other non-operating income	51	**90,237**	138,610
Other non-operating expenses	52	**(203,562)**	(118,560)
		9,116	105,263
Net income before income tax		**1,252,563**	1,270,273
Income tax expense	53	**(272,774)**	(277,305)
Net income		**979,789**	992,968
Attributable to: Equity holders of the parent		**937,707**	933,877
Non-controlling interests		**42,082**	59,091
Other comprehensive income:	37		
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		**335,194**	(88,703)
Exchange differences on transaction of foreign operations		**20,483**	(105,322)
Changes in unrealized gain on valuation of equity method investments		**(10,715)**	(36,568)
Net income (loss) on cash flow hedges		**(2,689)**	957
Items that will never be recycled:			
Remeasurement of the net defined benefit liability (asset)		**(81,445)**	(57,685)
Total comprehensive income		**₩ 1,240,617**	₩ 705,647
Attributable to: Equity holders of the parent		**1,198,605**	617,554
Non-controlling interests		**42,012**	88,093
Earnings per share	55		
Basic earnings per share (KRW)		**₩ 3,177**	₩ 3,399
Diluted earnings per share (KRW)		**3,168**	3,388

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

Consolidated Statements of Changes in Equity

for the years ended December 31, 2104 and 2013

	Notes	Issued capital	Hybrid equity securities	Capital surplus
As at January 1, 2013		₩ 1,215,249	₩ 299,121	₩ 6,814,903
Dividends	54	-	-	-
Interim dividends	54	-	-	-
Acquisition of additional equity interests in subsidiaries		-	-	(9,920)
Issuance of hybrid equity securities		-	-	-
Dividends on hybrid equity securities	54	-	-	-
Issuance of share capital (share swap)	35	234,221	-	3,575,804
Acquisition and disposal of treasury stock	36	-	-	(213)
Exercise and expiration of share-based payment transactions		-	-	-
Others		-	-	-
		1,449,470	299,121	10,380,574
Net income for the period		-	-	-
Gain (loss) on valuation of available-for-sale financial assets		-	-	-
Exchange differences on transaction of foreign operations		-	-	-
Changes in unrealized gain on valuation of equity method investments		-	-	-
Net gain on cash flow hedges		-	-	-
Remeasurement of the net defined benefit liability		-	-	-
Total comprehensive income		-	-	-
As at December 31, 2013		₩ 1,449,470	₩ 299,121	₩ 10,380,574

	Notes	Issued capital	Hybrid equity securities	Capital surplus
As at January 1, 2014		₩ 1,449,470	₩ 299,121	₩ 10,380,574
Dividends	54	-	-	-
Interim dividends	54	-	-	-
Issuance of share capital in subsidiaries		-	-	(235)
Merger of subsidiaries		-	-	(46,756)
Spin off of subsidiaries		-	-	(3,087)
Redemption of hybrid equity securities		-	-	16,725
Dividends on hybrid equity securities	54	-	-	-
Acquisition and disposal of treasury stock	36	-	-	4,648
Acquisition of treasury stock of subsidiary		-	-	-
Others		-	-	(121)
		1,449,470	299,121	10,351,748
Net income for the period		-	-	-
Gain on valuation of available-for-sale financial assets		-	-	-
Exchange differences on transaction of foreign operations		-	-	-
Changes in unrealized gain on valuation of equity method investments		-	-	-
Net loss on cash flow hedges		-	-	-
Remeasurement of the net defined benefit liability		-	-	-
Total comprehensive income		-	-	-
As at December 31, 2014		₩ 1,449,470	₩ 299,121	₩ 10,351,748

The accompanying notes are integral part of the consolidated financial statements

(KRW in million)

	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
	₩ (80,949)	₩ 306,583	₩ 7,169,418	₩ 15,724,325	₩ 4,618,112	₩ 20,342,437
	-	-	(60,257)	(60,257)	(12,898)	(73,155)
	-	-	(43,288)	(43,288)	-	(43,288)
	-	-	-	(9,920)	(10,749)	(20,669)
	-	-	-	-	179,737	179,737
	-	-	(19,082)	(19,082)	(20,063)	(39,145)
	(94,740)	-	-	3,715,285	(3,883,561)	(168,276)
	5,022	-	-	4,809	-	4,809
	410	-	-	410	(1,029)	(619)
	(4)	-	2,170	2,166	(19)	2,147
	(170,261)	306,583	7,048,961	19,314,448	869,530	20,183,978
	-	-	933,877	933,877	59,091	992,968
	-	(106,932)	-	(106,932)	18,229	(88,703)
	-	(115,916)	-	(115,916)	10,594	(105,322)
	-	(36,206)	-	(36,206)	(362)	(36,568)
	-	488	-	488	469	957
	-	(57,757)	-	(57,757)	72	(57,685)
	-	(316,323)	933,877	617,554	88,093	705,647
	₩ (170,261)	₩ (9,740)	₩ 7,982,838	₩ 19,932,002	₩ 957,623	₩ 20,889,625

	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling shareholders' equity	Total
	₩ (170,261)	₩ (9,740)	₩ 7,982,838	₩ 19,932,002	₩ 957,623	₩ 20,889,625
	-	-	(71,388)	(71,388)	-	(71,388)
	-	-	(43,484)	(43,484)	-	(43,484)
	-	-	-	(235)	10,067	9,832
	-	-	-	(46,756)	46,735	(21)
	-	-	-	(3,087)	-	(3,087)
	-	-	-	16,725	(266,725)	(250,000)
	-	-	(19,082)	(19,082)	(14,325)	(33,407)
	170,023	-	-	174,671	-	174,671
	(13,095)	-	-	(13,095)	(6,845)	(19,940)
	211	-	2,332	2,422	(2,198)	224
	(13,122)	(9,740)	7,851,216	19,928,693	724,332	20,653,025
	-	-	937,707	937,707	42,082	979,789
	-	334,800	-	334,800	394	335,194
	-	18,666	-	18,666	1,817	20,483
	-	(10,602)	-	(10,602)	(113)	(10,715)
	-	(1,211)	-	(1,211)	(1,478)	(2,689)
	-	(80,755)	-	(80,755)	(690)	(81,445)
-	-	260,898	937,707	1,198,605	42,012	1,240,617
	₩ (13,122)	₩ 251,158	₩ 8,788,923	₩ 21,127,298	₩ 766,344	₩ 21,893,642

Consolidated Statements of Cash Flows

for the years ended December 31, 2104 and 2013

(KRW in million)

	Notes	2014	2013
Operating activities			
Net income before income tax		**₩ 1,252,563**	₩ 1,270,273
Adjustments to reconcile net income before income tax to net cash flows:			
Net interest expense		**124,759**	30,391
Net loss (gain) on valuation of trading securities		**(40,541)**	12,320
Net loss (gain) on valuation of financial assets and liabilities designated at fair value through profit and loss		**33,710**	(75,918)
Net gain on disposal of available-for-sale financial assets		**(388,186)**	(196,220)
Net loss (gain) on fair value of hedged items		**(2,059)**	36,893
Net gain on disposal of held-to-maturity investments		**(492)**	(345)
Impairment loss on available-for-sale financial assets		**310,214**	162,304
Net loss on foreign exchange translation		**34,871**	240,329
Provision of allowance for possible loan losses		**1,133,796**	1,109,351
Depreciation and amortization		**470,487**	499,542
Share based payment expense (income)		**(1,467)**	8,649
Provision of post-employment benefit obligations		**181,110**	142,855
Net gain on valuation of investments in associates		**(122,441)**	(85,213)
Other loss relating to property, equipment and intangible assets, net		**20,684**	10,715
Gain on a bargain purchase		**-**	(73,602)
Others		**(7,394)**	16,676
		1,747,051	1,838,727
Changes in operating assets and liabilities:			
Due from banks		**(3,257,262)**	1,892,744
Financial assets held-for-trading		**(1,370,598)**	(793,517)
Financial assets designated at fair value through profit and loss		**(791,954)**	(206,074)
Loans receivable		**(11,145,206)**	(9,260,874)
Derivative assets used for hedging purposes		**59,445**	(124,703)
Investment in associates		**59,496**	25,569
Other assets		**468,975**	1,104,010
Financial liabilities held-for-trading		**863,132**	424,759
Financial liabilities designated at fair value through profit and loss		**1,736,794**	655,142
Deposits		**14,365,476**	9,144,457
Derivative liabilities used for hedging purposes		**(89,345)**	125,930
Net defined benefit liabilities		**(281,442)**	(170,772)
Provisions		**(44,885)**	(76,694)
Other liabilities		**1,756,876**	(317,109)
		2,329,502	2,422,868
Payment of income tax		**(272,546)**	(183,533)
Net cash flows provided by operating activities		**5,056,570**	5,348,335

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

(Continued)

(KRW in million)

	Notes	2014	2013
Investing activities			
Net cash flow from acquiring subsidiaries		**-**	272,176
Purchase of available-for-sale financial assets		**(33,463,371)**	(18,831,627)
Proceeds from disposal of available-for-sale financial assets		**28,444,313**	15,816,717
Purchase of held-to-maturity financial assets		**(1,981,407)**	(3,620,350)
Proceeds from redemption of held-to-maturity financial assets		**2,360,685**	6,211,081
Purchase of investments in associates		**(1,109)**	(149,998)
Proceeds from disposal of investments in associates		**33,863**	88,802
Acquisition of property and equipment		**(317,619)**	(190,593)
Proceeds from disposal of property and equipment		**48,818**	18,277
Purchase of investment property		**(1,995)**	(4,941)
Proceeds from disposal of investment property		**6,596**	-
Purchase of intangible assets		**(104,123)**	(68,212)
Proceeds from disposal of intangible assets		**9,422**	5,986
Increase in guarantee deposit, net		**(19,372)**	(53,246)
Net cash flows used in investing activities		**(4,985,299)**	(505,928)
Financing activities			
Increase in borrowings, net		**1,312,855**	6,993
Issuance of debentures		**8,536,460**	8,868,767
Redemption of debentures		**(10,103,398)**	(10,570,302)
Dividends paid		**(114,872)**	(103,545)
Dividends of hybrid equity securities		**(19,082)**	(19,082)
Acquisition and Disposal of treasury stock		**176,155**	(6,094)
Issuance costs of stock swap		**-**	(1,215)
Issuance costs of spin off of investment in subsidiaries		**(3,087)**	-
Decrease in non-controlling shareholders' equity, net		**(274,433)**	(571,047)
Net cash flows used in Financing activities		**(489,402)**	(2,395,525)
Effect of exchange rate changes on cash and cash equivalents		**75,184**	(101,790)
Net Increase(decrease) in cash and cash equivalents (I+II+III+IV)		**(342,947)**	2,345,092
Cash and cash equivalents at the beginning of the year		**10,014,592**	7,669,500
Cash and cash equivalents at the end of the year	57	**₩ 9,671,645**	₩ 10,014,592

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

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

1. Company information

The accompanying consolidated financial statements include Hana Financial Group Inc. (HFG or the Company or the Parent Company), its controlled subsidiaries (collectively, the Group), and investment in joint ventures. 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 Daetoo Securities Co., Ltd. (formerly, Daehan Investment and Securities Co. Ltd., H&DS), Hana I&S Co., Ltd. (Hana I&S), and Hana I&Stitute 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 HSBC Life Insurance Co., Ltd. (Hana HSBC 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 (formerly KEB Card)	Established through the spin-off of KEB credit card business

The total number of the Company's issued and outstanding common shares is 289,894,062 shares with the aggregate par value of ₩1,449,470 million as of December 31, 2014. 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 of December 31, 2014.

1.2 Scope of consolidation

	Country	Major business	Number of shares	Ownership (%)	Reporting date
Subsidiaries of HFG:					
Hana Bank	Korea	Banking	219,799,157	100.0	December 31
KEB	Korea	Banking	516,906,826	100.0	December 31
H&DS	Korea	Financial investments	35,060,263	100.0	December 31
KEB Hana Card	Korea	Credit card business	198,387,898	74.6	December 31
Hana Capital	Korea	Installment credit financing	7,261,199	50.1	December 31
Hana Asset Trust	Korea	Real estate trust	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	6,764,474	71.4	December 31
Special money intrust (*1) (*2)	Korea	Specified money intrust	-	-	December 31
Subsidiaries of 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

(Continued on next page)

	Country	Major business	Number of shares	Ownership (%)	Reporting date
UBS Hana Power Private Investment Trust 20 [Bond] (*1)	Korea	Private investment trust company	-	100.0	December 31
UBS Hana Power Private Investment Trust 21 [Bond] (*1)	Korea	Private investment trust company	-	100.0	December 31
Hyundai Trust PEF Invest 15 [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
Hana CSP Co., Ltd (*1)	Korea	SPC	-	-	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
Coverbill LLC (*1)	Korea	SPC	-	-	December 31
Trust Accounts (*1)(*2)	Korea	Trust accounts	-	-	December 31
Subsidiaries of KEB:					
KEB F&I ("formerly KEB Capital Inc.")	Korea	Investment and management service for NPL assets backed securities	14,976,192	99.3	December 31
KEB Futures Co., Ltd.	Korea	Futures brokerage service	3,000,000	100.0	December 31
KEB Fund Services Co., Ltd.	Korea	Transfer agent	510,000	100.0	December 31
KEB(Australia) Holdings Ltd. (*1)	Australia	Financial business	-	100.0	December 31
Korea Exchange Bank ofCanada	Canada	Financial business	334,000	100.0	December 31
Korea Exchange Bank(Deutschland) A.G.	Germany	Financial business	40,000	100.0	December 31
PT Bank KEB Hana("formerly PT. Bank KEB Indonesia")	Indonesia	Financial business	1,002,091,945	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
Athene 1st Co., Ltd. (*)	Korea	Special Purpose Company	-	-	December 31
Athene 2nd Co., Ltd. (*)	Korea	Special Purpose Company	-	-	December 31
Trust accounts guaranteeing a fixed rate of return and the repayment of principal (*1)	Korea	Trust accounts	-	-	December 31
Trust accounts guaranteeing the repayment of principal (*1)	Korea	Trust accounts	-	-	December 31
Subsidiaries of KEB F&I Inc.:					
KEBW First Securitization Specialty Co., Ltd.	Korea	Asset securitization	50	5.0	December 31
KEB VERITAS First Securitization Co., Ltd.	Korea	Asset securitization	580	29.0	December 31

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	Country	Major business	Number of shares	Ownership (%)	Reporting date
KEB VERITAS Second Securitization Co., Ltd.	Korea	Asset securitization	98	49.0	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
Subsidiaries of KEB(Australia) Holdings Ltd.:					
KEB Australia Ltd.	Australia	Financial business	1	100.0	December 31
Subsidiaries of H&DS:					
Hana the First Private Equity Fund (*1)	Korea	Private equity fund	-	48.90	December 31
Hana Asia Limited	Hong Kong	Advisory services for securities	3,000,000	100.00	December 31
Hana Power Limited Liability Company (*1)	Korea	Private equity fund	-	0.90	December 31
Hana Daol Land Chip Heungdeok Real Estate Private Fund 35 (*1)	Korea	Investment trust	-	100.00	December 31
KoFC Hana-Dongbu Frontier Champ 2010 No. 6 Private Equity Fund (*1)	Korea	Private equity fund	-	29.20	December 31
Hana Global Investment Consulting Co., Ltd. (*1)	China	Investment consulting	-	100.00	December 31
Hana Land Chip Houston Real Estate Private Fund 59 (*1)	Korea	Investment trust	-	100.00	December 31
Special money intrust (*1) (*2)	Korea	Special money intrust	-	-	December 31
Subsidiaries of Hana the First Private Equity Fund:					
Radian 1 SPC Co., Ltd.	Korea	SPC	60,000,020	100.00	December 31
Warden 1 SPC Ltd.	Korea	SPC	1,001,340,000	100.00	December 31
Subsidiaries of KEB Hana Card:					
Saenggakdaero T 17th Securitization Specialty Co., Ltd. (*1)	Korea	Asset securitization	-	-	December 31
Special money intrust (*1) (*2)	Korea	Investment trust company	-	-	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 Bancorp, Inc.:					
BNB Hana Bank, N.A	U.S	Banking	500,100	100.0	December 31
BNB Funding Corp. (*1)	U.S	SPC	-	-	December 31
BNB Statutory trust I	U.S	SPC	155,000	100.0	December 31
Subsidiaries of Hana Capital:					
Special money intrust (*1) (*2)	Korea	Investment trust company	-	-	December 31

(*1) These investees maintain no shares as they were incorporated as either a private equity investment vehicle, special purpose entity or a trust.
(*2) Special money intrust accounts consist of many accounts, but the number of accounts is not recorded.

The financial information of subsidiaries as of December 31, 2014 and 2013 is as follows (Korean won in millions):

	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)**

	December 31, 2013						
	Assets	Liabilities	Equity	Revenue	Net income (loss)	Other comprehensive income(loss)	Comprehensive income (loss)
Hana Bank (*1)	₩ 162,894,654	₩ 151,449,384	₩ 11,445,270	₩ 12,640,198	₩ 708,740	₩ (196,533)	₩ 512,207
KEB (*1)	106,633,816	97,050,850	9,582,966	9,486,414	444,123	(23,696)	420,427
H&DS (*1)	13,325,966	11,721,902	1,604,064	2,047,990	62,046	(4,736)	57,310
KEB Hana Card (*1)	4,897,814	4,209,106	688,708	880,728	3,522	1,151	4,673
Hana Capital	3,271,267	3,010,200	261,067	275,113	44,426	(207)	44,219
Hana Asset Trust (*1)	101,513	10,455	91,058	34,006	9,805	68	9,873
Hana I&S	26,819	17,435	9,384	91,155	1,088	(23)	1,065
HIF	4,557	1,047	3,510	9,794	24	7	31
Hana Savings Bank	876,248	728,917	147,331	69,277	5,766	(278)	5,488
Hana Life Insurance (*2)	2,989,949	2,822,009	167,940	320,023	18,136	(44,162)	(26,026)
Hana Bancorp, Inc.(*1) (*2)	334,166	281,981	52,185	4,479	(2,609)	(2,975)	(5,584)

(*1) Consolidated financial information of the intermediate parents
(*2) Income incurred up to the date of the business combination was excluded.
(*3) Formerly Hana SK Card's profit or loss for the current term is included.

Changes in scope of consolidation for the year ended December 31, 2014 are as follows:

Name of subsidiaries	Reason
Included in scope of consolidation:	
KEB Hana Card ("formerly KEB Card)	KEB credit card business unit was spun off, and merged with Hana SK Card
Hana Micro Finance Ltd	Included due to the new investments
Hanhwa PEF Invest Trust 69 [Bond]	Included due to the new investments
Hyundai Trust PEF Invest 15 [Bond]	Included due to the new investments

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Name of subsidiaries	Reason
UBS Hana Power Private Investment Trust 20 [Bond]	Included due to the new investments
UBS Hana Power Private Investment Trust 21 [Bond]	Included due to the new investments
Hyundai Trust PEF Invest 16 [Bond]	Included due to the new investments
Korea Investment Basic 63 Private Equity Investment Vehicles [Bond]	Included due to the new investments
LS Leading Solution 143 Private Equity Private Equity [Bond]	Included due to the new investments
Coverbill LLC	Included due to the new investments
KEB Russia	Included due to the new investments
Hana Land Chip Houston Real Estate Private Fund 59	Included due to the new investments
KEBW First Securitization Specialty Co., Ltd.	Included due to the new investments
KEB VERITAS First Securitization Co., Ltd.	Included due to the new investments
KEB VERITAS Second Securitization Co., Ltd.	Included due to the new investments
KEBS First Securitization Co., Ltd.	Included due to the new investments
KEBS Second Securitization Co., Ltd.	Included due to the new investments
KEB Pepper First Securitization Co., Ltd.	Included due to the new investments
KEBI First Securitization Co., Ltd.	Included due to the new investments
KEBBS First Securitization Co., Ltd.	Included due to the new investments
KEB Hana Card Special money intrust	Included due to the new investments
H&DS Special money intrust	Included due to the new investments
Hana Capital Special money intrust	Included due to the new investments
Excluded from scope of consolidation:	
Hana SK Card	Merged with Hana KEB Hana Card (formerly KEB Card)
PT Bank Hana (*1)	Merged with PT. Bank KEB Indonesia
KEB China (*2)	Merged with Hana Bank (China) Co., Ltd.
Hanhwa PEF Invest Trust 29 [Bond]	Excluded due to the disposal
Hyundai Trust PEF Invest 6 [Bond]	Excluded due to the disposal
Samsung Partner 22 Private Equity Investment Vehicle [Bond]	Excluded due to the disposal
UBS Hana Power Private Investment Trust 18 [Bond]	Excluded due to the disposal
UBS Hana Power Private Investment Trust 19 [Bond]	Excluded due to the disposal
Korea Investment Basic 54 Private Equity Investment Vehicles [Bond]	Excluded due to the disposal
LS Leading Solution 128 Private Equity Private Equity [Bond]	Excluded due to the disposal
Hyundai Trust PEF Invest 14 [Bond]	Excluded due to the disposal
Hanhwa PEF Invest Trust 69 [Bond]	Excluded due to the disposal
Hana Aphrodite Co., Ltd.	Excluded due to the liquidation
Hana Cymbidium Co., Ltd.	Excluded due to the liquidation
Saenggakdaero T 10th Securitization Specialty Co., Ltd.	Excluded due to the liquidation
Saenggakdaero T 11th Securitization Specialty Co., Ltd.	Excluded due to the liquidation
Saenggakdaero T 12th Securitization Specialty Co., Ltd.	Excluded due to the liquidation

(*1) In 2014, PT Bank Hana merged with PT. Bank KEB Indonesia.
(*2) In 2014, KEB China merged with Hana Bank (China) Co., Ltd.

1.2.1 Hana Bank

Hana Bank was incorporated in November 1959 under the name of Seoul Bank. Seoul Bank acquired Korea Trust Bank in August 1976. On September 27, 2002, Seoul Bank entered into a business combination contract with the former Hana Bank as approved by Seoul Bank's shareholders. On December 1, 2002, upon completion of the merger, with Seoul Bank as the surviving entity, Seoul Bank changed its name to Hana Bank. Hana Bank is engaged in commercial and consumer banking, investment trusts, foreign currency exchanges and other related operations as permitted under the Banking Act, the Capital Market and Financial Investment Business Act and other relevant laws and regulations in the Republic of Korea. Hana Bank is also engaged in the bancassurance business since September 26, 2003, upon the revision of the Insurance Act.

1.2.2 Korea Exchange Bank (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 Ex-

change 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 merger 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, for-woperations 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 of Febrary 9, 2012, the Company purchased 57.27% interest in KEB, which gives it control of KEB. On March 15, 2013, the Company's Board of Directors 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 of April 5, 2013. As of September 1, 2014, Hana Card ("formerly KEB Card") was spun off from the credit card business unit of KEB.

1.2.3 H&DS

H&DS 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.

1.2.4 KEB Hana Card

Hana SK Card merged into Korea Exchange Bank Credit Service Co., Ltd. (KEB Card) on December 1, 2014 and KEB Card changed its name to KEB Hana Card. As a result of the merger, the Company, the majority shareholder of KEB Hana Card, owns 74.58% (266,015,485 common shares) of KEB Hana Card, the combined entity.
The common shares were exchanged at a ratio of 1 common share of Hana SK Card for 1.1731316 common shares of KEB Card both with the face value per share of ₩5,000.

1.2.5 Hana Capital

Hana Capital (formerly, Kolon Capital Co., Ltd.) was incorporated on February 13, 1987 pursuant to the laws of the Republic of Korea 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 February 16, 1999 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.

1.2.6 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 of March 10, 2010. The Company additionally acquired 7% ownership of Hana Daol Trust as of 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 of December 31, 2013.

1.2.7 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.

1.2.8 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.

1.2.9 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-Il 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 Board of Directors held on August 21, 2012.

1.2.10 Hana Life Insurance (formerly, Hana HSBC Insurance Co., Ltd.)

Hana Life Insurance was incorporated on November 25, 1991 pursuant to the laws of the Republic of Korea to engage in the life insurance business. The Company acquired 100% ownership of Hana Life Insurance Co., Ltd. through a stock swap transaction with Hana Bank 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, and changed its name to Hana HSBC Insurance. On April 26, 2013, the Company's Board of Directors approved a share purchase contract to acquire a 50 percent minus 1 share of Hana HSBC Insurance, and changed its name to Hana Life Insurance on May 10, 2013.

1.2.11 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 of October 31, 2013. The Company additionally acquired 19.08% of ownership of Hana Bancorp, Inc. and consequently has 71.37% ownership as of December 31, 2013.

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 Hana Bank

1.2.13.1 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, Hana Bank took investment in kind through assets and liabilities of branches in Shanghai and Syenyang and shares in Qingdao International Bank owned by 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 Hana Bank in December, 2014 since Hana Bank acquired control over Hana Bank China after the merger.

1.2.13.2 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. As of December 31, 2014, its captial is US$ 1 million, and it owns a head office in Yangon.As of December 31, 2014, it owns a head office in Yangon.

1.2.13.3 Hyundai Trust PEF Invest 15 [Bond] and other 5 collective Private investment trust company

In accordance with KIFRS 1110 Consolidated Financial Statements, the Bank has consolidated 6 collective private investment trust company including Hyundai Trust PEF Invest 15 [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.

1.2.13.4 Special Purpose Entities

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated 4 special purpose companies because the Company 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.

1.2.13.5 Trust Accounts

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated trust accounts with a guarantee of principal repayment or with a guarantee of principal and interest repayment because the Company 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 KEB

1.2.14.1 KEB F&I Inc (formerly, KEB Capital Inc).

KEB F&I Inc. (KEBF&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. KEBF&I has changed its name to KEB F&I Inc. KEB is restricted to control a company which runs the specialized credit financial business in accordance with the Finacial Holding Companies Act Article 19 as on and after January 31, 2014. On October 17, 2013, KEBF&I's Board of Directors approved to change business field to investment in asset backed securities and asset management business in Asset-Backed Securitization Act.

1.2.14.2 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.

1.2.14.3 KEB Fund Services Co., Ltd. (KEB Fund Services)

KEB Fund Services 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).

1.2.14.4 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.

1.2.14.5 KEB (Australia) Holdings Ltd.

KEB (Australia) Holdings Ltd. is a paper company with the purose to establish KEB Australia Ltd. and is wholly owned by KEB. KEB Australia Ltd. (KEBA) was established in Sydney, Australia on July 6, 1986 to provide financial services to Korean companies and residents in Sydney and the surrounding area.

1.2.14.6 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.

1.2.14.7 PT. Bank KEB Hana (Formerly, PT Bank KEB Indonesia)

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 merger 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.

1.2.14.8 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.

1.2.14.9 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.

1.2.14.10 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.

1.2.14.11 KEB USA Int’l Corp. (USAI)

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

1.2.14.12 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.

1.2.14.13 KEB Russia

KEB launched a Moscow representative office in 2008 to provide financial information and consulting services for Korean and local companies in Russia. To extend business fields, it got approval from the Central Bank of Russia to establish a subsidiary in July, 2014, and KEB Russia was established on August 15, 2014.

1.2.14.14 Athene 1st Co., Ltd. and Athene 2nd Co., Ltd.

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated two special purpose entities because the Company 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.

1.2.14.15 Trust accounts

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated 11 trust accounts with guarantee of the repayment of principal or with guarantee of the repayment of principal and interest because the Company 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.

1.2.15 Subsidiaries of H&DS

1.2.15.1 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 Hana Bank (29.97% ownership) as a limited partner and H&DS (18.93% ownership) as a general and management partner.

1.2.15.2 Hana Asia Limited

Hana Asia Limited was incorporated on July 3, 2008 under the Securities and Futures Ordinance to engage in investment trusts.

1.2.15.3 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 of the reporting date. H&DS controls Hana Power Limited Liability Company because H&DS 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.

1.2.15.4 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 H&DS. It manges 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.

1.2.15.5 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 under the Financial Investment Services and Capital Market Act to engage in investment trust services. The Company controls this entity because the Company is exposed, or has rights, to variable returns from its involvement with this entity and has the ability to affect those returns through its power over this entity in accordance with KIFRS 1110 Consoldated Financial Statements.

1.2.15.6 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.

1.2.15.7 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.

1.2.15.8 Special money intrust

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated 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.

1.2.16 Subsidiaries of KEB Hana Card

1.2.16.1 Saenggakdaero T 17th Securitization Specialty Co., Ltd.,

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated special purpose entity assuming that KEB Hana Card is exposed, or has rights, to variable returns from its involvement with the special purpose entity and has the ability to affect those returns through its power over the entity.

1.2.16.2 Special money intrust

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated 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.

1.2.17 Subsidiaries of Hana Asset trust

1.2.17.1 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.

1.2.18 Subsidiaries of Hana Capital

1.2.18.1 Special money intrust

In accordance with the KIFRS 1110 Consolidated Financial Statements, the Company consolidated 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.

1.3 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, 2014 are as follows:

Entity	The Characteristics and Purposes	Intention
Hana CSP Co., Ltd.	The Group offers purchase commitment for ABCP issued by Hana CSP Co., Ltd. If there are not enough investors who acquire the ABCP, the Group required to acquire the deficit amount of ABCP.	Credit risk mitigation on liquidation plan
Trust accounts with guarantee of the repayment of principal and interest	The Group offers principal conservation commitment to trust accounts. The Group 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
Athene 1st Co.,Ltd.	The Group lends ₩11,500 million to Athene 1st Co.,Ltd. which takes over private corporate bonds amounting to ₩10,200 million issued by other banks. The Group established the right of pledge on the bonds.	Due to business activities
Athene 2nd Co.,Ltd.	The Group lends ₩5,200 million to Athene 2nd Co.,Ltd. which takes over private corporate bonds amounting to ₩4,800 million issued by other banks. The Group established the right of pledge on the bonds.	Due to business activities
Saenggakdaero T 17th Securitization Specialty Co., Ltd.,	The Group transferred installment financial assets purchased to Saenggak -daero T 17th Securitization Specialty Co., Ltd. and takes over subordinated bonds issued with the underlying assets of transferred assets.	Due to smooth raise in unsubordinated bonds
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 ₩347 million, respectively.	Operating activities
KEB VERITAS First Securitization Co., Ltd.	KEB F&I underwrote tranche 1 bonds of ₩8,800 million, tranche 2 bonds of ₩10,200 million, and tranche 3 bonds of ₩1,000 million issued by KEB VERITAS First Securitization Co., Ltd.	Operating activities
KEB VERITAS Second Securitization Co., Ltd.	KEB F&I underwrote tranche 1 bonds of ₩7,800 million, tranche 2 bonds of ₩2,700 million, and tranche 3 bonds of ₩300 million issued by KEB VERITAS Second Securitization Co., Ltd.	Operating activities
KEBS First Securitization Co., Ltd.	KEB F&I underwrote ₩21,800 million of senior bonds issued by KEBS First Securitization Co., Ltd.	Operating activities
KEBS Second Securitization Co., Ltd.	KEB F&I underwrote ₩18,300 million of senior bonds issued by KEBS Second Securitization Co., Ltd.	Operating activities
KEB Pepper First Securitization Co., Ltd.	KEB F&I 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.	KEB F&I 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.	KEB F&I underwrote ₩21,700 million of senior bonds issued by KEBBS First Securitization Co., Ltd.	Operating activities

2. Unconsolidated structured entities

Details of the nature of the Group's interests in unconsolidated structured entities as of December 31, 2014 and 2013 are as follows (Korean won in millions):

			Total assets	
Classification	Purpose	Financing arrangement	December 31, 2014	December 31, 2013
Special purpose company	Financing through asset liquidation and securitization	Issuing ABL/ABCP and others	₩ 12,604,058	₩ 14,274,804
Real estate finance	Operation for real estate (including SOC) development	Investment and borrowing	33,989,439	24,161,773
Shipping finance and primary market finance	Financing to purchase ships, NPL and ownership	Investment and borrowing	26,279,991	25,021,180
Investment fund	Managing investment fund and trust	Issuing beneficiary certificates	42,635,266	15,817,339

Details of the Company's maximum exposure to loss from its interests in unconsolidated structured entities as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013			
Classification	Special purpose company	Real estate finance	Shipping finance and primary market finance	Investment fund
Assets:				
Loans receivable (A)	₩ 1,030,602	₩ 2,085,171	₩ 2,225,174	₩ 1,040,417
Securities (B)	94,899	99,780	-	976,106
Derivatives (C)	1,998	33,913	1,968	5,902
Others (D)	27,516	5,913	11,932	10,190
Liabilities:				
Derivatives	16,950	-	-	14,544
Provision	277	435	41	-
Others	21,228	564	-	1,718
Net asset	1,116,560	2,223,778	2,239,033	2,016,353
Maximum exposure to loss				
Financial assets (A+B+C+D)	1,155,015	2,224,777	2,239,074	2,032,615
Credit and other commitment	1,363,627	153,404	41,248	631

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, 2014, which have been prepared in accordance with Korea International Financial Reporting Standards (KIFRS) enacted by the Corporate External Audit Law.

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 Report on review of separate financial statements 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 of the dates of acquiring controls.

3.2.3 Difference between net assets of an investee and acquisition costs

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

If the Bank acquires additional shares of the subsidiary after acquiring the control of the subsidiary, the investment of the Bank and the equity of the subsidiary are offset and eliminated as of 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 receivables·payables, 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 Minority interest

Of the equity of a subsidiary, a portion that does not belong to the Bank is a minority interest. If the minority interest falls below "0" because of a loss of a subsidiary, the negative portion below "0" is presented in the form of subtraction from equity (contra equity).

3.2.8 Business combination

3.2.8.1 Business combination

Acquisition method is applied to business combinations except a business combination between business entities 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 equities issued by the Group on the date of acquisition. However, the stock options included in the consideration for transfer, which the acquisitor grants in exchange for the compensations that are held by the employees of the Group being acquired, are not measured at fair value but evaluated in the way described above.

The acquisition related costs, which the Group has incurred to achieve effects of business combination, include brokerage fees – in other words, consulting, legal, accounting, valuation and other professional or consulting fees – general administrative costs including costs to maintain a business unit being acquired, 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 acquisition related costs are recognized as expenses when they are incurred and services are rendered.

3.2.8.2 Goodwill or gain on bargain purchase

If the sum of the fair value of consideration for transfer and the minority interest of an investee measured in accordance with KIFRS 1103 business combination exceeds the fair value of net assets of identifiable assets acquired and liabilities assumed of a subsidiary as of the date of acquisition, the Group recognizes the excess as goodwill. However, if the fair value of net assets exceeds the sum of the consideration for transfer and the minority interest of an investee measured on the date of acquisition, the Group reviews the fair value of net assets. If the excess still remains after review, it immediately recognizes as a current profit or loss (gain on bargain purchase).

Additional acquisition of minority interest is recorded as a transaction between shareholders in accounting treatments, and goodwill is not recognized.

3.3 Foreign exchange

3.3.1 Functional currency

When preparing for the financial statements, the Group measures and recognizes all transactions according to the functional currency. The term, functional currency, is defined as the currency used to conduct operating activities in the primary economic environment and trades between entities using its own functional currency and other currencies which are converted to the functional currency to be measured and recognized.

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 retranslated at the functional currency rate of exchange at the reporting date. 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. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.3.3 Translation of the Group's foreign affiliates

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Group's presentation currency, Korean Won (KRW), at the rate of exchange as at the reporting date, and their statement of comprehensive income are translated at the weighted-average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity related to that particular foreign operation is recognized as other operating expenses or other operating income in the Group's consolidated statements of comprehensive income.

3.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with an original maturity of three months or less. The purpose of cash and cash equivalents are to make short-term investments and to meet short-term cash demands. Cash and cash equivalents are highly liquidable and can be easily convertible and subject to changes in value.

3.5. Initial recognition 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, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive income.

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

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, at which time the cumulative loss is recognized in the statement of comprehensive income in finance costs and removed from the available-for-sale reserve.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and the management's intention significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity.Reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate("EIR") method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of comprehensive income.

3.5.3 Held-to-maturity investments

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 measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

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 measurement, such financial assets are subsequently measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

3.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3.6.1 Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognized in the statement of comprehensive income in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the statement of comprehensive income in finance costs.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of comprehensive income over the remaining term until maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of comprehensive income.

3.6.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of comprehensive income in finance costs.

Amounts recognized as other comprehensive income are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

3.6.3 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are accounted for as separate derivatives. When their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL).

In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is deferred and amortized over the life of the associated instrument using the straight-line method.

3.6.4 'Day 1' profit or loss

When the transaction price is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the differences between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'.

3.6.5 Liquidity adjustment and credit valuation adjustment

When measuring derivatives at fair value, the liquidity adjustment and credit valuation adjustment are calculated to reflect the effectiveness of the adjustments for counterparties.

3.7 Investments in associates and joint ventures

Investments in entities over which the Group has control or significant influence are accounted for using the equity method. Under the equity method of accounting, the Group's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Group's share of income or loss of the investee in the statement of comprehensive income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Group on the statement of financial position. If the Group's share of losses of the investee equals or exceeds its interest in the investee, 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. 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 of accounting.

At the date of acquisition, 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 or negative goodwill. The amortization expense is included as part of valuation gain or loss on the equity method investments in the statement of comprehensive income. The difference related to goodwill is recorded as the carrying amount. Goodwill is reviewed for impairment when signs of damage arise and is not amortized over its useful life.

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

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an asset is impaired. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income is removed from equity and recognized in the statement of comprehensive income.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Also, when objective evidence exists for the impairment of available-for-sale equity securities which are measured using the cost method, the Group calculates the difference between the item's carrying amount and the present value of the estimated future cash flows using the current market rate of return. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in the fair value after impairment are recognized directly in equity.

3.8.2 Held-to-maturity investments

When objective evidence exists for the impairment of a particular held-to-maturity financial asset, the Group calculates the difference between the item's carrying amount and the present value of the estimated future cash flows using the EIR. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment is reversed and reduced by adjusting the allowance account. If the carrying amount does not reflect the impairment at the initial recognition after the reversal, the amount cannot exceed the amortized cost at the date of the reversal recognition.

3.8.3 Loans and receivables

The Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the amount of impairment loss.
The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. 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 the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as 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 may reclassify, in certain circumstances, non–derivative financial assets out of the 'Held–for–trading' category and into the 'Available–for–sale', 'Loans and receivables', or 'Held–to–maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available–for–sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

For a financial asset reclassified out of the 'Available–for–sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the statement of comprehensive income.

The Group may reclassify a non–derivative trading asset out of the 'Held–for–trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

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:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'Pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.11 Recognition and measurement of financial liabilities

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1039. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held-for-trading are recognized in the statement of comprehensive income.

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.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of comprehensive income.

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 the effect of the time value of money is material, provisions are stated at present value.

Confirmed acceptances and guarantees, unconfirmed acceptances and guarantees and bills endorsed are not recognized on the statement of financial position, but are disclosed as off-statement of financial position items in the notes to the financial statements. The Group provides a provision for such off-statement of financial position items, applying a Credit Conversion Factor ("CCF") and provision rates, and records the provision as a reserve for possible losses on acceptances and guarantees.

The Group provides an allowance for possible losses on a certain portion of unused credit line and cash advance commitments on credit cards. The Group records the provision for such unused balances as an allowance for possible losses on unused commitments and cash advance commitments which are calculated by applying a CCF and the minimum required provision percentage provided by the Regulation on the Supervision of Banking Business.

3.15 Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the statement of comprehensive income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees and the premium received are recognized in the statement of comprehensive income.

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

Property and equipment (including equipment under operating leases where the Group is the lessor) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Depreciation method	Years
Buildings	Straight-line method	5 to 50
Vehicles, furniture and fixtures, leasehold improvements	Declining balance method	3 to 20

Property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 recognized as other operating income in the statement of comprehensive income when the asset is derecognized.

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

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they occur.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The 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 are made to or from investment property 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 recognizes finance leases as lease payment receivables in the statements of financial position at the amounts of the net investment in the lease contract. Any initial direct costs of the lease contract including commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease contract are added to the amount of lease payment receivables. The Group accounts for the lease payment and the finance income separately and the finance income is calculated by using the EIR method on the lessor'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.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss.

	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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. An intangible asset with an indefinite useful life shall not be amortized but are tested for impairment annually and its useful life shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

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 counting 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 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 assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. 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 comprises the present value of the defined benefit obligation less unrecognized past service costs and less the fair value of plan assets out of which the obligations are to be settled directly, less unrecognized actuarial losses. 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, whereby employees render services as consideration for

equity instruments or they are granted share appreciation rights, which can only be settled in cash. If the goods or services provide cannot be reliably measured, the endowed equity is indirectly estimated at fair value and the Group accounts for compensation costs and equity. The cost of cash-settled transactions is measured initially at fair value at the grant date, taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, which changes in fair value recognized in the statement of comprehensive income. Also, in the case of a selectable share-based payment transaction in which the employees have a choice between a cash-settled transaction and an equity-settled transaction, the Group records the amount depending on its materiality.

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.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. If the applied tax laws require an interpretation, the Group calculates income tax payable expected to be paid to the taxation authorities based on the opinion made when the taxes were reported.

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. Deferred liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit loss.

In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group and its wholly owned subsidiaries have adopted a Consolidated Tax Return which is calculated based on the consolidated taxable income generated on or after January 1, 2010. 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.

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.

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 methed in accourdance 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 setted 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 Liablities reserves

The Group recognizes liabilities reserves by types of insurance contracts as of the reporting date in accordance with the Insurance Business Act and the related regulations. The liablilities reserves refer to an amount calculated pursuant to the 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 Actand Article 52 of the Regulations on Supervision of Insurance Business .

3.27 Equity

3.27.1 Classification of equity

The Group classifies financial instruments at initial recognition as either a liability or equity depending on the contractual materiality. In the case where it is possible to avoid the related contractual obligations, the financial item is classified as equity. The Group classifies a hybrid equity security as equity at the time of its issuance if it meets the criteria 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 when the shareholders' meeting of the Group approves the dividends. Dividends declared for the year that are approved after the reporting date are disclosed as asubsequent 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 Regulatons on Financial Investment Business. The Group recognizes funds lended 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 the leasing business, until the existing contracts acquired from Korea International Merchant Bank upon merger 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

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available–for–sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The Group takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and the impact of each new standard and amendment are described below:

3.34.1 Investment Entities (Amendments to KIFRS 1110, KIFRS 1112 and KIFRS 1027)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under KIFRS 1110 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under KIFRS 1110.

3.34.2 Offsetting Financial Assets and Financial Liabilities - Amendments to KIFRS 1032

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group.

3.34.3 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to KIFRS 1036 Impairment of Assets

These amendments remove the unintended consequences of KIFRS 1113 on the disclosures required under KIFRS 1036. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments have no impact on the Group

3.34.4 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to KIFRS 1039

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

3.34.5 KIFRS 2021 Levies

KIFRS 2021 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

3.35 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.

3.35.1 KIFRS 1019 'Employee benefits' (amendments) – Defined benefit pension plan: employee's contribution

These amendments instruct a company to consider employees' or a third party's contribution to a defined benefit pension plan in accounting treatments. If the contribution is related to services rendered, the contribution should reduce a service cost. These amendments specify that if the contribution is irrelevant to a service period, the company may subtract the contribution from the service cost during the period when the services are rendered, instead of allocating the contribution to the service period. These amendments are 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, the Group does not expect that the amendments will have an impact on its consolidated financial statements.

3.35.2 KIFRS 1111 'Joint Arrangements' (amendments): Accounting for Acquisitions of Interests

The amendment to KIFRS 1111 requires that a joint operator accounting for the acquisition of a share 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 shares in a joint operation are not remeasured on the acquisition of additional shares in the same joint operation while joint control is retained. In addition, aa 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 shares 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 any impact on the Group.

3.35.3 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.

3.35.4 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.

These amendments will not have any impact on the Group's consolidated financial statements.

4. Significant judgements and accounting estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgmentshthat 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 its individually significant loans at the end of each reporting period whether there is any indication that an asset may be impaired. In particular, management judgment is required for the estimation of the amount and timing of future cash flows. These estimates are based on assumptions regarding a number of factors and actual results may differ, causing future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions conducted at arm's length transaction for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.6 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4.7 Share-based payment transactions

The Group measured the compensation cost of share-based payment tranactoins 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 56.

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

	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
Others	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

(Continued on next page)

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	₩ 16,517,317	**₩ 34,440,483**	**₩ 2,459,860**	**₩ 53,417,660**
Financial liabilities:				
Financial liabilities held-for-trading 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**

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets held-for-trading through profit or loss				
Debt securities	₩ 1,915,091	₩ 8,610,537	₩ -	₩ 10,525,628
Equity securities	181,280	1,526	20,591	203,397
Derivative assets used for trading	3,579	3,371,558	648,443	4,023,580
Others	7,709	137,394	868,651	1,013,754
	2,107,659	12,121,015	1,537,685	15,766,359
Financial assets designated at fair value through profit or loss	-	138,895	101,702	240,597
Available–for–sale financial assets				
Debt securities	8,076,468	18,272,078	65,196	26,413,742
Equity securities (*)	1,411,813	773,839	911,149	3,096,801
Others	89	-	18,524	18,613
	9,488,370	19,045,917	994,869	29,529,156
Derivative assets used for Hedging	-	82,137	13,931	96,068
	₩ 11,596,029	₩ 31,387,964	₩ 2,648,187	₩ 45,632,180
Financial liabilities:				
Financial liabilities held-for-trading trading				
Securities sold	699,353	-	-	699,353
Derivative liabilities used for trading	3,540	3,201,036	469,586	3,674,162
	702,893	3,201,036	469,586	4,373,515
Financial liabilities designated at fair value through profit or loss	-	640,011	4,264,160	4,904,171
Derivative liabilities used for hedging	-	132,431	7,650	140,081
	₩ 702,893	₩ 3,973,478	₩ 4,741,396	₩ 9,417,767

(*) Available–for–sale financial assets in the amount of ₩67,459 million and ₩67,203 million were valued at cost as of December 31, 2014 and 2013, respec-

tively. Since their fair values were not able to be reasonably estimated, 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) prices in active markets for similar assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Fair value, valuation method, and input variables used to measure fair value of financial instruments classified as fair value hierarchy Level 2 as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	Fair value		Valuation method	Input variable
	December 31, 2014	December 31, 2013		
Financial assets:				
Financial assets held-for-trading				
Debt securities	₩ **9,374,869**	₩ 8,610,537	DCF model, etc	Discount rate, etc
Equity securities	**1,600**	1,526	DCF model, etc	Discount rate, etc
Derivative assets held-for-trading	**4,372,891**	3,371,558	Black-Scholes model Hull-White 1 factor model Black model, DCFmodel	Volatility, Discount rate, Exchange rate Interest rate
Others	**146,567**	137,394	DCF model, etc	Discount rate, etc
	13,895,927	12,121,015		
Financial assets designated at fair value through profit or loss	**417,794**	138,895	DCF model, etc	Discount rate, etc
Available-for-sale financial assets				
Debt securities	**18,463,765**	18,272,078	DCF model, etc.	Discount rate, etc
Equity securities	**1,436,833**	773,839	DCF model, etc.	Discount rate, etc
Others	**149,117**	-	DCF model, etc	Discount rate, etc
	20,049,715	19,045,917		
Derivative assets used for hedging	**77,047**	82,137	Hull-White 1 factor model, Black model, etc	Volatility Discount rate, etc
	₩ **34,440,483**	₩ 31,387,964		
Financial liabilities :				
Derivative liabilities used for trading	**4,337,862**	3,201,036	Black-Scholes model Hull-white 1 factor model ,Black model, DCF model, etc.	Volatility, Discount rate, Exchange rate, Interest rate, etc.
Financial liabilities designated at fair value through profit or loss	**1,438,733**	640,011	DCF model, etc	Discount rate, Exchange rate, Interest rate, stock price, etc.
Derivative liabilities used for hedging	**50,736**	132,431	Hull-White 1 factor model Black model	Volatility Discount rate
	₩ **5,827,331**	₩ 3,973,478		

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, 2014	December 31, 2013					
Financial assets :							
Financial assets held-for-trading							
Equity securities	₩ **21,402**	₩ 20,591	DCF model, etc	Discount rate etc	Discount rate etc		
Derivative assets used for trading	**240,871**	648,443	Black model	KRW interest swap yield curve, KRW treasury bond, yield curve, Volatility of each bond yield, Correlation of underlying assets	Correlation of underlying assets	0.94 ~ 0.95	Negative
				KRW treasury bond yield curve, Volatility of KRW, treasury bond yield,,Correlation of underlying assets	Correlation of underlying assets	-1.0 ~ 1.0	Positive
Others	**603,296**	868,651	DCF model, etc	Discount rate etc	Discount rate etc		
	₩ **865,569**	₩ 1,537,685					
Financial assets at designated fair value through profit or loss	₩ **627,882**	₩ 101,702	DCF model, etc	Discount rate etc	Discount rate etc		
Available-for-sale financial assets							
Debt securities	**46,086**	65,196	DCF model, etc	Discount rate etc	Discount rate etc	27.8	Negative
			DCF model, Comparative		Growth rate	0.0~ +0.2	Positive
			on similar business,		Discount rate	4.2~ 15.4	Negative
Equity securities	**889,186**	911,149	Net asset value model, Utilization of past transaction	Growth rate Discount rate Liquidation value	Liquidation value	0.0	Positive
Others	**20,290**	18,524	DCF model Comparative on similar business,, WACC model	Discount rate Bid rate	Discount rate Bid rate	5.78~ 20.19 61.86	Negative Positive
	₩ **955,562**	₩ 994,869					
				KRW interest swap yield curve USD treasury bond yield curve	Correlation of underlying assets	0.45 ~ 0.98	Positive
Derivative assets used for hedging	₩ **10,847**	₩ 13,931	Hull-White 1 factor model	Volatility of interest rate Correlation of underlying assets Correlation between USD interest rate and KRW/USD exchange rate	Correlation between USD interest rate and KRW/USD exchange rate	0.23	Positive

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	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, 2014	December 31, 2013					
	2,459,860	2,648,187					
Financial liabilities :							
Financial liabilities designated at fair value through profit or loss	**₩ 5,249,067**	₩ 4,264,160	DCF model, etc.	Discount rate, etc.			
Derivative liabilities used for trading	**₩ 354,861**	₩ 469,586	Black model	KRW interest swap yield curve KRW treasury bond yield curve Volatility of interest rate Correlation of underlying assets	Correlation of underlying assets	0.94 ~ 0.95	Negative
				KRW treasury bond yield curve Volatility of KRW treasury bond yield Correlation of underlying assets	Correlation of underlying assets	-1.0 ~ +1.0	Positive
				KRW interest swap yield curve USD treasury bond yield curve	Correlation of underlying assets	0.45 ~ 0.98	Positive
Derivative liabilities used for hedging	-	7,650	Hull-White 1 factor model	Volatility of interest rate Correlation of underlying assets Correlation between USD interest rate and KRW/USD exchange rate	Correlation between USD interest rate and KRW/USD exchange rate	0.23	Positive
	₩ 5,603,928	₩ 4,741,396					

Changes in the fair value of Level 3 financial instruments for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions)

	Financial assets held-for-trading		Financial assets designated at fair value through	Available-for-sale financial assets			Financial liabilities designated at fair value through	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**

	Financial assets held-for-trading		Financial assets designated at fair value through	Available-for-sale financial assets			Financial liabilities designated at fair value through	Net derivative instruments	
	Equity securities	Others		Debt securities	Equity securities	Others		Held-for-trading	Held for-hedging
January 1, 2013	₩ 18,852	₩ 733,270	₩ 65,212	₩ 104,328	₩ 1,394,638	₩ 13,988	₩ 3,972,090	₩ 472,584	₩ 15,775
Increase due to the business combination	-	-	-	-	12,283	-	-	-	-
From others to Level 3(*)	-	-	-	5,431	-	-	-	-	-
From Level 3 to Others(*)	-	-	-	-	(330,664)	-	-	-	-
Net income	1,739	16,090	(26,330)	9,717	(44,531)	-	85,357	(19,504)	(1,364)
Other comprehensive income	-	-	-	(8,903)	(28,734)	314	-	-	(479)
Buy / Issue	-	313,163	63,845	-	161,021	47	2,909,904	79,718	(7,651)
Sell / Settlement	-	(193,872)	(1,025)	(45,377)	(252,864)	4,175	(2,703,191)	(353,941)	-
December 31, 2013	₩ 20,591	₩ 868,651	₩ 101,702	₩ 65,196	₩ 911,149	₩ 18,524	₩ 4,264,160	₩ 178,857	₩ 6,281

(*) 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 are recognized for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014		December 31, 2013	
Classification	**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	**₩ 43,685**	**₩ (2,820)**	₩ (1,675)	₩ 18,483
Gain (loss) on financial assets designated at FVTPL	**482**	**(1,456)**	59,027	28,067

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Classification	December 31, 2014		December 31, 2013	
	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
Derivative instruments used for hedging	**4,491**	**(3,158)**	(1,364)	(1,636)
Loss on other financial instruments	**14,958**	**882**	56,738	8,041
Impairment loss on other financial instruments	**(276,628)**	**(275,530)**	(91,552)	(91,175)
	₩ (213,012)	**₩ (282,082)**	₩ 21,174	₩ (38,220)

The amount of transfers into or out of level 3 of the fair value hierarchy for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Transfer to level 1 from level 3	**₩ (18,014)**	₩ (330,664)
Transfer to level 2 from level 3	**(30,908)**	-
	₩ (48,922)	₩ (330,664)
Transfer to level 3 from level 1	**₩ 45,905**	₩ -
Transfer to level 3 from level 2	**-**	5,431
	₩ 45,905	₩ 5,431

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, 2014 and 2013 are as follows(Korean won in millions):

Classification	December 31, 2014		December 31, 2013	
	Favorable changes	**Unfavorable changes**	Favorable changes	Unfavorable changes
Financial assets :				
Financial assets held-for-trading				
Equity securities	**₩ 214**	**₩ (211)**	₩ -	₩ -
Derivative assets held-for-trading (*1)	**898**	**(833)**	1,466	(1,461)
Financial assets designated at fair value through profit and loss	**1,675**	**(1,632)**	-	-
Available-for-sale financial assets				
Debt securities	**92**	**(59)**	-	-
Equity securities (*2)	**170,123**	**(49,359)**	216,289	(95,054)
Others (*2)	**139**	**(136)**	7,775	(7,434)
Derivative assets used for hedging (*1)	**2,330**	**(2,464)**	-	-
	175,471	**(54,694)**	225,530	(103,949)
Financial liabilities :				
Derivative liabilities held-for-trading	**1,394**	**(1,359)**	-	-
Financial liabilities designated at fair value through profit and loss	**2,571**	**(2,571)**	-	-
Derivative liabilities used for hedging (*1)	**-**	**-**	432	(424)
	₩ 3,965	**₩ (3,930)**	₩ 432	₩ (424)

(*1) By increasing or decreasing 10% of (i). correlation between interest rate swap rate 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, and (v) correlation between KRW/USD exchange rate and interest rate swap rate of USD, favorable or unfavorable changes of fair value were measured.
(*2) Fair value variation of equity securities is measured by changing growth rate(0.0~1.0%) and discount rate, or liquidation value(-1.0~1.0%) and discount

rate. In case of income 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 disclosured as fair value though it cannot be measured as fair value as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014			
	Fair Value			**Total**
	Level 1	**Level 2**	**Level 3**	
Financial assets :				
Cash and due from Banks	**₩ 2,894,963**	**₩ 19,355,196**	**₩ -**	**₩ 22,250,159**
Financial assets held – to – maturity	**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**

	December 31, 2013			
	Fair Value			Total
	Level 1	Level 2	Level 3	
Financial assets :				
Cash and due from banks	₩ 2,102,863	₩ 17,151,213	₩ -	₩ 19,254,076
Financial assets held–to–maturity	1,513,826	3,313,581	-	4,827,407
Loans	-	21,262	203,443,460	203,464,722
Others	-	6,439	14,796,491	14,802,930
	₩ 3,616,689	₩ 20,492,495	₩ 218,239,951	₩ 242,349,135
Financial liabilities :				
Deposits	₩ 25,985	₩ 115,422,057	₩ 72,356,398	₩ 187,804,440
Borrowings	-	9,909,534	12,568,351	22,477,885
Debentures	-	29,275,587	1,539,170	30,814,757
Others	-	150,024	23,922,675	24,072,699
	₩ 25,985	₩ 154,757,202	₩ 110,386,594	₩ 265,169,781

Fair value, valuation method, and input variables of financial instruments disclosured as fair value though it cannot be measured as fair value and the fair value hierarchy Level 2 as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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,**
Financial assets held–to-maturity	**2,839,341**	**DCF model, etc**	**Discount rate**
Loans	**-**	**DCF model, etc**	**Credit and other spread, Rate of advanced redemption**
Others	**9,454**	**DCF model, etc**	**Other spread**

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	December 31, 2014			
		Fair Value	**Valuation method**	**Input variables**
	₩	**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 inherence bankruptcy**
Others		**284,172**	**DCF model, etc**	**Other spread**
	₩	**166,075,335**		

	December 31, 2013			
		Fair Value	Valuation method	Input variables
Financial assets :				
Cash and due from banks	₩	17,151,213	DCF model, etc	Credit and other spread,
Financial assets held–to-maturity		3,313,581	DCF model, etc	Discount rate
Loans		21,262	DCF model, etc	Credit and other spread, Rate of advanced redemption
Others		6,439	DCF model, etc	Other spread
	₩	20,492,495		
Financial liabilities :				
Deposits	₩	115,422,057	DCF model, etc	Other spread, Rate of advanced redemption
Borrowings		9,909,534	DCF model, etc	Other spread
Debentures		29,275,587	DCF model, etc	Other spread, Rate of inherence bankruptcy
Others		150,024	DCF model, etc	Other spread
	₩	154,757,202		

Fair value, valuation method, and input variables of financial instruments disclosured as fair value though it cannot be measured as fair value and the fair value hierarchy Level 3 as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014			
		Fair Value	**Valuation method**	**Input variables**
Financial assets :				
Loans	**₩**	**215,190,891**	**DCF model, etc**	**Credit and other spread, Rate of advanced redemption**
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 inherence bankruptcy**
Others		**22,352,758**	**(*)**	
	₩	**112,291,902**		

	December 31, 2013		
	Fair Value	Valuation method	Input variables
Financial assets :			
Loans	₩ 203,443,460	DCF model, etc	Credit and other spread, Rate of advanced redemption
Others	14,796,491	(*)	
	₩ 218,239,951		
Financial liabilities :			
Deposits	₩ 72,356,398	DCF model, etc	Other spread, Rate of advanced redemption
Borrowings	12,568,351	DCF model, etc	Other spread
Debentures	1,539,170	DCF model, etc	Other spread, Rate of inherence bankruptcy
Others	23,922,675	(*)	
	₩ 110,386,594		

(*) 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 disclosure book value as fair value.

Changes in deferred Day 1 gain (loss), for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Beginning balance	**₩ (25,795)**	₩ (27,272)
Increase	**(12,553)**	(14,538)
Profit or loss	**16,325**	16,154
Repayment	**3,430**	(1,689)
Ending balance	**₩ (18,593)**	₩ (25,795)

6. Fair value of financial assets and liabilities

Details of carrying amount and fair value of financial instruments as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014		December 31, 2013	
	Carrying Amount	**Fair value**	Carrying amount	Fair value
Financial assets:				
Cash and due from banks	**₩ 22,257,731**	**₩ 22,250,159**	₩ 19,343,218	₩ 19,254,076
Financial assets held-for-trading	**17,218,152**	**17,218,152**	15,766,359	15,766,359
Financial assets designated at fair value through profit and loss	**1,045,676**	**1,045,676**	240,597	240,597
Available-for-sale financial assets	**35,065,938**	**35,065,938**	29,529,156	29,529,156
Held-to-maturity investments	**4,365,450**	**4,541,038**	4,736,987	4,827,407
Loans	**213,963,138**	**215,190,891**	203,597,827	203,464,722
Derivative instruments	**87,894**	**87,894**	96,068	96,068
Others	**14,459,373**	**14,459,255**	14,806,516	14,802,930
	₩ 308,463,352	**₩ 309,859,003**	₩ 288,116,728	₩ 287,981,315
Financial liabilities				
Financial liabilities held-for-trading	**₩ 5,239,660**	**₩ 5,239,660**	₩ 4,373,515	₩ 4,373,515
Financial liabilities designated at fair value through profit and loss	**6,687,800**	**6,687,800**	4,904,171	4,904,171

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	December 31, 2014		December 31, 2013	
	Carrying Amount	**Fair value**	Carrying amount	Fair value
Deposits	**201,896,985**	**202,625,877**	187,225,676	187,804,440
Borrowings	**23,263,986**	**23,258,194**	21,833,638	22,477,885
Debentures	**29,308,115**	**29,846,236**	30,419,564	30,814,757
Derivative instruments	**50,736**	**50,736**	140,081	140,081
Others	**22,623,185**	**22,636,930**	24,072,336	24,072,699
	₩ 289,070,467	**₩ 290,345,433**	₩ 272,968,981	₩ 274,587,548

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.
- Financial assets at fair value through profit or loss: 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 from these entititles 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.
- Bonds: 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 of December 31, 2014 and December 31, 2013 are as follows (Korean won in millions):

	December 31, 2014						
	Financial instruments held-for-trading	**Financial instruments at fair value through profit and 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**
Financial assets at fair value through profit and loss	**-**	**1,045,676**	**-**	**-**	**-**	**-**	**1,045,676**
Available-for-sale financial instruments	**-**	**-**	**35,065,938**	**-**	**-**	**-**	**35,065,938**
Held-to-maturity investments	**-**	**-**	**-**	**4,365,450**	**-**	**-**	**4,365,450**
Loans	**-**	**-**	**-**	**-**	**213,963,138**	**-**	**213,963,138**

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	December 31, 2014						
	Financial instruments held-for-trading	**Financial instruments at fair value through profit and loss**	**Available-for-sale financial instruments**	**Held-to-maturity investments**	**Amortized cost of a financial asset or financial liability**	**Derivatives for hedging purposes**	**Total**
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**
Financial liabilities:							
Financial liabilities held-for-trading	**₩ 5,239,660**	**₩ -**	**₩ -**	**₩ -**	**₩ -**	**₩ -**	**₩ 5,239,660**
Financial liabilities at fair value through profit and loss	**-**	**6,687,800**	**-**	**-**	**-**	**-**	**6,687,800**
Deposits	**-**	**-**	**-**	**-**	**201,896,985**	**-**	**201,896,985**
Borrowings	**-**	**-**	**-**	**-**	**23,263,986**	**-**	**23,263,986**
Bonds	**-**	**-**	**-**	**-**	**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**

	December 31, 2013						
	Financial instruments held-for-trading	Financial instruments at fair value through profit and 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	₩ -	₩ -	₩ -	₩ -	₩ 19,343,218	₩ -	₩ 19,343,218
Financial assets held-for-trading	15,766,359	-	-	-	-	-	15,766,359
Financial assets at fair value through profit and loss	-	240,597	-	-	-	-	240,597
Available-for-sale financial assets	-	-	29,529,156	-	-	-	29,529,156
Held-to-maturity investments	-	-	-	4,736,987	-	-	4,736,987
Loans receivable	-	-	-	-	203,597,827	-	203,597,827
Derivative assets used for hedging purposes	-	-	-	-	-	96,068	96,068
Others	-	-	-	-	14,806,516	-	14,806,516
	₩ 15,766,359	₩ 240,597	₩ 29,529,156	₩ 2,289,567	₩ 237,747,561	₩ 96,068	₩ 288,116,728

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	December 31, 2013						
	Financial instruments held-for-trading	Financial instruments at fair value through profit and 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 liabilities held-for-trading	₩ 4,373,515	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 4,373,515
Financial liabilities at fair value through profit and loss	-	4,904,171	-	-	-	-	4,904,171
Deposits	-	-	-	-	187,225,676	-	187,225,676
Borrowings	-	-	-	-	21,833,638	-	21,833,638
Debentures	-	-	-	-	30,419,564	-	30,419,564
Derivative liabilities used for hedging purposes	-	-	-	-	-	140,081	140,081
Others	-	-	-	-	24,072,336	-	24,072,336
	₩ 4,373,515	₩ 4,904,171	₩ -	₩ -	₩ 263,551,214	₩ 140,081	₩ 272,968,981

8. Offsetting financial assets and liabilities

Details of financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014					
				Related amounts not offset in the statement of financial position (*)		
	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**	**Financial instruments**	**Financial collateral received**	**Net amount**
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**

	December 31, 2013					
				Related amounts not offset in the statement of financial position (*)		
	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	Financial instruments	Financial collateral received	Net amount
Derivatives	₩ 2,822,534	₩ -	₩ 2,822,534	₩ (1,847,197)	₩ (278,059)	₩ 697,278
Equity securities	170,382	-	170,382	(170,382)	-	-
Bonds purchased under resale agreement	2,215,700	-	2,215,700	(2,215,700)	-	-
Receivables unpaid spot exchanges	108,575	-	108,575	(108,565)	-	10
Domestic exchange settlement debts	22,886,526	(20,524,867)	2,361,659	-	-	2,361,659
Others	153,714	(137,574)	16,140	-	-	16,140
	₩ 28,357,431	₩ (20,662,441)	₩ 7,694,990	₩ (4,341,844)	₩ (278,059)	₩ 3,075,087

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

	December 31, 2014					
				Related amounts not off set in the statement of financial position (*)		
	Gross amounts of recognized financial liabilities	**Gross amounts of recognized financial assets set off in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Financial instruments**	**Financial collateral pledged**	**Net amount**
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**

	December 31, 2013					
				Related amounts not offset in the statement of financial position (*)		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments	Financial collateral pledged	Net amount
Derivatives	₩ 2,613,086	₩ -	₩ 2,613,086	₩ (1,847,197)	₩ (14,323)	₩ 751,566
Bonds sold under repurchase agreements	4,377,946	-	4,377,946	(4,377,946)	-	-
Payables unpaid spot exchange	108,576	-	108,576	(108,565)	-	11
Domestic exchange settlement credits	22,568,559	(20,524,867)	2,043,692	(974,242)	-	1,069,450
Others	147,920	(137,574)	10,346	-	-	10,346
	₩ 29,816,087	₩ (20,662,441)	₩ 9,153,646	₩ (7,307,950)	₩ (14,323)	₩ 1,831,373

(*) 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 board of directors) 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 of December 31, 2014 and 2013 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, 2014	December 31, 2013
On balance accounts:		
Due from banks	₩ **19,361,988**	₩ 15,828,349
Financial assets held-for-trading		
Debt securities	**11,681,259**	10,525,628
Derivative assets held-for-trading	**4,618,758**	4,023,580
Others	**603,296**	859,695
Financial assets at fair value through profit and loss	**809,757**	148,380
Available-for-sale financial assets	**31,873,489**	26,423,561
Held-to-maturity investments	**4,365,450**	4,736,987
Derivative assets for hedging purposes	**87,894**	96,068
Loans receivable:		
Household loans	**82,547,568**	80,536,681
Large business	**49,511,275**	49,955,806
Small business and medium business	**62,503,210**	56,514,897
Public institution and others	**13,514,872**	10,924,632
Credit card loans	**5,886,213**	5,668,953
	213,963,138	203,600,969
Others	**14,459,373**	14,806,516
	₩ **301,824,402**	₩ 281,046,591
Off balance accounts:		
Financial guarantees	₩ **2,901,767**	₩ 2,537,653
Guarantee contracts	**24,798,969**	26,212,655
Commitment	**124,653,652**	125,902,602
	₩ **152,354,388**	₩ 154,652,910

Details of collateral management and credit risk mitigation as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013				
	Impaired loan		Unimpaired loan		
	Individual assessment	Collective assessment	Past due	Non past due	Total
Guarantees	₩ 153,135	₩ 121,677	₩ 72,706	₩ 15,887,391	₩ 16,234,909
Deposit	7,127	15,954	15,669	3,185,072	3,223,822
Movable assets	21,948	2,162	394	1,504,840	1,529,344
Real estate	683,731	419,724	247,777	79,319,606	80,670,838
Securities	36,786	8,389	3,491	2,697,280	2,745,946
Others	-	348	4,000	265,807	270,155
	₩ 902,727	₩ 568,254	₩ 344,037	₩ 102,859,996	₩ 104,675,014

Details of delinquency rates on loans and receivable as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014					
		Corporate loans				
	Household loans	**Large business**	**Small and medium business**	**Public institution and others**	**Credit card loans**	**Total**
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	**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**

	December 31, 2013					
		Corporate loans				
	Household loans	Large business	Small and medium business	Public institution and others	Credit card loans	Total
Neither past due nor impaired	₩ 79,547,129	₩ 49,102,871	₩ 55,693,170	₩ 10,875,718	₩ 5,555,712	₩ 200,774,600
Past due but unimpaired	353,226	1,336	140,293	19,229	162,051	676,135
Impaired	684,852	1,643,343	1,562,121	118,091	133,715	4,142,122
	80,585,207	50,747,550	57,395,584	11,013,038	5,851,478	205,592,857
Deferred loan fees	189,423	(23,636)	12,770	5,174	(81)	183,650
Present value premium (discount)	2,485	(3,583)	(686)	-	(1,283)	(3,067)
Allowance for possible loan losses	(240,434)	(767,769)	(892,669)	(93,580)	(181,161)	(2,175,613)
	₩ 80,536,681	₩ 49,952,562	₩ 56,514,999	₩ 10,924,632	₩ 5,668,953	₩ 203,597,827

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.

Details on loans with no impairment or overdue payments as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014					
		Corporate loans				
	Household loans	**Large business**	**Small and medium business**	**Public institution and others**	**Credit card loans**	**Total**
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**

	December 31, 2013					
		Corporate loans				
	Household loans	Large business	Small and medium business	Public institution and others	Credit card loans	Total
Grade 1	₩ 48,202,637	₩ 29,907,779	₩ 11,415,152	₩ 4,420,112	₩ 1,374,318	₩ 95,319,998
Grade 2	28,593,069	17,443,857	38,894,306	4,505,863	3,943,995	93,381,090
Grade 3	728,356	1,257,028	3,921,356	935,919	237,392	7,080,051
Others	2,023,067	494,207	1,462,356	1,013,824	7	4,993,461
	₩ 79,547,129	₩ 49,102,871	₩ 55,693,170	₩ 10,875,718	₩ 5,555,712	₩ 200,774,600

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

	December 31, 2014					
		Corporate loans				
	Household loans	**Large business**	**Small and medium business**	**Public institution and others**	**Credit card loans**	**Total**
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**	**₩ 170,291**	**₩ 20,722**	**₩ 174,105**	**₩ 777,621**

	December 31, 2013					
		Corporate loans				
	Household loans	Large business	Small and medium business	Public institution and others	Credit card loans	Total
Less than 30 days	₩ 277,489	₩ 1,336	₩ 95,100	₩ 5,698	₩ 123,851	₩ 503,474
31 to 60 days	49,638	-	26,181	985	17,737	94,541
61 to 90 days	26,099	-	18,731	11,556	9,614	66,000
Others	-	-	281	990	10,849	12,120
	₩ 353,226	₩ 1,336	₩ 140,293	₩ 19,229	₩ 162,051	₩ 676,135

Types of impaired loans and receivables as of December 31, 2014 and December 31, 2013 are as follows (Korean won in millions):

	December 31, 2014					
		Corporate loans				
	Household loans	**Large business**	**Small and medium business**	**Public institution and others**	**Credit card loans**	**Total**
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**
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 premium	**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**

	December 31, 2013					
		Corporate loans				
	Household Loans	Large business	Small and medium business	Public institution and others	Credit card loans	Total
Individual impairment:						
Book value	₩ 5,345	₩ 1,424,410	₩ 1,235,583	₩ 99,652	₩ -	₩ 2,764,990
Deferred loan fees and expenses	-	(135)	(179)	36	-	(278)
Allowance for possible loan losses	(2,566)	(481,860)	(557,994)	(61,763)	-	(1,104,183)
	2,779	942,415	677,410	37,925	-	1,660,529
Collective impairment:						
Book value	679,507	218,933	326,538	18,439	133,715	1,377,132
Deferred loan fees and expenses	1,383	-	(24)	8	-	1,367
Present value premium (discount)	60	-	1	-	(36)	25
Allowance for possible loan losses	(122,456)	(7,909)	(75,315)	(4,963)	(103,099)	(313,742)
	558,494	211,024	251,200	13,484	30,580	1,064,782
	₩ 561,273	₩ 1,153,439	₩ 928,610	₩ 51,409	₩ 30,580	₩ 2,725,311

Interest income on impaired loans and receivables as of December 31, 2014 and 2013 is as follows (Korean won in millions):

	Year ended December 31, 2014					
		Corporate loans				
	Household loans	**Large business**	**Small and medium business**	**Public institution and others**	**Credit card loans**	**Total**
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**

	Year ended December 31, 2013					
		Corporate loans				
	Household loans	Large business	Small and medium business	Public institution and others	Credit card loans	Total
Individual impairment	₩ 84	₩ 56,807	₩ 30,185	₩ 1,469	₩ -	₩ 88,545
Collective impairment	36,898	2,957	10,605	618	5,080	56,158
	₩ 36,982	₩ 59,764	₩ 40,790	₩ 2,087	₩ 5,080	₩ 144,703

Overdue payments on debt securities as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013				
	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	₩ 10,525,628	₩ 148,380	₩ 26,406,382	₩ 4,736,987	₩ 41,817,377
Impaired	-	-	7,360	-	7,360
	₩ 10,525,628	₩ 148,380	₩ 26,413,742	₩ 4,736,987	₩ 41,824,737

Internal credit ratings of debt securities as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013				
	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	₩ 2,491,735	₩ -	₩ 24,458,256	₩ 4,424,314	₩ 31,374,305
Grade 2	-	-	1,374,683	130,514	1,505,197
Grade 3	-	-	265,732	58,397	324,129
Others	8,033,893	148,380	315,071	123,762	8,621,106
	₩ 10,525,628	₩ 148,380	₩ 26,413,742	₩ 4,736,987	₩ 41,824,737

The credit rating classification of debt securities, which is rated by external rating agencies and applied by Hana Bank, is as follows:

	Internal rating	Domestic rating agencies	Overseas 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 of December 31, 2014 and 2013 is as follows (Korean won in millions):

	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	**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**
Financial assets 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**

(Continued on next page)

	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		**(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	
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**
	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**

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	December 31, 2014				
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
	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**	

	December 31, 2013				
On balance accounts:					
Due from banks	Financial services	₩ 7,744,924	₩ 7,762,205	₩ 15,507,129	98.0
	Public administration	-	64,630	64,630	0.4
	Others	-	256,590	256,590	1.6
		7,744,924	8,083,425	15,828,349	100.0
Financial assets held-for-trading	Financial services	3,995,234	149,989	4,145,223	39.4
	Manufacturing	1,259,381	8,097	1,267,478	12.0
	Public administration	2,815,616	7,605	2,823,221	26.8
	Construction	337,708	-	337,708	3.2
	Wholesale & retail	60,866	-	60,866	0.6
	Others	1,867,777	23,355	1,891,132	18.0
		10,336,582	189,046	10,525,628	100.0
Financial assets at fair value through profit and loss	Financial services	₩ 89,556	₩ 58,824	₩ 148,380	100.0
Available-for-sale financial assets	Financial services	10,458,381	1,129,245	11,587,626	43.9
	Manufacturing	576,248	77,529	653,777	2.5
	Public administration	10,741,890	65,445	10,807,335	40.9
	Construction	129,309	-	129,309	0.5
	Wholesale & retail	91,438	38,585	130,023	0.5
	Others	2,770,129	345,362	3,115,491	11.7
		24,767,395	1,656,166	26,423,561	100.0

	December 31, 2014				
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Held-to-maturity investments	**Financial services**	**1,745,351**	**97,543**	**1,842,894**	**38.9**
	Manufacturing	**49,850**	**10,553**	**60,403**	**1.3**
	Public administration	**1,824,873**	**42,236**	**1,867,109**	**39.4**
	Construction	**40,000**	**-**	**40,000**	**0.8**
	Others	**926,581**	**-**	**926,581**	**19.6**
		4,586,655	**150,332**	**4,736,987**	**100.0**
Loans receivable:		**79,917,175**	**668,032**	**80,585,207**	**39.6**
Household loans		**5,847,686**	**3,792**	**5,851,478**	**2.9**
Credit card loans					
Business loans	**Manufacturing**	**29,664,492**	**14,927,986**	**44,592,478**	**21.9**
	Construction	**4,095,758**	**639,693**	**4,735,451**	**2.3**
	Wholesale & retail	**10,839,281**	**5,753,935**	**16,593,216**	**8.1**
	Financial services	**5,806,383**	**4,193,006**	**9,999,389**	**4.9**
	Real estate rental	**13,787,562**	**910,346**	**14,697,908**	**7.2**
	Transportation	**15,742,844**	**2,784,438**	**18,527,282**	**9.1**
	Electricity, gas and water supply	**464,119**	**93,808**	**557,927**	**0.3**
	Others	**5,851,490**	**3,601,031**	**9,452,521**	**4.6**
Deferred loan fees and expenses		**189,256**	**(5,606)**	**183,650**	**0.1**
Present value premium		**(3,168)**	**101**	**(3,067)**	**0.0**
Allowance for possible loan losses		**(1,946,930)**	**(228,683)**	**(2,175,613)**	**(1.0)**
		₩ 170,255,948	**₩ 33,341,879**	**₩ 203,597,827**	**100.0**
				261,260,732	

	December 31, 2013				
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Off-balance accounts:					
Financial guarantees	Manufacturing	₩ 552,318	₩ 717,657	₩ 1,269,975	50.0
	Construction	70,237	45,963	116,200	4.6
	Wholesale & retail	266,989	123,590	390,579	15.4
	Real estate rental	22,254	13,297	35,551	1.4
	Transportation	100	24,069	24,169	1.0
	Electricity, gas and water supply	2,400	3,166	5,566	0.2
	Others	328,819	366,794	695,613	27.4
		1,243,117	1,294,536	2,537,653	100.0
Guarantee contracts	Manufacturing	906,042	12,283,286	13,189,328	50.4
	Construction	397,740	4,511,264	4,909,004	18.7
	Wholesale & retail	545,443	3,864,316	4,409,759	16.8
	Financial services	13,954	1,326,605	1,340,559	5.1
	Real estate rental	15,884	160,307	176,191	0.7
	Transportation	108,590	176,429	285,019	1.1
	Electricity, gas and water supply	329	342,817	343,146	1.3
	Others	513,839	1,045,810	1,559,649	5.9
		2,501,821	23,710,834	26,212,655	100.0

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	December 31, 2013				
	Industry	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
Commitment	Manufacturing	27,559,817	14,924,381	42,484,198	33.7
	Construction	3,680,520	838,964	4,519,484	3.6
	Wholesale & retail	4,456,176	1,810,748	6,266,924	5.0
	Financial services	6,823,948	2,819,535	9,643,483	7.7
	Real estate rental	4,829,791	329,541	5,159,332	4.1
	Transportation	813,957	140,533	954,490	0.8
	Electricity, gas and water supply	21,857,416	1,841,027	23,698,443	18.8
	Others	32,628,773	547,475	33,176,248	26.3
		102,650,398	23,252,204	125,902,602	100.0
		₩ 106,395,336	₩ 48,257,574	₩ 154,652,910	

Credit risk concentration in each country as of December 31, 2014 and 2013 is as follows (Korean won in millions):

	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	**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 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**

(Continued on next page)

	December 31, 2014				
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
	U.S	-	259	259	0.0
	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

	December 31, 2014				
	Country	Korean won	Foreign currency	Total	
				Amount	Ratio (%)
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		(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	
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	74,421	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	

	December 31, 2013				
	Country	Korean won	Foreign currency	Amount	Ratio (%)
On balance accounts:					
Due from banks	Korea	₩ 7,744,924	₩ 1,462,896	₩ 9,207,820	58.2
	U.S	-	2,637,604	2,637,604	16.7
	China	-	2,087,057	2,087,057	13.2
	Japan	-	171,478	171,478	1.1
	Singapore	-	171,536	171,536	1.1
	Hong Kong	-	31,795	31,795	0.2
	Brazil	-	2,054	2,054	-
	Others	-	1,519,005	1,519,005	9.5
		7,744,924	8,083,425	15,828,349	100.0
Financial assets held-for-trading	Korea	10,336,582	93,493	10,430,075	99.1
	U.S	-	42,838	42,838	0.4
	Others	-	52,715	52,715	0.5
		10,336,582	189,046	10,525,628	100.0
Financial assets at fair value through profit and loss	Korea	89,556	-	89,556	60.4
	Others	-	58,824	58,824	39.6
		89,556	58,824	148,380	100.0
Available-for-sale financial assets	Korea	24,767,395	1,116,153	25,883,548	97.9
	U.S	-	162,812	162,812	0.6
	Japan	-	14,322	14,322	0.1
	Hong Kong	-	5,153	5,153	-
	Others	-	357,726	357,726	1.4
		24,767,395	1,656,166	26,423,561	100.0
Held-to-maturity investments	Korea	4,586,655	28,491	4,615,146	97.2
	U.S	-	15,932	15,932	0.3
	Singapore	-	5,837	5,837	0.1
	Brazil	-	27,146	27,146	0.6
	Others	-	72,926	72,926	1.5
		4,586,655	150,332	4,736,987	100.0
Loans receivable	Korea	171,482,788	20,314,924	191,797,712	94.2
	U.S	104,345	1,976,622	2,080,967	1.0
	China	11,494	3,864,486	3,875,980	1.9
	Japan	13,485	729,717	743,202	0.4
	Singapore	2,905	1,056,292	1,059,197	0.5
	Hong Kong	2,792	673,972	676,764	0.3
	Panama	-	435,551	435,551	0.2
	Germany	1,165	213,506	214,671	0.1
	Others	397,816	4,310,997	4,708,813	2.3
Deferred loan fees and expenses		189,256	(5,606)	183,650	0.1
Present value premium		(3,168)	101	(3,067)	-
Allowance for possible loan losses		(1,946,930)	(228,683)	(2,175,613)	(1.0)
		170,255,948	33,341,879	203,597,827	100.0
				₩ 261,260,732	
Off-balance accounts:					
Financial guarantees	Korea	₩ 1,243,117	₩ 1,294,536	₩ 2,537,653	100.0
Guarantee contracts	Korea	2,500,209	20,662,064	23,162,273	88.4

(Continued on next page)

	December 31, 2013				
	Country	Korean won	Foreign currency	Amount	Ratio (%)
	U.S	-	568,569	568,569	2.2
	China	-	1,481,817	1,481,817	5.7
	Japan	-	57,555	57,555	0.2
	Singapore	-	143,999	143,999	0.5
	Hong Kong	-	131,843	131,843	0.5
	Saudi Arabia	346	62,679	63,025	0.2
	Panama	-	9,514	9,514	-
	Others	1,266	592,794	594,060	2.3
		2,501,821	23,710,834	26,212,655	100.0
Commitment	Korea	102,645,690	21,028,123	123,673,813	98.2
	U.S	93	766,832	766,925	0.6
	China	878	41,697	42,575	-
	Japan	-	63,166	63,166	0.1
	Singapore	-	258,480	258,480	0.2
	Hong Kong	-	140,017	140,017	0.1
	Australia	-	189,810	189,810	0.2
	Indonesia	-	98,977	98,977	0.1
	Others	3,737	665,102	668,839	0.5
		102,650,398	23,252,204	125,902,602	100.0
		₩ 106,395,336	₩ 48,257,574	₩ 154,652,910	

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 assets and financial liabilities are presented below using undiscounted contractual cash flows. In addition, short-term financial assets and financial liabilities subject to fair value through profit and loss and 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 assets. The maturity of financial assets as of December 31, 2014 and 2013 is summarized as follows (Korean won in millions):

	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**
Cash and due from banks	**₩ 16,853,785**	**₩ 3,333,782**	**₩ 593,749**	**₩ 839,127**
Financial assets held-for-trading	**16,303,252**	**-**	**30,075**	**49,895**
Financial assets at fair value through profit and loss	**809,757**	**-**	**-**	**-**
Available-for-sale financial assets	**16,183**	**320,683**	**1,108,279**	**1,965,647**
Held-to-maturity investments	**131**	**209,340**	**232,174**	**450,720**
Loans receivable	**9,051,700**	**22,645,049**	**32,762,389**	**31,216,710**
Derivatives used for hedging purposes	**36,745**	**(2,712)**	**110,912**	**34,143**
Others	**5,162,424**	**6,512,190**	**1,269,162**	**73,855**
	₩ 48,834,038	**₩ 33,018,332**	**₩ 36,076,665**	**₩ 34,580,202**

	December 31, 2013			
	On demand	Within 1 month	After 1 month ~ but no later than 3 months	After 3 months ~ but no later than 6 months
Cash and due from banks	₩ 14,421,454	₩ 2,695,201	₩ 829,080	₩ 773,842
Financial assets held-for-trading	18,476,561	-	-	-
Financial assets at fair value through profit and loss	240,597	-	-	-
Available-for-sale financial assets	471,276	314,206	1,021,317	1,196,230
Held-to-maturity investments	131	149,469	851,872	760,693
Loans receivable	11,208,384	23,605,190	34,420,421	27,244,012
Derivatives used for hedging purposes	23,820	(5,914)	219	34,614
Others	1,396,360	4,945,034	1,188,969	1,294,062
	₩ 46,238,583	₩ 31,703,186	₩ 38,311,878	₩ 31,303,453

	December 31, 2014				
	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**
	₩ 525,980	**₩ 80,417**	**₩ -**	**₩ 30,891**	**₩ 22,257,731**
	200,384	**262,548**	**35,143**	**22,016**	**16,903,313**
	-	**-**	**-**	**-**	**809,757**
	3,345,040	**14,621,419**	**6,752,107**	**4,938,937**	**33,068,295**
	247,624	**1,447,697**	**967,626**	**1,235,092**	**4,790,404**
	40,221,564	**39,195,398**	**12,985,531**	**42,445,668**	**230,524,009**
	17,101	**24,140**	**4,587**	**37,543**	**262,459**
	457,774	**398,880**	**73,062**	**42,020**	**13,989,367**
	₩ 44,815,083	**₩ 55,767,951**	**₩ 20,782,913**	**₩ 48,730,151**	**₩ 322,605,335**

	December 31, 2013				
	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
	₩ 539,741	₩ 3,317	₩ 56,488	₩ 24,095	₩ 19,343,218
	123,593	12,960	-	-	18,613,114
	-	-	-	-	240,597
	3,336,943	13,314,191	6,641,577	2,361,880	28,657,620
	570,659	1,022,406	715,065	1,095,505	5,165,800
	38,409,829	34,662,388	12,407,295	40,435,514	222,393,033
	18,422	49,268	(4,945)	22,418	137,902
	1,327,734	1,477,497	1,210,191	1,259,848	14,099,695
	₩ 44,326,921	₩ 50,542,027	₩ 21,025,671	₩ 45,199,260	₩ 308,650,979

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

	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**
On balance accounts:				
Financial liabilities held-for-trading	**₩ 5,239,660**	**₩ -**	**₩ -**	**₩ -**
Financial liabilities designated at fair value through profit and loss	**6,687,800**	**-**	**-**	**-**
Deposits	**76,113,991**	**20,816,997**	**31,277,927**	**28,292,273**
Borrowings	**3,989,975**	**6,720,522**	**4,282,362**	**2,522,891**
Debentures	**7,228**	**723,156**	**1,311,190**	**1,729,628**
Derivative liabilities used for hedging purposes	**-**	**(737)**	**9,192**	**(15,875)**
Others	**3,065,496**	**17,299,488**	**135,039**	**44,372**
	95,104,150	**45,559,426**	**37,015,710**	**32,573,289**
Off balance accounts:				
Financial guarantees	**2,901,767**	**-**	**-**	**-**
Commitment	**124,653,652**	**-**	**-**	**-**
	127,555,419	**-**	**-**	**-**
	₩ 222,659,569	**₩ 45,559,426**	**₩ 37,015,710**	**₩ 32,573,289**

	December 31, 2013			
	On demand	Within 1 month	After 1 month ~ but no later than 3 months	After 3 months ~ but no later than 6 months
On balance accounts:				
Financial liabilities held-for-trading	₩ 4,373,515	₩ -	₩ -	₩ -
Financial liabilities designated at fair value through profit and loss	4,904,171	-	-	-
Deposits	65,839,249	19,681,449	27,822,122	25,031,262
Borrowings	3,302,075	4,754,236	5,492,817	2,266,496
Debentures	9,978	1,099,609	930,983	2,766,126
Derivative liabilities used for hedging purposes	14,938	797	8,897	13,545
Others	4,295,509	13,838,590	98,861	18,754
	82,739,435	39,374,681	34,353,680	30,096,183
Off balance accounts:				
Financial guarantees	2,537,653	-	-	-
Commitment	125,863,781	10	-	-
	128,401,434	10	-	-
	₩ 211,140,869	₩ 39,374,691	₩ 34,353,680	₩ 30,096,183

	December 31, 2014				
	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**
	₩ -	**₩ -**	**₩ -**	**₩ -**	**₩ 5,239,660**
	-	**-**	**-**	**-**	**6,687,800**
	38,238,910	**6,841,380**	**949,794**	**2,883,130**	**205,414,402**
	2,094,142	**2,767,695**	**978,799**	**437,058**	**23,793,444**
	5,835,001	**12,539,812**	**3,870,577**	**5,684,291**	**31,700,883**
	(3,185)	**(13,804)**	**(984)**	**(23,893)**	**(49,286)**
	197,415	**183,375**	**48,608**	**192,820**	**21,166,613**
	46,362,283	**22,318,458**	**5,846,794**	**9,173,406**	**293,953,516**
	-	**-**	**-**	**-**	**2,901,767**
	-	**-**	**-**	**-**	**124,653,652**
	-	**-**	**-**	**-**	**127,555,419**
	₩ 46,362,283	**₩ 22,318,458**	**₩ 5,846,794**	**₩ 9,173,406**	**₩ 421,508,935**

	December 31, 2013				
	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
	₩ -	₩ -	₩ -	₩ -	₩ 4,373,515
	-	-	-	-	4,904,171
	42,302,330	6,291,673	813,868	2,878,440	190,660,393
	2,671,058	2,277,413	887,892	446,551	22,098,538
	5,087,994	12,654,535	5,288,267	4,812,731	32,650,223
	(8,339)	22,077	(336)	(116,730)	(65,151)
	98,355	177,828	18,712	209,570	18,756,179
	50,151,398	21,423,526	7,008,403	8,230,562	273,377,868
	-	-	-	-	2,537,653
	469	35,000	1	3,341	125,902,602
	469	35,000	1	3,341	128,440,255
	₩ 50,151,867	₩ 21,458,526	₩ 7,008,404	₩ 8,233,903	₩ 401,818,123

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 ratios 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 of 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 of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	December 31, 2014	Average	Min	Max	December 31, 2013
Interest rates risk	₩ **22,235**	₩ 41,485	₩ 14,103	₩ 83,583	₩ 45,619
Foreign exchange rates risk	**65,603**	71,086	28,190	107,153	54,711
Stock price risk	**19,458**	21,799	1,850	82,916	16,552
Total risk	₩ **87,567**	₩ 102,302	₩ 49,690	₩ 165,826	₩ 101,522

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

	December 31, 2014	Average	Min	Max	December 31, 2013
Interest rate VaR	₩ **435,970**	₩ 279,815	₩ 136,628	₩ 440,063	₩ 180,082

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

	December 31, 2014			
	20% decline	**10% decline**	**10% rise**	**20% rise**
Equity price risk	₩ **(122,512)**	₩ **(61,256)**	₩ **61,256**	₩ **122,512**

	December 31, 2013			
	20% decline	10% decline	10% rise	20% rise
Equity price risk	₩ (287,766)	₩ (143,883)	₩ 143,883	₩ 287,766

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 of December 31, 2014 and 2013 are as follows (Korean won in millions or U.S. dollar in thousands):

	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		**US$ 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**

(Continued on next page)

	December 31, 2014					
	Currency	Amount in foreign currency in units		U.S. dollars (*)		Korean won equivalent
	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 and 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
	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		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
			US$	34,164,139	₩	37,553,223
Derivative assets used for hedging purposes	USD	66,175,176	US$	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

(Continued on next page)

	December 31, 2014					
	Currency	Amount in foreign currency in units		U.S. dollars (*)		Korean won equivalent
	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 and loss	USD	656,087,803		656,088		721,172
Deposits	USD	15,497,228,868		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
			US$	26,731,937	₩	29,383,745
Borrowings	USD	9,617,286,379	US$	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			143,897		158,172
				5,199,858		5,715,684
			US$	50,013,144	₩	54,974,451

	December 31, 2013				
	Currency	Amount in foreign currency in units		U.S. dollars (*)	Korean won equivalent
Assets:					
Cash and due from banks	USD	4,663,763,758	US$	4,663,764	₩ 5,013,546
	JPY	27,409,222,292		262,565	282,257
	EUR	357,872,431		487,925	524,519
	CNY	9,887,953,685		1,634,042	1,756,595
	IDR	356,948,010,241		29,353	31,554
	BRL	6,918,003		2,916	3,135
	HKD	411,161,075		53,000	56,975
	Others			959,884	1,031,876
				8,093,449	8,700,457
Financial assets held-for-trading	USD	540,068,940		540,069	580,574
	JPY	971,165,619		9,303	10,001
	EUR	17,925,009		24,439	26,272
	CHY	183,264,494		30,286	32,557
	HKD	14,996,218		1,933	2,078
	Others			3,009	3,235
				609,039	654,717
Financial assets designated at fair value through profit and loss	USD	54,720,256		54,720	58,824
Available-for-sale financial assets	USD	1,174,492,287		1,174,492	1,262,579
	CNY	193,787,208		32,024	34,426
	IDR	236,481,188,413		19,446	20,905
	Others			314,657	338,256
				1,540,619	1,656,166
Held-to-maturity investments	USD	34,800,086		34,800	37,410
	EUR	529,366		722	776
	IDR	789,391,457,518		64,914	69,782
	BRL	75,383,311		31,773	34,156
	Others			7,634	8,208
				139,843	150,332
Loans receivable	USD	22,229,518,313		22,229,518	23,776,008
	JPY	201,540,612,034		1,930,647	2,063,825
	EUR	947,372,937		1,291,653	1,387,090
	CNY	17,851,789,615		2,950,112	3,166,886
	IDR	5,597,090,500,202		460,263	492,203
	BRL	281,868,110		118,804	127,345
	HKD	645,681,257		83,230	89,472
	CAD	1,223,907,655		1,097,179	1,176,668
	AUD	256,141,984		225,379	241,847
	Others			628,825	820,433
			US$	31,015,610	₩ 33,341,777
Derivative assets used for hedging purposes	USD	71,966,222		71,966	77,364
Other assets	USD	2,957,052,660		2,957,053	3,178,832
	JPY	42,818,018,620		410,173	440,936
	EUR	138,428,897		188,735	202,890
	CNY	237,796,159		39,297	42,244

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	December 31, 2013				
	Currency	Amount in foreign currency in units	U.S. dollars (*)		Korean won equivalent
	IDR	68,044,949,020	5,596		6,015
	BRL	7,816,585	3,295		3,542
	HKD	549,741,269	70,863		76,178
	CAD	20,953,049	18,783		20,192
	AUD	8,438,002	7,425		7,981
	Others		306,570		329,563
			4,007,790		4,308,373
			US$ 45,533,036	₩	48,948,010
Liabilities:					
Financial liabilities held-for-trading	USD	257,479,824	US$ 257,480	₩	276,791
	JPY	954,654,099	9,145		9,831
	EUR	7,659,267	10,443		11,226
	HKD	35,192,014	4,536		4,877
	Others		1,782		1,915
			283,386		304,640
Deposits	USD	14,539,029,235	14,539,029		15,629,456
	JPY	190,181,402,103	1,821,832		1,958,469
	EUR	939,588,920	1,281,040		1,377,118
	CNY	25,326,436,467	4,185,341		4,499,241
	IDR	3,381,648,875,986	278,082		298,938
	BRL	138,558,149	58,401		62,781
	HKD	1,063,026,000	137,027		147,304
	CAD	1,137,054,229	1,019,319		1,095,768
	AUD	95,248,336	83,809		90,094
	Others		906,291		974,263
			24,310,171		26,133,432
Borrowings	USD	7,283,028,099	7,283,028		7,829,255
	JPY	59,127,713,247	566,410		608,891
	EUR	581,087,351	792,257		851,676
	CNY	228,954,588	37,836		40,674
	IDR	990,610,136,323	81,460		87,570
	BRL	101,906,777	42,953		46,174
	HKD	2,726,586	351		378
	CAD	867,419	778		836
	AUD	86,220,355	75,865		81,555
	Others		38,429		41,312
			8,919,367		9,588,321
Debentures	USD	4,918,429,666	4,918,430		5,287,312
	JPY	37,335,877,987	357,657		384,481
	HKD	304,451,902	39,245		42,188
	AUD	50,154	44		47
	Others		609,941		655,686
			5,925,317		6,369,714
Derivative liabilities used for hedging purposes	USD	78,858,686	78,859		84,773

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	December 31, 2013				
	Currency	Amount in foreign currency in units	U.S. dollars (*)		Korean won equivalent
Other liabilities	USD	3,888,736,302	3,888,736		4,180,392
	JPY	20,157,976,851	193,102		207,585
	EUR	217,354,908	296,343		318,568
	CNY	701,084,597	115,858		124,548
	IDR	59,662,696,622	4,906		5,274
	BRL	20,360,059	8,582		9,225
	HKD	34,175,143	4,405		4,736
	CAD	145,805,837	130,708		140,512
	AUD	27,293,813	24,016		25,817
	Others		287,603		309,173
			4,954,259		5,325,830
			US$ 44,471,359	₩	47,806,710

(*) 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 , 4.5% aditional Tier 1 capital ratio, 3.5% 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 Detailed 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 bank 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 bank 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 bank 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 bank 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 bank 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 bank 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 of December 31, 2014 and 2013 are as follows (ratio in %):

		December 31, 2014		December 31, 2013
Common Equity Tier 1 capital	₩	**17,301,967**	₩	16,401,549
Additional Tier 1 capital		**905,997**		1,134,979
		18,207,964		17,068,872
Tier 2 capital		**5,578,705**		5,605,619
		23,786,669		22,674,491
Risk-weighted assets:				
Credit risk-weighted assets		**170,081,611**		166,992,229
Market risk-weighted assets		**7,954,673**		7,176,912
Operational risk-weighted assets		**10,344,401**		10,516,488
	₩	**188,380,685**	₩	184,685,629
BIS capital ratio:				
Common Equity Tier 1 ratio		**9.18%**		8.63%
Additional Tier 1 capital ratio		**9.67%**		9.24%
Tier 2 capital ratio		**2.96%**		3.04%
Total capital ratio		**12.63%**		12.28%

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 entities used for making decisions about resources to be allocated to the segment and assessing its performance. Details of operating segments are presented below:

- Hana Bank and its subsidiaries (Hana Bank)
- KEB and its subsidiaries (KEB)
- H&DS and its subsidiaries (H&DS)
- 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 and Hana Bancorp, Inc.

The net income of the operating segments for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014							
	Hana Bank	**KEB**	**H&DS**	**KEB Hana Card**	**Others**	**Subtotal**	**Adjustments**	**Total**
Operating income:								
Net interest income	**₩ 2,626,131**	**₩ 1,851,819**	**₩ 160,510**	**₩ (123,412)**	**₩ 126,503**	**₩ 4,641,551**	**₩ 12,356**	**₩ 4,653,907**
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**	**51,104**	**19,143**	**40,000**	**1,011,360**	**(117,073)**	**894,287**
:	**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**

	Year ended December 31, 2013							
	Hana Bank	KEB	H&DS	KEB Hana Card	Others	Subtotal	Adjustments	Total
Operating income:								
Net interest income	₩ 2,617,902	₩ 1,730,895	₩ 151,224	₩ (83,310)	₩ 74,168	₩ 4,490,879	₩ (5,838)	₩ 4,485,041
Net fee and commission income	352,720	667,849	189,638	362,080	17,823	1,590,110	2,706	1,592,816
Others	264,302	450,531	(22,639)	23,096	16,341	731,631	(66,143)	665,488
:	3,234,924	2,849,275	318,223	301,866	108,332	6,812,620	(69,275)	6,743,345
Provision for possible credit losses	567,234	533,792	(2,118)	108,511	56,490	1,263,909	7,746	1,271,655
	2,667,690	2,315,483	320,341	193,355	51,842	5,548,711	(77,021)	5,471,690
General and administrative expenses	1,544,399	1,540,227	290,751	175,212	168,413	3,719,002	127,307	3,846,309
Net other operating income (loss)	(322,504)	(186,724)	26,151	(15,285)	159,264	(339,098)	(121,273)	(460,371)
Operating income	800,787	588,532	55,741	2,858	42,693	1,490,611	(325,601)	1,165,010
Net other non-operating income (loss)	74,128	(21,485)	28,771	6,258	(53,048)	34,624	70,639	105,263
Income tax expenses	166,175	122,923	22,467	5,594	18,885	336,044	(58,739)	277,305
Net income (loss)	₩ 708,740	₩ 444,124	₩ 62,045	₩ 3,522	₩ (29,240)	₩ 1,189,191	₩ (196,223)	₩ 992,968

The operating income from external customers and intermal transactions for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014							
	Hana Bank	**KEB**	**H&DS**	**KEB Hana Card**	**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**

	Year ended December 31, 2013							
	Hana Bank	KEB	H&DS	KEB Hana Card	Others	Subtotal	Adjustments	Total
Revenue from external customers	₩ 3,257,774	₩ 2,804,658	₩ 328,817	₩ 351,886	₩ 62,593	₩ 6,805,728	₩ (69,275)	₩ 6,736,453
Revenue (expense) from internal transactions	(22,850)	44,617	(10,594)	(50,020)	45,739	6,892	-	6,892
	₩ 3,234,924	₩ 2,849,275	₩ 318,223	₩ 301,866	₩ 108,332	₩ 6,812,620	₩ (69,275)	₩ 6,743,345

Significant non-cash transactions included in income of operating segments for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014							
	Hana Bank	**KEB**	**H&DS**	**KEB Hana Card**	**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**

	Year ended December 31, 2013							
	Hana Bank	KEB	H&DS	KEB Hana Card	Others	Subtotal	Adjustments	Total
Gain (loss) on equity method	₩ 76,067	₩ (821)	₩ 11,906	₩ 487	₩ 125	₩ 87,764	₩ (2,551)	₩ 85,213
Depreciation and amortization	148,300	108,832	13,511	25,282	23,279	319,204	180,338	499,542

Revenue from external customers for the years ended December 31, 2014 and 2013 and non-current assets as of December 31, 2014 and 2013 is as follows (Korean won in millions):

	Revenue from external customers		Non-current assets	
	Year ended December 31, 2014	Year ended December 31, 2013	**December 31, 2014**	December 31, 2013
Domestic	**₩ 6,782,022**	₩ 6,353,701	**₩ 3,557,847**	₩ 3,512,483
Foreign:				

(Continued on next page)

	Revenue from external customers		Non-current assets	
	Year ended December 31, 2014	Year ended December 31, 2013	**December 31, 2014**	December 31, 2013
Hong Kong	**68,820**	67,750	**4,728**	4,483
Singapore	**25,727**	28,007	**477**	439
U.S	**41,424**	33,260	**8,121**	661
Japan	**18,985**	23,813	**4,439**	5,322
China	**165,743**	127,712	**35,420**	42,474
Indonesia	**61,640**	59,664	**10,062**	4,364
U.K	**14,315**	13,784	**572**	179
Canada	**31,636**	32,421	**5,793**	3,883
Others	**69,515**	65,616	**4,005**	4,104
	497,805	452,027	**73,617**	65,909
Adjustments	**(120,921)**	(69,275)	**899,195**	1,082,676
	₩ 7,158,906	₩ 6,736,453	**₩ 4,530,659**	₩ 4,661,068

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

		Counterparty	Interest rate (%)	**December, 31 2014**	December, 31, 2013
Cash				**₩ 2,895,743**	₩ 3,514,869
Due from banks in Korean won	Reserve deposits with BOK	Bank of Korea ("BOK"), etc	0.00~2.50	**8,179,835**	4,870,082
	Certificates of Deposit	Other banks	0.00~3.30	**1,091,855**	1,151,438
	Other deposits	Other financial institutions	0.00~3.00	**1,693,655**	1,723,404
				10,965,345	7,744,924
Due from banks In foreign currencies	Due from banks on demand	BOK, etc.	0.00~0.50	**4,496,702**	4,917,418
	Time deposits	Bayern LB and others	0.00~6.60	**2,399,498**	2,325,622
	Due from others on demand	Other financial institutions	0.00~0.50	**1,500,443**	840,385
				8,396,643	8,083,425
				₩ 22,257,731	₩ 19,343,218

Restricted balances in due from banks as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	December 31, 2014	December 31, 2013	Restrictions
Due from banks in Korean won:			
Reserve deposits with BOK	**₩ 8,179,835**	₩ 4,870,082	The Bank of Korea Act
Reserve for futures trading	**309**	3,532	Margin for trading account
Reserve for claims of customers' deposits	**282,545**	245,983	Regulation on brokerage business of securities company, etc
Other deposits	**220,799**	219,000	For the right of pledge, etc
	8,683,488	5,338,597	
Due from banks in foreign currencies:			
Due from banks on demand	**916,703**	1,344,800	Reserve for payment of deposits, etc
Due from others on demand	**468,800**	365,078	OTC derivative contracts, etc
	1,385,503	1,709,878	
	₩ 10,068,991	₩ 7,048,475	

12. Financial assets held-for-trading

Financial assets held-for-trading as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	Details	Interest rate (%)	Fair value (book value)	
			December 31, 2014	December 31, 2013
Equity securities	LG CHEM, LTD. and others	-	**₩ 115,033**	₩ 174,127
Government and public bonds	Government bonds	1.3~5.3	**2,496,628**	1,579,180
	Housing bonds	1.1~2.4	**307,260**	85,629
	Others	2.0~2.9	**233,241**	219,599
			3,037,129	1,884,408
Finance bonds	Commercial bank bonds	2.1~3.9	**1,346,480**	572,976
	Industrial financial debenture	2.1~6.3	**678,159**	627,589
	Small & medium industry finance bonds	2.0~3.0	**461,108**	347,704
	Currency stabilization bonds	2.0~2.9	**740,756**	990,280
	KEXIM bond	2.1~2.1	**157,398**	118,611
	Others	2.1~4.0	**1,707,033**	1,509,100
			5,090,934	4,166,260
Corporate bonds	Corporate bonds and others	2.1~6.1	**3,114,211**	4,285,914
Beneficiary certificates			**161,825**	147,738
Securities denominated in foreign currencies	Equity securities in foreign currencies	-	**20,525**	27,745
	Bonds in foreign currencies	1.5~4.6	**438,985**	189,046
	Beneficiary certificates in foreign currencies	-	**15,855**	6,322
			475,365	223,113

	Details	Interest rate (%)	Fair value (book value)	
			December 31, 2014	December 31, 2013
Other securities		-	**604,897**	861,219
Derivatives assets held for trading purpose (*)		-	**4,618,758**	4,023,580
			₩ 17,218,152	₩ 15,766,359

(*) Refer to Note 19.

Debt securities included in trading securities as of December 31, 2014 and 2013 consist of the following (Korean won in millions):

	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**

	December 31, 2013			
	Par value	Acquisition cost	Amortized cost	Fair value(book value)
Government and public bonds	₩ 1,898,001	₩ 1,890,349	₩ 1,887,655	₩ 1,884,408
Finance bonds	3,934,595	4,232,468	4,231,625	4,166,260
Corporate bonds	4,225,891	4,271,101	4,269,692	4,285,914
Bonds in foreign currencies	136,239	196,751	196,511	189,046
	₩ 10,194,726	₩ 10,590,669	₩ 10,585,483	₩ 10,525,628

13. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Derivative linked securities	₩ **490,038**	₩ 58,824
Deferred day 1 profit or loss	**6,151**	4,175
Equity securities	**235,919**	92,217
Debt securities	**313,568**	85,381
	₩ **1,045,676**	₩ 240,597

In regard to derivative linked securities, the Group does not separate embedded derivatives from main contracts but designates them as fair vair through profit or loss. When equity securities are managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, the Group designates them as fair vair through profit or loss.

14. Available-for-sale financial assets

Available-for-sale financial assets as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	Details	Interest rate (%)	Fair value (book value)	
			December 31, 2014	December 31, 2013
Equity securities	POSCO and others	-	₩ **1,281,032**	₩ 1,989,668
Investments in partnerships	United PF 1st Corporate Financial Stability and others	-	**198,477**	221,805
Government and public bonds	Treasury bonds	2.6~5.8	**9,108,809**	6,362,189
	Housing bonds	2.3~3.0	**3,078,801**	1,859,322
	Others	3.1~5.6	**428,320**	351,807
			12,615,930	8,573,318
Finance bonds	Currency stabilization bonds	2.5~2.9	**6,217,623**	4,303,709
	Deposit money commercial bank bonds	2.6~6.7	**1,076,253**	755,914
	Small & medium industry finance bonds	2.6~3.7	**656,452**	666,636
	Industrial financial debenture	2.6~5.5	**1,199,035**	1,286,413
	KEXIM bonds	2.6~5.2	**461,713**	391,513
			9,611,076	7,404,185
Corporate bonds	Non-financial corporate bonds	2.6~7.4	**1,650,092**	2,345,607
	SOE bonds	2.6~7.1	**5,342,894**	5,678,274
	Others	-	**-**	756,192
			6,992,986	8,780,073

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	Details	Interest rate (%)	Fair value (book value)	
			December 31, 2014	December 31, 2013
Beneficiary certificates			**1,607,202**	768,503
Securities denominated in foreign currencies	Equity securities in foreign currencies	-	**43,949**	81,709
	Bonds in foreign currencies	0.9~8.0	**2,642,118**	1,656,166
	Investment in foreign currencies	-	**26,595**	36,223
	Beneficiary certificates in foreign currencies	-	**59**	83
			2,712,721	1,774,181
Other securities	Beneficiary certificates	-	**46,514**	17,423
			₩ 35,065,938	₩ 29,529,156

Equity securities (including equity securities denominated in foreign currencies) as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	Book value before valuation	Accumulated other comprehensiv -e income	Fair value (book value)	
			December 31, 2014	December 31, 2013
Marketable equity securities	₩ 623,660	₩ 54,653	**₩ 678,313**	₩ 1,239,243
Non-marketable equity securities	689,186	(42,518)	**646,668**	832,134
	₩ 1,312,846	₩ 12,135	**₩ 1,324,981**	₩ 2,071,377

Non-marketable equity securities including Korea Asset Management Corporation amounting to ₩56,063million and ₩25,949million as of December 31, 2014 and 2013, 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 of December 31, 2014 are summarized as follows (Korean won in millions):

	December 31, 2014		
	Number of shares	**Book value**	**Disposal restriction**
SAMT Co., Ltd.	**9,446,693**	**₩ 15,587**	**Until February 28, 2015**
Daiyang Metal Co., Ltd.	**7,563,000**	**4,273**	**Until September 4, 2015**
Taihan Electric Wire Co.,Ltd. (Common stock)	**7,300,000**	**3,606**	**Until December 31, 2015**
Taihan Electric Wire Co.,Ltd. (Convertible preferred stock)	**11,775,100**	**29,084**	**Until December 31, 2015**
KPM TECH Co., Ltd.	**462,815**	**889**	**Until December 31, 2015**
Ajin P and P Co., Ltd.	**47,170**	**523**	**Until December 31, 2015**
Kores Co., Ltd.	**492,000**	**431**	**Until December 31, 2015**
Samho International Co., Ltd.	**788,000**	**10,362**	**Until December 31, 2016**
Oriental Precision & Engineering Co.,Ltd.	**2,919,332**	**1,921**	**Until December 31, 2016**
Jaeyoung Solutec Co., Ltd.	**305,333**	**434**	**Until December 31, 2016**
Cosmotec Co., Ltd.	**2,126,000**	**478**	**Until December 31, 2016**
HYUNDAI CEMENT Co.,Ltd	**2,138,400**	**22,560**	**Until December 31, 2016**
Young Gwang Stainless Co.,Ltd.	**111,400**	**157**	**Until December 31, 2016**
Oriental Precision & Engineering Co.,Ltd.	**11,857,999**	**7,803**	**Until December 31, 2016**
STX Engine Co., Ltd.	**3,638,000**	**7,796**	**Until December 31, 2017**
OSUNG LST Co., Ltd.	**4,403,333**	**5,350**	**Until December 31, 2017**

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	December 31, 2014		
	Number of shares	**Book value**	**Disposal restriction**
STX Heavy Industries Co., Ltd.	**2,250,000**	**1,391**	**Until December 31, 2017**
STX Offshore & Shipbuilding Co.,Ltd.	**11,589,600**	**12**	**Until December 31, 2017**
Kukje, Machinery Co., Ltd.	**438,000**	**1,299**	**Until M&A be made**
Kumho Industrial Co., Ltd.	**962,048**	**21,838**	**Until M&A be made**
Kumho Tire Co., Ltd.	**2,427,429**	**23,473**	**Until resolution of creditors association**
Kumho Industrial Co., Ltd.	**480,526**	**10,908**	**Until resolution of creditors association**
Chinheung International Co.,Ltd.	**600,400**	**1,000**	**Until resolution of creditors association**
Others	**20,287,611**	**-**	**(*)**
		₩ 171,175	

(*) Of the shares included in others that are embedded with restrictions on disposal, 18,426,419 shares of Pantech Co., Ltd. are restricted except when the investee undergoes liquidation procedures, 1,844,400 shares of Kohap Co., Ltd. are restricted until the end of liquidation, and 16,792 shares of Hae Won

Steeltech Co., Ltd. are restricted until July 31, 2015.
Debt securities as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	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	**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**

	December 31, 2013			
	Par value	Acquisition cost	Amortized cost	Fair value(book value)
Government and public bonds	₩ 8,459,694	₩ 8,604,106	₩ 8,366,603	₩ 8,573,318
Finance bonds	7,389,139	7,396,781	7,311,436	7,404,185
Corporate bonds	8,667,800	8,758,984	7,797,355	8,780,073
Bonds denominated in foreign currencies	1,606,383	1,656,458	1,553,620	1,656,166
	₩ 26,123,016	₩ 26,416,329	₩ 25,029,014	₩ 26,413,742

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., NICE Pricing Service Inc.,(Hana Bank: including Fn Pricing Inc)

Beneficiary certificates securities as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	December 31, 2014			
	Acquisition cost	**Book value before valuation**	**Accumulated other comprehensive income**	**Book value**
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**

	December 31, 2013			
	Acquisition cost	Book value before valuation	Accumulated other comprehensive income	Book value
Beneficiary certificates	₩ 370,004	₩ 370,004	₩ 3,219	₩ 373,223
Securities certificates	79,984	79,984	3,140	83,124
Other certificates	306,315	307,594	4,645	312,239
	₩ 756,303	₩ 757,582	₩ 11,004	₩ 768,586

Changes in the unrealized gain (loss) of the Group's available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**
Investments in partnerships	**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**

	Year ended December 31, 2013				
	Beginning balance	Unrealized gain (loss)	Realized loss	Tax effect	Ending balance
Equity securities	₩ 178,416	₩ 91,217	₩ (11,970)	₩ (16,431)	₩ 241,232
Investments in partnerships	(2,418)	25,627	(7,813)	(3,232)	12,164
Government and public bonds	88,199	(72,482)	(47,650)	29,358	(2,575)
Finance bonds	8,140	(622)	(8,445)	2,537	1,610
Corporate bonds	67,746	95,702	(162,761)	17,728	18,415
Securities denominated in foreign currencies	45,854	(37,647)	(11,781)	11,733	8,159
	₩ 385,937	₩ 101,795	₩ (250,420)	₩ 41,693	₩ 279,005

Realized gain and loss from disposal of available-for-sale financial assets for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	Year ended December 31, 2013	
	Realized gain	Realized loss
Equity securities	₩ 117,274	₩ 53,493
Other equity securities	539	1,990
Government and public bonds	84,469	9,953
Finance bonds	6,390	503
Corporate bonds	17,622	77
Securities denominated in foreign currencies	37,168	1,226
	₩ 263,462	₩ 67,242

Dividend gain on available-for-sale financial assets for the years ended December 31, 2014 and 2013 is as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Equity securities	**₩ 33,106**	₩ 28,685
Investment in partnerships	**9,749**	8,250
	₩ 42,855	₩ 36,935

Transferred financial assets that are not fully derecognized as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	
	Book value	**Fair value**
Assets		
Financial assets held-for-trading through profit or loss (*)	**₩ 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 ₩1,551,498 million have been included.

	December 31, 2013	
	Book value	Fair value
Assets		
Available-for-sale financial assets (*)	₩ 1,418,706	₩ 1,188,787
Held-to-maturity investments	181,700	187,667
	1,600,406	1,376,454
Liabilities		
Bonds sold under repurchase agreements	654,365	655,739
Net position	₩ 946,041	₩ 720,715

(*) Loaned available-for-sale securities with no associated liabilities recognized amounting to ₩132,831 million have been included.

15. Held-to-maturity investments

Held-to-maturity investments as of December 31, 2014 and 2013 consist of the following (Korean won in millions):

	Details	Interest rate (%)	Book value	
			December 31,2014	December 31, 2013
Government and public bonds	Treasury bonds	3.8~5.8	₩ **352,296**	₩ 699,414
	Housing bonds	2.3~5.4	**569,520**	497,450
	Regional development bonds	2.5	**51**	124,797
			921,867	1,321,661
Finance bonds	Finance bonds	2.1~2.8	**1,310,558**	850,313
	Commercial bank Bonds	3.4~7.1	**391,944**	593,076
	Small & medium industry finance bonds	3.3~4.4	**100,369**	100,409
	Industrial financial Bond	3.5~4.6	**81,491**	11,788
	Others	-	**-**	10,003
			1,884,362	1,565,589
Corporate bonds	SOE bonds	3.0~6.5	**1,028,352**	796,171
	Corporate bonds	3.4~5.5	**249,964**	843,234
	Specific law bonds	4.4~5.2	**80,000**	60,000
			1,358,316	1,699,405
Bonds denominated in foreign currencies	Bonds in foreign Currencies	1.0~7.6	**200,905**	150,332
			₩ **4,365,450**	₩ 4,736,987

Details of held-to-maturity securities as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	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**

	December 31, 2013			
	Par value	Acquisition cost	Amortized cost	Book value
Government and public bonds	₩ 1,358,191	₩ 1,324,142	₩ 1,321,661	₩ 1,321,661
Finance bonds	1,560,000	1,573,018	1,565,589	1,565,589
Corporate bonds	1,684,997	1,719,981	1,699,405	1,699,405
Bonds denominated in foreign currencies	152,004	152,219	150,332	150,332
	₩ 4,755,192	₩ 4,769,360	₩ 4,736,987	₩ 4,736,987

16. Structured securities included in financial assets held-for-trading, available-for-sale financial assets and held-to-maturity investments

Structured securities included in financial assets held-for-trading, available-for-sale financial assets and held-to-maturity investments as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions and U.S. dollar in thousands and Brazilian real in thousands):

			December 31, 2014				
Type		**Issuer**	**Par value**	**Issued date**	**Maturity**	**Book value**	**Risk**
< Available-for-sale financial assets >							
Structured securities in foreign currencies:							
Credit	Collateralized debt obligation	**MERLION CAPITAL FUNDING**	**$ 20,632**	**2007.03.06**	**2015.09.15**	**₩ 22,679**	**Credit**
< Held-to-maturity investments >							
Structured securities in Korean won:							
Interest	Range accrual note	**Woori Bank**	**₩ 50,000**	**2006.04.10**	**2016.04.10**	**₩ 50,000**	**Interest**
	Range accrual note	**Shinhan Bank**	**50,000**	**2006.06.16**	**2016.06.16**	**50,000**	**Interest**
	Range accrual note	**SC Bank of Korea., Ltd.**	**50,000**	**2006.06.30**	**2016.06.30**	**50,000**	**Interest**
			₩ 150,000			**₩ 150,000**	

			December 31, 2013				
Type		Issuer	Par value	Issued date	Maturity	Book value	Risk
< Available-for-sale financial assets >							
Structured securities in foreign currencies:							
Credit	Collateralized debt obligation	MERLION CAPITAL FUNDING	$ 20,064	2007.03.06	2015.09.15	₩ 23,024	Credit
< Held-to-maturity investments >							
Structured securities in Korean won:							
Interest	Range accrual note	Woori Bank	₩ 50,000	2006.04.10	2016.04.10	₩ 50,000	Interest
	Range accrual note	Shinhan Bank	50,000	2006.06.16	2016.06.16	50,000	Interest
	Range accrual note	SC Bank of Korea., Ltd.	50,000	2006.06.30	2016.06.30	50,000	Interest
			₩ 150,000			₩ 150,000	

In addition, the Group holds structured securities included in loans that are privately-placed securities (Company has 9 and 19 privately-placed securities as of December 31, 2014 and 2013, respectively) amounting to □7,790 million and □38,498 million as of December 31, 2014 and 2013, respectively.

17. 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 of December 31, 2014 and 2013 are as follows (Korean won in millions):

		Book value	
	Details	**December 31, 2014**	December 31, 2013
Financial assets held-for-trading	Pledged securities	**₩ 968,934**	₩ 1,900,938
	Derivative instruments	**1,757,305**	180,214
	KRX, etc	**290,076**	255,427

(Continued on next page)

		Book value	
	Details	**December 31, 2014**	December 31, 2013
	Client RP	**3,550,021**	3,140,347
		6,566,336	5,476,926
Available-for-sale financial assets	Futures	**186,974**	127,315
	Daylight credit	**687,153**	502,599
	Client RP	**-**	2,629
	Foreign currency borrowing	**512,746**	687,188
	Pledged securities	**557,310**	179,859
	Borrowings	**596,664**	493,086
	BOK payment	**3,042,117**	1,794,840
	Contract fulfillment guarantees	**1,210**	10,602
	Borrowing denominated in foreign currency (CSA)	**47,255**	390,177
	BOK RP	**504,333**	-
	Others	**216,714**	83,525
		6,352,476	4,271,820
Held-to-maturity investments	Foreign currency borrowing	**-**	640,111
	Futures	**275,287**	350,176
	BOK payment	**933,045**	941,586
	Daylight credit	**610,359**	180,311
	Borrowings	**152,659**	171,476
	Client RP	**85,250**	182,609
	Securities paid	**5,046**	5,066
	Borrowing denominated in foreign currency (CSA)	**438,931**	148,646
	Others	**243,554**	164,316
		2,744,131	2,784,297
		₩ 15,662,943	₩ 12,533,043

18. Loans and receivables

Details of loans and receivables as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Loans and receivables:		
Loans in Korean won	**₩ 165,574,424**	₩ 158,052,842
Loans in foreign currencies	**21,519,941**	17,692,716
Domestic import usance	**5,583,234**	5,175,778
Call loans	**3,299,790**	3,029,566
Bills purchased in Korean won	**737,816**	742,859
Bills purchased in foreign currencies	**7,151,175**	6,751,429
Advance payments on acceptances and guarantees	**29,432**	45,395
Credit card loans	**6,081,187**	5,851,477
Bonds purchased under resale agreement	**1,687,460**	2,215,700
Installment receivables purchased	**1,628,178**	3,660,433
Privately-placed corporate bonds	**1,316,895**	1,355,256
Lease receivables	**1,294,524**	1,019,406
	215,904,056	205,592,857

(Continued on next page)

		December 31, 2014		December 31, 2013
Plus (less):				
Deferred loan fees and expenses		**187,757**		183,650
Present value premium		**(5,613)**		(3,067)
Allowance for possible loan losses		**(2,123,062)**		(2,175,613)
	₩	**213,963,138**	₩	203,597,827

Allocations of loans in Korean won and in foreign currencies by customer as of December 31, 2014 and December 31, 2013 are listed as follows (Korean won in millions):

	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 premium	**(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**

	December 31, 2013		
	Korean won	Foreign currencies	Total
Corporate loans:			
Large business	₩ 31,981,134	₩ 18,766,416	₩ 50,747,550
Small and medium business	49,807,594	7,587,990	57,395,584
Public sector and others	4,463,201	6,549,837	11,013,038
	86,251,929	32,904,243	119,156,172
Household loans	79,917,175	668,032	80,585,207
Credit card loans	5,847,686	3,792	5,851,478
	172,016,790	33,576,067	205,592,857
Plus (less):			
Deferred loan fees and expenses	189,256	(5,606)	183,650
Present value premium	(3,168)	101	(3,067)
Allowance for possible loan losses	(1,946,930)	(228,683)	(2,175,613)
	₩ 170,255,948	₩ 33,341,879	₩ 203,597,827

Changes in deferred loan fees, net of expenses, for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	Year ended December 31, 2014			
	January 1, 2014	**Increase**	**Decrease**	**December 31, 2014**
Deferred loan fees, net of expenses	₩ **183,650**	₩ **122,378**	₩ **(118,271)**	₩ **187,757**

	Year ended December 31, 2013				
	January 1, 2013	Increase due to the business combination	Increase	Decrease	December 31, 2013
Deferred loan fees, net of expenses	₩ 189,574	₩ (1,647)	₩ 119,359	₩ (123,636)	₩ 183,650

Changes in allowance for possible loan losses for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	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 of 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 of December 31, 2014	**₩ 1,621,490**	**₩ 231,857**	**₩ 3,976**	**₩ 18,796**	**₩ 192,616**	**₩ 22,158**	**₩ 32,169**	**₩ 2,123,062**

	Year ended December 31, 2013							
	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 of January 1, 2013	₩ 1,534,714	₩ 1	₩ 30,970	₩ 18,904	₩ 163,954	₩ 29,095	₩ 122,514	₩ 2,089,195
Disposal of non-performing loans	(65,431)	-	-	-	(6,993)	-	(29)	(72,453)
Write-offs	(1,065,159)	(35,186)	(16,912)	(27,166)	(199,244)	(1)	(26,768)	(1,370,436)
Collection of loans written-off in prior periods	268,252	2	-	-	46,965	-	2,372	317,591
Debt-to-equity swap	(9,567)	-	-	-	140	-	-	(9,427)
Changes in exchange rate, etc	192,863	19,125	759	7,978	(5)	707	330	221,757
Provisions of allowance for possible loan losses	880,797	26,111	9,726	9,675	181,424	(6,493)	(8,837)	1,092,403
Interest income from impaired loans	(78,441)	(3,573)	(1,088)	(243)	(5,080)	467	(5,059)	(93,017)
As of December 31, 2013	₩ 1,658,028	₩ 195,523	₩ 23,455	₩ 9,148	₩ 181,161	₩ 23,775	₩ 84,523	₩ 2,175,613

19. Derivative instruments

Unsettled derivative contracts held for trading purpose as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**
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 swap	**3,884,489**	**15,598**	**12,326**	**84,079**	**19,312**
Others:					
Other swap	**2,929,999**	**87,162**	**41,671**	**45,947**	**137,038**
Options purchased	**498,135**	**-**	**49,405**	**48,850**	**-**
Options sold	**598,699**	**49,509**	**655**	**-**	**51,202**
	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**

	December 31, 2013				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Currency:					
Forwards	₩ 121,790,486	₩ 1,567,038	₩ 1,570,465	₩ 1,671,973	₩ 1,742,708
Swap	39,767,442	548,551	477,665	1,060,481	741,772
Options purchased	1,831,270	10,852	14,952	34,032	-
Options sold	2,294,877	18,231	14,342	-	45,430
Futures	321,737	133	157	31	10
	166,005,812	2,144,805	2,077,581	2,766,517	2,529,920
Interest:					
Swap	100,398,979	380,142	373,807	529,681	572,292
Options purchased	1,128,500	381	2,844	12,153	-
Options sold	4,775,000	10,540	871	-	53,128
Futures	2,791,400	690	6	662	6
	109,093,879	391,753	377,528	542,496	625,426
Stock:					
Swap	5,785,892	22,596	70,354	497,494	318,632
Options purchased	745,412	6,338	23,299	24,152	3,386
Options sold	1,551,350	11,875	3,216	859	45,965
Futures	80,303	812	119	680	19
	8,162,957	41,621	96,988	523,185	368,002
Credit:					
Credit swap	2,940,011	28,097	28,626	88,398	21,674
Others:					
Other swap	2,366,154	86,395	114,706	98,393	120,426
Options purchased	316,682	3,645	(61)	4,591	-
Options sold	359,285	-	4,994	-	8,713
	3,042,121	90,040	119,639	102,984	129,139
	₩ 289,244,780	₩ 2,696,316	₩ 2,700,361	₩ 4,023,580	₩ 3,674,161

Unsettled derivative contracts held for hedging purpose as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014				
	Notional amounts	**Net valuation gain**	**Net valuation loss**	**Assets**	**Liabilities**
Fair value hedge:					
Currency swap	**₩ 334,400**	**₩ 3,002**	**₩ -**	**₩ -**	**₩ 24,439**
Interest swap	**7,440,162**	**88,300**	**36,480**	**87,894**	**21,191**
	7,774,562	**91,302**	**36,480**	**87,894**	**45,630**
Cash flow hedge:					
Currency swap	**-**	**-**	**3**	**-**	**-**
Interest swap	**693,000**	**-**	**-**	**-**	**5,106**
	693,000	**-**	**3**	**-**	**5,106**
	₩ 8,467,562	**₩ 91,302**	**₩ 36,483**	**₩ 87,894**	**₩ 50,736**

	December 31, 2013				
	Notional amounts	Net valuation gain	Net valuation loss	Assets	Liabilities
Fair value hedge:					
Interest swap	₩ 5,978,214	₩ 2,060	₩ 163,996	₩ 95,232	₩ 92,423
Cash flow hedge:					
Currency swap	578,520	-	35,483	86	45,281
Interest swap	693,000	-	-	750	2,377
	1,271,520	-	35,483	836	47,658
	₩ 7,249,734	₩ 2,060	₩ 199,479	₩ 96,068	₩ 140,081

For derivative transactions involving both Korean won and foreign currency, the fair value of the unsettled amount for such transaction is presented using the basic foreign exchange rate of the contract amount in foreign currency. For a derivative transaction involving only foreign currency, the fair value of the unsettled amount is presented using the basic foreign exchange rate of the foreign currency purchased at the reporting date.

The Group recorded a provision for liquidity adjustments and a provision for credit risk adjustments for derivative instruments amounting to ₩21,306 million and ₩12,214 million, respectively, on December 31, 2014 and ₩16,206 million and ₩22,830 million, respectively, on December 31, 2013.

Credit derivatives entered into by the Group as of December 31, 2014 and 2013 are as follows (Korean won in millions and US dollar in thousands):

	December 31, 2014			
	Counterparty	**Amount**	**Transaction type**	**Reference entity**
Credit default swap	**DAISHIN SECURITIES CO.,LTD, etc**	**₩ 1,545,954**	**Purchased credit derivative**	**Doosan Heavy Industries & Construction Co.,Ltd, etc**
Credit default swap	**Korea Investment & Securities Co., Ltd., etc**	**₩ 1,572,942**	**Sold credit derivative**	**Woori Bank, etc**
Credit Linked Note	**HSBC, etc**	**₩ 54,960**	**Sold credit derivative**	**Republic of Korea**
Total Return Swap	**Standard Chartered Securities, etc**	**₩ 710,633**	**Sold credit derivative**	**China Railway Construction**

	December 31, 2013			
	Counterparty	Amount	Transaction type	Reference entity
Credit default swap	DAISHIN SECURITIES CO.,LTD, etc	₩ 1,309,710	Purchased credit derivative	Doosan Heavy Industries & Construction Co.,Ltd, etc
Credit default swap	Korea Investment & Securities Co., Ltd., etc	₩ 1,549,961	Sold credit derivative	Woori Bank, etc
Credit Linked Note	HSBC, etc	₩ 52,765	Sold credit derivative	Republic of Korea
Total Return Swap	Standard Chartered Securities, etc	₩ 27,576	Purchased credit derivative	China Railway Construction

When a reference entity ceases to be able to secure its financial commitments due to a sharp decline or default in credit rating, the Group guarantees losses incurred arising from transactions for credit derivative instruments on its behalf.

20. Investments in associates and joint ventures

Details of investments in associates and joint ventures as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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.	**Associates**	**Korea**	**2,138,400**	**24.4**	**22,560**
Others					**13,608**
					₩ 984,294

	December 31, 2013				
	Type	Country	Number of shares	Ownership (%)	Book value
Mirae Credit Information Services Corp	Associates	Korea	186,000	31.0	₩ 7,605
UAM Co., Ltd. (*1)	Associates	Korea	85,050	17.5	139,286
Bank of Jilin (*1)	Associates	China	1,200,000,000	17.0	485,900
Hana UBS Asset Management	Associates	Korea	4,410,000	49.0	33,201
Odin 2 LLC (*3)	Associates	Korea	13,340,000	26.7	61,855
Doosan Capital (*1)(*2)(*3)	Associates	Korea	2,116,580	8.8	12,532
Taewon Lighting co.,ltd. (*1)(*3)	Associates	Korea	10,800	18.0	22,619
Korea Finance Security Co., Ltd.	Associates	Korea	268,560	22.4	5,321
Plakor Co., Ltd. (*3)	Associates	Korea	2,630,567	42.3	45,061
Najeon Co.,Ltd. (*3)	Associates	Korea	546,093	31.1	5,264
LIG Nex1 Co., Ltd. (*1)(*3)	Associates	Korea	2,333,333	11.7	102,973
Sambo Motors Co., Ltd.(*1)	Associates	Korea	1,500,000	16.7	13,692
Others					13,377
					₩ 948,686

(*1) The Group exercises significant influence on the investee's Board of Directors 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 H&DS.

(*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.

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, 2014**	Unrecognized accumulated changes in equity as of December,31, 2013
Korea Travels Co., Ltd	54,000	14.9	₩ **(125)**	₩ (1,670)
Flossom Co., Ltd	165,000	1.9	**(353)**	(308)
Mirae Asset KEB Second Securitization Specialty Co., Ltd.	450	45.0	**(114)**	-

The condensed financial information of investments in associates and joint ventures as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014						
	Assets	**Liabilities**	**Equity**	**Revenue (*)**	**Net income (loss) (*)**	**Other comprehensive income (loss) (*)**	**Comprehensive income(loss) (*)**
Mirae Credit Information Services Corp	₩ **2,912**	₩ **6,698**	₩ **6,214**	₩ **9,922**	₩ **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**

	December 31, 2013						
	Assets	Liabilities	Equity	Revenue (*)	Net income (loss) (*)	Other comprehensive income (loss) (*)	Comprehensive income(loss) (*)
Mirae Credit Information Services Corp	₩ 1,821	₩ 7,290	₩ 24,531	₩ 48,397	₩ 1,852	₩ -	₩ 1,852
UAM Co., Ltd.	4,365,097	3,567,972	797,125	708,035	105,085	-	105,085
Bank of Jilin	44,511,256	41,837,236	2,674,020	1,271,384	428,132	-	428,132
Hana UBS Asset Management	72,090	4,333	67,757	29,824	14,815	(51)	14,764
Odin 2 LLC	389,229	157,391	231,838	-	(13,826)	2,516	(11,310)
Doosan Capital	2,585,179	2,299,730	285,449	236,114	(113,534)	(2,255)	(115,789)
Taewon Lighting Co.,Ltd.	68,154	27,398	40,756	84,861	(444)	-	(444)
Korea Finance Security Co., Ltd	26,310	3,593	22,717	48,961	945	-	954
Plakor Co., Ltd.	199,370	92,931	106,439	181,171	1,487	94	1,581
Najeon Co.,Ltd	53,512	36,591	16,921	58,539	469	-	469
LIG Nex1 Co., Ltd	1,507,557	1,202,666	304,891	767,792	25,482	(15,867)	9,615
Sambo Motors Co., Ltd.	485,565	340,958	144,607	-	-	-	-

(*) Revenue and net income incurred after the acquisition date were 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, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014					
	Ownership (%)	**Beginning Balance**	**Addition**	**Replace**	**Dividend**	**Book value before valuation**
Mirae Credit Information Services Corp	**31.0**	**₩ 7,605**	**₩ -**	**₩ -**	**₩ (186)**	**₩ 7,419**
UAM Co., Ltd.	**17.5**	**139,286**	**-**	**-**	**(35,041)**	**104,245**
Bank of Jilin	**17.0**	**485,900**	**-**	**-**	**(15,758)**	**470,142**
Hana UBS Asset Management	**49.0**	**33,201**	**-**	**-**	**(4,949)**	**28,252**
Odin 2 LLC	**26.7**	**61,855**	**-**	**-**	**-**	**61,855**
Doosan Capital	**8.8**	**12,532**	**-**	**-**	**-**	**12,532**
Taewon Lighting Co.,Ltd.	**18.0**	**22,619**	**-**	**-**	**(720)**	**21,899**
Plakor Co., Ltd.	**30.6**	**45,061**	**-**	**-**	**-**	**45,061**
Najeon Co.,Ltd	**31.1**	**5,264**	**-**	**-**	**-**	**5,264**
LIG Nex1 Co., Ltd	**11.7**	**102,973**	**-**	**-**	**(1,563)**	**101,410**
Sambo Motors Co., Ltd. (*)	**-**	**13,692**	**-**	**-**	**-**	**13,692**
Korea Finance Security Co., Ltd	**-**	**5,321**	**-**	**-**	**(81)**	**5,240**
Hyundai Cement Co., Ltd.	**24.4**	**-**	**-**	**38,705**	**-**	**38,705**
Others		**13,377**	**1,109**	**-**	**(1,199)**	**13,287**
		₩ 948,686	**₩ 1,109**	**₩ 38,705**	**₩ (59,497)**	**₩ 929,003**

	Year ended December 31, 2013					
	Ownership (%)	Beginning balance	Addition	Replace	Dividend	Book value before valuation
Mirae Credit Information Services Corp	31.0	₩ 7,335	₩ -	₩ -	₩ (186)	₩ 7,149
UAM Co., Ltd.	17.5	120,916	-	-	-	120,916
Bank of Jilin	17.0	433,828	-	-	(17,679)	416,149
Hana UBS Asset Management	49.0	32,435	-	-	(6,468)	25,967
Odin 2 LLC	26.7	65,834	-	-	-	65,834
Doosan Capital	8.8	21,555	-	-	-	21,555
Taewon Lighting Co.,Ltd.	18.0	22,916	-	-	(180)	22,736
Korea Finance Security Co., Ltd	22.4	5,190	-	-	(81)	5,109
Plakor Co., Ltd.	42.3	-	34,416	-	-	34,416
Najeon Co.,Ltd	31.1	-	4,417	-	-	4,417
LIG Nex1 Co., Ltd	11.7	-	100,000	-	-	100,000
Sambo Motors Co., Ltd. (*)	16.7	-	9,570	-	-	9,570
Others		171,938	1,595	(102,220)	(975)	70,338
		₩ 881,947	₩ 149,998	₩ (102,220)	₩ (25,569)	₩ 904,156

(*)The Group recognizes the difference in the fair value of the net assets acquired and the consideration transterred at the time of acquisition as gain on equity method

As of December 31, 2014, the marketable equity securities of Hyundai Cement Co., Ltd., one of the associates, are restricted to be sold because its debts were converted into equity, of which the fair value is ₩22,560 million (₩10,550 per share).

	Year ended December 31, 2014						
	Equity method valuation						
	Earnings (loss)	Other comprehe-nsive income	Disposal	Impairment loss	Book value	Goodwill and etc	Proportionate net asset
	₩ 707	₩ -	₩ -	₩ -	₩ 8,126	₩ -	₩ 8,126
	10,052	(57)	-	-	114,240	(2,818)	117,058
	76,618	1,739	-	-	548,499	15,413	533,086
	6,026	12	-	-	34,290	-	34,290
	352	(1,054)	-	(1)	61,152	-	61,152
	(4,507)	25	-	-	8,050	-	8,050
	537	2	-	-	22,438	15,284	7,154
	5,238	(1,276)	(13,965)	-	35,058	-	35,058
	1,473	-	-	-	6,737	-	6,737
	7,875	252	-	(1)	109,536	67,402	42,134
	1,385	-	(15,077)	-	-	-	-
	(5)	-	(5,235)	-	-	-	-
	15,840	-	-	(31,985)	22,560	20,901	1,659
	850	(532)	-	3	13,608	675	12,933
	₩ 122,441	₩ (889)	₩ (34,277)	₩ (31,984)	₩ 984,294	₩ 116,857	₩ 867,437

	Year ended December 31, 2013						
	Equity method valuation						
	Earnings (loss)	Other comprehe-nsive income	Disposal	Impairment loss	Book value	Goodwill and etc	Proportionate net asset
	₩ 457	₩ (1)	₩ -	₩ -	₩ 7,605	₩ -	₩ 7,605
	18,388	(18)	-	-	139,286	(211)	139,497
	72,393	(2,642)	-	-	485,900	31,851	454,049
	7,260	(26)	-	-	33,201	-	33,201
	(3,689)	(290)	-	-	61,855	-	61,855
	(9,958)	(552)	1,487	-	12,532	-	12,532
	(117)	-	-	-	22,619	15,283	7,336
	212	-	-	-	5,321	237	5,084
	10,606	39	-	-	45,061	-	45,061
	847	-	-	-	5,264	-	5,264
	2,973	-	-	-	102,973	67,402	35,571
	4,122	-	-	-	13,692	-	13,692
	(18,281)	4,205	(42,372)	(513)	13,377	1,064	12,313
	₩ 85,213	₩ 715	₩ (40,885)	₩ (513)	₩ 948,686	₩ 115,626	₩ 833,060

21. Property and equipment

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

	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**

	December 31, 2013		
	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 1,597,177	₩ -	₩ 1,597,177
Buildings	845,557	(124,109)	721,448
Leasehold improvements	390,784	(317,522)	73,262
Vehicles, furniture and fixtures	1,453,773	(1,179,186)	274,587
Construction in progress	11,101	-	11,101
Operating lease assets	30,310	(19,434)	10,876
	₩ 4,328,702	₩ (1,640,251)	₩ 2,688,451

Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014							
	January 1, 2014	**Addition**	**Disposal**	**Depreciation**	**Impairment loss**	**Transfer in (out)**	**Others (*)**	**December 31, 2014**
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**

	Year ended December 31, 2013							
	January 1, 2013	Increase due to the business combination	Addition	Disposal	Depreciation	Transfer in (out)	Others (*)	December 31, 2013
Land	₩ 1,597,015	₩ 1,112	₩ 983	₩ (240)	₩ -	₩ (1,334)	₩ (359)	₩ 1,597,177
Buildings	724,009	1,359	21,844	(456)	(26,897)	1,663	(74)	721,448
Leasehold improvements	65,609	671	39,616	(2,443)	(30,665)	1,376	(902)	73,262
Vehicles, furniture and fixtures	286,471	2,212	105,626	(1,851)	(117,370)	335	(836)	274,587

(Continued on next page)

	Year ended December 31, 2013							
	January 1, 2013	Increase due to the business combination	Addition	Disposal	Depreciation	Transfer in (out)	Others (*)	December 31, 2013
Construction in progress	11,516	34	7,504	-	-	(7,953)	-	11,101
Operating lease assets	15,711	-	15,020	(13,424)	(6,431)	-	-	10,876
	₩ 2,700,331	₩ 5,388	₩ 190,593	₩ (18,414)	₩ (181,363)	₩ (5,913)	₩ (2,171)	₩ 2,688,451

Details of insured property and equipment as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	Insured amount		Insurance provider
	December 31, 2014	December 31, 2013	
Buildings	₩ **369,412**	₩ 354,088	Hyundai Fire & Marine Insurance Co.,Ltd, etc.
Leasehold improvements	**46,561**	59,387	Samsung Fire & Marine Insurance Co.,Ltd, etc.
Vehicles, furniture and fixtures	**332,535**	297,404	Dongbu Insurance Co.,Ltd, etc.
	₩ **748,508**	₩ 710,879	

The Company maintains general liability insurance for its registered directors and officers for up to ₩50,000 million as of December 31, 2014 and 2013, respectively, and fidelity guarantee insurance for up to ₩5,780 million as of December 31, 2014.

22. Investment properties

Details of investment properties as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	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**

	December 31, 2013			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 385,110	₩ -	₩ (2,356)	₩ 382,754
Buildings	162,446	(27,381)	(2,388)	132,677
	₩ 547,556	₩ (27,381)	₩ (4,744)	₩ 515,431

Changes in investment properties for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014						
	January 1, 2014	**Addition**	**Disposal**	**Depreciation**	**Reclassification**	**Others**	**December 31, 2014**
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**

	Year ended December 31, 2013					
	January 1, 2013	Increase due to the business combination	Addition	Depreciation	Reclassification	December 31, 2013
Land	₩ 379,563	₩ -	₩ 1,818	₩ -	₩ 1,373	₩ 382,754
Buildings	123,260	6,335	3,123	(4,581)	4,540	132,677
	₩ 502,823	₩ 6,335	₩ 4,941	₩ (4,581)	₩ 5,913	₩ 515,431

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 valuers are ₩441,754 million and ₩556,477 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, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Rental income	₩ **11,020**	₩ 8,888
Operating expenses	**4,866**	2,993

23. Finance leases and operating leases

Gross and net investment in the finance leases as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	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**

	December 31, 2013		
	Short-term	Long-term	Total
Present value of minimum lease payment	₩ 333,265	₩ 660,690	₩ 993,955
Initial direct cost	1,660	23,790	25,450
Net investment in the lease	334,925	684,480	1,019,406
Unearned finance income	52,261	42,225	94,485
Gross investment in the lease	₩ 387,186	₩ 726,705	₩ 1,113,891

The maturities of gross and net investment in the finance leases as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013	
	Gross investment	Net investment
Within 1 year	₩ 387,092	₩ 334,931
After 1 year but no later than 5 years	726,632	684,315
Later than 5 years	167	160
	₩ 1,113,891	₩ 1,019,406

Amounts to be collected as operating lease revenues for each upcoming period as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Within 1 year	**₩ 850**	₩ 3,039
After 1 year but no later than 5 years	**206**	811
	₩ 1,056	₩ 3,850

24. Intangible assets

Details of intangible assets as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	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**

	December 31, 2013			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book value
Goodwill	₩ 98,594	₩ -	₩ (18,722)	₩ 79,872
Industrial property	57,099	(21,871)	-	35,228
Core deposits	991,629	(271,511)	(3,116)	717,002
Client relationship	388,486	(64,015)	-	324,471
Software and system development	871,387	(668,178)	(366)	202,843
Membership	88,579	(260)	(31,664)	56,655
Others	92,318	(50,933)	(270)	41,115
	₩ 2,588,092	₩ (1,076,768)	₩ (54,138)	₩ 1,457,186

Details of goodwill as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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**

	December 31, 2013		
	Acquisition cost	Accumulated impairment loss	Book Value
Hana Savings Bank	₩ 75,229	₩ (18,722)	₩ 56,507
Hana Asset Trust	22,377	-	22,377
Others	988	-	988
	₩ 98,594	₩ (18,722)	₩ 79,872

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 Group regards Hana Savings Bank as a one cash-generating unit for the impairment test as of December 31, 2014 and 2013

	December 31, 2014	December 31, 2013
Value in use (recoverable amount)	**₩ 221,534**	₩ 146,646
Carrying amount of net assets	**157,179**	149,750
Value in use which exceeds carrying amount of net assets	**64,355**	(3,104)

The Group estimates future cash flows based on the assumption that cash flows will continue to grow at 2.6% 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, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014							
	January 1, 2014	**Additions**	**Disposal**	**Amortization**	**Impair-ment loss**	**Reclassi-fication**	**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**

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	Year ended December 31, 2014							
	January 1, 2014	**Additions**	**Disposal**	**Amortization**	**Impair-ment loss**	**Reclassi-fication**	**Others (*)**	**December 31, 2014**
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**

	Year ended December 31, 2013								
	January 1, 2013	Increase due to the business combination	Additions	Disposal	Amortization	Impair-ment loss	Reclassi-fication	Others (*)	December 31, 2013
Goodwill	₩ 83,166	₩ -	₩ -	₩ -	₩ -	₩ (3,104)	₩ -	₩ (190)	₩ 79,872
Industrial property	46,395	-	120	-	(11,386)	-	99	-	35,228
Core deposits	854,212	4,305	-	-	(141,515)	-	-	-	717,002
Client relationship	296,836	61,694	-	-	(34,059)	-	-	-	324,471
Software and system development	249,548	5,489	58,104	(19)	(110,061)	-	-	(218)	202,843
Membership	68,568	806	2,506	(4,649)	(49)	(8,872)	-	(1,655)	56,655
Others	46,485	3,855	7,482	-	(16,528)	-	(99)	(80)	41,115
	₩ 1,645,210	₩ 76,149	₩ 68,212	₩ (4,668)	₩ (313,598)	₩ (11,976)	₩ -	₩ (2,143)	₩ 1,457,186

(*) Includes the effect of exchange rate differences.

25. Non-current assets held for sale

The tangible assets for non-business use, which are recorded under non-current assets held-for-sale as of December 31, 2014, are 3 secured properties that it acquired from customers to repay loans (2 secured properties as of December 31, 2013). They were classified as non-current assets held-for-sale but undisposed.

Details of non-current assets held for sale as of December 31, 2014 and 2013 are as follows(Korean won in millions) :

	December 31, 2014	December 31, 2013
Acquisiton cost	**₩ 749**	₩ 871
Accumulated impairment loss	**(220)**	(211)
Book value	**529**	660

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.

26. Other assets

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

	December 31, 2014	December 31, 2013
Guarantee deposits	**₩ 1,508,311**	₩ 1,515,259
Accounts receivable	**8,032,147**	6,915,827

(Continued on next page)

		December 31, 2014		December 31, 2013
Accrued income		**1,055,807**		999,924
Prepaid expenses		**196,743**		232,275
Advance payments		**39,918**		45,507
Reinsurance assets		**2,223**		1,872
Unamortized new contract		**6,968**		2,894
Separate account assets		**1,049,315**		1,055,866
Receivables from spot exchange		**1,708,198**		2,361,659
Others		**2,468,276**		3,175,492
Allowance for possible losses		**(97,530)**		(91,473)
	₩	**15,970,376**	₩	16,215,102

Changes in the allowance for possible losses for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Beginning balance	₩	**91,473**	₩	152,433
Increase due to the business combination		**-**		90
Write-offs		**(17,146)**		(67,659)
Debt-to-equity swap		**-**		699
Provision for possible losses		**19,942**		16,948
Interest income from impaired assets		**(293)**		(228)
Others		**3,554**		(10,810)
	₩	**97,530**	₩	91,473

Changes in insurance assets for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		January 1, 2014		Increase		Decrease		December 31, 2014
Reinsurance assets	₩	**1,872**	₩	351	₩	-	₩	**2,223**
Unamortized new contract		**2,894**		4,074		-		**6,968**
	₩	**4,766**	₩	4,425	₩	-	₩	**9,191**

		January 1, 2013		Increase due to the business combination		Increase		Decrease		December 31, 2013
Reinsurance assets	₩	-	₩	1,896	₩	52	₩	(76)	₩	1,872
Unamortized new contract		-		-		11,890		(8,996)		2,894
	₩	-	₩	1,896	₩	11,942	₩	(9,072)	₩	4,766

27. Financial liabilities held-for-trading

Financial liabilities held-for-trading as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Derivative liabilities held for trading purpose	₩	**4,740,272**	₩	3,674,161
Securities sold		**499,388**		699,354
	₩	**5,239,660**	₩	4,373,515

(*) Refer to Note 19.

28. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Deposits	₩	**249,049**	₩	-
Derivatives linked securities sold		**6,414,918**		4,888,641
Deferred day 1 profit or loss		**23,833**		15,530
	₩	**6,687,800**	₩	4,904,171

With respect to derivative linked securities, the Group does not separate embedded derivatives from main contracts but designates them as fair vair through profit or loss.

29. Deposits

Details of deposits as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Demand deposits:				
Demand deposits in Korean won:				
Checking deposits	₩	**1,975,358**	₩	1,499,298
Household checking deposits		**24,264**		30,675
Temporary deposits		**2,331,048**		2,154,569
Passbook deposits		**20,925,713**		18,680,607
Public fund deposits		**144,710**		221,943
National Treasury deposits		**707**		345
Nonresident's deposit in Korean won		**272,152**		222,411
Nonresident's 'free-won' account		**95,640**		22,430
Others		**2,868**		3,573
		25,772,460		22,835,851
Demand deposits in foreign currency:				
Checking deposits		**3,328,817**		2,750,917
Passbook deposits		**11,574,910**		10,450,025
Notice deposits		**4,607**		7
Temporary deposits		**68,478**		29,457
		14,976,812		13,230,406
		40,749,272		36,066,257
Time and saving deposits:				
Time and saving deposits in Korean won:				
Households saving deposits		**14,439,700**		12,754,647
Free saving deposits		**517,816**		478,549
Corporate savings deposits		**18,598,753**		14,957,884
Time deposits		**100,592,954**		98,813,168
Apartment-application deposits		**437,779**		496,918
Installment savings deposits		**3,346,253**		3,123,138
Nonresident's deposit in Korean won		**439,202**		440,576
Nonresident's 'free-won' account		**175,654**		328,032
Long-term housing savings deposits		**505,948**		571,347
Workers' preferential savings deposits		**419**		448
Mutual installment deposits		**5,846,246**		4,748,244

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	December 31, 2014	December 31, 2013
Mutual installment for housing	**38,301**	44,777
Worker`s asset building savings deposits	**206,514**	103,962
Trust deposits	**517,553**	519,970
Others	**152,213**	77,469
	145,815,305	137,459,129
Time and saving deposits in foreign currency:		
Time deposits in foreign currency	**14,349,738**	12,683,206
Others	**57,195**	219,820
	14,406,933	12,903,026
	160,222,238	150,362,155
Certificate of deposits	**925,475**	797,264
	₩ 201,896,985	₩ 187,225,676

Allocations of deposits by customer as of December 31, 2014 and 2013 are listed as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Individuals	**₩ 72,880,481**	₩ 68,284,856
Corporations	**55,028,337**	55,637,679
Other banks	**8,250,145**	6,497,815
Public institutions	**4,192,730**	3,600,143
Other financial institutions	**29,615,785**	23,999,612
Government	**5,582,858**	4,928,382
Non-profit corporations	**11,475,222**	12,246,864
Foreign corporations	**8,362,427**	7,604,708
Others	**6,509,000**	4,425,617
	₩ 201,896,985	₩ 187,225,676

30. Borrowings

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

	Lender	Interest rate (%)	December 31, 2014	December 31, 2013
Borrowings in Korean won:				
BOK borrowings	BOK	0.5~1.0	**₩ 1,606,495**	₩ 681,362
Government borrowings	Korean government	0.0~3.1	**3,101,489**	3,357,874
Other borrowings	Korea Energy Management Corporation, etc	0.0~5.1	**1,712,246**	2,478,219
			6,420,230	6,517,455
Borrowings in foreign currencies:				
Bank overdrafts	Foreign Banks, etc.	0.7~16.3	**159,142**	235,547
Other borrowings	Mizuho Corporate bank Seoul branch, etc	0.4~2.1	**10,253,620**	7,734,037
			10,412,762	7,969,584
Call money:				
Call money in Korean won	National Agricultural Cooperative Federation, etc	2.2~2.3	**641,000**	1,732,400
Call money in foreign Currencies	KOREA DEVELOPMENT BANK, TOKYO, etc	0.2~0.7	**780,304**	1,054,834
			1,421,304	2,787,234

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	Lender	Interest rate (%)	**December 31, 2014**	December 31, 2013
Bonds sold under repurchase agreements:				
Bonds sold under repurchase agreements in Korean won	Korea Defense Industry association, etc	2.9~4.0	**4,300,611**	3,814,042
Bonds sold under repurchase agreements in foreign currencies	Nomura International Ltd., etc.	0.8~3.3	**414,201**	563,903
			4,714,812	4,377,945
Other borrowings				
Bills sold	Korea post, etc.	1.7~2.8	**294,878**	181,420
			₩ 23,263,986	₩ 21,833,638

31. Debentures

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

	Lender	Interest rate (%)	**December 31, 2014**	December 31, 2013
Korean won:				
Debentures	Financial institutions	2.2~5.5	**₩ 16,784,000**	₩ 17,145,800
Subordinated bonds	Various investors	3.4~8.0	**5,344,223**	6,895,304
Net gain on fair value hedges (this term)			**(3,539)**	412
Net gain on fair value hedges (before the previous term)			**9,043**	9,217
Issuance premium			**(24,736)**	(884)
			22,108,991	24,049,849
Foreign currencies:				
Debentures	Morgan Stanley, etc.	0.6~4.9	**6,267,616**	6,040,391
Subordinated bonds	Barclays, etc.	3.0~4.7	**884,856**	209,918
Floating rate bonds	HSBC, etc.		**-**	52,765
Net gain (loss) on fair value hedges (this term)			**(18)**	(74,215)
Net gain on fair value hedges (before the previous term)			**65,692**	147,422
Issuance premium (present value discount)			**(19,022)**	(6,566)
			7,199,124	6,369,715
			29,308,115	30,419,564

32. Net defined benefit liability

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

	Ratio (%)		
	December 31, 2014	December 31, 2013	Notes
Demographic assumptions:			
Mortality	**0.00~2.40**	0.00~2.40	Table from Korea insurance development institute and etc.
Rates of employee turnover	**2.50~43.14**	2.50~41.21	Table from Korea insurance development institute and etc.
Financial assumptions:			
Expected rate of salary increase	**0.70~39.20**	0.65~21.98	

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	Ratio (%)		
	December 31, 2014	December 31, 2013	Notes
Inflation rate	**2.02~2.63**	1.63~3.50	
Discount rate	**2.46~3.80**	3.21~4.25	Return on corporate bond with the same credit rating

Details of net defined benefit liability as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Present value of defined benefit obligation	₩	**1,188,619**	₩	954,338
Fair value of plan assets		**(1,019,451)**		(792,285)
Net defined benefit liability	₩	**169,168**	₩	162,053

Changes in present value of defined benefit obligation for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Beginning balance	₩	**954,338**	₩	744,398
Increase due to the business combination		**-**		6,012
Current service cost		**137,268**		126,998
Past service cost		**37,714**		10,958
Interest cost on benefit obligation		**37,836**		26,808
Remeasurements of the net defined benefit liability		**98,532**		79,682
Benefits paid		**(76,751)**		(39,884)
Others		**(318)**		(634)
	₩	**1,188,619**	₩	954,338

Details of losses incurred from Severance and retirement benefit plan for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Current service cost	₩	**137,268**	₩	126,998
Past service cost		**37,714**		10,958
Net interest on the net defined benefit liability		**6,128**		4,899
		181,110		142,855
Benefits paid for the defined contribution plan		**2,112**		2,243
Long-term employee payment and others		**828**		6,117
	₩	**184,050**	₩	151,215

Plan assets for severance benefit as of December 31, 2014 and 2013 consist of the followings (Korean won in millions):

		December 31, 2014		December 31, 2013
Plan assets which have market price quoted in an active market:				
Time deposit	₩	**773,478**	₩	666,505
ELS		**-**		1,936
Bonds		**99,449**		63,679
Others		**146,524**		60,165
	₩	**1,019,451**	₩	792,285

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Beginning balance of fair value of plan assets	₩	**792,285**	₩	634,969
Increase due to the business combination		**-**		1,519
Employer contributions		**265,487**		172,586
Expected return on plan assets		**31,708**		21,909
Remeasurements of the plan assets		**(9,716)**		519
Benefits paid		**(60,311)**		(38,704)
Others		**(2)**		(513)
	₩	**1,019,451**	₩	792,285

Details of remeasurement accompanied by the application of actuarial assumptions for the years ended December 31, 2014 and 2013 are as follows (Korea won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Actual gains (losses)				
Changes in demographic assumptions	₩	**(1,919)**	₩	(7,804)
Changes in financial assumptions		**(100,679)**		(9,855)
Experience adjustments		**4,889**		(58,650)
		(97,709)		(76,309)
Income on planned assets				
Actual income on planned assets		**21,992**		22,428
Amounts included in net interest on the net defined benefit liability		**31,708**		21,909
		(9,716)		519
	₩	**(107,425)**	₩	(75,790)

A quantitative sensitivity analysis for significant assumptions as of December 31, 2014 and 2013 are as follows (Korea won in millions):

(1) Discount rate

		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

		Year ended December 31, 2013		1% point increase		1% point decrease
Present value of defined benefit obligation	₩	954,338	₩	862,934	₩	1,022,626

(2) Expected rate of salary increase

		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

		Year ended December 31, 2013		1% point increase		1% point decrease
Present value of defined benefit obligation	₩	954,338	₩	1,022,878	₩	861,613

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, 2014 and 2013 are reasonably estimated to be ₩133,468 million and ₩112,067 million, repectively and the average durations of the defined benefit plan obligation as of December 31, 2014 and 2013 are 7.4~10.2 years and 7.2~14.0 years, respectively.

33. Provisions

33.1 Provisions

Details of provisions as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Allowance for possible losses on acceptances and guarantees:		
Financial acceptances and guarantees	₩ **2,331**	₩ 2,066
Non-financial acceptances and guarantees	**59,436**	65,000
Bills endorsed	**450**	277
	62,217	67,343
Allowances for unused commitments	**111,804**	117,265
Other allowance:		
Allowances for restoration cost	**44,527**	42,271
Allowances for reward points	**35,018**	30,976
Allowance for lawsuits	**68,572**	142,514
Allowance for liquidity adjustment	**21,306**	16,206
Allowance for credit valuation adjustment	**12,214**	22,830
Others	**8,637**	9,567
	190,274	264,364
	₩ **364,295**	₩ 448,972

(*) 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 ₩24,950 million and ₩30,468 million as of December 31, 2014 and 2013, respectively and is categorized as financial guarantee contract liability.

Changes in provisions for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014				
	January 1, 2014	**Net loss of allowance (reversal of allowance)**	**Allowance used**	**Others**	**December 31, 2014**
Allowance for possible losses on acceptances and 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**
Allowance for liquidity adjustment	**16,206**	**5,097**	**-**	**3**	**21,306**
Allowance for credit valuation adjustment	**22,830**	**(10,616)**	**-**	**-**	**12,214**
Others	**9,567**	**3,481**	**(2,968)**	**(1,443)**	**8,637**
	264,364	**(29,067)**	**(67,215)**	**22,192**	**190,274**
	₩ **448,972**	₩ **(39,792)**	₩ **(67,215)**	₩ **22,330**	₩ **364,295**

	Year ended December 31, 2013					
	January 1, 2013	Increase due to the business combination	Net loss of allowance (reversal of allowance)	Allowance used	Others	December 31, 2013
Allowance for possible losses on acceptances and guarantees	₩ 58,379	₩ -	₩ 9,203	₩ -	₩ (239)	₩ 67,343
Allowances for unused commitments	120,448	106	(2,967)	-	(322)	117,265
Other allowance:						
Allowance for possible losses on acceptances and guarantees	45,968	355	(1,414)	(1,918)	(720)	42,271
Allowances for reward points	27,256	-	33,848	(51,030)	20,902	30,976
Allowance for lawsuits	85,560	21	35,378	(19,874)	41,429	142,514
Allowance for liquidity adjustment	16,341	-	(133)	-	(2)	16,206
Allowance for credit valuation adjustment	29,271	-	(6,438)	-	(3)	22,830
Others	54,832	743	(651)	(3,265)	(42,092)	9,567
	259,228	1,119	60,590	(76,087)	19,514	264,364
	₩ 438,055	₩ 1,225	₩ 66,826	₩ (76,087)	₩ 18,953	₩ 448,972

33.2 Guarantees and commitments

Details of guarantees as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Financial acceptances and guarantees in Korean won:		
Collateral for loans	**₩ 117,912**	₩ 134,853
Loans for purchase	**947,775**	1,092,784
Others	**29,029**	15,480
	1,094,716	1,243,117
Financial acceptances and guarantees in foreign currencies		
Local financial acceptances and guarantees:	**1,807,051**	1,294,536
Confirmed acceptances and guarantees in Korean won	**2,239,995**	2,321,372
Confirmed acceptances and guarantees in foreign currencies:		
Acceptance on letter of credit	**1,247,454**	1,252,191
Acceptance on letter of guarantees	**134,837**	157,337
Others	**15,026,794**	14,700,739
	16,409,085	16,110,267
Contingent acceptances and guarantees:		
Letters of credit	**5,468,770**	6,465,496
Others	**647,143**	1,268,532
	6,115,913	7,734,028
Bills endorsed	**33,976**	46,988
	₩ 27,700,736	₩ 28,750,308

Details of unused commitments as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Commitments on loans in Korean won	**₩ 95,496,733**	₩ 100,209,239
Commitments on loans in foreign currencies	**26,329,617**	23,235,319
Commitments on off-shore loans in foreign currencies	**-**	16,885

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		December 31, 2014		December 31, 2013
Commitments on purchase of asset-backed commercial papers		**475,818**		493,367
Commitments on credit lines on asset-backed securities		**1,648,542**		1,244,850
Commitments on purchase of securities		**702,942**		702,942
	₩	**124,653,652**	₩	125,902,602

As of December 31, 2014, the Group is involved in 2,476 lawsuits as a plaintiff and 324 lawsuits as a defendant. The aggregate amount of claims as a plaintiff and a defendant is in the amount of approximately ₩718,480 million and ₩337,177 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	Hyundai Merchant Marine Co., Ltd.	₩	68,875	Lost	In-progress	Return of performance bond
KEB	Fairfield Sentry Limited Bankruptcy administrator		36,925	In-progress	-	Return of earnings of fund
KEB	In Chang ho and 38 others		6,432	In-progress	-	Cancellation of contracts of the sale in lots and non-existence of loans for intermediate payments
Hana Bank	Shinhan Bank		31,701	Won	In-progress	Return of a prepayment
Hana Bank	Dong-A Construction Co., Ltd		15,169	In-progress	-	Return of investments (2nd lawsuit)
Hana Bank	Park Man Song		8,441	In-progress	-	Cancellation of right to collateral security (2nd lawsuit)
Hana Bank	Dong-A Construction Co., Ltd		7,620	Lost	In-progress	Return of investments (2nd lawsuit)
H&DS	Eun Ik Soo and 1 others		6,167	In-progress	-	Claim for damages

34. Other liabilities

Details of other liabilities as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Accounts payable	₩	**8,334,927**	₩	7,210,429
Accrued expense payables		**2,298,450**		2,305,308
Advances		**82,542**		64,767
Income in advance		**283,782**		276,909
Policy reserve		**2,019,163**		1,716,595
Separate account liabilities		**1,054,921**		1,061,566
Borrowing from trust accounts		**2,882,793**		3,401,877
Foreign exchanges settlement credits		**530,719**		459,232
Domestic exchange settlement credits		**2,223,147**		2,043,692
Deposits for letter of guarantees and others		**559,197**		573,361
Taxes withheld		**150,397**		171,506
Security deposits received		**24,992**		21,040
Accounts for agency businesses		**274,125**		238,329
Agency		**2,744,881**		2,682,562
Others		**2,804,135**		2,243,219
Present value discount		**(20,245)**		(14,499)
	₩	**26,247,926**	₩	24,455,893

Details of policy reserve as of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Premium reserve	**₩**	**1,989,827**	₩	1,694,851
Prepaid premium reserve		**859**		747
Guaranteed reserve		**9,042**		6,157
Outstanding claim		**19,435**		14,840
	₩	**2,019,163**	₩	1,716,595

Changes in the policy reserve for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		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**

		January 1, 2013		Increase due to the business combination		Changes		December 31, 2013
Premium reserve	₩	-	₩	1,535,734	₩	159,117	₩	1,694,851
Prepaid premium reserve		-		1,399		(652)		747
Guaranteed reserve		-		6,050		107		6,157
Outstanding claim		-		13,079		1,761		14,840
	₩	-	₩	1,556,262	₩	160,333	₩	1,716,595

35. Capital stock and capital surplus

Details of capital stock as of December 31, 2014 and December 31, 2013 are as follows:

		December 31, 2014		December 31, 2013
Number of shares authorized		**800,000,000 shares**		800,000,000 shares
Par value per share	**₩**	**5,000**	₩	5,000
Number of shares issued		**289,894,062 shares**		289,894,062 shares

Changes in capital stock and capital surplus from December 1, 2005 (inception) to December 31, 2014 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
		289,894,062	₩ 1,449,470	₩	7,971,530

(*1) Represents transactions the Company conducted to incorporate HD&S (formerly, Hana IB) into its subsidiaries.
(*2) Represents transactions the Company conducted to incorporate KEB into its wholly owned subsidiaries.

Details of hybrid equity securities classified as equity attributable to equity holders of the parent as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	Issuance date	Maturity	Interest rate (%)	Amount	
				December 31, 2014	December 31, 2013
The 1th Hybrid Tier I	Feb. 21, 2011	Feb. 21, 2041	6.43	**₩ 170,000**	₩ 170,000
The 2nd Hybrid Tier I	Feb. 28, 2011	Feb. 28, 2041	6.27	**130,000**	130,000
				300,000	300,000
Issuance cost				**(879)**	(879)
				₩ 299,121	₩ 299,121

(*) 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.

Capital surplus as of December 31, 2014 and 2013 consists of the followings (Korean won in millions):

	December 31, 2014	December 31, 2013
Paid-in capital in excess of par value	**₩ 7,971,530**	₩ 7,971,530
Gain on disposal of treasury stock	**76,397**	71,750
Other capital surplus	**2,303,821**	2,337,294
	₩ 10,351,748	₩ 10,380,574

36. Capital adjustment

Details of capital adjustment as of December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	December 31, 2014	December 31, 2013
Treasury stock	**₩ -**	₩ (170,023)
Other capital adjustment	**(13,122)**	(238)
	₩ (13,122)	₩ (170,261)

Changes in the Group's treasury stock for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	January 1, 2014	Acquisition	Disposal	**December 31, 2014**
Number of shares	**4,341,877**	5,388	(4,347,265)	**-**
Carrying amount	**170,023**	210	(170,233)	**-**

	January 1, 2013	Acquisition	Disposal	December 31, 2013
Number of shares	2,020,000	14,052,135	(11,730,258)	4,341,877
Carrying amount	80,144	548,173	(458,294)	170,023

37. Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014					
	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)**	**Total**
January 1, 2014	**₩ 279,005**	**₩ 6,343**	**₩ (680)**	**₩ (183,381)**	**₩ (111,027)**	**₩ (9,740)**
Changes in the unrealized loss of available-for -sale securities	**742,651**	**-**	**-**	**-**	**-**	**742,651**
Realized gain of available-for-sale securities	**(300,245)**	**-**	**-**	**-**	**-**	**(300,245)**
Changes in unrealized gain on valuation of equity method investments	**-**	**(13,987)**	**-**	**-**	**-**	**(13,987)**
Changes in net gain (loss) on cash flow hedges	**-**	**-**	**(1,598)**	**-**	**-**	**(1,598)**
Changes in exchange differences on transaction of foreign operations	**-**	**-**	**-**	**24,625**	**-**	**24,625**
Changes in remeasurements of the net defined benefit liability (asset)	**-**	**-**	**-**	**-**	**(107,425)**	**(107,425)**
Income tax effect	**(107,606)**	**3,385**	**387**	**(5,959)**	**26,670**	**(83,124)**
December 31, 2014	**₩ 613,805**	**₩ (4,259)**	**₩ (1,891)**	**₩ (164,715)**	**₩ (191,782)**	**₩ 251,158**

	Year ended December 31, 2013					
	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)	Total
January 1, 2013	₩ 385,937	₩ 42,549	₩ (1,168)	₩ (67,465)	₩ (53,270)	₩ 306,583
Changes in the unrealized loss of available-for -sale securities	101,795	-	-	-	-	101,795
Realized gain of available-for-sale securities	(250,420)	-	-	-	-	(250,420)
Changes in unrealized gain on valuation of equity method investments	-	(47,765)	-	-	-	(47,765)
Changes in net gain (loss) on cash flow hedges	-	-	644	-	-	644
Changes in exchange differences on transaction of foreign operations	-	-	-	(152,923)	-	(152,923)
Changes in remeasurements of the net defined benefit liability (asset)	-	-	-	-	(75,790)	(75,790)
Income tax effect	41,693	11,559	(156)	37,007	18,033	108,136
December 31, 2013	₩ 279,005	₩ 6,343	₩ (680)	₩ (183,381)	₩ (111,027)	₩ (9,740)

38. Retained earnings

Retained earnings as of December 31, 2014 and 2013 consist of the following (Korean won in millions):

		December 31, 2014		December 31, 2013
Legal reserve (*)	₩	**458,261**	₩	458,261
Voluntary reserve		**3,774,744**		4,058,226
Unappropriated retained earnings		**4,555,918**		3,466,351
	₩	**8,788,923**	₩	7,982,838

(*) 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, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Beginning balance	₩	**7,982,838**	₩	7,169,418
Net income		**937,707**		933,877
Dividends		**(114,872)**		(103,545)
Dividends on hybrid equity securities		**(19,082)**		(19,082)
Others		**2,332**		2,170
	₩	**8,788,923**	₩	7,982,838

39. 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 of December 31, 2014 and 2013 are as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Beginning balance	₩	**2,180,422**	₩	2,047,850
Planned regulatory reserve for bad debts		**23,297**		132,572
Ending balance	₩	**2,203,719**	₩	2,180,422
Attributable to equity holders of the parent		**2,125,288**		2,100,229
Attributable to non-controlling interests		**78,431**		80,193

Provisions for bad debt reserve and income adjusted for deductions of provisions for bad debt for the years ended December 31, 2014 and 2013 are as follows.

		Year ended December 31, 2014		Year ended December 31, 2013
Net income attributable to equity holders of the parent before deducting provisions for bad debt	₩	**937,707 million**	₩	933,877 million
Provisions for bad debt reserve		**25,059 million**		133,663 million
Adjusted income after deducting provisions for bad debt		**912,648 million**		800,214 million
Basic earnings per share on adjustment after reflecting reserve for bad debt	₩	**3,091**	₩	2,902
Diluted earnings per share on adjustment after reflecting reserve for bad debt	₩	**3,082**	₩	2,893

40. Operating income and expense

Total operating income for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income	₩ **10,215,433**	₩ 10,534,899
Fee and commission income	**2,535,613**	2,478,039
Gain on financial assets and liabilities held-for-trading	**11,612,168**	9,225,566
Gain on financial assets and liabilities designated at fair value through profit and loss	**168,372**	215,060
Gain on derivative instruments used for hedging purpose	**144,060**	174,801
Gain on financial instruments	**556,546**	383,683
Gain on foreign currency transactions	**1,901,748**	1,910,904
Recovery of impairment loss on financial assets	**905**	1,002
Other operating income	**792,313**	564,597
	₩ **27,927,158**	₩ 25,488,552

Total operating expense for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Interest expense	₩ **5,561,526**	₩ 6,049,858
Fee and commission expense	**917,786**	885,223
Loss on financial assets and liabilities held-for-trading	**11,332,761**	8,992,009
Loss on financial assets and liabilities designated at fair value through profit and loss	**326,498**	278,685
Loss on derivative instruments used for hedging purpose	**137,940**	212,044
Loss on financial instruments	**62,935**	98,206
Loss on foreign currency transactions	**1,628,473**	1,663,582
Impairment loss of financial assets	**1,444,915**	1,272,657
General and administrative expense	**3,936,205**	3,846,309
Other operating expense	**1,334,672**	1,024,968
	₩ **26,683,711**	₩ 24,323,542

41. Net interest income

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

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income on due from banks	₩ **213,310**	₩ 175,698
Interest income on available-for-sale financial assets	**836,037**	782,286
Interest income on held-to-maturity investments	**166,120**	216,148
Interest income on loans receivable	**8,418,065**	8,743,707
Others	**208,529**	246,087
	9,842,061	10,163,926
Interest income on financial assets designated at fair value through profit or loss	**6,073**	1,003
Interest income on financial assets held-for-trading	**367,299**	369,970
	₩ **10,215,433**	₩ 10,534,899

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

	Year ended December 31, 2014	Year ended December 31, 2013
Interest expense on deposit liabilities	₩ **3,812,113**	₩ 4,076,492
Interest expense on borrowings	**398,045**	414,676
Interest expense on debentures	**983,497**	1,169,574
Others	**367,871**	389,116
	₩ **5,561,526**	₩ 6,049,858

42. Net fee and commission income

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

	Year ended December 31, 2014	Year ended December 31, 2013
Fee and commission received from loans and others	₩ **757,045**	₩ 784,748
Fee and commission received on credit card	**1,438,046**	1,356,788
Fee and commission received on guarantee	**84,386**	80,975
Fee and commission received from redemption before maturity	**6,041**	5,927
Fee and commission related foreign exchange	**250,095**	249,601
	₩ **2,535,613**	₩ 2,478,039

Fee and commission expenses for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Commission paid borrowings and others	₩ **254,909**	₩ 261,731
Commission paid on credit card	**654,189**	616,738
Commission related foreign exchange	**8,627**	6,683
Commission paid trust	**61**	71
	₩ **917,786**	₩ 885,223

43. 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, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Gain on financial assets and liabilities held-for-trading:		
Trading securities:		
Gain on valuation	₩ **77,143**	₩ 37,970
Gain on disposal	**156,321**	117,523
Gain on redemption	**328**	199
Dividend income	**4,526**	5,655
	238,318	161,347
Derivatives held for trading purpose:		
Gain on valuation of derivatives:		
Currency related derivatives	**3,184,782**	2,144,805
Interest related derivatives	**788,606**	391,753
Stock related derivatives	**127,522**	41,621
Credit related derivatives	**15,598**	28,097

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		Year ended December 31, 2014		Year ended December 31, 2013
Others related derivatives		**136,671**		90,040
		4,253,179		2,696,316
Gain on settlement of derivatives:				
Currency related derivatives		**6,091,916**		5,408,754
Interest related derivatives		**511,007**		596,806
Stock related derivatives		**28,170**		99,158
Credit related derivatives		**-**		705
Others related derivatives		**465,927**		246,005
		7,097,020		6,351,428
Gain on securities sold		**10,106**		16,476
Gain on others		**13,545**		-
		11,612,168		9,225,567
Loss on financial assets and liabilities held-for-trading:				
Trading securities:				
Loss on valuation		**18,613**		46,245
Loss on disposal		**96,524**		174,685
Loss on redemption		**10,705**		10,321
	₩	**125,842**	₩	231,251
Derivatives held for trading purpose:				
Loss on valuation of derivatives:				
Currency related derivatives	₩	**3,222,283**	₩	2,077,581
Interest related derivatives		**811,789**		377,528
Stock related derivatives		**133,039**		96,988
Credit related derivatives		**12,326**		28,626
Others related derivatives		**91,731**		119,638
		4,271,168		2,700,361
Loss on settlement of derivatives:				
Currency related derivatives		**5,936,252**		5,246,489
Interest related derivatives		**566,047**		580,764
Stock related derivatives		**27,981**		96,325
Credit related derivatives		**-**		889
Others related derivatives		**350,630**		108,235
		6,880,910		6,032,702
Loss on securities sold		**54,841**		27,696
		11,332,761		8,992,010
	₩	**279,407**	₩	233,557

44. 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, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Gain on financial assets and liabilities designated at fair value through profit and loss:				
Securities designated at fair value through profit and loss:				
Gain on valuation	₩	**15,535**	₩	2,379
Gain on redemption		**1,672**		210
Gain on disposal		**7,506**		5
		24,713		2,594

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		Year ended December 31, 2014		Year ended December 31, 2013
Derivative linked securities purchased:				
Gain on valuation		**3,321**		-
Deposit liabilities				
Gain on valuation		**1,657**		-
Gain on disposal		**26**		-
Derivative linked securities sold:				
Gain on valuation		**115,338**		194,012
Gain on redemption		**23,317**		18,454
		138,655		212,466
	₩	**168,372**	₩	215,060
Loss on financial assets and liabilities designated at fair value through profit and loss:				
Securities designated at fair value through profit and loss:				
Loss on valuation	₩	**2,570**	₩	26,632
Loss on disposal		**2,022**		111
Deposit liabilities				
Loss on valuation		**1,715**		-
Derivative linked securities purchased:				
Loss on valuation		**3,161**		6,436
Derivative linked securities sold:				
Loss on valuation		**162,115**		87,405
Loss on redemption		**154,915**		158,101
		317,030		245,506
		326,498		278,685
	₩	**(158,126)**	₩	(63,625)

45. Gain (loss) on derivative instruments used for hedging purpose

Gain (loss) on derivative instruments used for hedging purpose for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

		Year ended December 31, 2014		Year ended December 31, 2013
Gain on derivative instruments used for hedging purposes:				
Hedged item:				
Gain on valuation of hedged item:				
Debentures	**₩**	**35,315**	₩	81,921
Deposits		**3,252**		86,862
		38,567		168,783
Gain on disposal of hedged item:				
Debentures		**4,253**		2,109
Deposits		**-**		1,579
		4,253		3,688
Derivative instruments used for hedging purposes:				
Gain on valuation of derivatives:				
Currency related derivatives		**3,002**		566
Interest related derivatives		**88,300**		1,494
		91,302		2,060
Gain on settlement of derivatives:				
Currency related derivatives		**-**		264
Interest related derivatives		**9,938**		6

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	Year ended December 31, 2014	Year ended December 31, 2013
	9,938	270
	₩ 144,060	₩ 174,801
Loss on derivative instruments used for hedging purposes:		
Hedged item:		
Loss on valuation of hedged item:		
Debentures	**₩ 31,756**	₩ 8,118
Deposits	**59,572**	140
	91,328	8,258
Loss on disposal of hedged item:		
Debenture	**-**	-
Deposits	**10,137**	-
	10,137	-
Derivative instruments used for hedging purposes:		
Loss on valuation of derivatives:		
Currency related derivatives	**3**	35,483
Interest related derivatives	**36,480**	163,996
	36,483	199,479
Loss on settlement of derivatives:		
Currency related derivatives	**(43)**	618
Interest related derivatives	**35**	3,689
	(8)	4,307
	137,940	212,044
	₩ 6,120	₩ (37,243)

46. Net other income on financial instruments

Net other income on financial instruments for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Other income on financial instruments:		
Available-for-sale financial assets:		
Gain on disposal	**₩ 415,477**	₩ 237,110
Gain on redemption	**8,345**	26,352
Dividend income	**42,855**	36,935
	466,677	300,397
Held-to-maturity investments:		
Gain on disposal	**492**	345
Loans receivable:		
Gain on disposal	**89,377**	82,941
	556,546	383,683
Other loss on financial instruments:		
Available-for-sale financial assets:		
Loss on disposal	**35,636**	67,242
Loans receivable:		
Loss on disposal	**27,299**	30,964
	62,935	98,206
	₩ 493,611	₩ 285,477

47. Impairment loss of financial instruments

Impairment loss on financial instruments for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Available-for-sale financial assets		
Impairment loss	₩ **311,119**	₩ 163,306
Recovery of impairment loss	**(905)**	(1,002)
Loans receivable		
Provision for possible loan losses	**1,113,854**	1,092,403
Other assets		
Provision for possible other assets losses	**19,942**	16,948
	₩ **1,444,010**	₩ 1,271,655

48. General and administrative expenses

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

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries	₩ **1,838,265**	₩ 1,810,713
Provision for severance and retirement benefits	**181,291**	130,925
Termination benefits	**93,027**	51,611
Employee benefits	**104,403**	125,766
Rental expenses	**299,002**	296,333
Entertainment expenses	**42,691**	42,740
Depreciation on property and equipment	**171,195**	173,918
Depreciation on investment property	**5,145**	4,581
Amortization	**289,970**	312,503
Taxes and dues	**145,600**	131,834
Advertising expenses	**139,909**	135,950
Servicing expenses	**237,653**	164,650
Supplies expense	**13,034**	10,622
Others	**375,020**	454,163
	₩ **3,936,205**	₩ 3,846,309

49. Other operating income

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

	Year ended December 31, 2014	Year ended December 31, 2013
Reversal of allowances for unused commitments	₩ **4,243**	₩ 2,967
Reversal of allowance for possible losses on acceptances and guarantees	**6,482**	-
Reversal of allowance for restoration cost	**-**	1,414
Reversal of allowance for lawsuits	**70,229**	-
Adjustment for offered price	**-**	133
Reversal of credit valuation adjustment	**10,616**	6,438
Trust commissions	**147,526**	89,081
Gain on redemption of debenture	**-**	2,914
Gains on business combination	**-**	73,602

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	Year ended December 31, 2014	Year ended December 31, 2013
Income from recovery of bad debts	**-**	19,594
Insurance profit	**448,471**	244,641
Others	**104,746**	123,813
	₩ 792,313	₩ 564,597

50. Other operating expense

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

	Year ended December 31, 2014	Year ended December 31, 2013
Provision of allowances for possible losses on acceptances and guarantees	**₩ -**	₩ 9,203
Provision of allowance for restoration cost	**146**	-
Provision for reward points	**43,054**	33,848
Provision of allowance for lawsuits	**-**	35,378
Provision of allowance for other losses	**3,481**	-
Adjustment for offered price	**5,097**	-
Contribution to guarantee fund	**273,320**	245,869
Insurance fee on deposit	**287,698**	269,847
Contribution to housing credit guarantee fund	**72,006**	63,992
Insurance cost	**200,767**	78,776
Provision for policy reserves	**302,486**	160,333
Others	**146,617**	127,722
	₩ 1,334,672	₩ 1,024,968

51. Other non-operating income

Other non-operating income for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Rental fee income	**₩ 11,020**	₩ 9,917
Disposal of property and equipment	**10,360**	583
Disposal of investment property	**187**	65
Disposal of investment in associates	**2,750**	47,921
Others	**65,920**	80,124
	₩ 90,237	₩ 138,610

52. Other non-operating expense

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

	Year ended December 31, 2014	Year ended December 31, 2013
Disposal of property and equipment	**₩ 8,185**	₩ 1,610
Disposal of investment in associates	**3,164**	4
Contribution	**41,032**	64,205
Impairment loss on intangible assets	**26,034**	12,055

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	Year ended December 31, 2014	Year ended December 31, 2013
Impairment loss on investments in associates and joint venture	**31,984**	513
Commissions received on collection of special bond	**4,753**	3,229
Others	**88,410**	36,944
	₩ **203,562**	₩ 118,560

53. Income taxes

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

	Year ended December 31, 2014	Year ended December 31, 2013
Current income taxes	₩ **378,070**	₩ 321,356
Additional refund of prior year's income tax	**(39,176)**	(32,344)
Changes of deferred income taxes due to the tax effect of temporary differences	**65,207**	(11,055)
Current and deferred income taxes recognized directly to equity	**(76,129)**	12,282
Tax effect of consolidated tax returns	**(55,198)**	(12,934)
Income tax expense	₩ **272,774**	₩ 277,305

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, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Income before income tax	₩ **1,252,563**	₩ 1,270,273
Tax at domestic statutory income tax rate of 24.2%	**300,787**	307,406
Income not subject to tax	**(10,073)**	(16,545)
Expenses not deductible for tax purposes	**15,260**	29,017
Tax deduction	**(23,293)**	(7,687)
Income tax expense of foreign branches and subsidiaries	**(6,618)**	25,181
Tax effect of consolidated tax return	**21,757**	(12,934)
Additional refund of prior year's income tax	**(55,198)**	(32,344)
Tax effect of bargain purchase	**(39,176)**	(17,812)
Effect of tax rates change, etc	**924**	2,694
Others	**68,404**	329
Income tax expense	₩ **272,774**	₩ 277,305
Effective income tax rate (%)	**21.8**	21.8

Temporary differences and deferred income tax assets (liabilities) as of December 31, 2014 and 2013 are as follows (Korean won in millions):

	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)**

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	December 31, 2014	
	Deductible (taxable) temporary differences	**Deferred income tax assets (liabilities)**
Accrued interest income	**(379,290)**	**(91,774)**
Accrued expenses	**160,785**	**38,458**
Allowance for acceptance guarantees	**51,242**	**12,400**
Deposit for severance and retirement benefits	**(879,669)**	**(212,202)**
Provision for severance and retirement benefits	**984,442**	**237,648**
Allowance for other losses	**201,291**	**48,709**
Loans written-off	**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**
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)

	December 31, 2013	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Gain on valuation of trading securities	₩ (498,977)	₩ (119,699)
Impairment loss on investments	554,664	134,098
Gain on valuation of investments in subsidiaries	(196,461)	(46,734)
Gain on valuation of derivatives	(204,049)	(49,445)
Deemed dividends	4,006	968
Deferred loan fees and expenses	(106,984)	(25,568)
Accrued interest income	(367,351)	(87,983)
Allowance for temporary depreciation	420	102
Accrued expenses	167,031	40,091
Allowance for acceptance guarantees	65,473	15,845
Deposit for severance and retirement benefits	(738,655)	(178,649)
Provision for severance and retirement benefits	784,251	189,627
Allowance for other losses	349,341	83,959
Loans written-off	690,348	166,725
Depreciation	36,231	8,752
Fair value valuation resulting from merger	(11,358)	(2,749)
Dormant deposits	4,909	1,188
Advanced depreciation provision	(180,315)	(43,636)
Deemed cost for property and equipment	(597,773)	(144,661)

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	December 31, 2013	
	Deductible (taxable) temporary differences	Deferred income tax assets (liabilities)
Available-for-sale financial assets	(323,589)	(78,119)
Tax loss carryforwards	232,843	45,263
Investment in kind	137,879	33,367
Financial acceptances and guarantees	28,872	6,981
Deferred point income	66,515	16,097
Fair value differences due to the business combination	(972,018)	(235,228)
Others	(96,144)	(151)
	₩ (1,170,891)	₩ (269,559)
Domestic deferred income tax liabilities		(269,559)
Foreign deferred income tax assets (*)		45,595
Foreign deferred income tax liabilities (*)		(34,888)
		₩ (258,852)

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

	December 31, 2014	
	Before tax amounts	**Deferred income tax assets (liabilities)**
Gain on valuation of available-for-sale financial assets	**₩ 650,985**	**₩ (160,785)**
Loss on valuation of derivative instruments	**(5,520)**	**1,221**
Changes in valuation of equity method investments	**(16,106)**	**3,895**
Exchange differences on translation of foreign operations	**7,401**	**(2,292)**
Remeasurements of the net defined benefit liability (asset)	**52,289**	**(12,842)**
	₩ 689,049	**₩ (170,803)**

	December 31, 2013	
	Before tax amounts	Deferred income tax assets (liabilities)
Gain on valuation of available-for-sale financial assets	₩ 352,083	₩ (81,090)
Loss on valuation of derivative instruments	139	(71)
Changes in valuation of equity method investments	7,900	(1,557)
Exchange differences on translation of foreign operations	(14,199)	3,444
Remeasurements of the net defined benefit liability (asset)	(42,834)	10,347
	₩ 303,089	₩ (68,927)

54. Dividends

Details of the Group's dividend including interim dividend for the years ended December 31, 2014 and 2013 are as follows (Korean won in units):

	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

	Year ended December 31, 2013			
	Number of shares	Dividend per share	Dividend per share ratio (%)	Dividends
Cash dividend (interim)	288,583,804	₩ 150	3.00	₩ 43,287
Cash dividend (annual)	289,894,062	250	5.00	72,474
				₩ 115,761

Details of the Group's dividend payout ratio and dividend yield ratio for the years ended December 31, 2014 and 2013 are as follows.

	Calculating formula	**Year ended December 31, 2014**	Year ended December 31, 2013
Dividend payout ratio (%)	Cash dividends / Net income	**17.75**	11.66
Dividend yield ratio (%)	Cash dividends per share / Market value per share at reporting date	**1.88**	0.91

Details of dividends on hybrid equity securities for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Par value	**₩ 300,000**	₩ 300,000
Weighted-average interest rate	**6.36 %**	6.36 %
Total dividends	**₩ 19,082**	₩ 19,082

55. Earnings per share

Weighted-average numbers of common shares for the years ended December 31, 2014 and 2013 are calculated as follows (shares in units):

	Year ended December 31, 2014	Year ended December 31, 2013
Beginning	**285,552,185**	241,029,763
Share swap	**-**	34,780,288
Issuance of common shares	**(4,315)**	(10,425,858)
Disposal of treasury shares	**3,572,599**	3,782,023
Weighted-average number of shares of common stocks outstanding	**289,120,469**	269,166,216

The Group's basic earnings per share for the years ended December 31, 2014 and 2013 are calculated as follows (Korean won and per share amounts in units):

		Year ended December 31, 2014		Year ended December 31, 2013
Net income for the period	₩	**937,706,832,786**	₩	933,876,852,111
Dividends on hybrid equity securities		**(19,082,000,000)**		(19,082,000,000)
Net income attributable to common stock	₩	**918,624,832,786**	₩	914,794,852,111
Weighted-average number of shares of common stocks outstanding		**289,120,466 shares**		269,166,216 shares
Basic earnings per share	₩	**3,177**	₩	3,399

Weighted-average numbers of common shares adjusted for the effect of dilution for the years ended December 31, 2014 and 2013 are calculated as follows (shares in units):

	Year ended December 31, 2014	Year ended December 31, 2013
Weighted-average number of common shares of outstanding for basic earnings per share	**289,120,469**	269,166,216
Dilution effect due to:		
Stock grants	**843,300**	869,210
Weighted-average number of common shares (Diluted)	**289,963,769**	270,035,426

The Group's diluted earnings per share for the years ended December 31, 2014 and 2013 are computed as follows (Korean won and number of shares in units):

		Year ended December 31, 2014		Year ended December 31, 2013
Net income attributable to common stock holders	₩	**918,624,832,786**	₩	914,794,852,111
Weighted-average number of shares of common stocks outstanding (Diluted)		**289,963,769 shares**		270,035,426 shares
Diluted earnings per share	₩	**3,168**	₩	3,388

56. 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 of December 31, 2014 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>											
2009.03.12	(*1)	5,800	2011.03.13~ 2016.03.12	2016-03-12	Black-Scholes	0.13	5.9	17.99	483	5,700	280
2009.08.04	(*1)	10,900	2011.08.05~ 2016.08.04	2016-08-04	Black-Scholes	2.07	5.9	28.44	483	11,700	1
2010.03.10	(*1)	13,200	2013.03.11~ 2017.03.10	2017-03-10	Black-Scholes	2.08	5.9	23.51	483	13,450	-
2010.03.30	(*1)	13,500	2013.03.31~ 2017.03.30	2017-03-30	Black-Scholes	2.08	5.9	22.92	483	13,600	-

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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
2010.08.04	(*1)	12,400	2013.08.05~ 2017.08.04	2017-08-04	Black-Scholes	2.08	5.9	23.62	483	12,300	5
2010.09.29	(*1)	13,500	2013.09.29~ 2017.09.28	2017-09-28	Black-Scholes	2.08	5.9	24.47	483	13,550	5
2011.08.10	(*1)	9,100	2014.08.11~ 2018.08.10	2018-08-10	Black-Scholes	2.09	5.9	27.38	483	8,060	305
2011.08.26	(*1)	8,500	2014.08.27~ 2018.08.26	2018-08-26	Black-Scholes	2.09	5.9	27.22	483	7,720	394
2011.09.02	(*1)	8,400	2014.09.03~ 2018.09.02	2018-09-02	Black-Scholes	2.09	5.9	27.12	483	7,930	410

(*1) 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, 2014 are summarized as follows (number of shares in units):

<KEB>

Grant date	Company	Beginning	Forfeited	Exercised	Exercisable
2009.03.12	KEB	490,000	(56,260)	(181,035)	252,705
2009.08.04	KEB	470,000	(54,390)	-	415,610
2010.03.10	KEB	350,000	(37,650)	-	312,350
2010.03.30	KEB	360,000	(122,860)	-	237,140
2010.08.04	KEB	420,000	(168,110)	-	251,890
2010.09.29	KEB	90,000	(72,190)	-	17,810
2011.08.10	KEB	550,000	(217,000)	-	333,000
2011.08.26	KEB	100,000	(57,710)	-	42,290
2011.09.02	KEB	30,000	(18,750)	-	11,250
		2,860,000	(804,920)	(181,035)	1,874,045

The Group calculates compensation costs for stock options by using fair value approach. Because associates of the Group allocate on a straight line basis over contractual service periods by using the fair value approach, there is no compensation costs, for stock options, to be recognized for and after the current term.

The details of stock grants as of December 31, 2014 are summarized as follows:

	Grant date	Settlement method	Exercisable period (appraisal period)	Payment date	**Estimated vested shares as of December 31, 2014**
<HFG>					
Grant in 2012	2012.01.01	(*1)	2012.01.01~2014.12.31	2014.12.31	**154,920**
Grant in 2013	2013.01.01	(*1)	2013.01.01~2015.12.31	2015.12.31	**176,050**

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Grant in 2014	2014.01.01	(*1)	2014.01.01~2016.12.31	2016.12.31	**138,450**
<KEB>					
Grant in 2010	2010.08.04	Cash settlement	2012.08.04 ~ 2015.08.04	2012.08.04	**11,270**
Grant in 2011	2011.09.21	Cash settlement	2013.09.21 ~ 2016.09.20	2013.09.21	**130,250**
Grant in 2010	2010.02.19	Cash settlement	2012.02.19 ~ 2015.02.18	2012.02.19	**10,375**
Grant in 2010	2010.08.11	Cash settlement	2011.08.11 ~ 2014.08.10	2011.08.11	**2,285**
Grant in 2010	2010.08.11	Cash settlement	2012.08.11 ~ 2015.08.11	2012.08.11	**2,855**
Grant in 2011	2011.02.21	Cash settlement	2012.02.21 ~ 2015.02.20	2012.02.21	**10,190**
Grant in 2011	2011.02.21	Cash settlement	2013.02.21 ~ 2016.02.21	2013.02.21	**4,140**
Grant in 2011	2011.02.21	Cash settlement	2012.02.21 ~ 2015.02.20	2012.02.21	**8,065**
Grant in 2011	2011.02.21	Cash settlement	2013.02.21 ~ 2016.02.21	2013.02.21	**2,595**
Grant in 2011	2011.03.21	Cash settlement	2012.03.20 ~ 2015.03.20	2012.03.20	**50**
Grant in 2011	2011.03.21	Cash settlement	2013.03.20 ~ 2016.03.19	2013.03.20	**316**
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	**7,105**
Grant in 2012	2012.02.21	Cash settlement	2014.02.22 ~ 2017.02.21	2014.02.22	**13,855**
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	**39,165**

(*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 (unit ROE, ROIC) constituting 60% of the total performance scorecard.

The stock grant liabilities in accounts payable are in the amount ₩18,630 million as of December 31, 2014 (₩29,278 million as of December 31, 2013). The Group uses the cash settlement method in connection with the 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.

57. Cash flow information

Cash on hand as of December 31, 2014 and 2013 is summarized as follows (Korean won in millions):

		December 31, 2014		December 31, 2013
Cash	₩	**2,895,743**	₩	3,514,869
Due from banks in Korean won		**10,965,345**		7,744,924
Due from banks in other banks		**8,396,643**		8,083,425
		22,257,731		19,343,218
Restricted balances		**10,068,991**		7,048,475
Due from banks with original maturities exceeding three months from the date of acquisition		**2,517,095**		2,280,151
	₩	**9,671,645**	₩	10,014,592

Significant non-cash transactions for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Loans written-off	**₩ 1,176,039**	₩ 1,370,436
Changes in gain or loss on valuation of available-for-sale financial assets, net	**442,208**	(141,071)
Debt-to-equity swap	**38,705**	9,427
Decrease in allowance for possible loan losses due to sale of non-performing loans	**89,981**	72,453

Cash flows from interest and dividend for the years ended December 31, 2014 and 2013 are as follows (Korean won in millions):

	Year ended December 31, 2014	Year ended December 31, 2013
Interest receipts	**₩ 10,183,740**	₩ 10,500,748
Interest payments	**(5,405,074)**	(6,301,499)
Dividend receipts	**108,550**	68,369

58. Related party transactions

Details of transactions with related parties for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions):

Related party	**Year ended December 31, 2014**							
	Type	**Income**			**Expense**			
		Interest income	**Fee and commission income**	**Other income**	**Bad debt expense**	**Interest expense**	**Fee and commission expense**	**Other 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**	**-**	**-**
Odin2.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**	**-**	**-**

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Related party	Type	Year ended December 31, 2014						
		Income			Expense			
		Interest income	Fee and commission income	Other income	Bad debt expense	Interest expense	Fee and commission expense	Other expense
Flossom Corporation	**Associate**	**1**	**-**	**1**	**-**	**1**	**-**	**-**
Taewon Lighting Co.,Ltd.	**Associate**	**6**	**-**	**-**	**-**	**-**	**-**	**-**
Plakor 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**

Related party	Type	Year ended December 31, 2013	
		Income	Expense
Mirae Credit Information Services Corp.	Associate	₩ 13	₩ 4,307
Taesan LCD Co., Ltd.	Associate	1,050	357
Korea Credit Bureau	Associate	1	1,831
Darby-Hana Infrastructure Fund Management	Associate	-	180
UAM Co., Ltd.	Associate	5,686	1,413
Hana UBS Asset Management	Associate	1,604	34
Odin2.LLC	Associate	1,777	-
F&U Credit Information	Associate	178	17,739
Korea Travels	Associate	378	640
MIDAN City Development Co., Ltd	Associate	1,314	-
Najeon Co., Ltd.	Associate	118	64
LIG NEX1 Co., Ltd.	Associate	179	-
Sambo Motors Co., Ltd.	Associate	175	-
		₩ 12,473	₩ 26,565

Outstanding balances with related parties arising from the below transactions as of December 31, 2014 and December 31, 2013 are summarized as follows (Korean won in millions):

Related party	Type	December 31, 2014					
		Assets		Allowance for possible loan losses	Liabilities		
		Loans receivables	Other receivables		Deposits	Debentures	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**	**-**	**-**

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Related party	December 31, 2014						
	Type	Assets		Allowance for possible loan losses	Liabilities		
		Loans receivables	Other receivables		Deposits	Debentures	Other payables
Odin2.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**

Related party	December 31, 2013			
	Type	Assets	Allowance for possible loan losses	Liabilities
Mirae Credit Information Services Corp.	Associate	₩ 1,177	₩ 2	₩ 5,193
Taesan LCD Co., Ltd.	Associate	7,356	293	11,813
Korea Credit Bureau	Associate	2	-	2,012
Darby-Hana Infrastructure Fund Management	Associate	-	-	6,126
UAM Co., Ltd	Associate	125,634	-	3
Hana UBS Asset Management	Associate	100,058	-	2,290
Odin2.LLC	Associate	29,070	162	-
F&U Credit Information	Associate	291	-	1,182
Korea Travels	Associate	8	2	7,052
MIDAN City Development Co., Ltd	Associate	19,723	130	34
Najeon Co., Ltd.	Associate	2,200	12	1,796
LIG NEX1 Co., Ltd.	Associate	-	-	3
Sambo Motors Co., Ltd.	Associate	4,000	22	-
		₩ 289,519	₩ 623	₩ 37,504

As of December 31, 2014, money transactions between related parties are as follows.

Related party	December 31, 2014			
	Type	Changes in loans receivables	Changes in deposits and Debentures	Investment 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**	**-**

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	December 31, 2014			
Related party	Type	Changes in loans receivables	Changes in deposits and Debentures	Investment in cash
Odin2.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	**Associate**	**(666)**	**(16,762)**	**-**
		₩ (12,662)	**₩ (5,017)**	**₩ (807)**

Collateral provided between related parties as of December 31, 2014 and 2013 is summarized as follows (Korean won in millions):

		December 31, 2014		
Related parties				
Benefactor	**Beneficiary**	**Transactions**	**Amounts**	**Content**
KEB	**LIG NEX1 Co., Ltd.**	**Issuance of Import L/C**	**₩ 3,380**	
KEB	**LIG NEX1 Co., Ltd.**	**Guarantee**	**₩ 11,684**	

		December 31, 2013		
Related parties				
Benefactor	Beneficiary	Transactions	Amounts	Content
Hana Bank	LIG NEX1 Co., Ltd.	Guarantee for F/X	₩ 24,640	Unconfirmed guarantee
Hana Bank	LIG NEX1 Co., Ltd.	Guarantee	₩ 16,570	
KEB	LIG NEX1 Co., Ltd.	Issuance of Import L/C	₩ 356	
KEB	LIG NEX1 Co., Ltd.	Guarantee	₩ 18,232	

Details of compensation paid to key management personnel for the years ended December 31, 2014 and 2013 are summarized as follows (Korean won in millions and number of personnel in units):

	Year ended December 31, 2014					
	Registered directors	**Non-registered directors**	**Short-term employee payment**	**Severance payment**	**Share-based compensation expenses**	**Total**
HFG	**8**	**15**	**₩ 3,882**	**₩ 248**	**₩ 377**	**₩ 4,507**
Hana Bank	**9**	**17**	**7,784**	**819**	**1,578**	**10,181**
KEB	**3**	**15**	**4,922**	**182**	**9**	**5,113**
H&DS	**7**	**6**	**3,697**	**181**	**682**	**4,560**
Hana Capital	**3**	**1**	**818**	**53**	**198**	**1,069**
Hana I&S	**5**	**1**	**1,565**	**-**	**27**	**1,592**
Hana Card	**8**	**7**	**2,658**	**117**	**319**	**3,094**
Hana Asset Trust	**3**	**7**	**1,798**	**108**	**248**	**2,154**
HIF	**4**	**1**	**210**	**-**	**10**	**220**

(Continued on next page)

	Year ended December 31, 2014					
	Registered directors	**Non-registered directors**	**Short-term employee payment**	**Severance payment**	**Share-based compensation expenses**	**Total**
Hana Life Insurance	**5**	**2**	**607**	**38**	**222**	**867**
Hana Savings Bank	**5**	**8**	**1,182**	**23**	**168**	**1,373**
Hana Bancorp, Inc.	**7**	**1**	**42**	**-**	**-**	**42**
	67	**81**	**₩ 29,165**	**₩ 1,769**	**₩ 3,838**	**₩ 34,772**

	Year ended December 31, 2013					
	Registered directors	Non- registered directors	Short-term employee payment	Severance payment	Share-based compensation expenses	Total
HFG	12	13	₩ 6,377	₩ 255	₩ 2,393	₩ 9,025
Hana Bank	15	14	6,959	469	1,863	9,291
KEB	10	6	2,838	203	(5)	3,036
H&DS	7	9	3,817	192	1,130	5,139
Hana Capital	3	-	852	169	259	1,280
Hana I&S	3	2	855	-	-	855
Hana SK Card	7	5	2,059	49	687	2,795
Hana Asset Trust	3	7	1,557	110	532	2,199
HIF	4	1	210	-	18	228
Hana Life Insurance	5	-	413	29	(22)	420
Hana Savings Bank	5	8	948	58	122	1,128
Hana Bancorp, Inc.	9	2	428	9	-	437
	83	67	₩ 27,313	₩ 1,543	₩ 6,977	₩ 35,833

59. Business Combination

59.1 Merger between Hana SK Card and KEB Card

Hana SK Card merged into Korea Exchange Bank Credit Service Co., Ltd. (KEB Card) on December 1, 2014 and KEB Card changed its name to KEB Hana Card. As a result of the merger, the Company, the majority shareholder of KEB Hana Card, owns 74.58% (266,015,485 common shares) of KEB Hana Card, the combined entity.

The common shares were exchanged at a ratio of 1 common share of Hana SK Card for 1.1731316 common shares of KEB Card both with the face value per share of ₩5,000.

59.2 Hana Bank (China) Co., Ltd.'s acquisition of KEB China

Upon a request from the Chinese financial supervisory authorities, Hana Bank (China) Co., Ltd., one of subsidiaries of Hana Bank, acquired KEB China, a local subsidiary of KEB, on December 15, 2014.

59.3 Propelling a merger between Hana Bank and KEB

Hana Financial Group Inc. decided a merger between Hana Bank and KEB at the Board of Director's meeting on October 29, 2014, and on February 4, 2015, the Seoul Central District Court ordered an injunction to hold-off on the merger between Hana Bank and KEB until June 30, 2015.

60. Virtually committed date of financial statements and approval authority

The 2014 consolidated financial statements of the Group were approved by the Board of Directors on March 6, 2015.

Corporate Information

Hana Financial Group Inc.
55, Eulji-ro, Jung-gu, Seoul, 100-720
Tel. 822) 2002 – 1110
www.hanafn.com

Hana Bank
35, Eulji-ro, Jung-gu, Seoul, 100-719
Tel. 822) 2002 – 1111
www.hanabank.com

Korea Exchange Bank
66, Eulji-ro, Jung-gu, Seoul, 100-793
Tel. 822) 1544 - 3000
www.keb.co.kr

Hana Bank (China) Co.,Ltd.
11th F, China Life Center, No.17 Financial Street, Xi Cheng District Beijing, P.R.China
Tel. 8610) 6658 - 1111
www.hanabank.cn

PT Bank KEB HANA Indonesia
Wisma Mulia, Suite 5201, Jl. Jend.
Gatot Subroto No. 42, Jakarta 12710
Tel. 8610) 8458-1111
www.myhana.co.id

KEB F&I Inc.
10th F Hanoy Bldg 43, Dadong-gil, Jung-gu,
Seoul, 100-180
Tel. 822) 3708-2114
www.keb.co.kr

KEB Investor Services Co.,Ltd.
9th F Hanoy Bldg 43, Dadong-gil, Jung-gu,
Seoul, 100-180
Tel. 822) 729-8950
www.keb.co.kr

Hana Daetoo Securities Co.,Ltd.
82, Uisadang-daero, Yeongdeungpo-gu,
Seoul, 150-705
Tel. 822) 3771 - 7114
www.hanaw.com

KEB Hana Card
24, Namdaemun-ro 9-gil, Jung-gu,
Seoul, 100-180
Tel. 822) 6399-3000
www.hanaskcard.com

Hana Capital Co.,Ltd.
8th~13th F Dea gong Bldg., 126,
Teheran-ro, Gangnam-gu, Seoul,135-933
Tel. 822) 2037 - 1111
www.hanacapital.co.kr

Hana Life
89-31, Seosomun-ro, Jung-gu, Seoul, 100-732
Tel. 822) 3709 - 7300
www.hanalife.co.kr

Hana Savings Bank
293, Jong-ro, Jongno-gu, Seoul, 110-855
Tel. 822) 1899 - 1122
www.hanasavings.com

Hana Asset Trust
12th F Shinan Bldg.,512, Teheran-ro,
Gangnam-gu, Seoul, 135-845
Tel. 822) 3287-4600
www.hanatrust.com

Hana Asset Management
10th F Shinan Bldg.,512, Teheran-ro,
Gangnam-gu, Seoul, 135-845
Tel. 822) 2190-6500
www.hana-assetmanagement.com

Hana Bancorp, Inc
250 Fifth Ave, New York, NEW YORK, NY 10001
Tel. 212) 689-8292
www.bnbbank.com

Hana I&S
9th F ,32, Hwangsaeul-ro 312 beon-gil,
Bundang-gu, Seongnamsi, Gyeonggi-do, 463-824
Tel. 822) 2151 - 6400
www.hanains.com

Hana Institute of Finance
82, Uisadang-daero, Yeongdeungpo-gu,
Seoul, 150-705
Tel. 822) 2002 - 2200
www.hanaif.re.kr

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.

Global Network As of April 2015

Linking 136 points of financial business in 24 nations

15 local subsidiaries (with a total 91 branches),
23 branches and branch offices, and 7 field offices

EUROPE & MIDDLE EAST

10

ASIA & PACIFIC

100

AMERICA

26

Investor Relations
Please visit Hana Financial Group IR website for more information.
www.hanafn.com/ir

Hana Financial Group

55,Eulji-ro, Jung-gu, Seoul, 100-720 Republic of Korea
Tel : 822)2002-1110
www.hanafn.com