Korean Reinsurance Company

Consolidated financial statements
for the years ended December 31, 2015 and 2014
with independent auditors' report

Korean Reinsurance Company

Korean Reinsurance Company
December 31, 2015 and 2014

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Independent auditors' report

To the shareholders and board of directors of
Korean Reinsurance Company.

We have audited the accompanying consolidated financial statements of Korean Reinsurance Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and 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 consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS), and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Ernst & Young Han Young

March 9, 2016

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

Korean Reinsurance Company

Consolidated financial statements
for the years ended December 31, 2015 and 2014

The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.

[Won, Jong-Gyu]
President & CEO
Korean Reinsurance Company.

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Korean Reinsurance Company
Consolidated statements of financial position
As of December 31, 2015 and 2014
(Korean won in units)

	Notes	December 31, 2015	December 31, 2014
Assets			
Cash and cash equivalents	5,12,23	₩ 196,260,762,542	₩ 262,305,087,011
Financial assets:			
Deposits	6	507,969,917,614	703,593,949,088
Financial assets at fair value through profit or loss	7,9	1,076,564,545,358	589,333,039,380
Available-for-sale financial assets	8	2,863,475,002,816	2,651,951,045,622
Derivative financial assets designated as hedges	9	62,083,192	-
Loans	10	77,628,158,778	77,377,642,564
Receivables	11	2,241,671,772,747	2,082,696,806,759
Total financial assets	12,23,36,37	6,767,371,480,505	6,104,952,483,413
Property and equipment	13	80,925,585,932	82,636,891,023
Investment properties	14	111,158,899,708	111,717,001,259
Intangible assets	15	28,775,228,234	36,476,652,385
Other non-financial assets:			
Reinsurance assets		1,723,984,444,689	1,766,828,655,804
Compensation receivables		58,254,541,032	65,020,941,452
Current income tax assets	32	-	13,819,504,694
Other assets		11,749,857,852	20,142,526,342
Total other non-financial assets	16,23	1,793,988,843,573	1,865,811,628,292
Total assets		**₩ 8,978,480,800,494**	**₩ 8,463,899,743,383**
Equity and liabilities			
Equity	21		
Capital stock	1	₩ 60,184,558,000	₩ 60,184,558,000
Capital surplus		176,375,241,632	176,375,241,632
Hybrid equity security		212,285,802,235	212,285,802,235
Capital adjustments		(35,311,158,659)	(35,311,158,659)
Accumulated other comprehensive income	8,19	154,638,143,874	127,007,078,270
Retained earnings		1,448,584,498,664	1,298,423,070,137
Total equity		**2,016,757,085,746**	**1,838,964,591,615**
Liabilities			
Insurance contract liabilities	17	4,707,203,244,822	4,405,013,140,085
Financial liabilities	12,18,23,37		
Financial liabilities measured at amortized cost		1,903,696,246,804	1,941,858,393,859
Derivative financial liabilities designated as hedges	9	5,599,056,047	-
Total financial liabilities		1,909,295,302,851	1,941,858,393,859
Other non-financial liabilities:			
Current income tax liabilities	32	26,525,500,221	-
Deferred income tax liabilities	32	279,408,829,914	254,104,301,976
Retirement benefit liabilities	19	14,293,969,839	5,077,850,822
Other liabilities	20,22,23,37	24,996,867,101	18,881,465,026
Total other non-financial liabilities		345,225,167,075	278,063,617,824
Total liabilities		**6,961,723,714,748**	**6,624,935,151,768**
Total equity and liabilities		**₩ 8,978,480,800,494**	**₩ 8,463,899,743,383**

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

Korean Reinsurance Company
Consolidated statements of comprehensive income
For the years ended December 31, 2015 and 2014
(Korean won in units)

	Notes	December 31, 2015	December 31, 2014
Operating revenue			
Premium income	24	₩ 6,384,407,034,965	₩ 5,989,503,381,893
Reinsurance income	24	1,460,927,828,993	1,450,229,727,861
Expenses recovered	26	297,941,285,162	299,646,003,177
Interest income	25	91,656,228,204	92,869,387,079
Dividend income	25	10,122,139,130	5,409,643,992
Investment income from financial instruments	25	80,564,155,759	37,689,671,974
Other operating revenues	14,27	104,486,195,359	79,581,695,412
		8,430,104,867,572	**7,954,929,511,388**
Operating expenses			
Reinsurance expenses	24	1,999,027,320,904	2,060,915,260,473
Insurance claims and benefits related expenses	24	4,574,721,778,390	4,365,791,941,971
Provision for insurance contract liabilities	17	351,431,810,923	218,319,185,540
Operating and administrative expenses	28	1,050,416,733,434	983,733,642,951
Claim handling expenses	29	94,674,393,557	80,922,724,660
Asset management expenses	30	4,184,788,773	2,765,718,320
Interest expenses	25	13,423,064	7,255,437
Investment expenses from financial instruments	25	52,442,255,991	19,937,280,594
Other operating expenses	14,27	57,905,316,177	64,163,030,041
		8,184,817,821,213	**7,796,556,039,987**
Operating income		**245,287,046,359**	**158,373,471,401**
Non-operating income	31	**266,815,607**	**68,912,619**
Non-operating expenses	31	**3,952,083,984**	**3,028,643,175**
Income before income taxes		**241,601,777,982**	**155,413,740,845**
Income tax expenses	32	**55,145,798,355**	**37,933,721,557**
Net income	21	**₩ 186,455,979,627**	**₩ 117,480,019,288**
Other comprehensive income (loss)			
Items not reclassified subsequently to profit or loss:			
Gain (loss) on remeasurement of the net defined benefit liabilities	19	₩ (2,163,228,231)	₩ 1,193,696,416
Items reclassified subsequently to profit or loss:			
Gain on valuation of available-for-sale financial assets		29,744,129,600	77,495,202,590
Exchange difference on translating foreign operations	8	50,164,235	(722,554,578)
		29,794,293,835	76,772,648,012
		27,631,065,604	77,966,344,428
Total comprehensive income		**₩ 214,087,045,231**	**₩ 195,446,363,716**
Earnings per share:	33		
Basic		₩ 1,532	₩ 1,016
Diluted		₩ 1,532	₩ 1,016

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

Korean Reinsurance Company
Consolidated statements of changes in equity
For the years ended December 31, 2015 and 2014
(Korean won in units)

	Notes	Capital stock	Capital surplus	Hybrid equity security	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Equity attributable to equity holder of the parent	Non-controlling interests	Total
As of January 1, 2014		₩ 59,058,390,500	₩ 176,374,071,005	₩ -	₩ (35,311,158,659)	₩ 49,040,733,842	₩ 1,201,777,155,024	₩ 1,450,939,191,712	₩ -	₩ 1,450,939,191,712
Cash dividends		-	-	-	-	-	(19,707,936,675)	(19,707,936,675)	-	(19,707,936,675)
Stock dividends		1,126,167,500	-	-	-	-	(1,126,167,500)	-	-	-
Acquisition of treasury stock		-	-	-	(17,887,186)	-	-	(17,887,186)	-	(17,887,186)
Proceeds from disposal of treasury stock		-	1,170,627	-	17,887,186	-	-	19,057,813	-	19,057,813
Issuance of hybrid equity security	21	-	-	212,285,802,235	-	-	-	212,285,802,235	-	212,285,802,235
		1,126,167,500	1,170,627	212,285,802,235	-	-	(20,834,104,175)	192,579,036,187	-	192,579,036,187
Net income		-	-	-	-	-	117,480,019,288	117,480,019,288	-	117,480,019,288
Gain on valuation of available-for-sale financial assets	8	-	-	-	-	77,495,202,590	-	77,495,202,590	-	77,495,202,590
Exchange difference on translating foreign operations		-	-	-	-	(722,554,578)	-	(722,554,578)	-	(722,554,578)
Gain on remeasurement of the net defined benefit liabilitie	19	-	-	-	-	1,193,696,416	-	1,193,696,416	-	1,193,696,416
Total comprehensive income		-	-	-	-	77,966,344,428	117,480,019,288	195,446,363,716	-	195,446,363,716
As of December 31, 2014		₩ 60,184,558,000	₩ 176,375,241,632	₩ 212,285,802,235	₩ (35,311,158,659)	₩ 127,007,078,270	₩ 1,298,423,070,137	₩ 1,838,964,591,615	₩ -	₩ 1,838,964,591,615
As of January 1, 2015		₩ 60,184,558,000	₩ 176,375,241,632	₩ 212,285,802,235	₩ (35,311,158,659)	₩ 127,007,078,270	₩ 1,298,423,070,137	₩ 1,838,964,591,615	₩ -	₩ 1,838,964,591,615
Cash dividends		-	-	-	-	-	(25,845,551,100)	(25,845,551,100)	-	(25,845,551,100)
Dividends of hybrid equity security	21	-	-	-	-	-	(10,449,000,000)	(10,449,000,000)	-	(10,449,000,000)
		-	-	-	-	-	(36,294,551,100)	(36,294,551,100)	-	(36,294,551,100)
Net income		-	-	-	-	-	186,455,979,627	186,455,979,627	-	186,455,979,627
Gain on valuation of available-for-sale financial assets	8	-	-	-	-	29,744,129,600	-	29,744,129,600	-	29,744,129,600
Exchange difference on translating foreign operations		-	-	-	-	50,164,235	-	50,164,235	-	50,164,235
Loss on remeasurement of the net defined benefit liabilitie	19	-	-	-	-	(2,163,228,231)	-	(2,163,228,231)	-	(2,163,228,231)
Total comprehensive income		-	-	-	-	27,631,065,604	186,455,979,627	214,087,045,231	-	214,087,045,231
As of December 31, 2015		₩ 60,184,558,000	₩ 176,375,241,632	₩ 212,285,802,235	₩ (35,311,158,659)	₩ 154,638,143,874	₩ 1,448,584,498,664	₩ 2,016,757,085,746	₩ -	₩ 2,016,757,085,746

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

Korean Reinsurance Company
Consolidated statements of cash flows
For the years ended December 31, 2015 and 2014
(Korean won in units)

	Notes	December 31, 2015	December 31, 2014
Cash flows from operating activities			
Income before income taxes		₩ 241,601,777,982	₩ 155,413,740,845
Non-cash items included in income before income taxes	34	200,306,164,600	80,319,286,982
Changes in operating assets and liabilities	34	(446,390,914,778)	(296,537,883,350)
Receipt of interest		112,024,310,998	97,230,423,806
Payment of interest		(608,463,870)	(864,410,551)
Receipt of dividend		10,122,139,130	5,409,643,992
Payment of income tax		1,699,087,225	(36,582,387,348)
Net cash provided by operating activities		118,754,101,287	4,388,414,376
Cash flows from investing activities			
Proceeds from disposal of available-for-sale financial assets		1,460,337,079,956	2,017,784,865,622
Acquisition of available-for-sale financial assets		(1,586,085,281,807)	(2,217,071,949,206)
Proceeds from disposal of property and equipment		-	56,184,345
Acquisition of property and equipment		(320,041,648)	(4,648,118,508)
Acquisition of investment properties		(47,520,000)	(70,011,691)
Proceeds from disposal of intangible assets		1,257,385,439	586,020,254
Acquisition of intangible assets		(1,482,180,678)	(24,669,664,319)
Settlement of derivative financial instruments designated as hedges		(6,285,942,572)	-
Decrease in guarantee deposits		68,446,155	61,124,742
Increase in guarantee deposits		(15,598,705,146)	(17,631,256)
Net cash flows used in investing activities		(148,156,760,301)	(227,989,180,017)
Cash flows from financing activities			
Increase in leasehold deposits received		280,600,584	275,855,729
Decrease in leasehold deposits received		(627,741,550)	(147,670,000)
Proceeds from disposal of treasury stock		-	19,057,813
Aquisition of treasury stock		-	(17,887,186)
Issuance of hybrid equity security		-	211,693,828,806
Payment of dividends		(25,845,551,100)	(19,707,936,675)
Dividends of hybrid equity security		(10,449,000,000)	-
Net cash flows provided by used in financing activities		(36,641,692,066)	192,115,248,487
Net decrease in cash and cash equivalents		(66,044,351,080)	(31,485,517,154)
Effects of changes in foreign exchange rate on cash and cash equivalents		26,611	49,814
Cash and cash equivalents at the beginning of the year	5	262,305,087,011	293,790,554,351
Cash and cash equivalents at the end of the year	5	**₩ 196,260,762,542**	**₩ 262,305,087,011**

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

1. Group information

1.1 Parent

Korean Reinsurance Company (the Company or the Parent) was incorporated on March 19, 1963, as a reinsurance company which primarily provides ceded and assumed reinsurance business of life insurance, property and casualty insurance, insurance business in overseas, and other insurance business approved by the secretary of Ministry of Strategy and Finance, and the Company operates its properties for insurance claims payment.

The Company listed its common shares in the Korea Exchange (KRX) on December 22, 1969 and changed its name from Daehan Reinsurance Company to Korean Reinsurance Company on June 27, 2002. The head office and the branch of the Company are located in Susong-dong, Jongno-gu, Seoul, the Republic of Korea and in Singapore, respectively. The Company also has representative offices in Tokyo, London, Beijing, New York, and Dubai for research of the local insurance markets.

The paid-in capital and shareholders of the Company and their percentage of ownerships as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Paid-in capital	Percentage of ownership (%)	Paid-in capital	Percentage of ownership (%)
Won, Hyuk-hee and 6 individuals	₩ 12,375	20.56	₩ 12,252	20.36
Treasury stock	2,750	4.57	2,750	4.57
Others	45,060	74.87	45,183	75.07
	₩ 60,185	100.00	₩ 60,185	100.00

1.2 Subsidiaries

Details of the Company's subsidiaries as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Country	Closing month	Percentage of ownership (%)	December 31, 2015	December 31, 2014
Worldwide Insurance Services Limited	Hong Kong	December	100.00	₩ 4,183	₩ 4,183
Korean Re Underwriting Limited(*)	United Kingdom	December	100.00	17,006	-
				₩ 21,189	₩ 4,183

(*) Korean Re Underwriting Limited was incorporated in February 2015 as a local subsidiary in England (Lloyds Member).

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

	December 31, 2015				
	Asset	Liability	Equity	Operating income (loss)	Net income (loss)
Worldwide Insurance Services Limited	₩ 90,194	₩ 83,448	₩ 6,746	₩ 2,058	₩ 1,926
Korean Re Underwriting Limited	33,271	17,460	15,811	(1,972)	(1,714)
	₩ 123,465	₩ 100,908	₩ 22,557	₩ 86	₩ 212

1. Group information (cont'd)

1.2 Subsidiaries (cont'd)

	December 31, 2014				
	Asset	Liability	Equity	Operating income (loss)	Net income (loss)
Worldwide Insurance Services Limited	₩ 114,173	₩ 109,721	₩ 4,452	₩ 1,582	₩ 1,322
Korean Re Investment Advisory Co., Limited(*)	-	-	-	(180)	(193)
	₩ 114,173	₩ 109,721	₩ 4,452	₩ 1,402	₩ 1,129

(*) Korean Re Investment Advisory Co., Limited was incorporated as a subsidiary which was wholly owned by the Parent. However it was liquidated on November 14, 2014

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of financial statement preparation

The Company and its subsidiaries (collectively referred to as the Group) prepare statutory financial statements in the Korean language in accordance with Korea International Financial Reporting Standards (K-IFRS) 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 independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial instruments at fair value through profit or loss (FVTPL) and available-for-sale (AFS) financial assets which are measured at fair value.

The carrying amounts of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in Korean won (KRW) and all values are rounded to the nearest millions, except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure or rights to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date when the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill), liabilities, any non-controlling interests and other items in the equity of the subsidiary at the date control is lost, resulting in recognition of a surplus or deficit in profit or loss. The remaining investments in the subsidiary over which the Company lost the control are stated at fair value.

2.3 Summary of significant accounting policies

2.3.1 Translation of foreign currency transactions

When preparing of the financial statements, the Group measures and recognizes all the 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 in each entity between the functional currency and other currencies which are converted to the Group's functional currency to be measured and recognized.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, retranslated at the functional currency rate of exchange at each reporting date, are recognized in consolidated statement of financial position and the resulting unrealized foreign currency translation gain or loss is credited or charged to profit or loss in the consolidated statement of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions and accordingly, no translation difference is recorded.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.2 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and cash on hand and demand deposits such as ordinary deposits. Cash and cash equivalents for the purpose of preparing for short-term cash demands are short-term and highly liquidable investments that are readily convertible to determinable amounts of cash and which are subject to an insignificant risk of changes in value.

2.3.3 Classification and measurement of financial assets

Financial assets within the scope of K-IFRS 1039 are classified as financial assets at FVTPL, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, or as derivative financial assets designated as hedges, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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 when the Group commits to purchase or sell the asset.

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit and loss.

2.3.3.1 Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives are also classified as financial assets held-for-trading unless they are designated as effective hedging instruments as defined by K-IFRS 1039. In addition, financial assets at FVTPL are also subsequently measured at fair value and resulting unrealized gain or loss including the related interest income and dividend income is credited or charged to profit or loss in the consolidated statement of comprehensive income.

2.3.3.2 Available-for-sale financial assets

Available-for-sale financial assets are defined as financial assets that are neither classified as held-to-maturity financial assets nor loans and financial assets held-for-trading, and that are also not financial assets designated at FVTPL. Available-for-sale financial assets are non-derivative financial assets that are designated upon initial recognition as available-for-sale financial assets. Available-for-sale financial assets are subsequently measured at fair value with gain or loss arising from a change in the fair value, except for foreign exchange or translation gain (loss) and impairment loss which is recognized in the other comprehensive income (loss) reclassified to operating income (expense) in the consolidated statement of comprehensive income when they are sold or determined to be impaired. However, equity instruments whose market price is not quoted from an active market and fair value cannot be reliably measured are stated at cost. Dividends arising from the available-for-sale financial assets are recognized as an item of operating revenue in the consolidated statement of comprehensive income when the shareholders' right to receive payment is established.

2.3.3.3 Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity financial assets when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest rate method, less cumulative impairment loss, and the related interest income is recognized using the effective interest method.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.3 Classification and measurement of financial assets (cont'd)

2.3.3.4 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 effective interest rate method, less cumulative impairment loss, and the related interest income is recognized using the effective interest rate method in the consolidated statement of comprehensive income except for short-term loans and receivables whose interest income is insignificant.

2.3.4 Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized at fair value at the contract date and are classified as either derivatives held-for-trading or derivatives designated as hedges depending on whether hedge accounting is applied. After initial measurement, derivative financial instruments are subsequently re-measured at fair value and the resulting unrealized gain (loss) is recognized in the consolidated statement of comprehensive income. However, such unrealized gain (loss) is directly recognized in the other comprehensive income (loss) in the consolidated statement of financial position when derivatives are designated as hedging instruments for either cash flow hedge or a hedge of a net investment in a foreign operation and a hedge relationship proves effective.

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, the risk management objective, strategy for undertaking the hedge and how to assess the hedge effectiveness. Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged items that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instruments and derivatives. At the reporting date, the Group assesses and documents such hedges to ensure that the hedges have been highly effective and are expected to be highly effective in the future.

2.3.4.1 Fair value hedges

When fair value hedge accounting is applied, the unrealized gain or loss on hedged items that are attributable to a hedged risk and hedging instruments is symmetrically recognized in the consolidated statement of comprehensive income for the same reporting period to ensure that changes in the fair value of the hedged items are offset by changes in the fair value of the hedging instruments. If an application of hedge accounting is no longer valid, the Group discontinues the hedge accounting prospectively. Any adjustment to the carrying amount of hedged items is used is amortized to profit or loss in the separate statement of comprehensive income over the remaining maturity using the effective interest rate method.

2.3.4.2 Cash flow hedges

When cash flow hedge accounting is applied, the effective portion of the unrealized gain or loss on the hedging instrument is directly recognized in other comprehensive income (loss) in the separate statement of financial position to ensure that changes in the cash flows of the hedged items are offset by changes in the cash flows of the hedging instruments while any ineffective portion is recognized immediately in the consolidated statement of comprehensive income. Amounts recognized as other comprehensive income are transferred to the separate statement of comprehensive income when the hedged transaction affects profit or loss. If an application of hedge accounting is no longer valid, the Group discontinues the hedge accounting prospectively and the cumulative gain or loss on the hedging instrument previously recognized in equity are transferred to profit or loss in the consolidated statement of comprehensive income.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.5 Impairment of financial assets

2.3.5.1 Impairment of available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is any objective evidence that an asset is impaired. Despite the fact that the particular financial asset, itself is not eliminated, where 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 asset previously recognized in the consolidated statement of comprehensive income is eliminated from equity and recognized as impairment loss in the consolidated statement of comprehensive income. Interest income after impairment loss on the asset is measured with the interest rate used to measure its impairment loss. In the case of equity securities classified as available-for-sale financial assets, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the asset below cost. The impairment losses on equity securities are not reversed through the consolidated statement of comprehensive income and accordingly, increases in the fair value after impairment are recognized directly in equity. However, the previously recognized impairment loss is reversed if the increase in the fair value after the impairment in a subsequent period is related to an event occurring after impairment was recognized.

2.3.5.2 Impairment of held-to-maturity financial assets

When objective evidence exists for the impairment of a particular held-to-maturity financial asset, the Group calculates the difference between the asset's carrying amount and the present value of the estimated future cash flows using the effective interest rate method. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized as profit or loss. The reversal cannot result in a carrying amount of the financial asset that exceeds the amortized cost that would have occurred had the impairment not been recognized at the date when the impairment is reversed.

2.3.5.3 Impairment of loans and receivables

The Group first assesses individually whether objective evidence of impairment exists individually 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 incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). Allowance accounts individually recognized are written off when there is no possibility to collect in the future as well as a completion of all the legal proceedings to collect collateralized assets. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account.

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

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.5 Impairment of financial assets (cont'd)

2.3.5.3 Impairment of loans and receivables (cont'd)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors. When financial assets or financial asset portfolio with similar risk characteristics are impaired, interest income after impairment loss on the assets is measured using the interest rate used to measure its impairment loss. Subsequently, if the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized in the consolidated statement of comprehensive income.

2.3.6 Reclassification of financial assets

The Group may reclassify, in rare 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. However, in non-rare cases the Group may reclassify non-derivative financial assets out of the 'Held-for-trading' category and into the 'Loans and receivable' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

The Group may reclassify non–derivative financial assets out of the 'Available–for–sale' category arising from being designated as available-for-sale financial assets and into the 'Loans and receivable' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

The Group may reclassify non-derivative financial assets out of the 'Held-to-maturity' category and into the 'Available-for-sale' category if the Group's intention or ability to hold the financial assets until maturity changes and it becomes no longer proper to classify the financial assets as 'Held-to-maturity. However, all held-to-maturity financial assets the Group holds at the time of reclassification are reclassified into available-for-sale financial assets if the amounts of the reclassified financial assets are not insignificant.

2.3.7 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 either the contractual rights to receive cash flows from the financial asset have expired or the Group transfers substantially all the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but transfers its control of the financial asset, the financial asset is derecognized. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but continues to retain its control of the financial asset, the Group continues to recognize the financial asset in the consolidated statement of financial position to the extent of its continuing involvement as an asset. When the Group continues to provide a payment guarantee for the transferred financial asset and accordingly, has made the continuing involvement, it is measured at the lower of the carrying amount of the transferred asset and the maximum amount to be required to repay. When the Group retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize as an asset despite the transfer of the financial asset and the amount the Group receives is recognized as a liability.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.8 Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes an expenditure which has directly occurred for the acquisition of the asset. The initial and subsequent costs are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the costs of the asset can be measured reliably. The other maintenances and repairs are expensed in the year in which they are incurred and the carrying amount of certain parts that are replaced is derecognized. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the related asset if the recognition criteria for a provision are met.

Land is not depreciated. Depreciation of property and equipment is calculated on a straight-line basis over the following estimated useful life of the asset.

	Years
Buildings	5 ~ 48
Structures	5 ~ 37
Overseas real-estate	50
Furniture and equipment	3 ~ 20
Vehicles	4 ~ 5

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date, and adjusted prospectively, if appropriate. Property and equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized as profit or loss in the consolidated statement of comprehensive income in the period in which the asset is derecognized.

2.3.9 Investment properties

Investment properties are recognized as assets only if it is probable that future economic benefits associated with the assets will flow to the Group and the costs of the assets can be measured reliably. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement. The investment properties are also subsequently measured at cost.

Investment properties are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from the derecognition of the assets calculated as the difference between the net disposal proceeds and the carrying amount of the assets is recognized as profit or loss in the consolidated statement of comprehensive income in the period in which the asset is derecognized. Transfers are made to or from investment properties only when there is a change in use.

Land is not depreciated. Depreciation of other investment properties is calculated on a straight-line basis over 5 to 48 years.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.10 Intangible assets

An intangible asset is recognized as an asset only if it is probable that future economic benefits associated with the asset will flow to the Group and the costs of the asset can be measured reliably.

Intangible assets acquired individually are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized in a systematic manner over 4 years and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at each reporting date and whenever there is an indication that the intangible assets may be impaired. The assessment of indefinite life is reviewed at each reporting date to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with definite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income in the period in which the asset is derecognized.

2.3.11 Reinsurance assets

Reinsurance assets are defined as a cedant's net contractual right under a reinsurance contract by K-IFRS 1104 "Insurance Contract" and are recorded in the amount a reinsurer assumed as insurance contract liabilities. Reinsurance assets are not offset against the relevant insurance contract liabilities and reinsurance income or expense arising from the reinsurance arrangements are not offset against the relevant expense or income resulting from the relevant insurance contracts. The Group considers whether the reinsurance assets are impaired at each reporting date and if the reinsurance assets are impaired the Group reduces its carrying amount and accordingly, recognizes impairment loss in profit or loss.

2.3.12 Compensation receivables

Insurance benefits that are paid in advance to a policyholder in the event of a claim where the benefits paid can be recovered through the Group exercising its recourse guarantee or compensation right, or disposal of insured assets acquired by the Group during the resolution process of accident claims, are accounted for as compensation receivables. Recoverable amounts out of the reserve for outstanding claims are deducted directly from insurance contract liabilities. Compensation receivables are estimated by multiplying the average recovery ratio (i.e., recoverable amount/net claims) for the last 3 years of the unrecovered net claims amount during the year.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.13 Impairment of non-financial assets

For property and equipment, intangible assets and investment properties, etc. the Group assesses at each reporting date whether there is an indication that the asset may be impaired. If any indication exists, or when annual impairment testing for the assets such as goodwill is required, the Group performs impairment testing for the assets. For the impairment testing, the Group estimates the asset's recoverable amount which is measured at the higher of an asset's fair value less costs to sell and its value in use and for which the asset is grouped at the lowest unit that generates cash flows and that is called cash generating units. As a result of impairment testing, if the carrying amount of the asset exceeds its recoverable amount, the excess amount is recognized as impairment loss in the consolidated statement of comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset exceeds neither its recoverable amount nor the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

2.3.14 Insurance contract liabilities

In accordance with the Insurance Business Act (IBA) and the Regulation on Insurance Supervision (RIS), the Group is required to maintain insurance contract liabilities validated by the Group's appointed actuary, and the details are as follows:

2.3.14.1 Reserve for outstanding claims

The reserve for outstanding claims refers to a provision for claims received but not settled including claims on a lawsuit at the reporting date. It includes a provision for claims not received, and therefore not yet settled, on the insurance policies where the events causing the payment of claims have occurred at the reporting date. The amount collectible from exercising the compensation right or disposal of insured assets acquired by the Group is reported as a deduction from insurance contract liabilities.

2.3.14.2 Unearned premium reserve

The Group is required to maintain an unearned premium reserve, which is the premium whose payment date belongs to the current year and whose applicable period has not yet commenced at the end of the reporting period.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.15 Adequacy test for insurance contract liabilities

Liability adequacy test for all the insurance contracts the Group holds is required under K-IFRS 1104. For the liability adequacy test, the Group is required to make current estimates of all contractual future cash flows from those insurance contracts, including an embedded option, guarantees and claim handling expense. If those estimates exceed the carrying amount of the insurance contract liabilities at the reporting date, the excess amount is additionally recorded in the liability. For liability adequacy test for the reserve for outstanding claims, the Group may recognize additional liability, which is measured on a gross basis in accordance with the RIS by a primary insurance company. In performing the liability adequacy test for the unearned premium reserve for general non-life insurance and auto insurance contracts, the Group considers future cash flows such as insurance claims to be paid, claim handling expenses, and operating expenses, etc. Certain surplus or deficiency, if any, as a result of liability adequacy test may be offset on the basis of insurance type for general non-life insurance contracts and insurance coverage type for auto insurance contracts.

2.3.16 Claim handling expenses

Claim handling expenses may occur in order to handle an insured event incurred and assess the insurance claim, and they are associated with insurance claims to be paid. The Group recognizes the future claim handling expenses (reserve for outstanding claims) which are expected to occur in order to handle the claims in future on the insurance contracts where the events causing the payment of claims have occurred at the reporting date.

2.3.17 Classification of insurance contracts

A contract under which one party (the Group) accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, a reinsurance contract and financial instrument with discretionary participating features are accounted for under K-IFRS 1104, otherwise, are accounted for under K-IFRS 1039. Insurance risk the Group accepts is significant if, and only if, an insured event could cause the Group to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

2.3.18 Classification and measurement of financial liabilities

Financial liabilities within the scope of K-IFRS 1039 are classified as financial liabilities at FVTPL, derivative financial liabilities designated as hedges and financial liabilities measured at amortized cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus transactions costs, except in the case of financial liabilities recorded at fair value through profit or loss.

2.3.19 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 consolidated statement of comprehensive income.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.20 Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 assets and settle the liabilities simultaneously.

2.3.21 Retirement benefit liabilities

2.3.21.1 Defined benefit plan

The Group operates a defined benefit plan. A defined benefit plan is a pension plan that is defined as 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 the fair value of plan assets. The present value of the defined benefit liability is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior years. 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 date.

Both changes in the actuarial estimates and actuarial gains and losses such as the difference between estimates and actual results are recognized in the consolidated statement of comprehensive income in which they are incurred. And the Group shall recognize past service cost as an expense immediately.

2.3.21.2 Defined contribution plan

Under the defined contribution plan, when an employee renders service to an entity during a period, the contribution payable to a defined contribution plan is recorded as an expense in exchange for that service.

2.3.22 Income tax expenses and deferred tax assets (liabilities)

Income tax expenses comprise current and deferred taxes. All items related to taxes, other than those recognized directly in equity, are accounted for in the consolidated statement of comprehensive income. Accordingly, items recognized directly in equity and the related taxes are accounted for in other comprehensive income or loss. Current income tax expenses are measured at the amount expected to pay to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date in the country where the Group operates its business and generates taxable income. If the applied tax laws require an interpretation, the Group calculates income tax payable expected to pay 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 tax assets and liabilities are not recognized for taxable temporary differences with respect to the initial recognition of an asset or liability in a transaction which is not a business combination if the transaction affects neither accounting income nor taxable income (tax loss). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.22 Income tax expenses and deferred tax assets (liabilities) (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

For the taxable temporary differences associated with investments in subsidiaries and associates, deferred tax liabilities are recognized except 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 while deferred tax assets are recognized only where it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

2.3.23 Equity

2.3.23.1 Classification of equity

When the Group issues financial instruments, it classifies those financial instruments at initial recognition as either a liability or equity depending on the substance of the contractual arrangement. In the case where it is possible to avoid the related contractual obligations, the financial instrument is classified as equity in accordance with the economic substance.

2.3.23.2 Stock issuance costs

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

2.3.23.3 Treasury stock

Own equity instruments of the Group which are acquired by the Group 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.

2.3.23.4 Hybrid equity security

Hybrid equity security is classified as an equity only if its contractual arrangements at the time of the issuance of the security meet the criteria to be classified as an equity.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.23 Equity (cont'd)

2.3.23.5 Legal reserve

The Korean Commercial Code requires the Group to appropriate, as a legal reserve, at least 10% of cash dividends for each accounting period until the reserve equals 50% of outstanding capital stock. The legal reserve may not be utilized for cash dividends, but may be used to offset a deficit, if any, or may be transferred to capital stock.

2.3.23.6 Catastrophe reserve

In order to prepare for and recover from exceptionally large claims which may incur in the future, the Group is required to maintain a catastrophe reserve as a part of retained earnings with reserve rates determined by the IBA and the RIS. In this regard, the Group provides a catastrophe reserve by multiplying the predetermined ratios to net retained premiums received during the reporting period by line of insurance, until reaching the amount calculated by multiplying the predetermined ratios to the total earned insurance premiums received during the reporting period by line of insurance in accordance with the RIS requirements. In the event that the ratio of net insurance expenses and net loss claimed to net earned insurance premiums at risk, by line of insurance, for the year is in excess of the regulated ratio by line of insurance which is prescribed by the RIS and the Group records net loss and net operating loss, the excess amount may be reversed to unappropriated retained earnings up to the limit of the net loss for the year.

2.3.23.7 Bad debt reserves

When an allowance for the doubtful assets, such as loans and receivables, insurance receivables, other receivables, accrued income, suspense payments and notes receivables, etc. (assets subject to asset soundness classification under the RIS) under K-IFRS is less than those calculated based on the RIS at the reporting date, the difference is recognized as bad debt reserves as a part of retained earnings to the limit of unappropriated retained earnings after providing other legal and compulsory reserves under the IBA and other laws, etc. If accumulated bad debt reserves to be provided by the reporting date is less than those previously recognized, such excess amount is reversed to unappropriated retained earnings.

2.3.23.8 Share-based payment transactions

The Group grants share options to its employees (including senior executives) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity and the Group accounts for it as compensation costs and equity. If the goods or services provided cannot be reliably measured, their fair value is indirectly measured at fair value of the endowed equity and the Group accounts for it as compensation costs and equity. For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. The liability is re-measured at fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. 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 substance.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

2.3.24 Per share amount

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

2.3.25 Premium income

Premium income is recognized at the time when such premium payments become due. However, in case of insurance contracts of which the first premium payment or single premium payment is uncollected as of the first day of the insured period due to a payment extension allowed by the Group, the first premium payment or single premium payment is recognized as premium income in the period in which the first day of insured period falls. If premium is received before the nominated collection due date, the Group records unearned insurance premium based on the calendar period calculation.

2.3.26 Interest income and interest expenses

Interest income and interest expenses are recognized over time using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. Cash flows at the time of the calculation include all the fees and points paid to or received from parties to the contract that are an integral part of the effective interest rate, including transaction costs, and all other premiums or discounts.

Interest income with a small possibility to be realized, is recognized as income when interest is actually received. 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.

2.3.27 Dividend income

Dividends are recognized as an item of operating revenue in the consolidated statement of comprehensive income when the shareholders' right to receive payment is established.

2.3.28 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and cause expenses to be incurred, and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess its performance. The Group does not disclose segment information as no operating segment information under K-IFRS 1108 "Operating segment" is required.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.4 Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The nature and the impact of each new standard and amendment are described below:

2.4.1 Amendments to KIFRS 1019 Defined Benefit Plans: Employee Contributions

KIFRS 1019 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

2.4.2 Annual Improvements 2010-2012 Cycle

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

2.4.2.1 IFRS 1102 Share-based Payment

This amendment is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The definitions above conform with the method the Group used to identify performance condition and condition of providing service which are the vesting condition, and thus these amendments do not have any impact on the Group's accounting policies.

2.4.2.2 KIFRS 1016 Property, Plant and Equipment and KIFRS 1038 Intangible Assets

The amendment is applied retrospectively and clarifies in KIFRS 1016 and KIFRS 1038 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.

2.4.2.3 KIFRS 1024 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2.4 Changes in accounting policies and disclosures (cont'd)

2.4.3 Annual Improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

2.4.3.1 KIFRS 1103 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within KIFRS 1103 that:
- Joint arrangements, not just joint ventures, are outside the scope of KIFRS 1103
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Parent is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

2.4.3.2 KIFRS 1113 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in KIFRS 1113 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of KIFRS 1039. The Group does not apply the portfolio exception in KIFRS 1113

2.4.3.3 KIFRS 1040 Investment Property

The description of ancillary services in KIFRS 1040 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that KIFRS 1103, and not the description of ancillary services in KIFRS 1040, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on KIFRS 1103, not KIFRS 1040, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not have impact on the accounting policy of the Group.

3. Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

3.1 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.2 Impairment of available-for-sale equity instruments

The Group assesses whether available-for-sale equity instruments are impaired under K-IFRS 1039, which requires the management's significant judgment. For the impairment testing, the Group assesses a duration for which the fair value of the asset has been lower than its cost, operating results, technology change, short-term business outlook including cash flows from operating and investing activities, and soundness, etc.

When the fair value below the cost of available-for-sale equity instruments is significant or prolonged, the Group reclassifies the cumulative loss from equity to profit or loss and recognizes impairment loss in the consolidated statement of comprehensive income.

3.3 Impairment of loans

For a measurement of impairment loss of loans, the Group assesses individually and collectively whether loans are impaired. Recoverable amount for the allowance for individual impairment loss is measured by estimating future cash flows for which the Group considers its customers' business outlook and secured assets for loans. Probability of default, loss emergence period and loss given default for the allowance for collective impairment loss are measured based on the impairment loss experience in the past periods.

3. Significant judgment and accounting estimates (cont'd)

3.4 Adequacy test for insurance contract liabilities

The Group recognizes additional reserve if required resulting from an adequacy test for insurance contract liabilities. It is required to make a reasonable estimate of cash inflows such as premium receipt and cash outflows such as refunds, reserves and expenses for the estimates of the contractual future cash flows from all the insurance contracts the Group holds. For the estimate of the cash flows, the Group makes assumptions which would consider future trends reflecting historical statistics and business strategy. Rate of investment return, morbidity rate, lapse rate and expense rate for the estimate of the cash flows are based on such assumptions. In addition, for a discounting rate to calculate the present value of the cash flows, the Group uses a rate of return on future working assets for which future outlook on investment performance such as future investment strategies and future trends as well as historical returns on the working assets are considered.

3.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that non-financial assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment at each reporting date and whenever there is an indication that the intangible assets may be impaired. Other non-financial assets are tested for impairment when there is an indication that their recoverable amounts may be below the carrying amounts. The Group's management makes estimates of the future expected cash flows from an asset or cash generating unit to calculate the value in use of the asset or the cash generating unit, and use a proper discounting rate to calculate the present value of the future expected cash flows.

3.6 Income tax

There are various kinds of transactions and calculation methodology that cause uncertainty regarding the final income tax to file and pay. The Group recognizes a contingent liability arising from an expected tax audit based on an estimate of the additional income tax to be levied. If there is a difference between the estimates and final income tax levied, the difference may affect current and deferred income tax in the period in which the income tax to be levied is finalized.

3.7 Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AAA’ rating or above, as set by an internationally acknowledged rating agency. The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are given in Note 19.

4. 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 that the Group has not adopted are as follows.

4.1 KIFRS 1109 Financial Instruments

The KASB issued the final version of KIFRS 1109 Financial Instruments that replaces KIFRS 1039 Financial Instruments: Recognition and Measurement and all previous versions. KIFRS 1109 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. KIFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. However, according to the exposure draft for IFRS which the International Accounting Standards Board (IASB) proposed, insurance companies are permitted to select either a temporary exemption from applying IFRS 9 until annual reporting periods beginning on or after January 1, 2021 or an overlay approach that requires to recognize an amount equivalent to impact on profit or loss arising from the IFRS 9 adoption in other comprehensive income instead of IFRS 9 adoption. The Group reviews an impact of the new standard on the consolidated statements and a proper effective date to apply the new standard.

4.2 KIFRS 1115 Revenue from Contracts with Customers

Under KIFRS 1115, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under KIFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group reviews impact of the amendments on the consolidated statements and plans to adopt the new standard on the required effective date.

4.3 K-IFRS 1111 'Joint Arrangements' (Amendments) - Accounting for Acquisitions of Shares

The amendments to K-IFRS 1111 require 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 K-IFRS 1103 principles for business combinations accounting. The amendments also clarify that 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, an exclusion of a scope has been added to K-IFRS 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 shares 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.

4. Standards issued but not yet effective (cont'd)

4.4 K-IFRS 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.

4.5 Amendments to KIFRS 1027: Equity Method in Separate Financial Statements

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. Entities already applying KIFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of KIFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to KIFRS. The amendments 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 consolidated financial statements.

4.6 Amendments to KIFRS 1110 and KIFRS 1028: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between KIFRS 1110 and KIFRS 1028 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in KIFRS 1103, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.

4.7 Amendments to KIFRS 1110 Disclosure Initiative

The amendments to KIFRS 1110 Presentation of Financial Statements clarify, rather than significantly change, existing KIFRS 1110 requirements. The amendments clarify:

- ✓ The materiality requirements in KIFRS 1001
- ✓ That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- ✓ That entities have flexibility as to the order in which they present the notes to financial statements
- ✓ That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are 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.

4. Standards issued but not yet effective (cont'd)

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

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

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

4.9 Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after July 1, 2016. They include:

- ✓ KIFRS 1105 Non-current Assets Held for Sale and Discontinued Operations
- ✓ KIFRS 1107 Financial Instruments: Disclosures
- ✓ KIFRS 1019 Employee Benefits
- ✓ KIFRS 1034 Interim Financial Reporting

These amendments are not expected to have any impact on the Group.

5. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Financial institutions	Interest rates (%)	December 31, 2015	December 31, 2014
Cash			₩ 2	₩ 5
Checking deposits	KB Kookmin Bank	-	29,948	25,289
Overseas deposits	Citi Bank and others	-	17,838	16,369
Other deposits	Shinhan Bank and others	1.20~1.45	148,473	220,642
			₩ 196,261	₩ 262,305

6. Deposits

Deposits as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Financial institutions	Interest rates (%)	December 31, 2015	December 31, 2014
Time deposits	KB Kookmin Bank and others	1.36~2.06	₩ 54,500	₩ 52,500
Overseas deposits	Royal Bank of Canada and others	0.48~4.75	179,640	146,033
Other deposits	KEB Hana Bank and others	0.08~4.40	273,830	505,061
			₩ 507,970	₩ 703,594

Restricted deposits as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Financial institutions	Descriptions	December 31, 2015	December 31, 2014
Overseas deposits	HSBC and others	WIS customer accounts	₩ 1,203	₩ 2,537
Overseas deposits	National Australia Bank	L/C open in Singapore branch	4,114	9,719
Overseas deposits	Royal Bank of Canada	Reinsurance arrangements	5,207	19,422
Other deposits	Woori Bank and others	Collaterals for checking accounts open	5	5
			₩ 10,529	₩ 31,683

7. Financial assets at FVTPL

Financial assets at FVTPL as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Acquisition cost	Carrying value	Acquisition cost	Carrying value
Stock	₩ 22,011	₩ 21,799	₩ 25,609	₩ 25,580
Beneficiary certificates	1,035,354	1,044,069	559,941	563,753
Derivative financial assets held-for-trading	-	10,697	-	-
	₩ 1,057,365	₩ 1,076,565	₩ 585,550	₩ 589,333

8. Available-for-sale financial assets

Available-for-sale financial assets as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Acquisition cost	Carrying value	Acquisition cost	Carrying value
Stock	₩ 163,795	₩ 198,657	₩ 202,577	₩ 216,224
Equity investment	97,053	113,078	90,972	98,046
Government and public bonds	596,402	610,701	679,402	695,868
Special bonds	593,152	626,674	684,246	709,604
Corporate bonds	670,051	690,886	540,304	551,608
Beneficiary certificates	43,969	45,706	16,072	17,159
Securities in foreign currency	570,748	573,360	349,244	359,207
Others	3,972	4,413	4,041	4,235
	₩ 2,739,142	₩ 2,863,475	₩ 2,566,858	₩ 2,651,951

Maturities of debt securities within available-for-sale financial assets as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015				
	Government and public bonds	Special bonds	Corporate bonds	Bonds in foreign currencies	Total
Within 1 year	₩ 241,214	₩ 70,469	₩ -	₩ 39,546	₩ 351,229
Within 5 years	40,951	189,141	256,602	39,130	525,824
Within 10 years	303,595	233,902	423,616	425,760	1,386,873
Over 10 years	24,941	133,162	10,668	60,476	229,247
	₩ 610,701	₩ 626,674	₩ 690,886	₩ 564,912	₩ 2,493,173

	December 31, 2014				
	Government and public bonds	Special bonds	Corporate bonds	Bonds in foreign currencies	Total
Within 1 year	₩ 10,216	₩ 140,321	₩ 40,282	₩ 45,146	₩ 235,965
Within 5 years	313,230	174,200	163,570	64,082	715,082
Within 10 years	175,166	251,831	337,629	188,315	952,941
Over 10 years	197,256	143,252	10,127	54,987	405,622
	₩ 695,868	₩ 709,604	₩ 551,608	₩ 352,530	₩ 2,309,610

8. Available-for-sale financial assets (cont'd)

Changes in valuation gains and losses on available-for-sale financial assets for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015			
	Beginning balance	Valuation	Realization	Ending balance
Stock	₩ 13,647	₩ 1,505	₩ 19,710	₩ 34,862
Equity investment	7,074	8,951	-	16,025
Government and public bonds	16,466	5,692	(7,859)	14,299
Special bonds	25,358	15,375	(7,211)	33,522
Corporate bonds	11,304	9,773	(242)	20,835
Beneficiary certificates	1,087	650	-	1,737
Securities in foreign currencies	9,963	(5,185)	(2,166)	2,612
Others	194	247	-	441
Net valuation gain before income tax	85,093	₩ 37,008	₩ 2,232	124,333
Income tax effect	(20,592)			(30,088)
Net valuation gain after income tax	₩ 64,501			₩ 94,245

	For the year ended December 31, 2014			
	Beginning balance	Valuation	Realization	Ending balance
Stock	₩ 25,043	₩ (11,923)	₩ 527	₩ 13,647
Equity investment	6,075	(512)	1,511	7,074
Government and public bonds	(31,136)	32,659	14,943	16,466
Special bonds	(7,948)	36,445	(3,139)	25,358
Corporate bonds	(14,443)	25,467	280	11,304
Beneficiary certificates	1,258	60	(231)	1,087
Securities in foreign currencies	5,160	5,198	(395)	9,963
Others	(1,152)	(168)	1,514	194
Net valuation gain (loss) before income tax	(17,143)	₩ 87,226	₩ 15,010	85,093
Income tax effect	4,149			(20,592)
Net valuation gain (loss) after income tax	₩ (12,994)			₩ 64,501

8. Available-for-sale financial assets (cont'd)

Details of available-for-sale financial assets provided as collaterals as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	Financial institutions	Descriptions	December 31, 2015	December 31, 2014
Available-for-sale financial assets	Deutsche Bank	L/C open	₩ -	₩ 300,000
Available-for-sale financial assets	Australia and New Zealand Banking Group	L/C open	185,000	95,000
Available-for-sale financial assets	Citi Bank	L/C open	160,000	150,000
Available-for-sale financial assets	Sumitomo Mitsui Banking Corporation	L/C open	155,000	110,990
Available-for-sale financial assets	HSBS France	Reinsurance arrangements	185	193
Available-for-sale financial assets	Royal Bank of Canada	L/C open	16,452	-
			₩ 516,637	₩ 656,183

9. Derivatives

Information related to the hedge type of the Group is as follows:

	Hedged items	Hedging instruments	Hedged risks
Fair value hedges	Deposits	FX SWAP	Exchange risk
Cash flow hedges	Available-for-sale financial assets	FX SWAP	Exchange risk

There were no derivative financial instruments as of December 31, 2014. Details of derivative financial instruments as of December 31, 2015 are as follow (Korean won in millions):

	December 31, 2015							
	Fair value hedges		Cash flow hedges		Trading		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Currency forwards	₩ -	₩ -	₩ -	₩ -	₩ 1,237	₩ -	₩ 1,237	₩ -
Currency swaps	-	3,230	62	2,369	9,460	-	9,522	5,599
	₩ -	₩ 3,230	₩ 62	₩ 2,369	₩ 10,697	₩ -	₩ 10,759	₩ 5,599

Details of gains or losses on valuation of derivative instruments recognized in the statement of comprehensive income as of December 31, 2015 are as follows (Korean won in millions):

	For the year ended December 31, 2015							
	Fair value hedges		Cash flow hedges		Trading		Total	
	Gains	Losses	Gains	Losses	Gains	Losses	Gains	Losses
Currency forwards	₩ -	₩ -	₩ -	₩ -	₩ 1,237	₩ -	₩ 1,237	₩ -
Currency swaps	-	3,230	62	2,369	9,460	-	9,522	5,599
	₩ -	₩ 3,230	₩ 62	₩ 2,369	₩ 10,697	₩ -	₩ 10,759	₩ 5,599

9. Derivatives (cont'd)

The notional amounts as of December 31, 2015 are as follow (Korean won in millions and U.S. dollars in unit):

	December 31, 2015				
	Currency	Fair value hedges	Cash flow hedges	Trading	Sum
Currency forwards	KRW	₩ -	₩ -	₩ 27,647	₩ 27,647
Currency swaps	USD	52,318,194	85,148,240	-	137,466,434
	KRW	-	-	165,068	165,068
Total	USD	52,318,194	85,148,240	-	137,466,434
	KRW	₩ -	₩ -	₩ 192,715	₩ 192,715

There is no collateral that the Group has provided or has been provided with in relation to derivatives as of December 31, 2015.

Amounts transferred from equity to the statement of income and ineffective portion of loss on valuation of derivative instruments designated as cash flow hedges which are charged to the statement of comprehensive income in the current year are as follows (Korean won in millions):

	For the year ended December 31, 2015					
	Realized		Ineffective portion		Total	
	Gain	Loss	Gain	Loss	Gain	Loss
Currency swaps	₩ 62	₩ 2,234	₩ -	₩ 135	₩ 62	₩ 2,369

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

< Assets >

	December 31, 2015
Gross amounts of recognized financial assets	₩ 10,759
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	10,759
Related amounts not set off in the statement of financial position:	
Financial instruments	3,847
Cash collateral pledged	-
Net amounts	₩ 6,912

< Liabilities >

	December 31, 2015
Gross amounts of recognized financial liabilities	₩ 5,599
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	5,599
Related amounts not set off in the statement of financial position:	
Financial instruments	3,847
Cash collateral pledged	-
Net amounts	₩ 1,752

10. Loans

Details of loans as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Loans secured by real-estate	₩ 77,717	₩ 77,660
Credit loans	645	550
	78,362	78,210
Allowance for possible loan losses	(451)	(450)
Present value discount	(153)	(178)
Deferred loan fee and costs	(130)	(204)
	₩ 77,628	₩ 77,378

The maturities of loans as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015		
	Loans secured by real-estate	Credit loans	Total
Less than 1 year	₩ 10,351	₩ -	₩ 10,351
More than 1 year ~ less than 2 years	50,611	125	50,736
More than 2 years ~ less than 5 years	16,252	280	16,532
More than 5 years ~ less than 10 years	343	240	583
More than 10 years	160	-	160
	₩ 77,717	₩ 645	₩ 78,362

	December 31, 2014		
	Loans secured by real-estate	Credit loans	Total
Less than 1 year	₩ 411	₩ -	₩ 411
More than 1 year ~ less than 2 years	10,378	-	10,378
More than 2 years ~ less than 5 years	66,301	258	66,559
More than 5 years ~ less than 10 years	370	292	662
More than 10 years	200	-	200
	₩ 77,660	₩ 550	₩ 78,210

10. Loans (cont'd)

Changes in allowance for possible loan losses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Beginning balance	₩	450	₩	355
Provision for allowance		1		95
Ending balance	₩	451	₩	450

Changes in deferred loan fees and costs for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Beginning balance	₩	204	₩	278
Amortization during the year		(74)		(74)
Ending balance	₩	130	₩	204

11. Receivables

Details of receivables as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Insurance receivables	₩	2,221,002	₩	2,078,221
Accounts receivables		6,924		5,148
Accrued income		16,649		24,672
Guarantee deposits		16,226		522
		2,260,801		2,108,563
Allowance for doubtful receivables		(19,120)		(25,859)
Present value discount		(9)		(7)
	₩	2,241,672	₩	2,082,697

Details of insurance receivables as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Co-insurance receivables	₩	13,527	₩	12,355
Reinsurance receivables		1,209,890		1,002,650
Overseas reinsurance receivables		703,674		881,308
Deposits on reinsurance contracts assumed		293,911		181,908
	₩	2,221,002	₩	2,078,221

11. Receivables (cont'd)

Changes in allowance for doubtful receivables for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		
	Insurance receivables	Accounts receivables	Total
Beginning balance	₩ 24,939	₩ 920	₩ 25,859
Reversal	(1,746)	-	(1,746)
Written off	(4,130)	(863)	(4,993)
Ending balance	₩ 19,063	₩ 57	₩ 19,120

	For the year ended December 31, 2014		
	Insurance receivables	Accounts receivables	Total
Beginning balance	₩ 17,346	₩ 920	₩ 18,266
Provision for allowance	7,593	-	7,593
Ending balance	₩ 24,939	₩ 920	₩ 25,859

12. Fair value of financial assets and liabilities

12.1 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

12. Fair value of financial assets and liabilities (cont'd)

12.1 Fair value (cont'd)

The fair value of the financial assets and liabilities as of December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015			
		Book value		Fair value
Financial assets:				
Cash and cash equivalents	₩	196,261	₩	196,261
Deposits		507,970		507,970
Financial assets at FVTPL		1,076,565		1,076,565
Available-for-sale financial assets		2,863,475		2,863,475
Derivative financial assets designated as hedges		62		62
Loans		77,628		79,584
Receivables		2,241,672		2,241,664
	₩	6,963,633	₩	6,965,581
Financial liabilities:				
Derivative financial liabilities designated as hedges	₩	5,599	₩	5,599
Financial liabilities measured at amortized cost		1,903,696		1,903,697
	₩	1,909,295	₩	1,909,296

	December 31, 2014			
		Book value		Fair value
Financial assets:				
Cash and cash equivalents	₩	262,305	₩	262,305
Deposits		703,594		703,594
Financial assets at FVTPL		589,333		589,333
Available-for-sale financial assets		2,651,951		2,651,951
Derivative financial assets designated as hedges		-		-
Loans		77,378		80,126
Receivables		2,082,697		2,082,681
	₩	6,367,258	₩	6,369,990
Financial liabilities:				
Derivative financial liabilities designated as hedges	₩	-	₩	-
Financial liabilities measured at amortized cost		1,941,858		1,941,845
	₩	1,941,858	₩	1,941,845

12. Fair value of financial assets and liabilities (cont'd)

12.1 Fair value (cont'd)

The fair value of the above financial assets and liabilities are recorded at the amount traded between parties who are willing to deal on a normal transaction basis. The method and assumption used to estimate the fair value are as follows:

< Financial assets >

	Methods and assumptions
Cash and cash equivalents	Carrying amounts and fair value of cash are the same. The carrying amounts of cash equivalents such as ordinary deposits are used as the proxy of fair value.
Deposits	The Group uses carrying amounts of deposits as the proxy of fair values because most deposits are short-term deposits.
Financial assets at FVTPL (Except for derivative financial assets held-for-trading)	The Group uses price quotations for securities in active markets. For unquoted instruments, the Group uses the fair value calculated by independent external professional valuers. External professional valuers use one or more suitable valuation methods among DCF model, comparable company analysis, and the divided discount model in consideration of characteristics of evaluation target and calculate fair values.
Available-for-sale financial assets	The Group uses price quotations for securities in active markets. For unquoted instruments, the Group uses the fair value calculated by independent external professional valuers. External professional valuers use one or more suitable valuation methods among DCF model, comparable company analysis, and the divided discount model in consideration of characteristics of evaluation target and calculate fair values
Derivatives	The Group uses price quotations for derivatives in active markets. For unquoted derivatives, the Group uses the fair value calculated by independent external professional valuers. In case of determining the fair value of OTC derivatives such as currency swap, interest rate swap, and option based on the observable inputs, independent external professional valuers use their internal assessment models using the valuation technique which market participants generally rely on. However, in case of complex financial instruments, the independent external professional valuers measure the fair values using valuation techniques based on assumptions due to all or part of inputs being unobservable in the model. The independent external professional valuers use their internal assessment models developed from a general value evaluation model.
Loans	In case of loans, the Group calculates fair values using DCF model that reflects an appropriate discount rate corresponding to the expected cash flows and prepayment rate that reflects the advanced redemption risk.
Receivables	In case of receivables, most receivables are accounts receivable and accrued income, etc. carried out in a short-time period. Thus carrying amounts of receivables are used as proxy of reasonable fair values. In case of guarantee deposits, the present values of the contractual cash flows discounted by market interest rates are used as the fair values.

12. Fair value of financial assets and liabilities (cont'd)

12.1 Fair value (cont'd)

< Financial liability >

	Methods and assumptions
Financial liabilities measured at amortized cost	For financial liabilities measured at amortized cost, the present values of the contractual cash flows discounted by market interest rates are used as the fair values.

12.2 The hierarchy disclosure of the financial instruments measured at fair value

The Group classifies fair value measurements using a hierarchy that reflects the significance of the inputs to measure the fair value. The fair value hierarchy has the following levels:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	₩ 21,800	₩ 1,054,765	₩ -	₩ 1,076,565
Available-for-sale financial assets:				
Debt securities	624,603	1,868,570	-	2,493,173
Equity securities	168,549	45,892	155,861	370,302
	793,152	1,914,462	155,861	2,863,475
Derivative financial assets designated as hedges	-	62	-	62
	₩ 814,952	₩ 2,969,289	₩ 155,861	₩ 3,940,102
Derivative financial liabilities designated as hedges	₩ -	₩ 5,599	₩ -	₩ 5,599

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	₩ 25,580	₩ 563,753	₩ -	₩ 589,333
Available-for-sale financial assets:				
Debt securities	711,031	1,598,579	-	2,309,610
Equity securities	187,162	17,352	137,827	342,341
	898,193	1,615,931	137,827	2,651,951
	₩ 923,773	₩ 2,179,684	₩ 137,827	₩ 3,241,284

12. Fair value of financial assets and liabilities (cont'd)

12.2 The hierarchy disclosure of the financial instruments (cont'd)

Details of non-marketable equity securities of which quoted price is not available in active markets and fair value cannot be measured reliably, and that measured at acquisition cost as of December 31, 2015 and 2014 are as the following and the amounts were included in level 3 (Korean won in millions):

	December 31, 2015	December 31, 2014
Available-for-sale non-marketable equity securities	₩ 4,028	₩ 4,028

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

	For the year ended December 31, 2015					
	Beginning	Acquisition	Disposal	Gain (loss)	Comprehensive income	Ending
Available-for-sale financial assets	₩ 137,827	₩ 14,533	₩ (8,522)	₩ -	₩ 12,023	₩ 155,861

	For the year ended December 31, 2014					
	Beginning	Acquisition	Disposal	Gain (loss)	Comprehensive income	Ending
Financial assets designated at FVTPL	₩ -	₩ 10,000	₩ (10,203)	₩ 203	₩ -	₩ -
Available-for-sale financial assets	125,546	10,263	(1,437)	(3,024)	6,479	137,827
	₩ 125,546	₩ 20,263	₩ (11,640)	₩ (2,821)	₩ 6,479	₩ 137,827

Fair value, valuation techniques and inputs of the financial instruments disclosed in the financial statement classified as level 2 as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Fair value			
	December 31, 2015	December 31, 2014	Valuation techniques	Inputs
Financial assets:				
Financial assets at FVTPL	₩ 1,054,765	₩ 563,753	DCF model	Discount rate
Available-for-sale financial assets	1,914,462	1,615,931	DCF model	Discount rate
Derivative financial assets designated as hedges	62	-	Forward Approach	Exchange rate
	₩ 2,969,289	₩ 2,179,684		
Financial Liabilities:				
Derivative financial liabilities designated as hedges	₩ 5,599	₩ -	Forward Approach	Exchange rate

12. Fair value of financial assets and liabilities (cont'd)

12.3 Financial assets and liabilities not measured at fair value but disclosed at fair value

The fair value hierarchies of financial assets and liabilities not measured but disclosed at fair value as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 2	₩ 196,259	₩ -	₩ 196,261
Deposits	-	507,970	-	507,970
Loans	-	-	79,584	79,584
Receivables	-	-	2,241,664	2,241,664
	₩ 2	₩ 704,229	₩ 2,321,248	₩ 3,025,479
Financial liabilities:				
Financial liabilities measured at amortized cost	₩ -	₩ -	₩ 1,903,697	₩ 1,903,697

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	₩ 6	₩ 262,299	₩ -	₩ 262,305
Deposits	-	703,594	-	703,594
Loans	-	-	80,126	80,126
Receivables	-	-	2,082,681	2,082,681
	₩ 6	₩ 965,893	₩ 2,162,807	₩ 3,128,706
Financial liabilities:				
Financial liabilities measured at amortized cost	₩ -	₩ -	₩ 1,941,845	₩ 1,941,845

13. Property and equipment

Details of property and equipment as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 61,245	₩ -	₩ 61,245
Buildings	20,507	(7,646)	12,861
Structures	1,512	(734)	778
Overseas real-estate	2,903	(966)	1,937
Office equipments	12,167	(8,253)	3,914
Vehicles	521	(330)	191
	₩ 98,855	₩ (17,929)	₩ 80,926

13. Property and equipment (cont'd)

	December 31, 2014					
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	61,245	₩	-	₩	61,245
Buildings		20,475		(7,243)		13,232
Structures		1,512		(688)		824
Overseas real-estate		2,906		(915)		1,991
Office equipments		12,334		(7,287)		5,047
Vehicles		519		(221)		298
	₩	98,991	₩	(16,354)	₩	82,637

Changes in net book value of property and equipment for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015											
	Beginning balance		Acquisition		Disposal		Depreciation		Others		Ending balance	
Land	₩	61,245	₩	-	₩	-	₩	-	₩	-	₩	61,245
Buildings		13,232		32		-		(403)		-		12,861
Structures		824		-		-		(46)		-		778
Overseas real-estate		1,991		-		-		(53)		(1)		1,937
Office equipments		5,047		288		-		(1,418)		(3)		3,914
Vehicles		298		-		-		(107)		-		191
	₩	82,637	₩	320	₩	-	₩	(2,027)	₩	(4)	₩	80,926

	For the year ended December 31, 2014											
	Beginning balance		Acquisition		Disposal		Depreciation		Others		Ending balance	
Land	₩	61,245	₩	-	₩	-	₩	-	₩	-	₩	61,245
Buildings		13,611		46		-		(425)		-		13,232
Structures		869		-		-		(45)		-		824
Overseas real-estate		2,045		-		-		(53)		(1)		1,991
Office equipments		1,351		4,452		(36)		(720)		-		5,047
Vehicles		240		150		(9)		(83)		-		298
	₩	79,361	₩	4,648	₩	(45)	₩	(1,326)	₩	(1)	₩	82,637

Assets provided as collaterals by the Group to secure leasehold deposits received, etc. as of December 31, 2015 and 2014 are as follows (Korean won in millions):

Assets provided as collaterals	Collateral type	December 31, 2015		December 31, 2014		Collateral receiver
Main building	Leasehold right	₩	6,180	₩	6,180	Ministry of Foreign Affairs and etc

14. Investment properties

Details of investment properties as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015					
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	91,868	₩	-	₩	91,868
Buildings		30,760		(11,469)		19,291
	₩	122,628	₩	(11,469)	₩	111,159

	December 31, 2014					
	Acquisition cost		Accumulated depreciation		Carrying amount	
Land	₩	91,868	₩	-	₩	91,868
Buildings		30,713		(10,864)		19,849
	₩	122,581	₩	(10,864)	₩	111,717

Changes in net book value of investment properties for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015							
	Beginning balance		Acquisition		Depreciation		Ending balance	
Land	₩	91,868	₩	-	₩	-	₩	91,868
Buildings		19,849		48		(606)		19,291
	₩	111,717	₩	48	₩	(606)	₩	111,159

	For the year ended December 31, 2014							
	Beginning balance		Acquisition		Depreciation		Ending balance	
Land	₩	91,868	₩	-	₩	-	₩	91,868
Buildings		20,417		70		(638)		19,849
	₩	112,285	₩	70	₩	(638)	₩	111,717

Fair value of investment properties as of December 31, 2015 and 2014 is as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Investment properties(*)	₩	121,933	₩	118,515

(*) Garam Asset Appraisal Co., Ltd., is an industry specialist in valuing these types of investment properties and independently valued the fair value of the investment properties, considering actual transactions of assets with similar characteristics and reflecting factors which have impact on the fair value.

14. Investment properties (cont'd)

Valuation techniques and key inputs are as follows:

	Valuation techniques and key inputs
Land	Fair value estimation takes into consideration the appropriate level of land prices of surrounding area, cases of transactions nearby, precedent of evaluation, and standard value of nearby land determined by the government.
Buildings	The fair value of new construction price is estimated by subtracting construction depreciation from the new construction price based on the building's structure, raw materials, construction progress, facilities, and management condition.

Details of rental income and directly incurred expenses in respect of such investment properties for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Rental income	₩ 7,412	₩ 7,356
Administrative expenses for investment properties	(3,277)	(3,128)
Depreciation of investment properties	(606)	(638)

15. Intangible assets

Details of intangible assets as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Software	₩ 8,486	₩ (3,933)	₩ -	₩ 4,553
Development cost	19,725	(7,954)	-	11,771
Membership rights(*)	17,245	-	(4,794)	12,451
	₩ 45,456	₩ (11,887)	₩ (4,794)	₩ 28,775

	December 31, 2014			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Software	₩ 8,365	₩ (2,217)	₩ -	₩ 6,148
Development cost	19,702	(3,323)	-	16,379
Membership rights(*)	18,054	-	(4,104)	13,950
	₩ 46,121	₩ (5,540)	₩ (4,104)	₩ 36,477

(*) Membership rights are classified as an intangible asset with indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

15. Intangible assets (cont'd)

Changes in net book value of intangible assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment loss	Others	Ending balance
Software	₩ 6,148	₩ 120	₩ -	₩ (1,716)	₩ -	₩ -	₩ 4,552
Development cost	16,379	23	-	(4,631)	-	-	11,771
Membership rights	13,950	1,339	(1,486)	-	(1,381)	30	12,452
	₩ 36,477	₩ 1,482	₩ (1,486)	₩ (6,347)	₩ (1,381)	₩ 30	₩ 28,775

	For the year ended December 31, 2014						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment loss	Others	Ending balance
Software	₩ 66	₩ 6,756	₩ -	₩ (673)	₩ -	₩ (1)	₩ 6,148
Development cost	1,129	17,418	-	(2,167)	-	(1)	16,379
Membership rights	14,783	496	(585)	-	(762)	18	13,950
	₩ 15,978	₩ 24,670	₩ (585)	₩ (2,840)	₩ (762)	₩ 16	₩ 36,477

16. Other assets

Other assets as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Reinsurance assets	₩ 1,723,984	₩ 1,766,829
Compensation receivables	58,255	65,021
Current income tax assets	-	13,820
Prepaid expenses	9,871	12,152
Advance payments	1,879	7,990
	₩ 1,793,989	₩ 1,865,812

Details of reinsurance assets as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Unearned premium reserve	₩ 653,340	₩ 677,293
Reserve for outstanding claims	1,070,644	1,089,536
	₩ 1,723,984	₩ 1,766,829

16. Other assets (cont'd)

Changes in reinsurance assets for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015			
	Beginning balance	Net decrease	Reversal of impairment loss	Ending balance
Unearned premium reserve	₩ 677,293	₩ (25,548)	₩ 1,595	₩ 653,340
Reserve for outstanding claims	1,089,536	(23,858)	4,966	1,070,644
	₩ 1,766,829	₩ (49,406)	₩ 6,561	₩ 1,723,984

	For the year ended December 31, 2014			
	Beginning balance	Net increase (decrease)	Reversal (increase) of impairment loss	Ending balance
Unearned premium reserve	₩ 716,409	₩ (37,846)	₩ (1,270)	₩ 677,293
Reserve for outstanding claims	976,884	110,351	2,301	1,089,536
	₩ 1,693,293	₩ 72,505	₩ 1,031	₩ 1,766,829

Changes in compensation receivables for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Beginning balance	₩ 65,021	₩ 67,421
Net decrease	(6,766)	(2,400)
Ending balance	₩ 58,255	₩ 65,021

17. Insurance contract liabilities

The Group recognizes insurance contract liabilities in accordance with the IBA and the RIS.

The insurance contract liabilities as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Reserve for outstanding claims	₩ 2,972,435	₩ 2,768,126
Unearned premium reserve	1,734,768	1,636,887
	₩ 4,707,203	₩ 4,405,013

17. Insurance contract liabilities (cont'd)

Changes in reserve for outstanding claims for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015			
	Beginning balance	Increase	Decrease	Ending balance
Fire insurance	₩ 48,079	₩ -	₩ (12,728)	₩ 35,351
Marine insurance	409,271	721	-	409,992
Automobile insurance	119,923	4,652	-	124,575
Surety insurance	17,038	-	(6,934)	10,104
Engineering insurance	89,778	22,279	-	112,057
Workers' compensation insurance	29,614	-	(4,021)	25,593
Liability insurance	185,384	-	(756)	184,628
Personal accident insurance	84,090	3,489	-	87,579
Comprehensive insurance	167,267	7,775	-	175,042
Other casualty insurance	141,274	8,924	-	150,198
Overseas inward insurance	1,073,019	134,561	-	1,207,580
Long-term insurance (non-par)	402,208	46,399	-	448,607
Long-term insurance (par)	32	-	(26)	6
Personal annuity	1,149	-	(26)	1,123
	₩ 2,768,126	₩ 228,800	₩ (24,491)	₩ 2,972,435

	For the year ended December 31, 2014			
	Beginning balance	Increase	Decrease	Ending balance
Fire insurance	₩ 72,870	₩ -	₩ (24,791)	₩ 48,079
Marine insurance	285,005	124,266	-	409,271
Automobile insurance	106,808	13,115	-	119,923
Surety insurance	19,875	-	(2,837)	17,038
Engineering insurance	84,335	5,443	-	89,778
Workers' compensation insurance	23,876	5,738	-	29,614
Liability insurance	159,541	25,843	-	185,384
Personal accident insurance	71,788	12,302	-	84,090
Comprehensive insurance	222,768	-	(55,501)	167,267
Other casualty insurance	125,511	15,763	-	141,274
Overseas inward insurance	948,210	124,809	-	1,073,019
Long-term insurance (non-par)	321,905	80,303	-	402,208
Long-term insurance (par)	37	-	(5)	32
Personal annuity	1,409	-	(260)	1,149
	₩ 2,443,938	₩ 407,582	₩ (83,394)	₩ 2,768,126

17. Insurance contract liabilities (cont'd)

Changes in unearned premium reserve for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015			
	Beginning balance	Increase	Decrease	Ending balance
Fire insurance	₩ 86,248	₩ 1,951	₩ -	₩ 88,199
Marine insurance	91,702	-	(2,821)	88,881
Automobile insurance	278,682	30,009	-	308,691
Surety insurance	92,421	6,493	-	98,914
Engineering insurance	169,201	776	-	169,977
Workers' compensation insurance	12,167	-	(3,925)	8,242
Liability insurance	106,319	-	(30)	106,289
Personal accident insurance	109,280	-	(1,919)	107,361
Comprehensive insurance	199,340	6,009	-	205,349
Other casualty insurance	59,056	10,043	-	69,099
Overseas inward insurance	432,364	51,400	-	483,764
Long-term insurance (non-par)	107	-	(105)	2
	₩ 1,636,887	₩ 106,681	₩ (8,800)	₩ 1,734,768

	For the year ended December 31, 2014			
	Beginning balance	Increase	Decrease	Ending balance
Fire insurance	₩ 94,614	₩ -	₩ (8,366)	₩ 86,248
Marine insurance	74,091	17,611	-	91,702
Automobile insurance	303,101	-	(24,419)	278,682
Surety insurance	98,140	-	(5,719)	92,421
Engineering insurance	173,895	-	(4,694)	169,201
Workers' compensation insurance	12,612	-	(445)	12,167
Liability insurance	109,625	-	(3,306)	106,319
Personal accident insurance	108,881	399	-	109,280
Comprehensive insurance	203,630	-	(4,290)	199,340
Other casualty insurance	59,964	-	(908)	59,056
Overseas inward insurance	430,829	1,535	-	432,364
Long-term insurance (non-par)	28	79	-	107
	₩ 1,669,410	₩ 19,624	₩ (52,147)	₩ 1,636,887

17. Insurance contract liabilities (cont'd)

Details of adequacy test for insurance contract liabilities as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015					
	Insurance contract liabilities subject to adequacy test		Adequate liabilities		Premium surplus	
General insurance	₩	1,416, 301	₩	971,114	₩	445,187
Automobile insurance		308,690		269,336		39,354
	₩	1,724,991	₩	1,240,450	₩	484,541

	December 31, 2014					
	Insurance contract liabilities subject to adequacy test		Adequate liabilities		Premium surplus	
General insurance	₩	1,358,205	₩	987,893	₩	370,312
Automobile insurance		278,682		242,092		36,590
	₩	1,636,887	₩	1,229,985	₩	406,902

The Group used the following assumptions for adequacy test for insurance contract liabilities.

Expected loss ratio - Estimate the ultimate loss amount using the historical data on loss amounts for 10 years on an insurance contract year basis and the corresponding unearned premium and loss development coefficient data

Expected expense rate - Calculate the expense rate to earned premium based on the written insurance contracts, operating expenses and recovered operating expenses, etc.

Expected claim handling expense rate - Direct claim handling expenses are estimated based on the historical data for 10 years and indirect expenses are estimated based on the written insurance contracts

18. Financial liabilities

Financial liabilities measured at amortized cost as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Financial liabilities measured at amortized cost:				
Insurance payables	₩	1,894,899	₩	1,932,960
Accounts payables		1,675		1,442
Leasehold deposits received		7,149		7,473
Present value discount		(27)		(17)
		1,903,696		1,941,858
Derivative financial liabilities designated as hedges:				
Currency swaps(*)		5,599		-
	₩	1,909,295	₩	1,941,858

(*) Details of derivative financial instruments are in Note 9.

18. Financial liabilities (cont'd)

Insurance payables as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Co-insurance payables	₩	570	₩	293
Reinsurance payables		1,270,916		1,060,727
Overseas reinsurance payables		568,092		817,839
Deposits on reinsurance contracts ceded		55,321		54,101
	₩	1,894,899	₩	1,932,960

19. Retirement benefit liabilities

Changes in present value of net defined benefit liabilities for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Beginning balance	₩	5,078	₩	6,794
Changes:				
Current service cost		6,994		1,334
Net interest expenses		109		267
		7,103		1,601
Settlement gain from the change in pension plan(*)		(67)		(118)
Payments		-		(511)
Re-measurement of the net defined benefit liabilities:				
Actuarial gain or loss from the change in demographic assumptions		(2)		(662)
Actuarial gain or loss from the change in financial assumptions		2,822		615
Expected return on plan assets		51		56
Experience adjustments		(17)		(1,202)
		2,854		(1,193)
Contribution by the Group		(674)		(1,495)
Ending balance	₩	14,294	₩	5,078

(*) The Group changed its pension plan for the employees from the defined benefit plans to the defined contribution plan. The effect of the change in the pension plan is reflected as above.

19. Retirement benefit liabilities (cont'd)

Details of retirement benefits expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Current service cost	₩	1,324	₩	1,334
Past service cost		5,670		-
Net interest expenses		109		267
Settlement gain from the change in pension plan		(67)		(118)
	₩	7,036	₩	1,483

The amounts recognized in the consolidated statement of comprehensive income by the defined contribution plans for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Retirement benefit expenses	₩	3,498	₩	3,396

Changes in present value of defined benefit obligation for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Beginning balance	₩	9,200	₩	9,555
Changes:				
Current service cost		6,994		1,334
Interest expenses		211		375
		7,205		1,709
Settlement gain from the change in pension plan		(67)		(118)
Payments		(1,735)		(697)
Re-measurement of the net defined benefit liabilities:				
Actuarial gain or loss from the change in demographic assumptions		(2)		(662)
Actuarial gain or loss from the change in financial assumptions		2,822		615
Experience adjustments		(17)		(1,202)
		2,803		(1,249)
Ending balance	₩	17,406	₩	9,200

19. Retirement benefit liabilities (cont'd)

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

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Beginning balance	₩	4,122	₩	2,761
Interest income		102		108
Payments		(1,735)		(186)
Return on plan assets		(51)		(56)
Contributions by the Group		674		1,495
Ending balance	₩	3,112	₩	4,122
Actual return on plan assets	₩	51	₩	53

Details of plan assets as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015			December 31, 2014		
	Fair value		Rate of return(%)	Fair value		Rate of return(%)
Assets without quoted market prices	₩	3,112	1.52~1.64	₩	4,122	1.90~2.11

The key actuarial assumptions used in determining retirement benefits as of December 31, 2015 and 2014 are as follows (rates in %):

	For the year ended December 31, 2015	For the year ended December 31, 2014	Descriptions
Discounting rate	2.37	2.79	Rate of return on AAA rated corporate bonds(non-guaranteed public offering)
Retirement rate	5.2~15.0	5.2~15.0	Experiential retirement rate
Mortality rate	-	-	Standard mortality rate determined by the Korea Insurance Development Institute
Expected rate of wage Increase	3.49 + Experience promotion rate	3.66 + Experience promotion rate	Base-up rate
Expected rate of return on plan assets	2.37	2.79	Historical trend for rate of return and market forecasting

An impact on the defined benefit obligation and retirement benefit expenses of the change in the actuarial assumptions is as follows (Korean won in millions):

		Defined benefit obligation	Retirement benefit expenses
Change in discount rate	Increase by 1%	(1,662)	(126)
	Decrease by 1%	1,955	143
Change in expected rate of wage increase (Based-up rate plus experiential promotion rate)	Increase by 1%	1,928	331
	Decrease by 1%	(1,673)	(283)

19. Retirement benefit liabilities (cont'd)

Expected payments to the employees under the defined benefit plan in future are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Within 1 year	₩	561	₩	636
Over 1 year ~ within 5 years		4,476		5,144
Over 5 year ~ within 10 years		9,696		5,228
Over 10 years		52,128		18,508
	₩	66,861	₩	29,516
Weighted average maturity of defined benefit obligation		13.32 years		11.51 years

20. Other liabilities

Details of other liabilities as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Accrued expense	₩	15,708	₩	15,524
Advance receipt		8,114		2,080
Depository liabilities		1,025		1,079
Unearned income		26		17
Value-added-tax withheld		124		181
	₩	24,997	₩	18,881

21. Equity

Details of capital stock as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Number of common shares authorized (shares)		320,000,000		320,000,000
Par value (in Korean won)	₩	500	₩	500
Number of common shares issued and outstanding (shares)		120,369,116		120,369,116
Capital stock	₩	60,185	₩	60,185

Details of capital surplus as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Paid-in capital in excess of par value	₩	103,729	₩	103,729
Gains on disposal of treasury stock		72,633		72,633
Insurance gain from insured assets		13		13
	₩	176,375	₩	176,375

21. Equity (cont'd)

Changes in the number of common shares, capital stock and paid-in capital in excess of par value for the recent 2 years are as follows (Shares in units and Korean won in millions):

	Number of common shares	Capital stock		Paid-in capital in excess of par value	
January 1, 2014	118,116,781	₩	59,058	₩	103,729
Stock dividends for the year ended December 31, 2014	2,252,335		1,127		-
January 1, 2015	120,369,116		60,185		103,729
December 31, 2015	120,369,116	₩	60,185	₩	103,729

Details of hybrid equity security as of December 31, 2015 are as follows:

	Description(*1)
Date issued	October 21, 2014
Amounts issued	$200,000,000
Maturity(*2)	30 years Revolving
Terms of dividend	4.5% per annum on a face value basis (redetermination of interest rate every 5 years, step up 100bps once at 10th year)

(*1) The maturity of the security becomes due in 30 years, but it could be repaid early every 5 years in case of execution of issuer's option. Therefore, the Group recorded the security as an equity as it is considered to meet the criteria to be classified as an equity.

(*2) The Group can extend the maturity of the security under the same conditions. In addition, the Group will not pay interest if it decides not to pay dividend to its common shareholders.

Capital adjustments as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Treasury stock(*)	₩	(35,311)	₩	(35,311)

(*) Treasury stock of 5,500,000 common shares acquired by the Group to stabilize stock price as well as enhance corporate value is stated at cost as of December 31, 2015, and will be disposed when the stock price is stabilized.

21. Equity (cont'd)

Accumulated other comprehensive income as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Valuation gain on available-for-sale financial assets	₩	94,245	₩	64,501
Asset revaluation surplus		68,998		68,998
Exchange difference on translating foreign operations		(3,672)		(3,723)
Re-measurement of the net defined benefit liabilities		(4,933)		(2,769)
	₩	154,638	₩	127,007

Retained earnings as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Legal reserve	₩	30,092	₩	29,529
Bad debt reserve		14,308		2,675
Catastrophe reserve		829,369		753,370
Business rationalization reserve		2,033		2,033
Voluntary reserve		396,014		393,735
Unappropriated retained earnings		176,768		117,081
	₩	1,448,584	₩	1,298,423

Changes in bad debt reserve and catastrophe reserve for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015				For the year ended December 31, 2014			
	Bad debt reserve		Catastrophe reserve		Bad debt reserve		Catastrophe reserve	
Beginning balance	₩	14,308	₩	829,369	₩	2,675	₩	753,370
Additional reserve		3,949		84,108		11,633		75,999
Planned ending balance	₩	18,257	₩	913,477	₩	14,308	₩	829,369

21. Equity (cont'd)

Adjusted net income and adjusted earnings per share deducting bad debt reserve and catastrophe reserve for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015				For the year ended December 31, 2014			
	Bad debt reserve		Catastrophe reserve		Bad debt reserve		Catastrophe reserve	
Net income before deducting reserves	₩	186,456	₩	186,456	₩	117,480	₩	117,480
Planned provisions for bad debt reserve and catastrophe reserve		3,949		84,108		11,633		75,999
Adjusted net income after deducting reserves		182,507		102,348		105,847		41,481
Adjusted earnings per share after deducting reserves (in Korean won)	₩	1,589	₩	891	₩	921	₩	361

22. Stock options

There is no unexercised stock option as of December 31, 2015 since all the stock options as of December 31, 2014 were exercised.

The compensation cost is as follows (Korean won in millions):

	Compensation cost	
Compensation cost recognized until December 31, 2014	₩	638
Compensation cost recorded for the current year		(638)
Total compensation cost	₩	-

Details of accrued expenses from the stock option contract as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
Accrued expense	₩	-	₩	638

23. Monetary assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2015 and 2014 are summarized as follows (Korean won in millions and US dollars in thousands):

	December 31, 2015				December 31, 2014			
	Equivalent amount of U.S. dollars (*)		Equivalent Korean won		Equivalent amount of U.S. dollars (*)		Equivalent Korean won	
Assets:								
Cash and cash equivalents	$	447,602	₩	529,692	$	670,875	₩	744,604
Available-for-sale financial assets		484,502		573,360		323,639		359,207
Insurance receivables		336,963		398,762		277,255		307,725
Other assets		29,933		35,423		1,629		1,808
	$	1,299,000	₩	1,537,237	$	1,273,398	₩	1,413,344
Liabilities:								
Insurance payables	$	201,292	₩	238,209	$	210,966	₩	234,151
Other liabilities		4,438		5,252		1,497		1,661
	$	205,730	₩	243,461	$	212,463	₩	235,812

(*) Non-US dollar foreign currency is converted into US dollar by the exchange rate as of December 31, 2015 and 2014.

24. Assumed (ceded) reinsurance transactions

Details of assumed reinsurance premium (including primary insurance premium) and ceded reinsurance premium by each type of insurance for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015					
	Assumed (premium income)		Ceded (reinsurance expense)		Retention premium (assumed-ceded)	
Fire insurance	₩	175,652	₩	65,807	₩	109,845
Marine insurance		377,507		181,785		195,722
Automobile insurance		633,972		100,085		533,887
Surety insurance		75,526		559		74,967
Engineering insurance		171,161		133,200		37,961
Workers' compensation insurance		22,663		9,852		12,811
Liability insurance		218,375		66,724		151,651
Personal accident insurance		257,067		165,289		91,778
Comprehensive insurance		607,333		503,796		103,537
Other casualty insurance		900,280		198,308		701,972
Overseas inward insurance		1,379,510		262,250		1,117,260
Long-term insurance (non-par)		1,562,222		311,372		1,250,850
Long-term insurance (par)		7		-		7
Personal annuity		3,132		-		3,132
	₩	6,384,407	₩	1,999,027	₩	4,385,380

24. Assumed (ceded) reinsurance transactions (cont'd)

	For the year ended December 31, 2014		
	Assumed (premium income)	Ceded (reinsurance expenses)	Retention premium (assumed-ceded)
Fire insurance	₩ 173,636	₩ 74,894	₩ 98,742
Marine insurance	388,286	205,947	182,339
Automobile insurance	598,698	129,669	469,029
Surety insurance	72,780	1,675	71,105
Engineering insurance	163,953	124,338	39,615
Workers' compensation insurance	29,957	14,708	15,249
Liability insurance	220,937	73,840	147,097
Personal accident insurance	268,282	199,709	68,573
Comprehensive insurance	588,102	479,736	108,366
Other casualty insurance	825,730	201,086	624,644
Overseas inward insurance	1,269,718	280,002	989,716
Long-term insurance (non-par)	1,385,896	275,311	1,110,585
Long-term insurance (par)	95	-	95
Personal annuity	3,433	-	3,433
	₩ 5,989,503	₩ 2,060,915	₩ 3,928,588

Details of assumed reinsurance claims paid and ceded reinsurance claims recovered for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		
	Assumed (claims paid)	Ceded (claims recovered)	Net claims (assumed-ceded)
Fire insurance	₩ 90,873	₩ 31,599	₩ 59,274
Marine insurance	305,992	168,365	137,627
Automobile insurance	510,107	93,027	417,080
Surety insurance	21,194	(700)	21,894
Engineering insurance	57,746	42,097	15,649
Workers' compensation insurance	19,102	9,179	9,923
Liability insurance	121,379	43,483	77,896
Personal accident insurance	214,252	154,566	59,686
Comprehensive insurance	250,752	201,862	48,890
Other casualty insurance	707,670	164,596	543,074
Overseas inward insurance	814,657	230,290	584,367
Long-term insurance (non-par)	1,458,341	322,564	1,135,777
Long-term insurance (par)	116	-	116
Personal annuity	2,541	-	2,541
	₩ 4,574,722	₩ 1,460,928	₩ 3,113,794

24. Assumed (ceded) reinsurance transactions (cont'd)

	For the year ended December 31, 2014		
	Assumed (claims paid)	Ceded (claims recovered)	Net claims (assumed-ceded)
Fire insurance	₩ 100,431	₩ 49,393	₩ 51,038
Marine insurance	332,982	212,373	120,609
Automobile insurance	516,416	115,550	400,866
Surety insurance	40,767	(2,005)	42,772
Engineering insurance	54,832	36,271	18,561
Workers' compensation insurance	18,051	8,292	9,759
Liability insurance	122,772	50,754	72,018
Personal accident insurance	228,256	170,218	58,038
Comprehensive insurance	324,967	264,757	60,210
Other casualty insurance	663,144	161,857	501,287
Overseas inward insurance	713,757	125,194	588,563
Long-term insurance (non-par)	1,246,600	257,576	989,024
Long-term insurance (par)	174	-	174
Personal annuity	2,643	-	2,643
	₩ 4,365,792	₩ 1,450,230	₩ 2,915,562

25. Gain or loss in respect to financial instruments

Details of gain or loss related with financial instruments for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015						
	Interest income (expense)	Dividend income	Gain on disposal	Gain on valuation	Loss on disposal	Loss on valuation	Impairment loss
< Financial assets >							
Cash and cash equivalents	₩ 1,366	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Deposits	10,686	-	-	-	-	-	-
Financial assets at FVTPL	5,649	504	5,370	20,410	3,434	1,211	-
Available-for-sale financial assets	70,186	9,618	52,973	-	11,562	-	24,348
Derivative financial assets designated as hedges	-	-	2	62	-	-	-
Loans	3,723	-	-	-	-	-	1
Receivables	46	-	-	-	-	-	(1,746)
	₩ 91,656	₩ 10,122	₩ 58,345	₩ 20,472	₩ 14,996	₩ 1,211	₩ 22,603
< Financial liability >							
Derivative financial Liabilities designated as hedges	₩ -	₩ -	₩ -	₩ -	₩ 6,288	₩ 5,599	₩ -
Financial liabilities measured at amortized cost	(13)	-	-	-	-	-	-
	₩ (13)	₩ -	₩ -	₩ -	₩ 6,288	₩ 5,599	₩ -

25. Gain or loss in respect to financial instruments (cont'd)

	For the year ended December 31, 2014						
	Interest income (expense)	Dividend income	Gain on disposal	Gain on valuation	Loss on disposal	Loss on valuation	Impairment loss
< Financial assets >							
Cash and cash equivalents	₩ 1,892	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Deposits	8,820	-	-	-	-	-	-
Financial assets at FVTPL	5,349	387	3,482	5,093	4,732	1,310	-
Available-for-sale financial assets	72,796	5,023	29,115	-	3,151	-	3,056
Loans	4,001	-	-	-	-	-	95
Receivables	11	-	-	-	-	-	7,593
	₩ 92,869	₩ 5,410	₩ 32,597	₩ 5,093	₩ 7,883	₩ 1,310	₩ 10,744
< Financial liability >							
Financial liabilities measured at amortized cost	₩ (7)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
	₩ (7)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -

26. Expenses recovered

Details of expenses recovered for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Ceded reinsurance commission	₩	288,964	₩	285,585
Commissions on profit received for ceded reinsurance		7,652		12,831
Interest on deposits on reinsurance contracts assumed		1,231		1,136
Agency commission recovered		94		94
	₩	297,941	₩	299,646

27. Other operating revenues and expenses

Details of other operating revenues for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Reversal of impairment loss on reinsurance assets	₩	6,561	₩	1,031
Gain on foreign currency transactions		37,542		18,718
Gain on foreign currency translations		52,604		52,104
Rental income		7,412		7,356
Miscellaneous investment operating income		367		373
	₩	104,486	₩	79,582

Details of other operating expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Compensation loss	₩	6,766	₩	2,400
Loss on foreign currency transactions		34,046		33,759
Loss on foreign currency translations		12,222		23,244
Administrative expenses for real-estate		3,277		3,128
Depreciation of real-estate		606		638
Miscellaneous operating losses		988		994
	₩	57,905	₩	64,163

28. Operating and administrative expenses

Details of operating and administrative expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Wages and salaries, etc.	₩ 59,866	₩ 43,020
Administrative expenses	34,865	26,429
Co-insurance commissions	389	389
Assumed reinsurance commissions	773,588	744,051
Commissions on profit paid for assumed reinsurance	174,754	166,141
Interest on ceded reinsurance deposits	608	864
Amortization of intangible assets	6,347	2,840
	₩ 1,050,417	₩ 983,734

29. Claim handling expenses

Details of claim handling expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Wages and salaries, etc.	₩ 2,648	₩ 1,791
Fee expense	91,872	79,004
Taxes and dues	38	34
Depreciation	30	22
Others	86	72
	₩ 94,674	₩ 80,923

30. Asset management expenses

Details of asset management expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Wages and salaries	₩ 1,908	₩ 964
Other employee benefits	284	270
Taxes and dues	29	20
Fee expense	1,658	1,239
Depreciation	33	24
Others	273	249
	₩ 4,185	₩ 2,766

31. Non-operating income and expenses

Details of non-operating income for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Gain on disposal of property and equipment	₩	-	₩	23
Gain on disposal of intangible assets		-		10
Miscellaneous non-operating income		267		36
	₩	267	₩	69

Details of non-operating expenses for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Donations	₩	2,338	₩	2,241
Loss on disposal of property and equipment		-		12
Loss on disposal of intangible assets		229		11
Miscellaneous non-operating losses		1,385		765
	₩	3,952	₩	3,029

32. Income tax

The major components of income tax expenses for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Current income taxes	₩	37,881	₩	7,640
Tax effect on temporary differences		25,305		53,208
		63,186		60,848
Current and deferred income taxes recognized directly to equity		(8,805)		(24,149)
Others		765		1,235
Income tax expenses	₩	55,146	₩	37,934

The tax effects on temporary differences recognized directly in equity for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Gain on valuation of available-for-sale financial assets	₩	(9,496)	₩	(24,741)
Others		691		592
	₩	(8,805)	₩	(24,149)

32. Income tax (cont'd)

A reconciliation of income tax expenses applicable to income before income taxes at the Korea statutory tax rate to income tax expenses at the effective income tax rate is as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Income before income taxes (A)	₩ 241,602	₩ 155,414
Tax at the statutory income tax rate	58,468	37,610
Adjustments:		
Non-taxable income	(2,691)	(130)
Non-deductible expense	50	50
Others	(681)	404
	(3,322)	324
Income tax expenses (B)	₩ 55,146	₩ 37,934
Effective income tax rate (B) / (A)	22.83%	24.41%

Changes in deferred income tax assets and liabilities for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		
	Beginning balances	Net increase (decrease)	Ending balances
Depreciation	₩ 27	₩ 4	₩ 31
Compensation receivables	(15,735)	1,637	(14,098)
Loss (gain) on valuation of financial assets held-for-trading	(915)	(1,142)	(2,057)
Loss (gain) on valuation of derivative instruments	-	(1,249)	(1,249)
Allowance for doubtful accounts	209	(209)	-
Impairment loss on available-for-sale financial assets	8,410	5,009	13,419
Bonus stock dividend	753	-	753
Accrued income	(3,106)	823	(2,283)
Catastrophe reserve	(200,708)	(20,361)	(221,069)
Compensation costs	155	(155)	-
Annual leave	86	12	98
Impairment loss on membership rights	993	167	1,160
Loss (gain) on foreign currency translations	(6,984)	(2,784)	(9,768)
Retirement benefit liabilities	2,177	1,992	4,169
Plan assets	(993)	265	(728)
land revaluation surplus	(22,028)	-	(22,028)
Loss (gain) on valuation of available-for-sale financial assets	(20,592)	(9,497)	(30,089)
Issuance cost of hybrid equity security	592	-	592
Tax credit on taxes paid in a foreign country	619	-	619
Others	2,936	183	3,119
	₩ (254,104)	₩ (25,305)	₩ (279,409)

32. Income tax (cont'd)

	For the year ended December 31, 2014		
	Beginning balances	Net increase (decrease)	Ending balances
Depreciation	₩ 23	₩ 4	₩ 27
Compensation receivables	(16,316)	581	(15,735)
Loss (gain) on valuation of financial assets held-for-trading	(862)	(53)	(915)
Allowance for doubtful accounts	209	-	209
Impairment loss on available-for-sale financial assets	7,687	723	8,410
Bonus stock dividend	753	-	753
Accrued income	(3,890)	784	(3,106)
Catastrophe reserve	(182,316)	(18,392)	(200,708)
Compensation costs	397	(242)	155
Annual leave	61	25	86
Impairment loss on membership rights	809	184	993
Loss on foreign currency translations	5,472	(12,456)	(6,984)
Retirement benefit liabilities	2,192	(15)	2,177
Plan assets	(664)	(329)	(993)
land revaluation surplus	(22,028)	-	(22,028)
Loss (gain) on valuation of available-for-sale financial assets	4,149	(24,741)	(20,592)
Issuance cost of hybrid equity security	-	592	592
Tax credit on taxes paid in a foreign country	619	-	619
Others	2,809	127	2,936
	₩ (200,896)	₩ (53,208)	₩ (254,104)

33. Earnings per share

Basic earnings per share for the years ended December 31, 2015 and 2014 are computed as follows (in Korean won):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Net income	₩ 186,455,979,627	₩ 117,480,019,288
Dividends of hybrid equity security	(10,449,000,000)	-
Consolidated net income for common stocks	176,006,979,627	117,480,019,288
Weighted average number of common stocks outstanding (shares)	114,869,116	114,869,116
Basic earnings per share	₩ 1,532	₩ 1,023

33. Earnings per share (cont'd)

Weighted average number of common stocks outstanding for the years ended December 31, 2015 and 2014 are computed as follows (shares in units):

	For the year ended December 31, 2015			
	Date	Number of common stocks	Weighted average	Number of common stocks outstanding
Beginning	2015-01-01	114,869,116	365	41,927,227,340
Weighted average number of common stocks outstanding				114,869,116

	For the year ended December 31, 2014			
	Date	Number of common stocks	Weighted average	Number of common stocks outstanding
Beginning	2014-01-01	112,616,781	365	41,105,125,065
Stock dividends	2014-01-01	2,252,335	365	822,102,275
Total		114,869,116		41,927,227,340
Weighted average number of common stocks outstanding				114,869,116

Diluted earnings per share for the years ended December 31, 2015 and 2014 are computed as follows (in Korean won):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Net income	₩ 176,006,979,627	₩ 117,480,019,288
Compensation costs (after tax)	-	(758,894,440)
Diluted net income	176,006,979,627	116,721,124,848
Weighted average number of diluted common stocks outstanding (shares)	114,869,116	114,869,116
Diluted earnings per share	₩ 1,532	₩ 1,016

Weighted average number of diluted common stocks outstanding for the years ended December 31, 2015 and 2014 are as follows (shares):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Weighted average number of common stocks outstanding	114,869,116	114,869,116
Weighted average number of diluted common stocks outstanding	114,869,116	114,869,116

34. Cash flow information

Adjustments of income and expense to calculate cash flow from operating activities for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015	For the year ended December 31, 2014
Interest income	₩ (91,656)	₩ (92,869)
Interest on deposits on reinsurance contracts assumed	(1,231)	(1,136)
Gain on disposal of property and equipment	-	(23)
Gain on disposal of intangible assets	-	(10)
Gain on foreign currency translations	(52,604)	(52,104)
Valuation gain on financial assets at FVTPL	(20,410)	(5,093)
Gain on disposal of available-for-sale financial assets	(52,973)	(29,115)
Reversal of impairment loss on reinsurance assets	(6,561)	(1,031)
Gain on valuation of derivatives designated as hedges	(62)	-
Gain on transaction of derivatives designated as hedges	(2)	-
Reversal of allowance	(1,746)	-
Dividend income	(10,122)	(5,410)
Interest expense	13	7
Interest on deposits on reinsurance contracts ceded	608	864
Loss on foreign currency translation	12,222	23,244
Valuation loss on financial assets at FVTPL	1,211	1,310
Loss on disposal of available-for-sale financial assets	11,562	3,151
Impairment loss on available-for-sale financial assets	24,348	3,056
Loss on valuation of derivatives designated as hedges	5,599	-
Loss on transaction of derivatives designated as hedges	6,288	-
Depreciation	2,631	1,964
Amortization of intangible assets	6,347	2,840
Loss on disposal of intangible assets	229	11
Impairment loss on intangible assets	1,380	762
Bad debt expense	1	7,688
Compensation loss	6,766	2,400
Provision for insurance contract liabilities	351,432	218,319
Retirement benefit expenses	7,036	1,482
Loss on disposal of property and equipment	-	2
	₩ 200,306	₩ 80,319

34. Cash flow information (cont'd)

Changes in assets and liabilities to calculate cash flow from operating activity for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Deposits	₩	201,146	₩	(104,887)
Financial assets at FVTPL		(468,032)		(158,688)
Loans		(152)		(23)
Receivables		(154,556)		(168,944)
Other assets		8,420		11,951
Financial liabilities measured at amortized cost		(38,676)		136,266
Retirement benefit liabilities		(674)		(2,006)
Other liabilities		6,133		(10,207)
	₩	(446,391)	₩	(296,538)

Significant non-cash transactions for the years ended December 31, 2015 and 2014 are summarized as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Valuation gain on available-for-sale financial assets	₩	29,744	₩	77,495
Re-measurement of the net defined benefit liabilities		(2,163)		1,193
Exchange difference on translating foreign operations		50		(723)
Stock dividend		-		1,126
Written off of receivables		4,993		-

35. Related parties

Compensations for key management personnel for the years ended December 31, 2015 and 2014 are as follows (Korean won in millions):

	For the year ended December 31, 2015		For the year ended December 31, 2014	
Short-term wages and salaries	₩	2,151	₩	2,169
Retirement benefit expenses		(305)		(270)
	₩	1,846	₩	1,899

36. Contingencies and significant contracts

Assets provided as collaterals as of December 31, 2015 are as follows (Korean won in millions):

Bank	Limit	Assets provided as collaterals	Amounts	
Australia and New Zealand Banking Group	USD 100,000,000	Available-for-sale financial assets	₩	185,000
Citi Bank	USD 100,000,000	Available-for-sale financial assets	₩	160,000
Sumitomo Mitsui Banking Corporation	USD 100,000,000	Available-for-sale financial assets	₩	155,000
National Australia Bank	NZD 5,082,403	Deposits	₩	4,114
HSBC France	EUR 63,744	Available-for-sale financial assets	₩	185
Royal Bank of Canada	CAD 20,815,000	Available-for-sale financial assets	₩	16,452
		Deposits	₩	5,207

37. Financial risk management

37.1 Capital management

The Company manages its capital adequacy, meeting the requirement of risk-based capital (RBC) in accordance with the RIS.

Timely corrective measures taken by the Financial Supervisory Service (FSS) in Korea to the insurance companies in accordance with the RBC are as follows.

(1) Less than 100% ~ More than 50% (Management improvement recommendations):

- ▶ Improvement in personnel organization and the organizational structure;
- ▶ Increase or decrease in paid in capital;
- ▶ Restriction on initiating new business and on new capital investment;

(2) Less than 50% ~ More than 0% (Management improvement request):

- ▶ Closure and consolidation of existing offices, or restriction on opening new sales offices;
- ▶ Request for replacement of executives;
- ▶ Partial suspension of insurance business;

(3) Less than 0% (Management improvement command):

- ▶ Retirement of the issued stocks;
- ▶ Transfer of business operation;
- ▶ Appointment of a custodian;
- ▶ Merger or transfer of contracts;

The Company's RBC ratios as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015	December 31, 2014
Amount of solvency margin (available capital (A))	₩ 2,158,834	₩ 1,967,940
Standard amount of solvency margin (required capital (B))	911,291	833,139
RBC ratio (A/B)	236.9%	236.2%

37. Financial risk management (cont'd)

37.2 Insurance risk

37.2.1 Insurance risk management

37.2.1.1 Concept

Insurance risk embedded in the insurance contracts represents a risk with respect to the underwriting of insurance contracts and insurance claims payments. Such risk comprises insurance price risk and reserve risk.

(i) Insurance price risk - It represents a loss possibility arising from the difference between predetermined loss ratio at pricing and actual loss ratio.

(ii) Reserve risk - It represents a risk that actual insurance claims to be paid in future arising from the occurrence of insured event would be more than the carrying amount of a reserve for outstanding claims recorded at the time of occurrence of the insured event in the consolidated statement of financial position.

37.2.1.2 Exposure status

Insurance price risk is applied to general non-life insurance, long-term non-life insurance and life insurance. Reserve risk in insurance risk is only exposed to general non-life insurance rather than life or long-term non-life insurance. (Korean won in millions):

(i) Insurance price risk exposure status of general non-life insurance as of December 31, 2015

	Total amounts of retained premiums		
	Assumed (A)	Ceded (B)	Net (A-B)
General non-life insurance	₩ 3,008,468	₩ 1,456,931	₩ 1,551,537
Automobile insurance	694,127	100,086	594,041
Surety insurance	77,514	833	76,681
	₩ 3,780,109	₩ 1,557,850	₩ 2,222,259

(ii) Insurance price risk exposure status of long term non-life insurance and life insurance as of December 31, 2015

	Total amounts of retained risk premiums		
	Assumed (A)	Ceded (B)	Net (A-B)
Long term non-life insurance	₩ 1,582,837	₩ 311,373	₩ 1,271,464
Life insurance	1,001,001	125,917	875,084
	₩ 2,583,838	₩ 437,290	₩ 2,146,548

(iii) Reserve risk exposure status of general non-life insurance as of December 31, 2015

	Reserve for outstanding claims		
	Assumed (A)	Ceded (B)	Net (A-B)
General non-life insurance	₩ 2,187,610	₩ 1,018,661	₩ 1,168,949
Automobile insurance	153,508	18,271	135,237
Surety insurance	12,402	136	12,266
	₩ 2,353,520	₩ 1,037,068	₩ 1,316,452

37. Financial risk management (cont'd)

37.2 Insurance risk (cont'd)

37.2.2 Sensitivity analysis by insurance risk factors

Results of sensitivity analysis by insurance risk factors as of December 31, 2015 are as follows (Korean won in millions):

	Loss ratio	Impact on profit or loss	
General non-life insurance	5%p increase	₩	(107,335)
Long term non-life and life insurance	7.5%p increase	₩	(158,135)

37.3 Market risk

37.3.1 Management of market risk

37.3.1.1 Market risk concept

Market risk is a risk of suffering a loss arising from a decrease in the asset value of securities and derivatives, etc. due to the change in market price that means stock price, interest rate and foreign exchange rate, etc.

37.3.1.2 Exposure status

Exposures to market risks as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Profit or loss	Equity	Profit or loss	Equity
Interest rate	₩ 1,044,068	₩ 1,928,261	₩ 563,753	₩ 1,957,079
Foreign exchange rate	233,216	8,262	179,571	6,484
Stock price	9,923	164,315	25,580	184,706
	₩ 1,287,207	₩ 2,100,838	₩ 768,904	₩ 2,148,269

37. Financial risk management (cont'd)

37.3 Market risk (cont'd)

37.3.2 Sensitivity analysis

37.3.2.1 Interest rate risk

A 10 bp increase (or decrease) is applied in consideration of reasonable fluctuation of interest rate based on the interest rate exposure as of December 31, 2015 and 2014 (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
Increase or decrease in interest rate:				
+ 10 bp	₩ (261)	₩ (10,554)	₩ (141)	₩ (11,327)
- 10 bp	261	10,554	141	11,327

37.3.2.2 Foreign exchange rate risk

A 10% increase (or decrease) is applied in consideration of reasonable fluctuation of foreign exchange based on the foreign exchange rate exposure as of December 31, 2015 and 2014 (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
Increase or decrease in foreign exchange rate:				
+ 10 %	₩ 23,322	₩ 826	₩ 17,957	₩ 648
- 10 %	(23,322)	(826)	(17,957)	(648)

37.3.2.3 Stock price risk

A 10% increase (or decrease) is applied in consideration of reasonable fluctuation of stock price based on the stock price exposure as of December 31, 2015 and 2014 (Korean won in millions):

	December 31, 2015		December 31, 2014	
	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
Increase or decrease in prices:				
+ 10 %	₩ 752	₩ 13,062	₩ 1,522	₩ 11,969
- 10 %	(752)	(13,062)	(1,522)	(11,969)

37. Financial risk management (cont'd)

37.4 Credit risk

37.4.1 Credit risk management

37.4.1.1 Credit risk concept

Credit risk is a risk of suffering an economic loss potentially due to the non-performance of obligation arising from bankruptcy or non-performance of a contract of counterparties.

37.4.1.2 Exposure status

Exposures to credit risks are determined by industry and counterparty

37.4.1.2.1 Exposures by industry

Maximum exposures by industry as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015			
	Finance & insurance	Manufacturing	Others	Total
Deposits	₩ 507,970	₩ -	₩ -	₩ 507,970
Available-for-sale financial assets (Debt Securities)	205,518	173,971	2,113,684	2,493,173
Loans	9,993	-	67,635	77,628
Receivables	2,225,455	-	16,217	2,241,672
	₩ 2,948,936	₩ 173,971	₩ 2,197,536	₩ 5,320,443

	December 31, 2014			
	Finance & insurance	Manufacturing	Others	Total
Deposits	₩ 703,594	₩ -	₩ -	₩ 703,594
Available-for-sale financial assets (Debt Securities)	371,152	143,310	1,795,148	2,309,610
Loans	67,465	-	9,913	77,378
Receivables	2,082,182	-	515	2,082,697
	₩ 3,224,393	₩ 143,310	₩ 1,805,576	₩ 5,173,279

37. Financial risk management (cont'd)

37.4 Credit risk (cont'd)

37.4.1 Credit risk management (cont'd)

37.4.1.2 Exposure status (cont'd)

37.4.1.2.2 Exposures by counterparty

Maximum exposures by counterparty as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015		
	Individuals	Corporates	Total
Deposits	₩ -	₩ 507,970	₩ 507,970
Available-for-sale financial assets (Debt Securities)	-	2,493,173	2,493,173
Loans	3,208	74,420	77,628
Receivables	-	2,241,672	2,241,672
	₩ 3,208	₩ 5,317,235	₩ 5,320,443

	December 31, 2014		
	Individuals	Corporates	Total
Deposits	₩ -	₩ 703,594	₩ 703,594
Available-for-sale financial assets (Debt Securities)	-	2,309,610	2,309,610
Loans	3,031	74,347	77,378
Receivables	-	2,082,697	2,082,697
	₩ 3,031	₩ 5,170,248	₩ 5,173,279

37. Financial risk management (cont'd)

37.4 Credit risk (cont'd)

37.4.1 Credit risk management (cont'd)

37.4.1.2 Exposure status (cont'd)

37.4.1.2.3 Credit soundness of financial assets neither past due nor impaired

The carrying amounts of financial assets neither past due nor impaired by credit ratings as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	December 31, 2015					
	Credit rating(*1)					
	AAA (*2)	AA+~AA-	A+~BBB-	BB+ or lower	Other	Total
Deposits	₩ 460,634	₩ 47,336	₩ -	₩ -	₩ -	₩ 507,970
Available-for-sale financial assets (Debt Securities)	1,864,786	532,821	95,566	-	-	2,493,173
Loans	9,993	-	-	-	67,635	77,628
Receivables	111,768	1,198,637	472,880	1,926	456,461	2,241,672
	₩ 2,447,181	₩ 1,778,794	₩ 568,446	₩ 1,926	₩ 524,096	₩ 5,320,443

	December 31, 2014					
	Credit rating(*1)					
	AAA (*2)	AA+~AA-	A+~BBB-	BB+ or lower	Other	Total
Deposits	₩ 539,583	₩ 164,011	₩ -	₩ -	₩ -	₩ 703,594
Available-for-sale financial assets (Debt Securities)	1,694,671	522,771	92,168	-	-	2,309,610
Loans	9,913	-	-	-	67,465	77,378
Receivables	132,610	1,118,457	380,130	16,241	435,259	2,082,697
	₩ 2,376,777	₩ 1,805,239	₩ 472,298	₩ 16,241	₩ 502,724	₩ 5,173,279

(*1) The credit risk of bond securities held is managed considering the external credit ratings.
(*2) Risk free assets were categorized to AAA rating.

37.4.2 Aging analysis of financial assets past due but unimpaired

There are no financial assets past due but unimpaired as of December 31, 2015 and 2014.

37.4.3 Financial assets individually impaired

Details of the receivables which are individually impaired as of December 31, 2015 and 2014 are as follows (Korean won in millions):

	Receivables	
	December 31, 2015	December 31, 2014
Principal amount of receivables	₩ 2,845	₩ 3,816
Allowance for possible loss	(2,845)	(3,816)
Net carrying amount	₩ -	₩ -

37. Financial risk management (cont'd)

37.5 Liquidity risk management

Liquidity risk is a risk of suffering an economic loss due to temporary lack of funds arising from duration mismatch of assets and liabilities or unexpected significant cash flow fluctuation.

The Company measures the liquidity ratio on a monthly basis using Risk Assessment and Application System (RAAS) by the FSS and its internal model and asset liability management (ALM) system. The liquidity ratio is managed between the limit range of the regulation and the trend of the ratios is analyzed for the purpose of managing liquidity risk.

The following table shows contractually residual maturity for non-derivative financial liabilities in details as of December 31, 2015 and 2014. Such maturity analysis was made based on the earliest maturity in which the first installments of principal or interest should be paid pursuant to the undiscounted cash flows. In the event of such analysis, liabilities with maturity are classified by the residual maturity and liabilities with no maturity or those required to define maturity are classified based on the inherent attributes of the products (Korean won in millions):

	December 31, 2015			
	Within 6 months	6 months to 1 year	1 to 5 years	Total
Insurance payables	₩ 1,209,867	₩ 629,711	₩ 55,321	₩ 1,894,899
Payables	1,675	-	-	1,675
Accrued expenses	14,022	-	1,686	15,708
Leasehold deposits received	1,357	5,431	361	7,149
	₩ 1,226,921	₩ 635,142	₩ 57,368	₩ 1,919,431

	December 31, 2014			
	Within 6 months	6 months to 1 year	1 to 5 years	Total
Insurance payables	₩ 969,381	₩ 909,185	₩ 54,394	₩ 1,932,960
Payables	1,442	-	-	1,442
Accrued expenses	14,886	638	-	15,524
Leasehold deposits received	680	63	6,730	7,473
	₩ 986,389	₩ 909,886	₩ 61,124	₩ 1,957,399

37. Financial risk management (cont'd)

37.6 Operational risk management

37.6.1 Concept

Operational risk is a risk of suffering an economic loss due to improper or wrong internal processes, human resources and systems, or external events. The risk management team of the company used tools like the Risk Control Self Assessment (RCSA) and the Key Risk Indicator (KRI) to manage the operational risk, with an ongoing monitoring system being implemented.

37.6.2 Management methodology

(1) Checklist for operational risk - Firstly, the responsible personnel at relevant departments reviews and assesses the risk embedded in the work process and secondly, the risk management team collects the outcome and reports it to the risk management committee. Ultimately, the outcome is reported by the top management of the Company. The Company manages its operational risk through such risk management process and establishes countermeasures in case of unusual symptom.

(2) KRI (Key risk indicator) - Of the checklist for operational risk, the Company sets key risk indicators and utilizes them as main risk management indicators.

(3) Implementation of constant supervisory system - The Company implements constant supervisory system through its compliance team.

38. Approval of financial statements for the year ended December 31, 2015

The accompanying financial statements of the Group were approved by the Board of Directors on March 3, 2016 and will be approved at the annual stockholders' meeting on March 18, 2016.