

# The Current Status Of SBI Savings Bank As of September 30st, 2015

(July 1st, 2014 ~ September 30st, 2015)

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## [General Status]

### 1. Declaration

This document has been prepared in compliance with Article 42 of Mutual Savings Bank Regulatory Provisions. With the respect, it contains the true, actual and general information of the management of mutual savings bank. However, it is noticeable that this document hasn't been reviewed and confirmed by Financial Supervisory Service and Korea Federation of Savings Banks for accuracy and adequacy. It should be noted that this report is the English version of the original report written in Korean, ensuring the former is not deviated from the acceptable range of discrepancy in meaning.

CEO Nakamura Hideo

### 2. Management Policy

#### (1) Management Philosophy

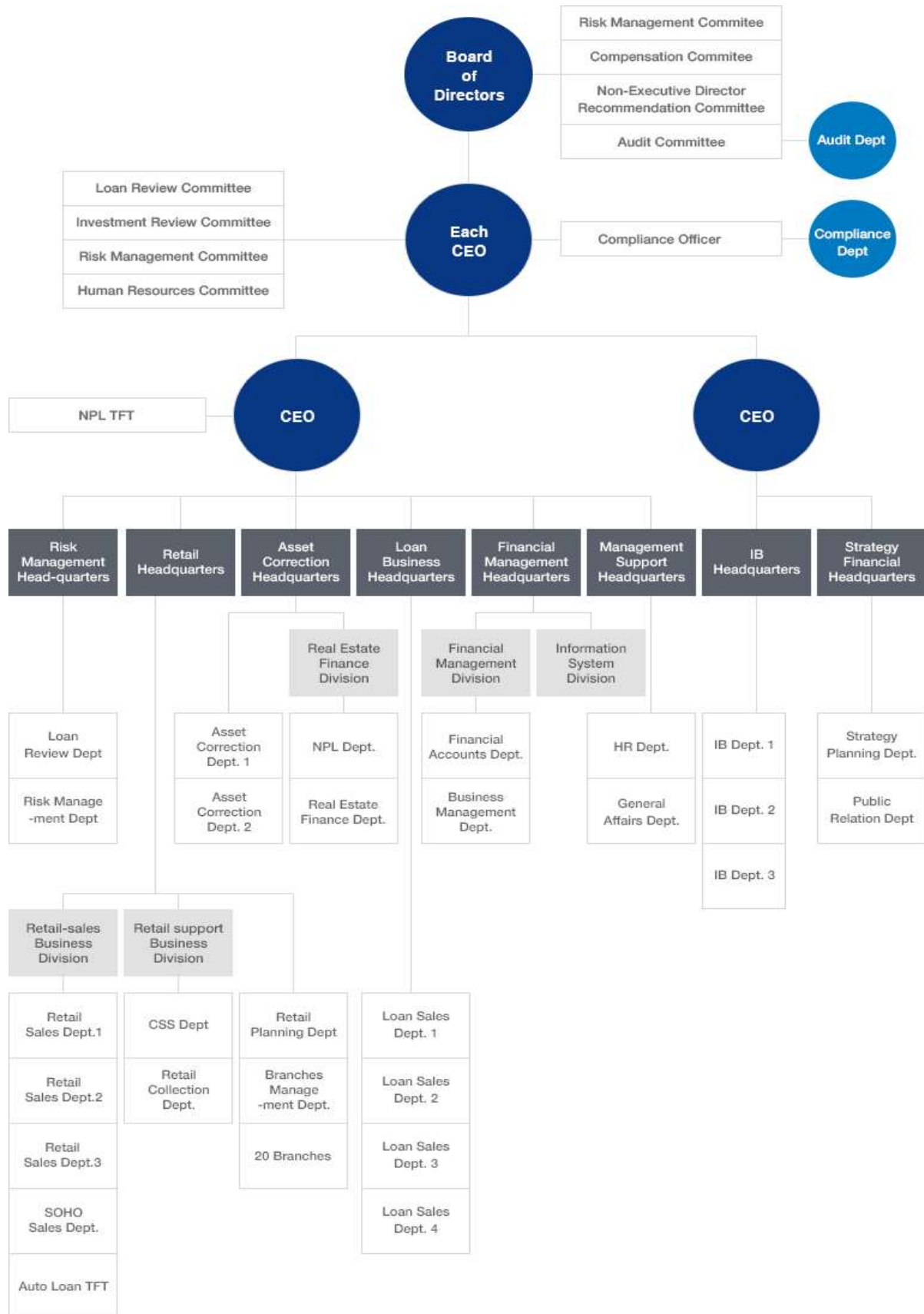
- We provide quality and reliable financial services of high quality on the basis of social calling and public interest and contribute to social development by improving public standard living and fostering companies.

#### (2) Management Attitude

- ① Social responsibility: We honor the social role and responsibility as a company.
- ② Pursuit of innovation: We pursue endless change and innovation.
- ③ Self-innovation: We get ready for environment change.
- ④ Righteous management: We act on righteous values and ethics.
- ⑤ Customer orientation: We aim for customer-centered service.

### 3. Organization

#### (1) Organizational Chart



\* This Organization was changed on 1st, October, 2015

## (2) Branch and Automatic Teller Machine

1Q in FY15: End Of September, 2015

Branch			Automatic Teller Machine		
Branch Store	Branch Office	Total	CD	ATM	Other
20	0	20	0	0	0

## 4. Number Of Employees

1Q in FY15: End Of September, 2015

4Q in FY14: End Of June, 2015

Classification		1Q in FY15	4Q in FY14
Executive	Executive Director	12	13
	Outside Director	7	6
Employees	Manager	219	205
	Staff	225	245
Position In Special Services		0	0
Total		463	469

## 5. Executives

Note \*) Resignation was occurred after general meeting of stockholders, September 30st.

1Q in FY15 : End Of September, 2015

Classification	Name	Position	Key Task and Role
Standing Executive	Nakamura Hideo	CEO	CEO & President (Risk Management HQ Head)
	Lim Jin Gu	CEO	CEO & Vice-President (IB HQ, Strategic Planning HQ Head)
	Jeong Jin Mun	Vice-President	Retail HQ Head
	Kim Jong Ouk(*)	Vice Chairman	N.A
	Katsuchi Hideyuki	Managing Director	Finance Management HQ Head
	Choi Sung Dong	Managing Director	Corporate Finance HQ Head
	Kim Mun Seok	Managing Director	Human Resource HQ Head
	Lim Young Bok	Managing Director	Collection HQ Head
	Lee Se Hoon	Director	Auditor Department Director
	Jeong Chang Duk	Director	Auditor Department Head
	Yoo Hyun Kuk	Director	Retail Division Head
	Hwang Chul Ju(*)	Director	N.A

Outside Director (Or Non-Standing Executive)	Woo Yang Tae	Outside Director	Audit Committee Member
	Song Si Young	Outside Director	Audit Committee Member
	Lee Deuk Young	Outside Director	Audit Committee Member
	Kim Ki Hyun	Outside Director	Audit Committee Member
	Matsuo Kiyoshi	Outside Director	Outside Director
	Kawashima Katsuya	Other Outside Director	Chairman (Other Non Executive Director )
	Nakakawa Takashi(*)	Other Outside Director	Chairman (Other Non Executive Director )

## 6. Capital Stock

(Unit: Hundred Million KRW)

Y/M/D	Type of Stock	Number of Issued Shares	Amounts of Increased/Decreased Capital	Type of Capital Increase/Decrease	Paid-In-Capital after After Capital Increase/Decrease	Remarks
2013.03.27	Common Stock	38,820,002	1,941	Paid-In Capital Increase(Allotment To The Third Party)	2,241	
2013.08.30	Common Stock	48,681,400	2,434	Paid-In Capital Increase(Offering To Shareholders)	4,675	
2013.12.23	Common Stock	10,004,300	500	Paid-In Capital Increase(Offering To Shareholders)	5,175	
2014.03.28	Common Stock	50,597,800	2,530	Paid-In Capital Increase(Offering To Shareholders)	7,705	
2014.06.13	Common Stock	26,997,921	1,350	Paid-In Capital Increase(Offering To Shareholders)	9,055	
2014.08.22	Common Stock	14,948,385	747	Paid-In Capital Increase(Offering To Shareholders)	9,802	
2014.10.31	Common Stock	116,244,636	5,813	Merger	15,615	

Note 1) The figures regarding capital increase/decrease and the paid-in-capital after the change are based on the transactions of the last 3 years

Note 2) The company merged SBI 2 savings bank, SBI 3 savings bank, and SBI 4 savings bank on October 31st, 2014 (as the date of merger) through the approval of the board of directors on September 18th, 2014, the approval of Financial Services Commission on October 17th, 2014 and the announcement of merger in substitution of a reporting meeting of the board of directors on October 31st, 2014.

## [Performance]

### 7. Financing And Operation

#### (1) Interest Rate

1Q in FY15: End Of September, 2015

1Q in FY14: End Of September, 2014

(Unit: Hundred Million KRW, %)

Classification			1Q in FY15				1Q in FY14			
			Average	Balance	Interest	Interest	Average	Balance	Interest	Interest
			%	Amount	Rate	%	Amount	Rate		
Financing	Cost	Deposit	33,322	88.70	275	3.3	12,672	75.33	118	3.7
		Cover Note	0	0.00	0	0.0	0	0.00	0	0.0
		Borrowings	0	0.00	0	0.0	0	0.00	0	0.0
		Call Money	0	0.00	0	0.0	0	0.00	0	0.0
		Debentures	96	0.25	2	8.1	400	2.38	8	8.2
		Others	171	0.45	0	0.0	43	0.25	6	55.4
	Subtotal		33,589	89.40	277	3.3	13,115	77.96	132	4.0
	Non-Cost	Total Capital	3,757	10.00	0	0.0	1,895	11.27	0	0.0
		Other Allowances	5	0.04	0	0.0	1,495	8.89	0	0.0
		Others	219	0.58	0	0.0	317	1.88	0	0.0
Subtotal		3,981	10.60	0	0.0	3,707	22.04	0	0.0	
Financing Total		37,569	100.00	277	2.9	16,822	100.00	132	3.1	
Operation	Profit	Due from Bank	5,048	13.44	23	0.9	2,338	13.91	16	2.7
		Securities	3,220	8.57	-2	-0.2	3,365	20.01	13	1.5
		Loans	31,432	83.67	796	10.1	11,965	71.14	286	9.5
		Call Loans	0	0.00	0	0.0	0	0.00	0	0.0
		Others	412	1.10	0	0.0	126	0.76	0	0.0
		Allowance For Bad Debts And Others (△)	5,018	13.36	0	0.0	2,680	15.93	0	0.0
	Subtotal		35,094	93.41	817	9.3	15,114	89.85	315	8.3
	Non-Profit	Cash	17	0.04	0	0.0	7	0.04	0	0.0
		Tangible Assets	181	0.48	0	0.0	79	0.47	0	0.0
		Others	2,277	6.06	0	0.0	1,622	9.64	0	0.0
Subtotal		2,475	6.59	0	0.0	1,708	10.15	0	0.0	
Operation Total		37,569	100.00	817	8.7	16,822	100.00	315	7.4	

#### (2) Maturity Structure

1Q in FY15: End Of September, 2015

(Unit: Hundred Million KRW)

Classification	Normal /Precautionary Assets And Debt Maturity					Sub-Standard or Lower Asset(C)	Total (A+B+C)
	3-Month Or Shorter	6-Month Or Shorter	12-Month Or Shorter	3-Year Or Shorter(A)	3-Year Or Longer(B)		
Operation	3,617	6,416	9,557	17,729	12,622	7,560	37,911
Loan(1)*	2,143	4,942	8,083	15,534	8,333	7,560	31,428
Financing	11,565	19,703	30,637	32,857	5,054	0	37,911
Deposit Received(2)	11,565	19,703	30,637	32,857	2	0	32,859
Difference(1-2)	△9,422	△14,761	△22,554	△17,322	8,331	7,560	△1,431

\* Suspense receivable as credit is included.

### (3) Subordinated Bond Issuance

1Q in FY15: End Of September, 2015  
(Unit: Hundred Million KRW)

Type of Bond	The Date Of Issue	The Date Of Maturity	Issued Amount	Issued (Interest) Rate	Credit Rate	Remarks
<u>Not Applicable</u>						

## 8. Index Of Capital Adequacy

### A. Capital Adequacy

1Q in FY15: End Of September, 2015  
1Q in FY14: End Of September, 2014  
(Unit: Hundred Million KRW, %)

Classification	1Q in FY15	1Q in FY14
BIS Capital Ratio ※ Required By The Law Is More Than (7%)	11.55	11.45
BIS Basic Capital Ratio (Tire1)	10.15	10.35
Tangible Common Equity Ratio	9.93	12.14

◆ **BIS capital adequacy ratio (equity capital/risk-weighted assets ratio):** It represents the adequacy of financial structure of a mutual savings bank. It is one of the management guidelines set by Financial Supervisory Service on the basis of the international agreement that requests to secure a certain level of equity capital for market/operational risk, which was announced by BIS Financial Services Commission (Basel Committee on Banking Supervision). The high percentage (capital owned / market/operational risk x 100) of a company means that the company has good capital adequacy.

### B. Calculation Of BIS Capital Adequacy Ratio

1Q in FY15: End Of September, 2015  
1Q in FY14: End Of September, 2014  
(Unit: Hundred Million KRW)

Classification	1Q in FY15	1Q in FY14
Ordinary Capital Sum (A)	3,334	2,349
Capital Stock	15,615	9,802
Capital Surplus	102	6
Retained Earnings	△7,025	△7,501
Shares Owned By External Shareholders Of Affiliated Company	0	223
Deductions	△5,358	△181
Supplementary Capital Sum (B)	458	372
Upper Subordinated Debt (Claimed) With Maturity	0	0
Lower Subordinated Debt (Claimed) With Maturity	0	35
Revaluation Reserve	0	7
Gain On Valuation Of Asset Available For Sale And Others	6	0
Allowance For Bad Debts	452	330
Long-Term Borrowing(C) For Management Normalization	0	0
Deduction Sum (D)	0	122
Equity Capital Sum (A+B+C-D)	3,792	2,599
Risk-Weighted Asset	32,841	22,708

## 9. Index Of Asset Quality

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification	1Q in FY15	1Q in FY14
Loss Risk-Weighted Loan Ratio	48.48	50.33
Net Substandard or Lower Loan Ratio	14.51	13.97
Substandard or Lower Loan Ratio	24.06	28.29
Ratio Of Overdue Loan	22.31	25.68

## 10. Index Of Profitability

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Class	1Q in FY15	1Q in FY14
Return On Assets	1.27	△10.74
Expense On Assets	2.45	2.62
Ratio Of Gross Profit To Gross Costs	87.47	149.53

## 11. Index Of Liquidity

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification	1Q in FY15	1Q in FY14
Liquidity Coverage Ratio	71.32	131.79
Ratio of Disposable Fund	17.03	14.20
Tangible Assets Ratio	55.23	48.77

◆ Liquidity coverage ratio: It is the ratio of those assets that can easily be exchanged for money to the total assets of a mutual savings bank. High liquidity ratio of a company means that the company is better able to liquidate asset.

## 12. Index Of Productivity

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification	1Q in FY15	1Q in FY14
Per Employee	Profit Before Allowance	1
	Deposits	72
	Loans	68
Per Branch Bank	Deposits	1,666
	Loans	1,572

## [Financial Results]

### 13. Outline

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification	1Q in FY15		1Q in FY14		
	Amount	%	Amount	%	
<b>Asset</b>	Cash And Due from Banks	4,484	11.83	1,760	9.77
	Securities	2,308	6.09	3,637	20.18
	Loans	31,335	82.66	13,153	72.98
	Call Loans	0	0.00	0	0.00
	Tangible Asset	172	0.45	75	0.42
	Other Assets	3,356	8.85	1,711	9.49
	Allowance For Bad Debts And Others (△)	△3,744	△9.87	△2,314	△12.84
<b>Asset Total</b>	<b>37,911</b>	<b>100.00</b>	<b>18,022</b>	<b>100.00</b>	
<b>Liability</b>	Deposits	32,859	86.67	13,060	72.47
	Borrowings	0	0.00	300	1.66
	Call Money	0	0.00	0	0.00
	Other Liabilities	1,287	3.40	2,473	13.72
	<b>Liability Total</b>	<b>34,146</b>	<b>90.07</b>	<b>15,833</b>	<b>87.85</b>
<b>Stockholder's Equity</b>	Capital Stock	15,615	41.19	9,802	54.39
	Capital Surplus	102	0.27	6	0.03
	Capital Adjustment	△4,943	△13.04	△137	△0.76
	Accumulated Other Comprehensive Income	15	0.04	19	0.11
	Retained Earnings	△7,024	△18.53	△7,501	△41.62
	<b>Stockholder's Equity Total</b>	<b>3,765</b>	<b>9.93</b>	<b>2,189</b>	<b>12.15</b>
<b>Liability And Stockholder's Equity Total</b>	<b>37,911</b>	<b>100.00</b>	<b>18,022</b>	<b>100.00</b>	

\* Suspense receivable as credit: It is classed into other asset category.

### 14. Operation with Loan

#### (1) Loan

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification	1Q In FY15		1Q in FY14	
	Amount	%	Amount	%
Loan For Company	16,786	53.41	5,591	42.31
Loan For Personal	12,290	39.11	4,345	32.88
Other Loans	2,352	7.48	3,278	24.81
<b>Total</b>	<b>31,428</b>	<b>100.00</b>	<b>13,214</b>	<b>100.00</b>

\* Suspense receivable as credit is included.



**(2) Secured Loan By Collateral**

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification		1Q in FY15		1Q in FY14	
			%		%
Collateral	Real Estate Property	7,492	23.84	3,023	22.87
	Movable Assets	353	1.12	140	1.06
	Securities	2,425	7.22	108	0.82
	Deposit Received	69	0.22	25	0.19
	Others	3,478	11.07	501	3.80
	Total	13,817	43.96	3,797	28.74
Guarantee		1,112	3.54	217	1.64
Credit		16,499	52.50	9,200	69.62
Total		31,428	100.00	13,214	100.00

\* Suspense receivable as credit is included.

**(3) Loan For Small And Medium (S&M) Enterprises**

1Q in FY15: End Of September, 2015  
 1Q in FY14: End Of September, 2014  
 (Unit: Hundred Million KRW, %)

Classification		1Q in FY15	1Q in FY14
S&M Company Loan	Ratio (A/B X 100)	46.81	41.58
	S&M Loan (A)	14,713	5,494
	Total (B)	31,428	13,214

\* Suspense receivable as credit is included.

**(4) Loan Exposure To Real Estate Property-Related Business And Asset Quality Classification**

1Q in FY15: End Of September, 2015  
 (Unit: Hundred Million KRW, %)

Business Type	Conformity To Credit Offering Binding		Category of Quality								
	Limit	Amount Of Credit Offering	Loan Obligation						Total	Overdue Amount	Delinquency Rate
			Normal	Precautionary	Sub-Standard	Recovery Doubtful	Presumed Loss				
Real Estate Property PF Loan(①)	6,286	2,153	0	0	2,091	0	62	2,153	2,153	100.00	
Construction Business (②)	9,428	1,417	857	108	415	5	33	1,417	434	30.63	
Real Estate Business And Leasing Business(③)	9,428	2,092	470	412	1,058	17	134	2,092	1,201	57.39	
Real Estate Property And Leasing Business(④)	9,428	902	379	174	297	2	50	902	342	37.88	
Total(①+②+③-④)	14,142	4,760	949	346	3,267	20	179	4,760	3,446	72.39	

\* Suspense receivable as credit is not included.

## (5) Micro Personal Credit Loan

(Unit: Hundred Million KRW,%,%p)

Classification	End Of September, 2015	End Of June, 2015	End Of March, 2015	End Of December, 2014
Total Loan	31,428	30,666	30,867	30,488
Micro Personal Credit Loan	1,210	1,137	1,159	1,184
Proportion	3.85	3.71	3.75	3.88
Micro Personal Credit Loan Overdue Amount	182	190	201	196
Proportion	15.04	16.71	17.34	16.55

Note \*) Of total loans, the cases of loan less than 3 million KRW are recorded by quarter.

Note \*) Criterion for "being overdue": The definition of 'overdue loan' in Mutual Savings Bank Regulatory Provisions (Attachment 7) is applied.

\* A savings bank whose balance of Personal Loan is lower than one billion KRW can not declare Handling Status of Personal Loan.

## 15. Deposits

### (1) Deposits By Type

1Q in FY15 : End of June, 2015

1Q in FY14 : End of June, 2014

(Unit: Hundred Million KRW, %)

Classification	1Q in FY15				1Q in FY14			
	Balance		Average Balance		Balance		Average Balance	
		%		%		%		%
Demand Deposits	970	2.95	975	2.93	394	3.02	405	3.20
Time Deposits	24,862	75.66	25,010	75.06	10,301	78.87	10,255	80.93
Installment Deposit	7,027	21.39	7,337	22.02	2,365	18.11	2,012	15.88
Cover Note	0	0.00	0	0.00	0	0.00	0	0.00
Others	0	0.00	0	0.00	0	0.00	0	0.00
Total	32,859	100.00	33,322	100.00	13,060	100.00	12,672	100.00

### (2) Deposits By Customer Type

1Q in FY15 : End of June, 2015

1Q in FY14 : End of June, 2014

(Unit: Hundred Million KRW, %)

Classification	1Q in FY15		1Q in FY14	
	Balance	%	Balance	%
Individual	32,555	99.07	12,970	99.31
Corporate And Group	251	0.76	69	0.53
Others	53	0.16	21	0.16
Total	32,859	100.00	13,060	100.00

Note \*) Based on balance

## 16. Write-Off And Allowance For Bad Debts

### (1) Amount Of Bad Loan Write-Off

1Q in FY15 (3 Months): from July 1st, to September 30st, 2015  
 1Q in FY15 (Accumulated): from July 1st, to September 30st, 2015  
 1Q in FY14 (3 Months): from July 1st, to September 30st, 2015  
 1Q in FY14 (Accumulated) from July 1st, to September 30st, 2015  
 (Unit: Hundred Million KRW)

Classification	1Q in FY15		1Q in FY14	
	Present Quarter	Cumulation	Vs. The Same Period Of Last Year	Cumulation
Amounts Of Write-Off During Term	121	121	26	26
General	121	121	26	26
Special	0	0	0	0

### (2) Classification Of Allowance For Bad Debts

1Q in FY15 : End Of September, 2015  
 1Q in FY14 : End Of September, 2014  
 (Unit: Hundred Million KRW)

Classification	1Q in FY15	1Q in FY14
Allowance For Bad Debts	3,742	2,325
General	3,742	2,325
Special	0	0

## 17. Current Status Of Loan Classified As NPL And Sub-Standard Or Lower

### (1) Loan Classified As NPL And Sub-Standard Or Lower

1Q in FY15 : End Of September, 2015  
 1Q in FY14 : End Of September, 2014  
 (Unit: Hundred Million KRW)

Classification	1Q in FY15	1Q in FY14
Total Loan	31,428	13,214
NPL (Non-Performing Loan or Insolvent Loan) <sup>1)</sup>	2,595	2,015
Sub-Standard Or Lower Loan <sup>2)</sup>	7,560	3,738
Net sub-Standard Or Lower Loan <sup>3)</sup>	4,017	1,521

Note 1) NPL or insolvent loan means the sum of recovery doubtful and presumed loss loan amount.

Note 2) Loan classified as sub-standard or lower is the sum of sub-standard, recovery doubtful and presumed loss loan amount.

Note 3) Loan classified as net sub-standard or lower is the sum of sub-standard loan minus bad debt allowance.

Note \*) Suspense receivable as credit is included.

◆ **NPL or insolvent loan:** It is the sum of recovery doubtful and presumed loss loan of a mutual savings bank. Low ratio of NPL over total loan means that the asset of a mutual savings bank is sound.

◦ **Recovery doubtful:** A portion of accounts receivable exceeding an expected recoverable which is anticipated to accrue, but the amount of the loss is not fixable in which cases were classified sub-standard.

◦ **Presumed loss:** A portion of accounts receivable exceeding an expected recoverable which shall be inevitably disposed of a loss because of impossibility of recovery in which cases were classified sub-standard.

◆ **Loan classified as sub-standard or lower:** It is the sum of sub-standard, recovery doubtful and presumed loss loan amount of the total loan of a mutual savings bank. Low ratio of Sub-standard loan over the total loan means that the asset of a mutual savings bank is sound.

◦ **Sub-standard:** An expected recoverable amount of accounts receivable which cases are needed specific recoverable and manageable measurement because of poor management.

**(2) Current Status of Increasing Large Sum NPL Or Insolvent Loan**

1Q in FY15 : End Of September, 2015  
 4Q in FY14 : End Of June, 2015  
 (Unit: Hundred Million KRW)

Company <sup>1)</sup>	1Q in FY15	4Q in FY14	Increased Amount	Reason For Increase	Remarks
M***** (Project Financing)	20	6	14	Collectible Amount Changed	
N***** (Real Estate Business And Leasing Business)	70	44	26	Collectible Amount Changed	

Note 1) The list should be of top 20 companies whose NPL or insolvent loan amount is one billion greater than that of the previous quarter. But the name should be written like “(Ltd)\*\*\*(Business Type)” for corporate body. For individual loan, the name of company should be written like “individual loan (last name\*second name)”.

**(3) Current Status Of Companies Under Debt Reconciliation For New Loan**

1Q in FY15 : End Of September, 2015  
 (Unit: Hundred Million KRW)

Company	Date of Decision For Debt Reconciliation	1Q in FY15 Total Loan Balance	NPL Or Insolvent Balance	Progress Of Debt Reconciliation	Remarks
<u>Not Applicable</u>					

Note \*) It should be prepared for companies whose total loan balance is over one billion one KRW.

**18. Off-The-Book Trading**

1Q in FY15 : End Of September, 2015  
 1Q in FY14 : End Of September, 2014  
 (Unit: Hundred Million KRW)

Classification	1Q in FY15	1Q in FY14
Guarantee Of Payment	0	0
Bad Loan Write-Off	10,408	2,368
Endorsed Note	0	0
Sales Of Repurchase Paper	0	0
Transaction Of Financial Derivatives	0	0

**19. Non-Operating Assets**

1Q in FY15: End Of September, 2015  
 (Unit: Hundred Million KRW)

Classification	Acquired Amount Within A Year (From Now)	Acquired Amount Between 1 To 3 Years (From Now)	Acquired Amount 3 Years Before
Land	0	79	1,189
Building	0	221	297
Movable Assets	0	7	1
Total	0	307	1,487

## 20. Status Of Cross-Business

1Q in FY15 : End of September, 2015

1Q in FY14 : End of September, 2014

(Unit: Hundred Million KRW, No. of Transaction, No. of Buying)

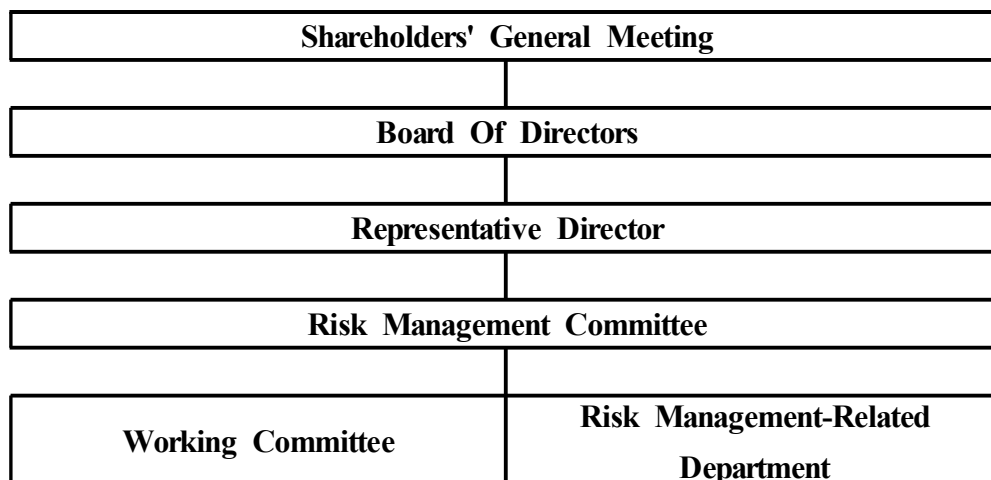
Classification	1Q in FY15		1Q in FY14	
	Performance	Number Of Transaction (Buying)	Performance	Number Of Transaction (Buying)
Installment Financing	0	0	0	0
Debit Card	21	1,877	9	530

## [Risk Management]

### 21. Risk Management

#### (1) Risk Management Organization

- Organizational Chart



- Risk Management Committee: It is the top decision body for risk management.

- Composition of Risk Management Committee

Finance Management HQ Head / Risk Management Department Head /  
Business Management Department Head

- Role of Risk Management Committee

It plays roles of establishing policies to cope with the change of financial environment; minimize management risk through focusing on asset and liabilities; and maximize and stabilize profit.

- Risk Management-Related Departments

▪ Credit Risk

Loan review Department / CSS Department / Sales Department(Corporate Financing / Retail / IB)

▪ Market Risk: IB Department / Business Management Department(financial sector) / Sales Department

▪ Interest Risk: Business Management Department(financial sector) / IB Department

- Liquidity Risk: Business Management Department(financial sector) / Sales Department
- Operational Risk: Strategic Planning Department / Information System Division

**(2) Risk Management System:**

- Definition

“Risk” means various uncertainty and chance of possible loss occurring during the activities of a company’s management and business.

- Various provisions Related to Risk Management

Total Risk Management Provision, Risk Management Provision, Risk Management Committee Provision.

- Contents in the provisions

They are about overall risks that can break out through the business and management by a savings bank, including risk of credit, market, liquidity, business management.

- Risk Management Committee

It is the top decision body for risk management. It plays roles of establishing policies to cope with the change of financial environment; minimize management risk through focusing on asset and liabilities; and maximize and stabilize profit. The committee shall deliberate and make decision regarding the followings:

- ① Establishing (counter)measure to cope with the change of financial environment
- ② Deliberating and conciliating financing and operation
- ③ Constructing portfolio of assets and liabilities
- ④ Performing risk management and establishing (counter)measure to cope with it
- ⑤ Regarding interest in loan and borrowing
- ⑥ Regarding the other agendas that the chairman thinks it is necessary to action for.

**(3) Credit Risk Management:**

- Definition

Credit Risk means the amount exposed to loss or such risk due to the default on loan or/and marketable securities of other party in business with the concerned company.

- Purpose

It is to minimize the possibility of occurrence of credit risk; thus maintain financial soundness; consequently build stable profit base; and use the knowledge as the basic data in making decision for investment priority and establishing strategy of asset resource distribution.

- Objects for Risk Management

loan, securities, derivative and so on

- Principle of Risk Management

- ① To set and manage credit offering limit by sector
- ② To prevent loan bias by constructing loan portfolio
- ③ To set and manage limit to credit risk exposure

- Methods of Risk Management

- ① To set credit limit by industry, debtor, and note drawer
- ② To establish loan portfolio; evaluate loan; prepare early warning system for non-performing loan; and review criteria for loan (credit) offering
- ③ To review the criteria of credit rating by customer and request correction or adjustment when

necessary; develop, maintain and integrate methodology and measurement for credit risk such as bankruptcy rate by rating level and collect rate by collateral

④ To review if reserve for bad debts and depreciation and debt amount to write off are suitable for credit risk and request for correction when necessary.

- Evaluation Organization: Risk Management Committee, Loan Evaluation Committee, Loan review Department, Others

**(4) Market Risk Management:**

- Definition

Market Risk means one in which the value of marketable asset decreases in a disadvantageous direction to interest, stock index (price), foreign exchange rate and so on. Such risks include interest risk, price fluctuation risk and FX risk

- Purpose

It is to minimize loss and maximize profit by efficiently managing the change of market price and value such as interest rate, stock index (price) and so on.

- Measuring Method

Transaction related to market risk should be evaluated and measured for loss and profit based on market value.

- Objects for Market Risk Management

Financial products that are dealt for profit margin on purchase and sale on the basis of forecasted value (interest rate, stock index) change of bond, share.

- Methods of Market Risk Management

① To set investment limit and loss limit of securities in proprietary account; obtain approval of it from Risk Management Committee and distribute it to risk management-related department heads for accompanying actions

② Risk management-related department heads can set and operate proper limit by financial commodity and dealer within the limit set in foregoing (①).

③ Risk management-related department heads establish detailed and specific plans and manage them such as investment policy, standard, portfolio principle, criteria for market value evaluation, investment and loss limit by commodity and dealer.

④ Risk management-related department heads assess concerned risk on daily, weekly and monthly base or anytime when necessary for rapid change of market situations.

**(5) Liquidity Risk Management:**

<Balance Of Time Deposit (e.g.) By Remaining Period>

○ Time Deposit

(Unit: Hundred Million KRW)

Classification	Within 1 Year	Within 2 Years	Within 3 Years	Over 3 Years	Total
Time Deposit	23,214	1,442	205	1	24,862

○ Loan

(Unit: Hundred Million KRW)

Note 1) Loan (on compound passbook deposit) whose limit is subject to stipulated time period and that is

Classification	Within 1 Year	Within 2 Years	Within 3 Years	Within 4 Years	Within 5 Years	Over 5 Years	Total
Loan <sup>1,2)</sup>	14,348	4,280	3,663	2,136	3,234	3,767	31,428

circulated within certain time period (a month) is classified as 'one-year or shorter' loan despite its limit-stipulated time period.

Note 2) Suspense receivable as credit is included.

#### ○ Securities

(Unit: Hundred Million KRW)

Classification	Within 1 Year	Within 2 Years	Within 3 Years	Within 4 Years	Within 5 Years	Over 5 Years	Total
Government/ Public Bond <sup>1)</sup>	10	0	0	0	0	0	10
Corporate Bond	0	0	0	0	0	309	309
Others	246	345	365	322	252	99	1,629
Total	256	345	365	322	252	408	1,948

Note 1) Government/Public Bond means monetary stabilization bond, government-guaranteed bond, treasury bill, municipal bond/local debt, and bond issued by government-invested institution.

Note \*) Shares and investment securities (including other equity investments) whose maturity expiration can't be specified are excluded.

### (6) Credit Scoring System (CSS):

#### A. Summary of Credit Scoring System (CSS)

It is a system to statistically measure the risks related to personal credit loan by using the credit rating data and the summaries offered by credit rating agencies (e.g. NICE Information Service Co., Ltd, Korea Credit Bureau, Korea Enterprise Data Co. Ltd)

#### B. Application Scope

Customers applying for personal credit loan (Only for Babilloan)

#### C. Application Method

Decision making for the system approval based on personal credit risk rating, limit and interest calculation.

#### D. Controlling Structure

##### 1) Establishing CSS policy based on statistical analysis

###### - Periodic Analysis

- i) Accuracy of credit rating of CB companies
- ii) Stability and accuracy of the credit rating by application scorecard
- iii) Validity of CSS policy

###### - Non-Periodic Analysis

- i) Policy rule according to reduced risk
- ii) CSS policy for new financial products

##### 2) Deliberation of Risk Management Committee in establishing and changing policy

##### 3) Approval by representative director of changing or establishing policy of Risk Management Committee



## [Current Status Of Other Management]

### 22. Management Performance Of Affiliated Company

1Q in FY15: End Of September, 2015  
(Unit: Hundred Million KRW)

Affiliated Company	Financial Situation		Profit-Loss Situation		Settling Day
	Total Asset	Equity Capital(Capital Stock)	Operating Profit	Net Income	
<u>Not Applicable</u>					

### 23. Internal Control

#### (1) Functions And Roles Of Audit (Regular, Special And Occasional Audit)

Audit Committee (auditor) performs the followings to evaluate and improve the propriety of overall internal control system and the performance of management.

- It sets up internal audit plans by class (finance audit, operation audit, compliance audit, management audit, IT audit and so on); evaluates the results of implementation; take follow-up measures; and purposes corrective plans.
- It evaluates the overall internal control system of the concerned company and proposes improvement plan.
- It consents to the appointment of the head of internal audit department.
- It approves the appointment of external auditor.
- It evaluates the activities of external auditor.
- It confirms the matters directed in an audit report
- It handles the matters in accordance with applicable laws and articles of association and those which the board of directors entrusts.
- It conducts an audit on the matters directed by supervisory authority, the board of directors and/or Audit Committee

### 24. History Of Transactions With Major Shareholders And Executives

#### (1) Current Status Of Credit Offering<sup>1)</sup>

1Q in FY15 : End Of September, 2015  
4Q in FY14 : End Of June, 2014  
(Unit: Million KRW, %)

Name Of Shareholder(Or Executive) <sup>2)</sup>	Name Of Shareholder(Or Executive) And Affiliate Person <sup>3)</sup>	Credit Offering At The Point Of Appointment (A)	4Q in FY14 Credit Offering(B)	1Q in FY15 Credit Offering(C)	Increase/Decrease (%)	
					Vs. Dat Of Appointment (C-A)	Vs. Previous Period (C-B)
Shareholder	( )	Principal	<u>Not Applicable</u>		( )	( )
		Affiliate Person			( )	( )
		Subtotal			( )	( )
	( )	Principal			( )	( )
		Affiliate Person			( )	( )
		Subtotal			( )	( )
	Total	Principal			( )	( )

		Affiliate Person		( )	( )
		Sum		( )	( )
<b>Executive</b>	( )	Principal		( )	( )
		Affiliate Person		( )	( )
		Subtotal		( )	( )
	( )	Principal		( )	( )
		Affiliate Person		( )	( )
		Subtotal		( )	( )
	Total	Principal		( )	( )
		Affiliate Person		( )	( )
		Subtotal		( )	( )
	<b>Total</b>	Principal		( )	( )
Affiliate Person			( )	( )	
Sum			( )	( )	

**Not Applicable**

Note 1) It means credit offering stipulated in Item 6, Article 2 of Mutual Savings Banks Act.

Note 2) For shareholder, only major shareholders as defined in Item 11, Article 2 of Mutual Savings Banks Act are listed here.

For executive, the year, month and date of appointment and position – e.g. president of savings bank, Outside Director- should be written in ( ). For shareholder and executive not related credit offering, ‘Not applicable’ is written in the column of credit offering.

Note 3) He or she is a affiliate person to shareholder or executive as defined in Item 2, Article 30 of the enforcement ordinance under Mutual Savings Banks Act.

## (2) History Of Other Major Transactions

### A. Sales Of Real Estate Property<sup>1)</sup>

1Q in FY15: End Of September, 2015  
(Unit: Million KRW)

Name Of Shareholder (Or Executive) <sup>2)</sup>		Name Of Shareholder (Or Executive) And Affiliate Person <sup>3)</sup>		Transaction Class (Buying/Selling)	Contract Date	Contract Amount	Remarks
Shareholder		Principal		<b><u>Not Applicable</u></b>			
		Affiliate Person					
		Subtotal					
		Principal					
		Affiliate Person					
		Subtotal					
Executive		Principal		<b><u>Not Applicable</u></b>			
		Affiliate Person					
		Subtotal					
		Principal					
		Affiliate Person					
		Subtotal					
Total	Principal						
	Affiliate Person						
	Sum						

Note 1) It is about (should be written for) the transaction of real estate property done by shareholder (or executive) and their affiliate person **during the current fiscal year (from Jul. 1st, 2014 to June 30st, 2015)**

Note 2) The same footnotes as in Form ‘A’

Note 3) The same footnotes as in Form ‘A’

**B. Lease/Rent Of Real Estate Property<sup>1)</sup>**

1Q in FY15: End Of September, 2015  
(Unit: Million KRW)

Name Of Shareholder (Or Executive) <sup>2)</sup>	Name Of Shareholder (Or Executive) And Affiliate Person <sup>3)</sup>	Transaction Class (Lease/Rent)	Contract Date	Expiration Date Of Contract	Contract Amount		Remarks
					Deposit	Annual Lease/Rent Fee	
Shareholder	Principal						<u>Not Applicable</u>
	Affiliate Person						
	Subtotal						
	Principal						
	Affiliate Person						
	Subtotal						
Executive	Principal						<u>Not Applicable</u>
	Affiliate Person						
	Subtotal						
	Principal						
	Affiliate Person						
	Subtotal						
Total	Principal						
	Affiliate Person						
	Sum						

Note 1) It is about (should be written for) the lease/rent transaction of Real Estate Property in contract with shareholder (or executive) and their affiliate person **as of the date of reporting this form**

Note 2) The same footnotes as in Form 'A'

Note 3) The same footnotes as in Form 'A'

**C. Contract For Goods And Services<sup>1)</sup>**

1Q in FY15: End Of September, 2015  
(Unit: Million KRW)

Name Of Shareholder (Or Executive) <sup>2)</sup>	Name Of Shareholder(Or Executive) And Affiliate Person <sup>3)</sup>	Transaction <sup>4)</sup>	Date of Transaction	Contract (Goods/Services) Amount	Remarks
Shareholder	Principal				<u>Not Applicable</u>
	Affiliate Person				
	Subtotal				
	Principal				
	Affiliate Person				
	Subtotal				
Executive	Principal				<u>Not Applicable</u>
	Affiliate Person				
	Subtotal				
	Principal				
	Affiliate Person				
	Subtotal				
Total	Principal				
	Affiliate Person				
	Sum				

Note 1) It is about (should be written for) the supplying transaction of goods/services supplied from shareholder (or executive) and their affiliate person during the current fiscal year (from Jul. 1st, 2015 to Sep. 30st, 2015).

Note 2) The same footnotes as in Form 'A'

Note 3) The same footnotes as in Form 'A'

Note 4) It should be expressed like ○○ Goods Supply Contract, ○○ Service Supply Contract and so on.

#### D. Stock Trading<sup>1)</sup>

1Q in FY15: End Of September, 2015

4Q in FY14: End Of June, 2015

(Unit: Million KRW, -000-Note)

Name Of Shareholder (Or Executive) <sup>2)</sup>		Name Of Shareholder (Or Executive) And Affiliate Person <sup>3)</sup>		4Q in FY14		Buying		Selling		1Q in FY15		Remarks
				Balance On B/S	Holding Volume	Trading Amount	Trading Quantity	Trading Amount	Trading Quantity	Balance On B/S	Holding Volume	
Shareholder		Principal		<u>Not Applicable</u>								
		Affiliate Person										
		Subtotal										
		Principal										
		Affiliate Person										
		Subtotal										
Executive		Principal		<u>Not Applicable</u>								
		Affiliate Person										
		Subtotal										
		Principal										
		Affiliate Person										
		Subtotal										
Total	Principal		<u>Not Applicable</u>									
	Affiliate Person											
	Sum											

Note 1) It is about (should be written for) the trading of issued stock/shares that the shareholder (or executive) and their affiliate person have bought or/and sold during the current fiscal year (from Jul. 1st, 2014 to Mar. 31st, 2015).

But the trading (buying and selling) for long-term investment is not included.

Note 2) The same footnotes as in Form 'A'

Note 3) The same footnotes as in Form 'A'



## **[Financial Statements]**

### **1. Review Report**

#### **(1) Closing Review Report By External Auditor**

- Refer to Review Report Additionally Attached

### **2. Financial Statement**

- Refer to Review Report Additionally Attached Or F/S

### **3. Income Statement**

- Refer to Review Report Additionally Attached Or F/S