

# The Current Status Of SBI Savings Bank As of June 30th, 2016

(January 1st, 2016 ~ June 30th, 2016)

## Modified disclosure summary of BIS ratio as of June 30th, 2016

(Unit : Hundred, %)

Class	Before correction (A)	After correction (B)	Increase/ Decrease (A-B)
<b>A. Ordinary Capital Sum</b>	<b>393,222</b>	<b>391,447</b>	<b>△1,775</b>
Capital Stock	1,561,472	1,561,472	0
Capital Surplus	10,227	10,227	0
Retained Earnings	△657,041	△659,195	△2,154
Goodwill(△)	24,700	24,700	0
Treasury Stock(△)	55,553	55,553	0
Discount on capitla stock(△)	438,746	438,746	0
Loss on Valuation of Available for sale Securities(△)	2,437	2,058	△379
<b>B. Supplementary Capital Sum</b>	<b>53,831</b>	<b>53,824</b>	<b>△7</b>
Gain on Valuation of Available for sale Securities by 45%	518	518	0
Allowance for Credit Losses (Normal, precautionary, sub-standard)	53,313	53,306	△7
<b>C. Long-TermBorrowing For Management Normalization</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D. Deduction Sum</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Amount	0	0	0
Means of Financing of mutual possess	0	0	0
<b>E. Equity Capital Sum(A+B+C-D)</b>	<b>447,053</b>	<b>445,271</b>	<b>△1,782</b>
<b>F. Risk-Weighted Asset(= A - B)</b>	<b>4,031,823</b>	<b>4,030,014</b>	<b>△1,809</b>
a. Total Risk-weigjted Asset(= ①+②)	4,265,078	4,264,483	△595
B/S Risk-weigjted Asset(①)	4,265,078	4,264,483	△595
Off-balance sheet risk weighted assets(②)	0	0	0
b. Allowance for credit losses of disallow supplementary capital(= ③-④)	233,255	234,469	1,214
Total Allowance of credit losses(③)	286,568	287,775	1,207
Allowance for credir losses of Supplementary capital(④)	53,313	53,306	△7
<b>G. Equity Capital Ratio(E/F)</b>	<b>11.09</b>	<b>11.05</b>	<b>△0.04</b>
Basic Equity Capital Ratio(A/F)	9.75	9.71	△0.04
Supplementary Equity Capital Ratio(B/F)	1.34	1.34	0.00

※ According to the results of Financial Supervisory Service inspection, which is conducted from 2016 August 22 to 2016 September 28, BIS capital ratio(11.09%→11.05%) was changed.

## [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 Lim Jin Gu

CEO Jeong Jin Mun

### 2. Management Policy

#### (1) Management Philosophy

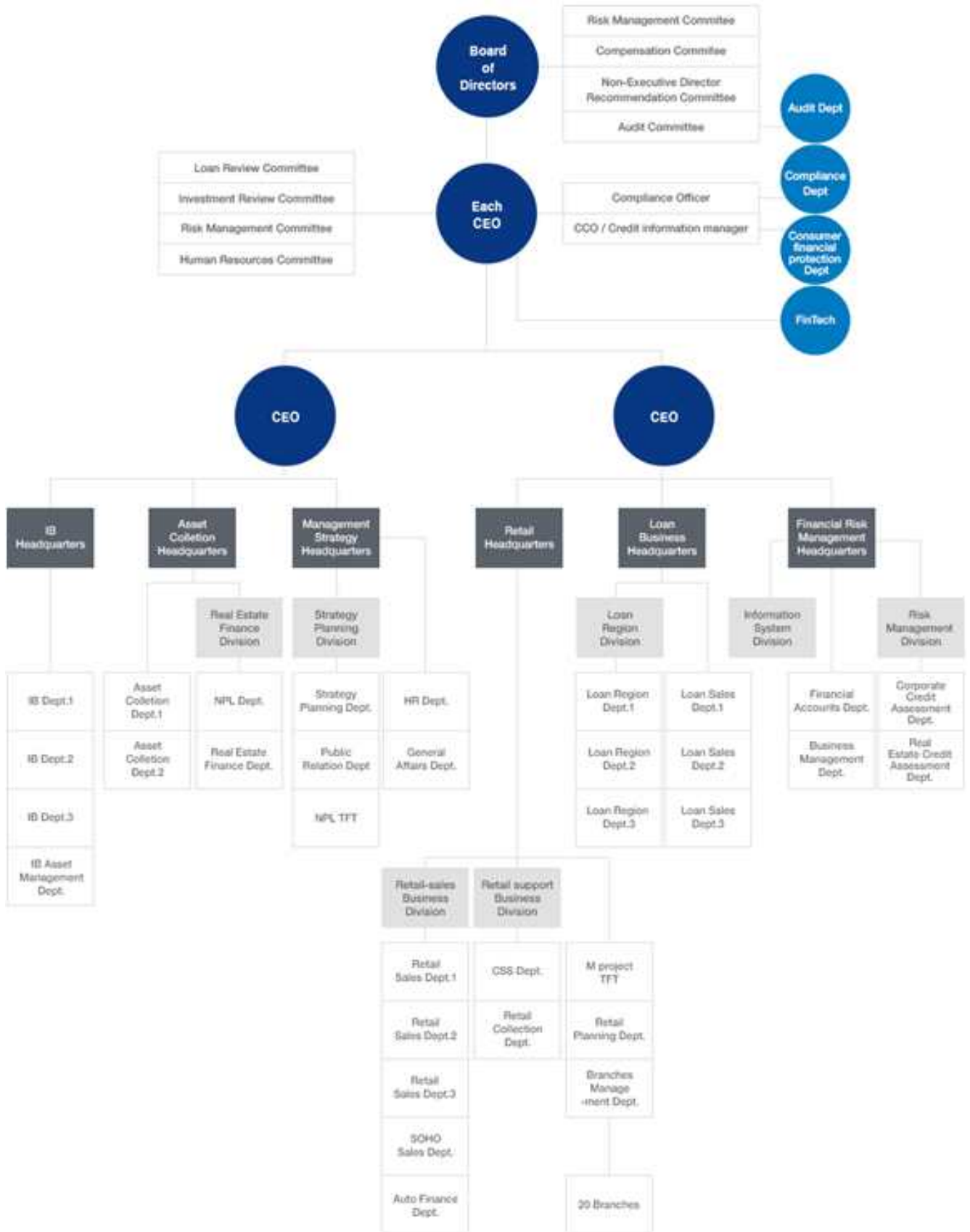
- We provide quality and reliable financial services of high quality on the basis of social calling and public interest and contribute to social development by improving public standard living and fostering companies.

#### (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 22, July, 2016

**(2) Branch and Automatic Teller Machine**

2Q in FY16: End Of June, 2016

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

**4. Number Of Employees**2Q in FY16: End Of June, 2016  
1Q in FY16: End Of March, 2016

Classification		2Q in FY16	1Q in FY16
Executive	Executive Director	10	10
	Outside Director	6	6
	Part-time Director (not Outside Director)	1	1
Employees	Manager	234	238
	Staff	244	235
Position In Special Services		0	0
Total		495	490

Note 1) 2Q in FY16 : 2016.06.30. , 1Q in FY16 : 2016.03.31.

## 5. Executives

22 July, 2016

Classification	Name	Position	Key Task and Role
Standing Executive	Lim Jin Gu	CEO	CEO & President (IB HQ Head)
	Jeong Jin Mun	CEO	CEO & Vice-President (Retail HQ Head/Loan Business HQ Head)
	Katsuchi Hideyuki	Senior Managing Director	Financial Risk Management HQ Head
	Kim Mun Seok	Managing Director	Management Strategy HQ Head
	Lim Young Bok	Managing Director	Asset Collection HQ Head
	Yoo Hyun Kuk	Director	Retail Division Head
	Kang Dong Uk	Director	Risk Management Head
	Kyung Kyu Sang	Director	Strategic Planning Head
	Park In Chan	Standing Audit Committee Member	Standing Audit Committee Member
	Kim Sang Woo	Director	FinTechTFT Head
Outside Director	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
	Kwak Doo Hun	Outside Director	Audit Committee Member
	Ejiri Takashi	Outside Director	Outside Director
Part-time Director (not Outside Director)	Kawashima Katsuya	Other Outside Director	Chairman (Other Non Executive Director)

\*This list is changed in 22 July, 2016.

## 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
2013.08.30	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

2Q in FY16: End Of June, 2016

FY14: End Of June, 2015

(Unit: Hundred Million KRW, %)

Classification		2Q in FY16				FY14				
		Average	Balance	Interest	Interest	Average	Balance	Interest	Interest	
			%	Amount	Rate		%	Amount	Rate	
Financing	Cost	Deposit	39,468	89.78	562	2.9	26,213	84.69	580	4.4
		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
		Debentures	0	0.00	0	0.0	448	1.45	17	7.4
		Others	188	0.43	0	0.0	120	0.39	0	0.0
		Subtotal	39,655	90.23	562	2.8	26,781	86.53	597	4.5
	Non-Cost	Total Capital	4,103	9.33	0	0.0	2,676	8.65	0	0.0
		Other Allowances	69	0.16	0	0.0	530	1.71	0	0.0
		Others	122	0.28	0	0.0	965	3.12	0	0.0
		Subtotal	4,294	9.77	0	0.0	4,171	13.47	0	0.0
	Financing Total	43,949	100.00	562	2.6	30,952	100.00	597	3.9	
Operation	Profit	Due from Bank	5,973	13.59	46	1.5	4,853	15.68	70	2.9
		Securities	2,637	6.00	221	16.8	2,930	9.46	13	0.9
		Loans	36,206	82.36	2,015	11.2	25,360	81.93	1,522	12.0
		Others	508	1.16	0	0.0	265	0.86	0	0.0
		Allowance For Bad Debts And Others (△)	3,457	7.87	0	0.0	5,424	17.52	0	0.0
		Subtotal	41,835	95.19	2,281	11.0	27,984	90.41	1,605	11.5
	Non-Profit	Cash	17	0.04	0	0.0	18	0.06	0	0.0
		Tangible Assets	144	0.33	0	0.0	155	0.50	0	0.0
		Others	1,953	4.44	0	0.0	2,795	9.03	0	0.0
			Subtotal	2,115	4.81	0	0.0	2,968	9.59	0
	Operation Total	43,949	100.00	2,281	10.4	30,952	100.00	1,605	10.4	

Note 1) 2Q in FY16 : 2016.01.01 ~ 2016.06.30., FY14 : 2015.01.01 ~ 2015.06.30.

#### (2) Maturity Structure

2Q in FY16: End Of June, 2016

(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	8,323	10,416	15,714	25,789	15,629	5,660	47,078
Loan(1)*	3,481	5,574	10,873	20,947	12,197	5,660	38,804
Financing	8,964	19,023	37,678	41,709	5,369	0	47,078
Deposit Received(2)	8,964	19,023	37,678	41,709	2	0	41,711
Difference(1-2)	△5,483	△13,448	△26,805	△20,762	12,196	5,660	△2,907

\* Suspense receivable as credit is included.

**(3) Subordinated Bond Issuance**

2Q in FY16: End Of June, 2016  
(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**

2Q in FY16: End Of June, 2016  
FY14: End Of June, 2015  
(Unit: Hundred Million KRW, %)

Classification	2Q in FY16	FY14
BIS Capital Ratio ※ Required By The Law Is More Than (8%)	11.05	11.46
BIS Basic Capital Ratio (Tier1)	9.71	10.05
Tangible Common Equity Ratio	9.04	9.62

Note 1) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

◆ **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

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW)

Classification	2Q in FY16	FY14
Ordinary Capital Sum (A)	3,914	3,248
Capital Stock	15,615	15,615
Capital Surplus	102	102
Retained Earnings	△6,592	△7,086
Shares Owned By External Shareholders Of Affiliated Company	0	0
Deductions	△5,211	△5,383
Supplementary Capital Sum (B)	538	453
Upper Subordinated Debt (Claimed) With Maturity	0	0
Lower Subordinated Debt (Claimed) With Maturity	0	0
Revaluation Reserve	0	0
Gain On Valuation Of Asset Available For Sale And Others	5	4
Allowance For Bad Debts (including bad debt reserve)	533	449
Other	0	
Long-Term Borrowing(C) For Management Normalization	0	0
Deduction Sum (D)	0	0
Equity Capital Sum (A+B+C-D)	4,453	3,701
Risk-Weighted Asset	40,300	32,309

## 9. Index Of Asset Quality

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification	2Q in FY16	FY14
Loss Risk-Weighted Loan Ratio	38.11	50.64
Net Substandard or Lower Loan Ratio	8.46	17.42
Substandard or Lower Loan Ratio	14.58	27.67
Ratio Of Overdue Loan	13.45	25.95

Note 1) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

## 10. Index Of Profitability

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Class	2Q in FY16	FY14
Return On Assets	1.20	0.75
Expense On Assets	2.90	2.99
Ratio Of Gross Profit To Gross Costs	93.34	85.77

Note 1) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

## 11. Index Of Liquidity

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification	1Q in FY16	3Q in FY14
Liquidity Coverage Ratio	140.38	116.53
Ratio of Disposable Fund	16.89	19.65
Tangible Assets Ratio	33.39	57.87

Note 1) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

◆ **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

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification		1Q in FY16	3Q in FY14
Per Employee	Profit Before Allowance	2	2
	Deposits	81	71
	Loans	74	66
Per Branch Bank	Deposits	1,973	1,676
	Loans	1,810	1,551

Note 1) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

## [Financial Results]

### 13. Outline

Accounting Standard : Korean Generally Accepted Accounting Principles

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification		2Q in FY16		FY14	
		Amount	%	Amount	%
Asset	Cash And Due from Banks	5,818	12.36	6,483	16.62
	Securities	2,622	5.57	2,380	6.10
	Loans	35,871	76.22	26,587	68.17
	Tangible Asset	129	0.27	180	0.46
	Other Assets	2,620	5.58	3,371	8.64
<b>Asset Total</b>		<b>47,060</b>	<b>100.00</b>	<b>39,001</b>	<b>100.00</b>
Liability	Deposits	41,711	88.58	33,684	86.37
	Borrowings	0	0.00	400	1.03
	Other Liabilities	1,096	2.33	1,167	2.99
	<b>Liability Total</b>	<b>42,807</b>	<b>90.93</b>	<b>35,251</b>	<b>90.38</b>
Stockholder's Equity	Capital Stock	15,615	33.16	15,615	40.04
	Capital Surplus	102	0.22	102	0.26
	Capital Adjustment	△4,943	△10.50	△4,943	△12.67
	Accumulated Other Comprehensive Income	67	0.14	59	0.15
	Retained Earnings	△6,592	△14.01	△7,083	△18.16
	<b>Stockholder's Equity Total</b>	<b>4,253</b>	<b>9.04</b>	<b>3,750</b>	<b>9.62</b>
<b>Liability And Stockholder's Equity Total</b>		<b>47,060</b>	<b>100.00</b>	<b>39,001</b>	<b>100.00</b>

Note 1) Suspense receivable as credit(FY14): It is classed into other asset category.

2) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

### 14. Operation with Loan

#### (1) Loan

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification	2Q In FY16		FY14	
	Amount	%	Amount	%
Loan For Company	21,209	54.66	16,189	52.79
Loan For Personal	16,691	43.01	11,753	38.33
Other Loans	904	2.33	2,724	8.88
<b>Total</b>	<b>38,804</b>	<b>100.00</b>	<b>30,666</b>	<b>100.00</b>

Note 1) Suspense receivable as credit is included.

2) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

**(2) Secured Loan By Collateral**

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification		2Q in FY16		FY14	
			%		%
Collateral	Real Estate Property	7,647	19.71	7,918	25.82
	Movable Assets	1,096	2.82	264	0.86
	Securities	2,763	7.12	2,415	7.88
	Deposit Received	75	0.19	92	0.30
	Others	1,437	3.70	1,386	4.52
	Total	13,019	33.55	12,075	39.38
Guarantee		1,480	3.81	1,060	3.45
Credit		24,305	62.64	17,531	57.17
Total		38,804	100.00	30,666	100.00

Note 1) Suspense receivable as credit is included.

2) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

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

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification		2Q in FY16	FY14
S&M Company Loan	Ratio (A/B X 100)	47.39	47.63
	S&M Loan (A)	18,387	14,607
	Total (B)	38,804	30,666

Note 1) Suspense receivable as credit is included.

2) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

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

2Q in FY16: End Of June, 2016  
(Unit: Hundred Million KRW, %)

Business Type	Conformity To Credit Offering Binding		Category of Quality							
	Limit	Amount Of Credit Offering	Loan Obligation						Overdue Amount	Delinquency Rate
			Normal	Precautionary	Sub-Standard	Recovery Doubtful	Presumed Loss	Total		
Real Estate Property PF Loan(①)	7,761	2,151	529	0	1,374	0	249	2,151	1,623	75.42
Construction Business (②)	11,641	1,777	824	383	514	3	53	1,777	550	30.97
Real Estate Business And Leasing Business(③)	11,641	2,366	867	919	528	0	53	2,366	581	24.54
Real Estate Property And Leasing Business(④)	11,641	861	319	266	266	0	10	861	276	32.03
<b>Total(①+②+③+④)</b>	<b>17,462</b>	<b>5,434</b>	<b>1,901</b>	<b>1,036</b>	<b>2,149</b>	<b>4</b>	<b>344</b>	<b>5,434</b>	<b>2,478</b>	<b>45.60</b>

\* Suspense receivable as credit is not included.

**(5) Micro Personal Credit Loan**

(Unit: Hundred Million KRW,%)

Classification	End Of June, 2016	End Of March, 2016	End Of December, 2015	End Of September, 2015
Total Loan	38,804	36,113	32,728	31,428
Micro Personal Credit Loan	1,183	1,253	1,228	1,210
Proportion	3.05	3.47	3.75	3.85
Micro Personal Credit Loan Overdue Amount	157	170	162	182
Proportion	13.27	13.57	13.19	15.04

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.

Note\*) End of June 2016, End of March 2016(1Q in FY16), End of December 2015, End of September 2015

\* 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

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification	2Q in FY16				FY14			
	Balance		Average Balance		Balance		Average Balance	
		%		%		%		%
Demand Deposits	919	2.20	949	2.40	968	2.87	907	2.71
Time Deposits	37,103	88.95	34,106	86.41	25,174	74.73	25,618	76.44
Installment Deposit	3,689	8.84	4,414	11.18	7,543	22.39	6,989	20.85
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	41,711	100.00	39,469	100.00	33,684	100.00	33,514	100.00

Note 1) 2Q in FY16 : 2016.01.01 ~ 2016.06.30, FY14 : 2015.01.01 ~ 2015.06.30.

### (2) Deposits By Customer Type

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW, %)

Classification	2Q in FY16		FY14	
	Balance	%	Balance	%
Individual	41,309	99.04	33,385	99.12
Corporate And Group	299	0.72	224	0.66
Others	103	0.25	75	0.22
Total	41,711	100.00	33,684	100.00

Note 1) Based on balance

2) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

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

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

2Q in FY16 (3 Months): from April 1st, to June 30st, 2016  
 2Q in FY16 (Accumulated): from January 1st, to June 30st, 2016  
 FY14 (3 Months): from April 1st, to June 30st, 2015  
 FY14 (Accumulated) from January 1st, to June 30st, 2015  
 (Unit: Hundred Million KRW)

Classification	2Q in FY16		FY14	
	Present Quarter	Cumulation	Vs. The Same Period Of Last Year	Cumulation
Amounts Of Write-Off During Term	108	364	374	622
General	108	364	374	622
Special	0	0	0	0

Note 1) 1Q in FY16(Cumulation) : 2016.01.01 ~ 2016.06.30., FY14(Cumulation) : 2015.01.01 ~ 2015.06.30.

## (2) Classification Of Allowance For Bad Debts

Accounting Standard : Korean Generally Accepted Accounting Principles

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW)

Classification	2Q in FY16	FY14
Allowance For Bad Debts	2,878	4,035
General	2,878	4,035
Special	0	0

### 17-1. The number of occurred civil complaints

- ※ Since overlapped, repeated, complaints for simple question, and other complaints that may not ask for responsibility to financial company are excluded , please be careful when you use and utilize.
- ※ The number of civil complaints were written based on a mutual savings bank unified management disclosure standards.
- ※ Period
  - Current quarter : 2Q in FY2016 (2016.04.01~2016.06.30)
  - Previous quarter: 1Q in FY2016 (2016.01.01~2016.03.31)

#### A. The number of civil complaints

Division	the number of civil complaints			The number of conversions <sup>3)</sup> (per 10K customers)			note
	FY16 1Q (previous quarter)	FY16 2Q (current quarter)	rate of change (%)	FY16 1Q (previous quarter)	FY16 2Q (current quarter)	rate of change (%)	
Inside civil complaint <sup>1)</sup>	16	11	▼31%	0.22	0.14	▼36%	
Outside civil complaint <sup>2)</sup>	34	24	▼29%	0.46	0.31	▼33%	
total	50	35	▼30%	0.68	0.45	▼34%	

Note 1) civil complaint received through Internet webpage or in written

Note 2) among civil complaints received by the Financial Supervisory Service or other institutes, transmitted or fact inquiry requested civil complaints. But, direct processed civil complaint without transmit or fact inquiry by relevant institutes the Financial Supervisory Service or other institutes) are excluded.

Note 3) number of conversion = (total number of civil complaints / total customers) ×10,000

**B. the number of civil complaints by type**

Division		the number of civil complaints			The number of conversions (per 10K customers)			note
		FY16 1Q (previous quarter)	FY16 2Q (current quarter)	rate of change (%)	FY16 1Q (previous quarter)	FY16 2Q (current quarter)	rate of change (%)	
type	Deposit	9	6	▼33%	0.12	0.08	▼33%	
	loan	26	18	▼31%	0.36	0.23	▼36%	
	Loan collection	7	6	▼14%	0.09	0.08	▼11%	
	others	8	5	▼38%	0.11	0.07	▼36%	
total		50	35	▼30%	0.68	0.46	▼32%	

**17-2. Result of evaluation actual condition of financial consumer protection <established 2016. 8.22>**

※ According to financial consumer's best practices, financial corporations get evaluated their level of consumer protection comprehensively through evaluation system of financial consumer protection's actual condition' by the Financial Supervisory Service.

※ Disclosure: saving banks that the Financial supervisory service directly evaluates (the number of civil complaints of relevant saving banks where is 2% or more in whole saving banks industry and has 1,000 billion KRW or more of total asset)

※ Inquiry of evaluation result by company is offered at Federation of Savings Banks's official website.

Division		evaluation result by item (year of 2015)	evaluation result by item (year of 2016)	evaluation result by item (year of 2017)
improvement item	1. the number of civil complaint	Good		
	2. period of handling civil complaints	Good		
	3. the number of lawsuit	Normal		
	4. sustainability of sales	Good		
	5. financial accident	Good		
non-impr ovement item	6. consumer protection organization and system	Inadequacy		
	7. construction and management of consumer protection system in product development process	Inadequacy		
	8. construction and management of consumer protection system in product sales process	Normal		
	9. construction and management of civil complaint management system	Normal		
	10. disclosure of consumer's information	Normal		



**<Evaluation item of financial consumer protection's actual condition>**

Division		Evaluation items
Improve ment item	1. The number of civil complaint	- The number of civil complaints and rate of change
	2. Period of handling civil complaints	- Average period of handling civil complaints
	3. The number of lawsuit	- The number of lawsuit and lawsuit by financial corporation in dispute conciliation
	4. Sustainability of sales	- Index of financial health of financial corporations
	5. Financial accident	- The number of consumer related financial accident of financial corporations and amount
Non-im proveme nt item	6. Consumer protection organization and system	- Whether consumer protection organization has independent exclusive organization and proper human resources in order to manage corporation sales related risk effectively and whether it has been operated with actual authority or not  - Whether education for consumer protection is conducted regularly to every staff and executive and whether the result has been archived or not.
	7. Construction and management of consumer protection system in product development process	- Between general consumer protection department and sales department, whether process of pre-agreement is indicated on rules at product development and whether it is operated properly and whether operation status is monitored or not.  - Whether the process that may apply opinions like product related complaints has been established and properly managed and whether management status has been monitored or not.
	8. Construction and management of consumer protection system in product sales process	- Whether sales process is established through preparing sales regulation that sales staffs shall follow in order to prevent occurrence of incomplete sales in consumer protection viewpoint or not and whether its performance state has been monitored or not  - Whether management rules and system about customer information protection and product advertisement are established and properly managed or not and whether management status has been monitored or not
	9. Construction and management of civil complaint management system	- Whether process for fair civil complaints handling is prepared, and whether civil complaints management system is established and properly managed ,and whether management status has been monitored or not.  - Whether civil complaints handling regulation and manual has been prepared or not, and whether complaints from consumer is handled according to internal procedure, and whether system for system reform is established and managed properly, and whether management status has been monitored or not
	10. Disclosure of consumer's information	- Whether necessary information for consumers (number of civil complaints, important factor by product, required information) are properly disclosed or not  - Whether excellent case consumer protection and protection system are properly disclosed or not

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

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

2Q in FY16: End Of June, 2016  
 FY14: End Of June, 2015  
 (Unit: Hundred Million KRW)

Classification	2Q in FY16	FY14
Total Loan	38,804	30,666
NPL (Non-Performing Loan or Insolvent Loan) <sup>1)</sup>	1,957	2,735
Sub-Standard Or Lower Loan <sup>2)</sup>	5,660	8,487
Net sub-Standard Or Lower Loan <sup>3)</sup>	3,041	4,640

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 4) Suspense receivable as credit is included.

Note 5) 2Q in FY16 : 2016.06.30. , FY14 : 2015.06.30.

◆ **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

2Q in FY16 : End Of June, 2016  
 1Q in FY16 : End Of March, 2016  
 (Unit: Hundred Million KRW)

Company <sup>1)</sup>	2Q in FY16	1Q in FY16	Increased Amount	Reason For Increase	Remarks
D****(Apartment Construction)	200	0	200	Terminating Mortgage	
H***** (Residential Building Development and Supply)	43	0	43	Collateral revaluation	
B***** (Machinery and equipment wholesalers)	14	0	14	Coporate rehabilitation	
Private operators(I*H)	29	18	11	Collateral revaluation	
T** (Golf Practice Operation)	11	0	11	Overdue	
C**** (engineering facilities construction)	10	0	10	collateral reclassification	

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)".

2) 2Q in FY16 : 2016.06.30. , 1Q in FY16 : 2016.03.31

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

2Q in FY16 : End Of June, 2016  
(Unit: Hundred Million KRW)

Company	Date of Decision For Debt Reconciliation	1Q in FY16 Total Loan Balance	NPL Or Insolvent Balance	Progress Of Debt Reconciliation	Remarks
<b>Not Applicable</b>					

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

### 19. Off-The-Book Trading

2Q in FY16: End Of June, 2016  
FY14: End Of June, 2015  
(Unit: Hundred Million KRW)

Classification	2Q in FY16	FY14
Guarantee Of Payment	0	0
Bad Loan Write-Off	10,320	10,497
Endorsed Note	0	0
Sales Of Repurchase Paper	0	0
Transaction Of Financial Derivatives	0	0

### 20. Non-Operating Assets

2Q in FY16 : End Of June, 2016  
(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	62	892
Building	0	4	166
Movable Assets	0	0	2
Total	0	66	1,060

### 21. Status Of Cross-Business

2Q in FY16: End Of June, 2016  
FY14: End Of June, 2015  
(Unit: Hundred Million KRW, No. of Transaction, No. of Buying)

Classification	2Q in FY16		FY14	
	Performance	Number Of Transaction (Buying)	Performance	Number Of Transaction (Buying)
Installment Financing	0	0	0	0
Debit Card	35	1,827	53	3,878

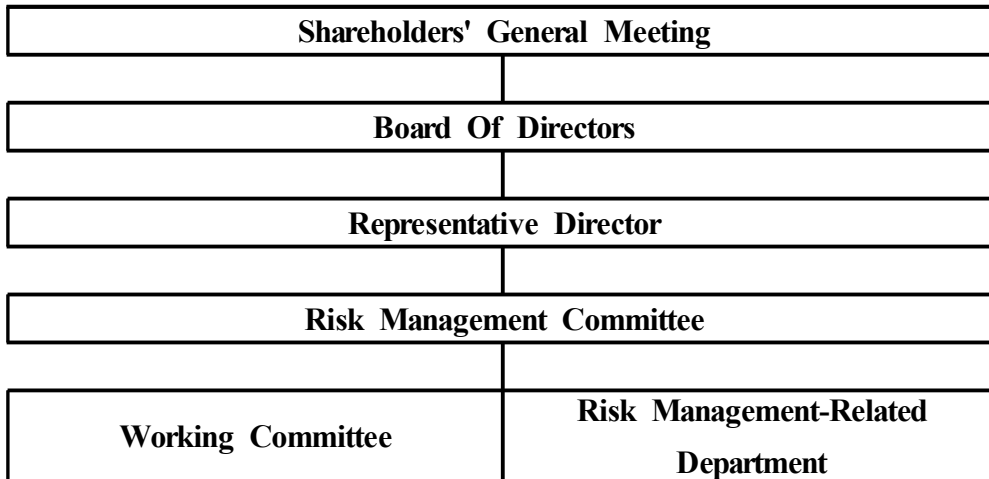
Note1) 2Q in FY16 : 2016.01.01 ~ 2016.06.30., FY14 : 2015.01.01 ~ 2015.06.30.

# [Risk Management]

## 22. 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 Risk Management HQ Head / Strategic Planning Division Head /

Risk Management Division 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

Coporate Credit Assessment Department/ Real Estate Credit Assessment 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, Corporate Credit Assessment Department, Real Estate Credit Assessment 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	33,599	3,140	364	1	37,103

○ Loan

(Unit: Hundred Million KRW)

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>	15,219	5,135	5,474	2,987	6,475	3,515	38,804

Note 1) Loan (on compound passbook deposit) whose limit is subject to stipulated time period and that is 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>	0	0	0	0	0	0	0
Corporate Bond	0	0	67	0	0	312	379
Others	608	275	493	327	74	246	2,023
Total	608	275	560	327	74	558	2,402

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 & Cyder loan)

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]

### 23. Management Performance Of Affiliated Company

2Q in FY16: End Of June, 2016  
(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>					

### 24. 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



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

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

2Q in FY16: End Of June, 2016  
1Q in FY16: End Of March, 2016

(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)	1Q in FY16 Credit Offering(B)	2Q in FY16 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			( )	( )
Executive	( )	Principal	<u>Not Applicable</u>		( )	( )
		Affiliate Person			( )	( )
		Subtotal			( )	( )
	( )	Principal			( )	( )
		Affiliate Person			( )	( )
		Subtotal			( )	( )
	Total	Principal			( )	( )
		Affiliate Person			( )	( )
		Subtotal			( )	( )
Total	Principal	( )	( )			
	Affiliate Person	( )	( )			
	Sum	( )	( )			

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.

Note 4) 2Q in FY16 : 2016.06.30. , 1Q in FY16 : 2016.03.31.

**(2) History Of Other Major Transactions**

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

2Q in FY16: End Of June, 2016  
(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
Share holder		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 transaction of real estate property done by shareholder (or executive) and their affiliate person **during the current fiscal year (from Jan. 1st, 2016 to June 30th, 2016)**

Note 2) ,3)The same footnotes as in Form 'A'

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

2Q in FY16: End Of June, 2016  
(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),3) The same footnotes as in Form 'A'

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

2Q in FY16: End Of June, 2016  
(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 Jan. 1st, 2016 to June 30th, 2016)

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>**

2Q in FY16: End Of June, 2016  
 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>	FY15		Buying		Selling		2Q in FY16		Remarks
		Balance On B/S	Holding Volume	Trading Amount	Trading Quantity	Trading Amount	Trading Quantity	Balance On B/S	Holding Volume	
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	<b><u>Not Applicable</u></b>								
	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 Jan. 1st, 2016 to June 30th, 2016)**

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

Note 2),3) The same footnotes as in Form 'A'

Note 4) 2Q in FY16 : 2016.06.30. , FY15 : 2015.12.31.



## **[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

### **3. Income Statement**

- Refer to Review Report Additionally Attached