



## Disclosure Statement

**For the three months ended**

**31 March 2017**

**Disclosure Statement**  
**For the three months ended 31 March 2017**

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The General Manager has been authorised to sign on behalf of each of the Directors, and on his own behalf has pleasure in presenting the Condensed Financial Statements and Disclosure Statement of Kookmin Bank – Auckland Branch for the three months ended 31 March 2017.



Yong Hun Song

The Condensed Financial Statement and Disclosure Statement has been signed on behalf of each of the Directors of Kookmin Bank by Yong Hun Song who also signs in his personal capacity as General Manager of Kookmin Bank-Auckland Branch.

23 May 2017

## **1. Reporting Directive**

This Disclosure Statement has been prepared under the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended).

## **2. Branch**

Name: Kookmin Bank Auckland Branch  
Address for Service: Level 19, 135 Albert Street  
Auckland, New Zealand

For the purposes of the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended), the "Registered Bank" is currently the only entity within the "Overseas Bank's Banking Group" in New Zealand.

## **3. Registered Bank**

Name: Kookmin Bank  
Address: 9-1, 2-Ga, Namdaemun-Ro,  
Jung-Gu, Seoul 100-703, Republic of Korea

Kookmin Bank was established in 1963 under the Citizens National Bank Act in the Republic of Korea. Pursuant to the repeal of the Citizens National Bank Act in January 1995, and has conducted its operations in accordance with the provisions of the General Banking Act in the Republic of Korea.

## **4. Ultimate Parent Bank**

Name: Kookmin Bank  
Address: 9-1, 2-Ga, Namdaemun-Ro,  
Jung-Gu, Seoul 100-703, Republic of Korea

## **5. Ultimate Holding Company**

Name: KB Financial Group Inc.  
Address: 9-1, 2-Ga, Namdaemun-Ro,  
Jung-Gu, Seoul 100-703, Republic of Korea

## **6. Ranking of local creditors in a winding up**

There are no material legislative or regulatory restrictions in the Registered Bank's country of incorporation, the Republic of Korea, which subordinate any claims of any class of unsecured creditors of the branch on the assets of the Registered Bank to those of any other class of unsecured creditors of the Registered Bank, in a winding up of the Registered Bank, other than as set out in section 8 below.

## **7. Holding excess of assets over deposit liabilities**

The Registered Bank is not required by any statute to hold in New Zealand an excess of assets over deposit liabilities.

## **8. Reserves of deposit liabilities of Korea**

The Registered Bank is required by Clause 2, Chapter 4 of the Korea Reserve Bank Act (Korea) to maintain reserves in an account with the Reserve Bank of Korea, to cover ongoing obligations to pay deposit liabilities in Korea, as follows:

- (a) reserves equivalent to at least 2 percent of the aggregate value of all term account deposits, instalment savings account deposits and cheque account deposits in Korea; plus
- (b) reserves equivalent to at least 7 percent of the aggregate value of all other deposits in Korea.

These requirements have the potential to impact on the management of the liquidity of the New Zealand business of the Registered Bank.

**9. Guarantee Arrangements**

No material obligations of the Registered Bank are guaranteed.

**10. Responsible person of the Branch**

Name:	Yong Hun SONG
Occupation:	General Manager of Kookmin Bank Auckland Branch
Country of Residence:	New Zealand
Technical or professional qualification:	M.B.A

**Communication addressed to the Responsible Person may be sent to:**

C/- Kookmin Bank Auckland Branch  
P O Box 7506, Wellesley Street  
Auckland, New Zealand

**11. Directors of the Registered Bank**

**Communication addressed to the Directors and New Zealand Chief Executive Officer may be sent to:**

C/- Kookmin Bank Auckland Branch  
P O Box 7506, Wellesley Street  
Auckland, New Zealand

The General Manager has signed this Disclosure Statement on his behalf and on behalf of the Directors of the Registered Bank, Kookmin Bank, being:

**Executive Directors**

Name	Occupation	Qualification
Jong Kyoo Yoon	President & CEO	Ph.D. in Finance
Hong Lee	Executive Director	B.A in Linguistics

**Independent Directors**

Name	Occupation	Qualification
Ha Hyun Jo	Professor, Yonsei University	Ph.D. in Economics
Chai Jin Lim	Head Lawyer, Lim Chai Jin Legal Office	B.A in Law
Soon Ae Park	Professor, Seoul University	Ph.D. in Public Administration
Seung Won Yoo	Professor, Korea University	Ph.D. in Accounting

All Directors reside in the Republic of Korea.

The Overseas Bank has an Audit Committee, which oversees the Registered Bank. The Committee is comprised of four members.

## **12. Auditors**

Name: PricewaterhouseCoopers New Zealand  
Address: Private Bag 92162,  
Auckland 1142, New Zealand

## **13. Conditions of Registration for Kookmin Bank in New Zealand**

**These conditions of registration apply on and after 1 November 2015.**

The registration of Kookmin Bank ("the registered bank") in New Zealand is subject to the following conditions:

1. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities.

In this condition of registration, the meaning of "material" is based on generally accepted accounting practice.

2. That the banking group's insurance business is not greater than 1% of its total consolidated assets.

For the purposes of this condition of registration, the banking group's insurance business is the sum of the following amounts for entities in the banking group:

- (a) if the business of an entity predominantly consists of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total consolidated assets of the group headed by the entity; and
- (b) if the entity conducts insurance business and its business does not predominantly consist of insurance business and the entity is not a subsidiary of another entity in the banking group whose business predominantly consists of insurance business, the amount of the insurance business to sum is the total liabilities relating to the entity's insurance business plus the equity retained by the entity to meet the solvency or financial soundness needs of its insurance business.

In determining the total amount of the banking group's insurance business—

- (a) all amounts must relate to on balance sheet items only, and must comply with generally accepted accounting practice; and
- (b) if products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets must be considered part of the insurance business.

For the purposes of this condition of registration,—

"insurance business" means the undertaking or assumption of liability as an insurer under a contract of insurance;

"insurer" and "contract of insurance" have the same meaning as provided in sections 6 and 7 of the Insurance (Prudential Supervision) Act 2010.

3. That the business of the registered bank in New Zealand does not constitute a predominant proportion of the total business of the registered bank.
4. That no appointment to the position of the New Zealand chief executive officer of the registered bank shall be made unless:
  - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
  - (b) the Reserve Bank has advised that it has no objection to that appointment.
5. That Kookmin Bank complies with the requirements imposed on it by the Financial Supervisory Service of Korea.
6. That, with reference to the following table, each capital adequacy ratio of Kookmin Bank must be equal to or greater than the applicable minimum requirement.

**13. Conditions of Registration for Kookmin Bank in New Zealand (continued)**

Capital adequacy ratio	Minimum requirement on and after 1 January 2015
Common Equity Tier 1 capital	4.5 percent
Tier 1 capital	6 percent
Total capital	8 percent

For the purpose of this condition of registration, the capital adequacy ratios—

- (a) must be calculated as a percentage of the registered bank's risk weighted exposures; and
  - (b) are otherwise as administered by the Financial Supervisory Service of Korea.
7. That liabilities of the registered bank in New Zealand, net of amounts due to related parties (including amounts due to a subsidiary or affiliate of the registered bank), do not exceed NZ\$15 billion.
  8. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of property-investment residential mortgage loans with a loan-to-valuation ratio of more than 60%, must not exceed 5% of the total of the qualifying new mortgage lending amount in respect of property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
  9. That, for a loan-to-valuation measurement period, the total of the business of the registered bank in New Zealand's qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans with a loan-to-valuation ratio of more than 80%, must not exceed 10% of the total of the qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans arising in the loan-to-valuation measurement period.
  10. That the business of the registered bank in New Zealand must not make a residential mortgage loan unless the terms and conditions of the loan contract or the terms and conditions for an associated mortgage require that a borrower obtain the registered bank's agreement before the borrower can grant to another person a charge over the residential property used as security for the loan.

In these conditions of registration,—

"banking group" means the New Zealand business of the registered bank and its subsidiaries as required to be reported in group financial statements for the group's New Zealand business under section 461B(2) of the Financial Markets Conduct Act 2013.

"business of the registered bank in New Zealand" means the New Zealand business of the registered bank as defined in the requirement for financial statements for New Zealand business in section 461B(1) of the Financial Markets Conduct Act 2013.

"generally accepted accounting practice" has the same meaning as in section 8 of the Financial Reporting Act 2013.

"liabilities of the registered bank in New Zealand" means the liabilities that the registered bank would be required to report in financial statements for its New Zealand business if section 461B(1) of the Financial Markets Conduct Act 2013 applied.

**13. Conditions of Registration for Kookmin Bank in New Zealand (continued)**

In conditions of registration 8 to 10,—

“loan-to-valuation ratio”, “non property-investment residential mortgage loans”, “property-investment residential mortgage loans”, “qualifying new mortgage lending amount in respect of property-investment residential mortgage loans”, “qualifying new mortgage lending amount in respect of non property-investment residential mortgage loans”, and “residential mortgage loan” have the same meaning as in the Reserve Bank of New Zealand document entitled “Framework for Restrictions on High-LVR Residential Mortgage Lending” (BS19) dated October 2016, and where the version of the Reserve Bank of New Zealand document “Capital Adequacy Framework (Standardised Approach)” (BS2A) referred to in BS19 for the purpose of defining these terms is that dated November 2015.

“loan-to-valuation measurement period” means a period of six calendar months ending on the last day of the sixth calendar month, the first of which ends on the last day of March 2017.

**14. Changes of condition of registration**

There has been no changes to the Condition of Registration since 31 December 2016.

## **15. Credit Ratings**

Current credit ratings of the Overseas Bank for long-term debt remain unchanged and are as follows:

Moody's Investor Service Inc.	Standard and Poor's	Rating Date
A3 (Stable)	A	21 Mar 2007
A2 (Stable)	A	25 July 2007
<b>A1 (Stable)</b>	<b>A+</b>	<b>8 August 2016</b>

On 8 August 2016, Standard and Poor's revised the rating as above to A+ with a 'stable' outlook.

On 8 August 2016, Moody's Investor Service Inc. reaffirmed the credit of A1 and the outlook as 'stable'.

## **16. Other Material Matters**

The financial information in the Disclosure Statement in regard to the Overseas Bank and its Overseas banking group has been prepared under generally accepted accounting practices of Republic of Korea, and in accordance with the requirements of the Financial Supervisory Service (FSS) of the Republic of Korea. The standards, procedures and practices utilised to audit the financial statements of the Overseas Bank and its Overseas banking group, are those generally accepted and applied in the Republic of Korea. The generally accepted accounting practice, requirements of the FSS and audit standards applied therein may differ to those applied in New Zealand. The financial statements are in compliance with New Zealand Equivalents to International Financial Reporting Standards.

## **17. Interim financial reporting**

The condensed financial statements included in this Disclosure Statement have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. These condensed financial statements also comply with IAS 34.

These condensed financial statements should be read in conjunction with the full reporting Disclosure Statements as at 31 December 2016.

## **18. Availability of Disclosure Statement**

Copies of the Branch's most recent Disclosure Statement will be provided immediately at no charge, to any person requesting a copy where the request is made at the Branch's head office. The Disclosure Statement may also be accessed through the Kookmin Bank website <https://global.kbstar.com>.

## **19. Financial Statements of the Registered Bank and Overseas Banking Group**

A copy of the most recent publicly available financial statements of the Registered Bank and Overseas Banking Group, will be provided immediately at no charge, to any person requesting a copy where the request is made at the Branch's head office.

## **20. Auditors' Report**

This Disclosure Statement is neither a half year nor an annual disclosure so is not subject to an audit or review by an external auditor.



**The Directors' and Chief Executive Officer Statement**

Each Director of Kookmin Bank and the General Manager of the Auckland Branch of Kookmin Bank, believes, after due enquiry, that as at the date on which this Disclosure Statement is signed;

1. The Disclosure Statement contains all the information that is required by the Registered Bank Disclosure Statement (Overseas Incorporated Registered Banks) Order 2014 (as amended); and
2. The Disclosure Statement is not false or misleading.

Furthermore Each Director of Kookmin Bank and the General Manager of the Auckland Branch of Kookmin Bank believes, after due enquiry, that over the three months period ended 31 March 2017.

1. The Registered Bank has complied with the Conditions of Registration imposed on it pursuant to section 74 of the Reserve Bank of New Zealand Act 1989; and
2. The Branch had systems in place to monitor and control adequately the material risks it faces including credit risk, concentration of credit risk, interest rate risk, currency risk, equity risk, liquidity risk, and other business risks, and those systems were being properly applied over the period.



Yong Hun SONG

Signing for and on behalf of the Directors of Kookmin Bank pursuant to a power of attorney dated 22 November 2004 and on his own behalf.  
23 May 2017

It is confirmed that the said powers of attorney appointing Yong Hun SONG are in force and have not been revoked.

**Condensed Statement of Comprehensive Income**

For the three months ended 31 March 2017

	Note	(Unaudited) 3 months ended 31 March 2017 (\$)	(Unaudited) 3 months ended 31 March 2016 (\$)
Interest revenue		3,433,185	3,507,066
Interest expense		(2,069,650)	(2,276,977)
<b>Net interest income</b>		<b>1,363,535</b>	<b>1,230,089</b>
Fee and commission revenue		466,828	522,253
Fee and commission expense		(98,821)	(190,519)
<b>Net fee and commission income</b>		<b>368,007</b>	<b>331,734</b>
Other operating income		84,699	95,783
<b>Operating income</b>		<b>1,816,241</b>	<b>1,657,606</b>
Impairment recoveries / (losses) on loans and advances		36,942	126,217
Administrative expenses		(532,401)	(558,043)
Other operating expenses		(14,344)	(90,926)
<b>Net profit before tax</b>		<b>1,306,438</b>	<b>1,134,854</b>
Income tax expense	3	(365,803)	(317,759)
<b>Profit after income tax attributable to Head Office</b>		<b>940,635</b>	<b>817,095</b>
Other comprehensive income, net of tax		-	-
<b>Total Comprehensive income attributable to Head Office</b>		<b>940,635</b>	<b>817,095</b>

**Condensed Statement of Changes in Head Office Account**

For the three months ended 31 March 2017

	(Unaudited) 3 months ended 31 March 2017 (\$)	(Unaudited) 3 months ended 31 March 2016 (\$)
<b>Head Office account at beginning of the period</b>	<b>3,264,463</b>	<b>2,868,309</b>
Profit for the period	940,635	817,095
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>940,635</b>	<b>817,095</b>
<b>Other movements</b>		
Amounts repatriated to Head Office	(2,914,910)	(2,781,026)
<b>Head Office account at end of the period</b>	<b>1,290,188</b>	<b>904,378</b>

The accompanying notes on page 14 to 28 form part of these condensed financial statements

**Condensed Statement of Financial Position**  
As at 31 March 2017

	Note	(Unaudited) 31 March 2017 (\$)	(Unaudited) 31 March 2016 (\$)	(Audited) 31 December 2016 (\$)
<b>ASSETS</b>				
Cash and cash equivalents		2,549,071	5,650,962	3,241,491
Due from other bank		5,600,238	-	4,100,348
Loans and advances to customers		170,931,098	133,330,436	168,222,653
Due from related parties		220,496,038	297,610,525	217,689,856
Property and equipment		209,474	314,646	232,482
Other assets		94,086	15,994	10,313
Deferred tax asset		128,024	193,604	128,024
<b>Total assets</b>		<b>400,008,029</b>	<b>437,116,167</b>	<b>393,625,167</b>
<b>LIABILITIES</b>				
Due to other banks		57,491,689	115,676,101	57,796,012
Deposits from customers		200,102,607	199,930,606	190,294,750
Due to related parties		140,382,260	119,872,113	141,380,053
Current tax liabilities		313,784	283,478	407,981
Provisions		18,800	18,800	18,800
Other liabilities		408,701	430,691	463,108
<b>Total liabilities</b>		<b>398,717,841</b>	<b>436,211,789</b>	<b>390,360,704</b>
<b>Equity</b>				
Head Office account		1,290,188	904,378	3,264,463
<b>Total Equity and liabilities</b>		<b>400,008,029</b>	<b>437,116,167</b>	<b>393,625,167</b>

No assets presented in the Condensed Statement of Financial Position have been used to secure any obligations.

*The accompanying notes on page 14 to 28 form part of these condensed financial statements*

**Condensed Statement of Cash Flows**

For the three months ended 31 March 2017

	Note	(Unaudited) 31 March 2017 (\$)	(Unaudited) 31 March 2016 (\$)
<b>Cash flows from operating activities</b>			
Interest received		3,503,059	3,375,224
Other income received		438,273	356,440
Interest paid		(1,985,041)	(2,011,622)
Other operating expenses		(669,703)	(499,752)
Income Tax (paid)		(460,000)	(350,000)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>		<b>826,588</b>	<b>870,290</b>
Net (increase)/decrease in loans and advances to banks		-	-
Net (increase) in loans and advances to customers		(2,737,025)	(11,842,726)
Net (decrease) in due to other banks		(452,276)	(1,654,941)
Net increase/(decrease) in deposits from customers		9,937,784	(7,643,762)
<b>Cash flows from operating assets and liabilities</b>		<b>6,748,483</b>	<b>(21,141,429)</b>
<b>Net cash from/(used in) operating activities</b>	2	<b>7,575,071</b>	<b>(20,271,139)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		-	-
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
(Advances to) /advances from Head Office		(2,847,476)	8,220,697
Amount received (paid to) Head Office		(1,074,155)	(1,654,941)
Repatriation to Head Office		(2,914,910)	(2,781,026)
<b>Net cash flows from/(used in) financing activities</b>		<b>(6,836,541)</b>	<b>3,784,730</b>
Net increased/(decreased) in cash and cash equivalents		738,530	(16,486,409)
Cash and cash equivalents at the beginning of the period		7,341,839	22,053,209
Effect of exchange rate changes on cash and cash equivalents		68,940	84,162
<b>Cash and cash equivalents at the end of the period</b>		<b>8,149,309</b>	<b>5,650,962</b>

The accompanying notes on page 14 to 28 form part of these condensed financial statements

**Condensed Statement of Cash Flows (continued)**

For the three months ended 31 March 2017

		<i>(Unaudited)</i> 31 March 2017	<i>(Unaudited)</i> 31 March 2016
	<i>Note</i>	(\$)	(\$)

***Analysis of cash and cash equivalents***

Cash and demand balances with other banks	2,549,071	5,650,962
Due from other banks	5,600,238	-
	<b>8,149,309</b>	<b>5,650,962</b>

**Notes to the condensed financial statements**

**1. Statement of Accounting Policies**

The reporting entity is Kookmin Bank Auckland Branch (the "Branch"), a branch of Kookmin Bank (the "Registered Bank"). These condensed financial statements have been drawn up in accordance with the requirements of the Registered Bank Disclosure Statements (Overseas Incorporated Registered Banks) Order 2014 (as amended). These condensed financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting. These condensed financial statements also comply with IAS 34 Interim Financial Reporting.

The Registered Bank's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards.

These condensed financial statements were authorised for issue by the General Manager on behalf of all the Directors on 23 May 2017.

***Changes in accounting policy and disclosure***

***Basis of preparation***

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

***Summary of significant accounting policies***

The same accounting policies and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Branch's financial statements for the year ended 31 December 2016.

There have been no significant changes in accounting policies during the current period.

**2. Reconciliation of profit after income tax to net cash flow from operating activities**

	(Unaudited) 3 months ended 31 March 2017 (\$)	(Unaudited) 3 months ended 31 March 2016 (\$)
<b>Profit after income tax for the period</b>	<b>940,635</b>	<b>817,095</b>
<b>Add: Non-cash items</b>		
Unrealised foreign exchange (gain)	(68,940)	(84,162)
Disposal of property, plant and equipment	-	-
Depreciation	23,008	35,944
Impaired assets (recovery)/expenses	(36,942)	79,359
	<b>(82,874)</b>	<b>31,141</b>
<b>Add: Movements in balance sheet items</b>		
Movement in interest accruals	124,512	(32,354)
Movement in operating expenses accruals	(61,488)	94,230
Movement in income tax payable	(94,197)	(39,824)
Movement in loans and advances to customers	(2,737,025)	(11,842,724)
Movement in amounts due to other banks	(452,276)	(1,654,941)
Movement in deposits from customers	9,937,784	(7,643,762)
	<b>6,717,310</b>	<b>(21,119,375)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>7,575,071</b>	<b>(20,271,139)</b>

**3. Income tax expense**

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 28% (3 months ended 31 March 2016: 28%, 12 months ended 31 December 2016: 28%).

**4. Repatriation of funds to Head Office**

During the interim period, the Branch has repatriated \$2,914,910 to the Head Office (3 months ended 31 March 2016: \$2,781,026, 12 months ended 31 December 2016: \$2,781,026).

**5. Segment information**

The Branch operates predominantly in the Financial Services industry within New Zealand.

## **6. Related party transactions**

### ***Identity of related parties***

The Branch has related party transactions with its immediate parent, Kookmin Bank.

During the period ended 31 March 2017, the Branch has entered into, or had in place, various financial transactions with the Overseas Banking Group. The Overseas Banking Group provides administrative functions to the Branch for which no payments have been made (31 March 2016: \$ nil, 31 December 2016: \$ nil). In all other cases, arrangements with the Overseas Banking Group were conducted on an arm's length basis and on normal commercial terms. The Branch uses the market rate of interest for similar banks for all loans with related parties. All loans and borrowings from related parties are not secured.

### ***Transactions with related entities***

The Branch received interest revenue of \$1,146,740 from Kookmin Bank for related party receivables (31 March 2016: \$1,637,828, 31 December 2016: \$5,638,974).

The Branch paid interest expenses of \$470,626 to Kookmin Bank for related party payables (31 March 2016: \$270,102, 31 December 2016: \$1,228,810).

The Branch received commissions on banker's acceptance transactions from Kookmin Bank of \$262,426 (31 March 2016: \$298,086, 31 December 2016: \$1,166,976).

During the period, no provisions for impairment losses have been recognised in respect of loans and other amounts due from related parties. No amounts owed by related parties have been written off or forgiven during the year.

### ***Balances with related entities***

At 31 March 2017, the Branch had \$220,496,038 due from Kookmin Bank for short term advances (31 March 2016: \$297,610,525, 31 December 2016: \$217,689,856).

At 31 March 2017, the Branch has \$140,382,260 due to Kookmin Bank for short term advances for funding purposes (31 March 2016: \$119,872,113, 31 December 2016: \$141,380,053).

All balances with related entities fall under the current assets and liabilities.

## **7. Unusual transactions**

There have been no unusual transactions materially affecting the financial statements of the Branch for the periods ended 31 March 2017 and 31 March 2016 and for the year ended 31 December 2016.

## **8. Contingencies and commitments**

The Branch has contingent liabilities in the form of guarantees. These guarantee the performance of customers by issuing standard guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers and no other transactions since the previous Disclosure Statement Publication Date.

## **9. Events after the end of the reporting period**

There have been no material events that have taken place since 31 March 2017 which would affect the financial statements.



**10. Additional Information on the Condensed Statement of Comprehensive Income**

	(Unaudited) 3 months ended 31 March 2017 (\$)	(Unaudited) 3 months ended 31 March 2016 (\$)	(Audited) 12 months ended 31 December 2016 (\$)
Net Trading gains / (losses)	-	-	-
Credit Risk adjustment on financial assets at fair value	-	-	-
Other fair value adjustments (excluding credit risk adjustments on financial assets at fair value)	-	-	-
Other operating income / (expense) (excluding the items above)	83,284	95,730	284,409
<b>Total Operating Income</b>	<b>83,284</b>	<b>95,730</b>	<b>284,409</b>

**11. Additional Information on the Condensed Statement of Financial Position**

	(Unaudited) As at 31 March 2017 (\$)	(Unaudited) As at 31 March 2016 (\$)	(Audited) As at 31 December 2016 (\$)
Total Interest earning and discount bearing assets	397,027,374	432,840,961	390,012,857
Total Interest and discount bearing liabilities	397,976,556	435,432,916	389,470,815
Financial assets pledged as collateral for liabilities or contingent liabilities	516,000	509,563	516,000
Total Amount due from Related entities (excluding key management personnel)	220,496,038	297,610,525	217,689,856
Total Amount due to Related entities (excluding key management personnel)	140,382,260	119,872,113	141,380,053

  

	(Unaudited) As at 31 March 2017 (\$)	(Unaudited) As at 31 March 2016 (\$)	(Audited) As at 31 December 2016 (\$)
Liabilities of the Registered Bank in New Zealand – net of amounts due to related parties	258,335,581	315,916,253	248,980,651
Total Retail deposits of the Registered Bank in New Zealand	199,992,307	198,193,330	190,284,650

## 12. Additional Information on Liquidity Risk

The table below presents the Branch cash flows by remaining contractual maturities as at reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows and therefore will not agree to the carrying values on the Statement of Financial Position. The Branch manages liquidity based on a contractual basis and therefore expected maturities are not shown.

(Unaudited) As at 31 March 2017	At Call (\$)	Less than 1 Month (\$)	1 to 3 Months (\$)	3 months to 1 year (\$)	Between 1 – 5 years (\$)	More than 5 years (\$)	Total (\$)
<b>Contractual maturities of financial assets</b>							
Cash and cash equivalents	8,149,309	-	-	-	-	-	8,149,309
Loans and advances to customers	1,346,549	12,076,950	29,229,305	121,519,325	4,157,586	9,443,871	177,773,586
Due from related parties	20,601,124	45,601,917	110,463,272	44,706,905	-	-	221,373,218
Other Asset	-	-	-	10,313	-	-	10,313
<b>Total</b>	<b>30,096,981</b>	<b>57,678,867</b>	<b>139,692,577</b>	<b>166,236,543</b>	<b>4,157,586</b>	<b>9,443,871</b>	<b>407,306,426</b>
<b>Contractual maturities of financial liabilities</b>							
Due to other banks	54,290	14,655,813	77,922	42,924,442	-	-	57,712,467
Deposit from customers	29,388,872	25,797,248	27,402,810	109,448,313	11,613,592	-	203,650,835
Due to related parties	18,663,495	14,742,858	50,165,647	57,223,249	-	-	140,795,249
Other liabilities	140,307	-	-	-	-	-	140,307
<b>Total</b>	<b>48,246,964</b>	<b>55,195,919</b>	<b>77,646,379</b>	<b>209,596,004</b>	<b>11,613,592</b>	<b>-</b>	<b>402,298,858</b>
<b>Total Contingent Liabilities and Commitments</b>							
Lending commitments approved but not yet advanced	3,938,236	-	-	-	-	-	3,938,236
Other commitments to provide financial guarantees to external parties	516,000	-	-	-	-	-	516,000
<b>Total undiscounted contingent liabilities and commitment</b>	<b>4,454,236</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,454,236</b>

**12. Additional Information on Liquidity Risk (Continued)**

(Unaudited) As at 31 March 2018	At Call (\$)	Less than 1 Month (\$)	1 to 3 Months (\$)	3 months to 1 year (\$)	Between 1 – 5 years (\$)	More than 5 years (\$)	Total (\$)
<b>Contractual maturities of financial assets</b>							
Cash and cash equivalents	5,650,962	-	-	-	-	-	5,650,962
Loans and advances to customers	1,794,731	4,712,406	24,337,292	83,513,279	13,002,697	13,055,828	140,416,233
Due from related parties	75,366,537	56,694,896	111,618,613	54,729,650	-	-	298,409,696
Other Asset	-	-	-	10,735	-	-	10,735
<b>Total</b>	<b>82,812,230</b>	<b>61,407,302</b>	<b>135,955,905</b>	<b>138,253,664</b>	<b>13,002,697</b>	<b>13,055,828</b>	<b>444,487,626</b>
<b>Contractual maturities of financial liabilities</b>							
Due to other banks	19,930	36,136,544	40,824,758	57,703,405	-	-	134,684,637
Deposit from customers	25,309,786	28,036,998	12,835,047	124,736,644	13,453,225	-	204,371,700
Due to related parties	18,807,712	35,637,496	64,194,102	19,006,924	-	-	137,646,234
Other liabilities	373,521	-	-	-	-	-	373,521
<b>Total</b>	<b>44,510,949</b>	<b>99,811,038</b>	<b>117,853,907</b>	<b>201,446,973</b>	<b>13,453,225</b>	<b>-</b>	<b>477,076,092</b>
<b>Total Contingent Liabilities and Commitments</b>							
Lending commitments approved but not yet advanced	2,770,731	-	-	-	-	-	2,770,731
Other commitments to provide financial guarantees to external parties	509,563	-	-	-	-	-	509,563
<b>Total undiscounted contingent liabilities and commitment</b>	<b>3,280,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,280,294</b>

**12. Additional Information on Liquidity Risk (Continued)**

(Audited) As at 31 December 2016	At Call (\$)	Less than 1 Month (\$)	1 to 3 Months (\$)	3 months to 1 year (\$)	Between 1 – 5 years (\$)	More than 5 years (\$)	Total (\$)
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**Contractual maturities of financial assets**

Cash and cash equivalents	3,241,491	-	-	-	-	-	3,241,491
Due from other banks	4,100,348	-	-	-	-	-	4,100,348
Loans and advances to customers	1,752,368	9,664,135	25,586,830	124,306,793	4,813,283	8,943,155	175,066,564
Due from related parties	35,421,154	67,075,435	128,590,947	67,618,244	-	-	298,705,780
Other Asset	-	-	-	10,313	-	-	10,313
<b>Total</b>	<b>44,515,361</b>	<b>76,739,570</b>	<b>154,177,777</b>	<b>191,935,350</b>	<b>4,813,283</b>	<b>8,943,155</b>	<b>481,124,496</b>

**Contractual maturities of financial liabilities**

Due to other banks	44,513	14,631,016	112,687	43,334,413	-	-	58,122,629
Deposit from customers	23,349,706	37,440,015	31,854,897	84,868,940	15,985,048	-	193,498,606
Due to related parties	18,776,564	385,239	64,991,398	57,745,103	-	-	141,898,304
Other liabilities	198,783	-	-	-	-	-	198,783
<b>Total</b>	<b>42,369,566</b>	<b>52,456,270</b>	<b>96,958,982</b>	<b>185,948,456</b>	<b>15,985,048</b>	<b>-</b>	<b>393,718,322</b>

**Total Contingent Liabilities and Commitments**

Lending commitments approved but not yet advanced	3,094,330	-	-	-	-	-	3,094,330
Other commitments to provide financial guarantees to external parties	516,000	-	-	-	-	-	516,000
<b>Total undiscounted contingent liabilities and commitment</b>	<b>3,610,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,610,330</b>

**Management of liquidity risk**

The Registered Bank supervises the Branch liquidity under its global liquidity management policy. The Branch obtains funding from its Registered Bank when necessary. Maturity reports are used to monitor the Registered Bank's capability in managing its day to day liquidity needs and to ensure it can meet its obligations when they fall due. This monitoring of liquidity risk is performed daily by the product manager and reviewed weekly by the General Manager of the Registered Bank.

### **13. Financial assets and liabilities**

#### **Accounting categorisation and fair values**

The methodologies and assumptions when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

##### **Cash and cash equivalents**

These assets are short term in nature and the related carrying value is equivalent to their fair value.

##### **Loans and advances to customers**

For variable rate loans and advances, the carrying amount is considered a reasonable estimate of fair value. For fixed rate loans and advances, fair values have been estimated using discounted cash flow models with reference to market interest rates.

##### **Due to/from related parties**

These assets and liabilities are short term in nature and the related carrying value is equivalent to their fair value.

##### **Other financial assets**

For other financial assets, the carrying amount is equal to fair value.

##### **Deposits from customers and due to other banks**

For fixed term deposits by banks and customers, fair values have been estimated using discounted cash flow models with reference to market interest rates. For other deposits, such as demand deposits and temporary deposits, the carrying amount is considered a reasonable estimate of fair value.

##### **Other financial liabilities**

These financial liabilities are short term in nature and the related carrying value is equivalent to their fair value.

#### **Fair value hierarchy**

There is a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Registered bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

**Level 1:** Fair values are determined using quoted market prices where an active market exists.

**Level 2:** Where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques based on market conditions existing at balance date. These valuation techniques rely on market observable inputs.

**Level 3:** Inputs for the financial asset or liability that are based on unobservable inputs. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques for which any significant inputs are based on unobservable inputs. This level includes loans and advances to customers and deposits from customers with significant unobservable components.

## Condensed Financial Statements – Kookmin Bank Auckland Branch

The table below sets out the Registered Bank's categorisation of each class of financial assets and liabilities, and their fair values.

31 March 2017	Loans and receivables (\$)	Financial liabilities at amortised cost (\$)	Total carrying value (\$)	Fair value (\$)
Cash and cash equivalents	2,549,071	-	2,549,071	2,549,071
Due from other banks	5,600,238	-	5,600,238	5,600,238
Loans and advances to customers*	170,931,098	-	170,931,098	170,936,583
Due from related parties	220,496,038	-	220,496,038	220,496,038
Other financial assets	94,086	-	94,086	94,086
<b>Total financial assets</b>	<b>399,670,531</b>	<b>-</b>	<b>399,670,531</b>	<b>399,676,016</b>
Due to other banks	-	57,491,689	57,491,689	57,491,689
Deposits from customers*	-	200,102,607	200,102,607	200,550,739
Due to related parties	-	140,382,260	140,382,260	140,382,260
Other financial liabilities	-	139,474	139,474	139,474
<b>Total financial liabilities</b>	<b>-</b>	<b>398,116,030</b>	<b>398,116,030</b>	<b>398,564,162</b>

31 March 2016	Loans and receivables (\$)	Financial liabilities at amortised cost (\$)	Total carrying value (\$)	Fair value (\$)
Cash and cash equivalents	5,650,962	-	5,650,962	5,650,962
Due from other banks	-	-	-	-
Loans and advances to customers*	133,330,436	-	133,330,436	133,428,504
Due from related parties	297,610,525	-	297,610,525	297,610,525
Other financial assets	15,994	-	15,994	15,994
<b>Total financial assets</b>	<b>436,607,917</b>	<b>-</b>	<b>436,607,917</b>	<b>436,705,985</b>
Due to other banks	-	115,676,101	115,676,101	115,676,101
Deposits from customers*	-	199,930,606	199,930,606	200,476,962
Due to related parties	-	119,872,113	119,872,113	119,872,113
Other financial liabilities	-	373,521	373,521	373,521
<b>Total financial liabilities</b>	<b>-</b>	<b>435,852,341</b>	<b>435,852,341</b>	<b>436,398,697</b>

\* The fair values for loans and advances to customers are within level 3 of the fair value hierarchy.

\* The fair values for deposits from customers are within level 2 of the fair value hierarchy.



**13. Financial assets and liabilities (continued)**

31 December 2016	Loans and receivables (\$)	Financial liabilities at amortised cost (\$)	Total carrying value (\$)	Fair value (\$)
Cash and cash equivalents	3,241,491	-	3,241,491	3,241,491
Due from other banks	4,100,348	-	4,100,348	4,100,348
Loans and advances to customers*	168,222,653	-	168,222,653	169,103,599
Due from related parties	217,689,856	-	217,689,856	217,689,856
Other financial assets	10,313	-	10,313	10,313
<b>Total financial assets</b>	<b>393,264,661</b>	<b>-</b>	<b>393,264,661</b>	<b>394,145,607</b>
Due to other banks	-	57,796,012	57,796,012	57,796,012
Deposits from customers*	-	190,294,750	190,294,750	190,661,599
Due to related parties	-	141,380,053	141,380,053	141,380,053
Other financial liabilities	-	198,783	198,783	198,783
<b>Total financial liabilities</b>	<b>-</b>	<b>389,669,598</b>	<b>389,669,598</b>	<b>390,036,447</b>

\* The fair values for loans and advances to customers are within level 3 of the fair value hierarchy.

\* The fair values for deposits from customers are within level 2 of the fair value hierarchy.

**14. Overseas Bank's Overseas Banking Group Profitability and Size**

The most recent period for which information is publicly available is the 12 months ended 31 December 2016.

<b>Profitability</b>	Year ended 31 December 2016 (Korea Won Billions)	Year ended 31 December 2015 (Korea Won Billions)
Net profit after tax	964	1,107
Net profit after tax as a percentage of average of total assets over the 12 months ended on 31 December	0.31%	0.39%
<b>Size</b>	31 December 2016 (Korea Won Billions)	31 December 2015 (Korea Won Billions)
Total assets	307,066	290,278
Percentage change in total assets over the 12 months ending on that date	5.78%	5.38%

### 15. Loan to value ratio – Branch

The information below has been derived in accordance with the definition of loan-to-valuation ratio specified in Capital Adequacy Framework (Standardised Approach) (BS2A).

#### Residential mortgage by loan-to-valuation ratio at 31 March 2017 (Unaudited)

LVR range	Does not exceed 80%	Exceeds 80% and not 90%	Exceeds 90%
Value of exposure	79,500,696	-	-

### 16. Exposures to Market Risk

#### Market risk notional capital charges

The Branch market risk exposure is derived in accordance with the Reserve Bank document 'Capital adequacy framework (standardised approach)' (BS2A).

End-of-period	(Unaudited) 31 March 2017	
	Implied risk weighted exposure NZD(\$000)	Notional Capital Charge NZD(\$000)
Interest Rate Risk	1,073	85
Foreign Currency Risk	147	11
Equity Risk	-	-

#### Market risk peak end-of-day notional capital charges

Branch peak end-of-day notional capital charge has been derived by determining the maximum aggregate capital charge for each category at the close of each business day in accordance with Reserve Bank document 'Capital Adequacy Framework (Standardised Approach)' (BS2A).

Peak end-of-day exposure	(Unaudited) 31 March 2017	
	Implied risk weighted exposure NZD(\$000)	Notional Capital Charge NZD(\$000)
Interest Rate Risk	4,329	346
Foreign Currency Risk	328	26
Equity Risk	-	-



**17. Capital Adequacy of the Overseas Bank and Overseas Banking Group**

Overseas Bank (Unaudited)	31 Dec. 2016	Minimum Percentage required by FSS	31 Dec. 2015	Minimum Percentage required by FSS
Common Equity Tier One Capital as a percentage of risk weighted exposures*	14.83%	4.50%	13.74%	4.50%
Tier One Capital as a percentage of risk weighted exposures	14.83%	6.00%	13.74%	6.00%
Total Capital as a percentage of risk weighted exposures	16.32%	8.00%	16.01%	8.00%
Overseas Banking Group (Unaudited)	31 Dec. 2016	Minimum Percentage required by FSS	31 Dec. 2015	Minimum Percentage required by FSS
Common Equity Tier One Capital as a percentage of risk weighted exposures*	14.83%	4.50%	13.74%	4.50%
Tier One Capital as a percentage of risk weighted exposures	14.83%	6.00%	13.74%	6.00%
Total Capital as a percentage of risk weighted exposures	16.32%	8.00%	16.01%	8.00%

The information stated for the Overseas Banking Group is presented for the most recent period for which information is publicly available based on the consolidated Overseas Banking Group Figures.

FSS stands for Financial Supervisory Service of the Republic of Korea. The ratios were calculated in accordance with the Bank of International Settlements (BIS) framework and meet its minimum requirements.

The Overseas Bank is required by the FSS of Korea to hold minimum capital at least equal to that specified under the Foundation-Internal Ratings-Based Approach Basel III framework. The Overseas Bank meets the minimum capital requirements imposed by the FSS.

### 18. Asset Quality

Credit quality of loans that are neither past due nor impaired are as follows

	<i>(Unaudited)</i> 31 March 2017	
	Corporate(\$)	Total(\$)
Grade 1	7,535,031	7,535,031
Grade 2	6,150,102	6,150,102
Grade 3	77,011,151	77,011,151
Grade 4	1,923,576	1,923,576
Grade 5	-	-
	<b>92,619,860</b>	<b>92,619,860</b>

Residential mortgages of \$77,453,499 and other retail of \$1,147,101 are ungraded.

Credit quality of loans graded according to internal credit ratings are as follows:

Overall credit grade	Corporate grade	Classification
Grade 1	AAA to BBB+	Corporate facilities demonstrating financial condition and capacity to repay that are good to exceptional.
Grade 2	BBB to BB	Corporate facilities demonstrating financial condition and capacity to repay that are average to good.
Grade 3	BB- to B	Corporate facilities demonstrating financial condition and capacity to repay that are stable to average.
Grade 4	B- to CCC	Corporate facilities demonstrating financial condition and capacity to repay that are unstable.
Grade 5	CC or under	Corporate facilities that are at a high risk of default

### Asset quality information for loans and advances to customers

Branch Past due but not impaired As at 31 March 2017	<i>(Unaudited)</i>			Total (\$)
	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	
Past due up to 30 days	-	-	-	-
Past due 30 – 60 days	-	-	-	-
Past due 60 – 90 days	-	-	-	-
Past due 90+ days	-	-	-	-
Total	-	-	-	-

18. Asset Quality (continued)

Loan Reconciliation

	(Unaudited) 31 March 2017 (\$)	(Unaudited) 31 March 2016 (\$)	(Audited) 31 December 2016 (\$)
Total loans and advances to customers	171,220,460	133,724,974	168,548,955
Less Allowance for Loan losses	(289,362)	(394,538)	(326,302)
Loans and advances to customers	170,931,098	133,330,436	168,222,653

Branch	(Unaudited)			
Individually impaired assets For the 3 months ended 31 March 2017	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Balance at beginning of period	-	-	-	-
Net additions	-	-	-	-
Deletions	-	-	-	-
Amount written off	-	-	-	-
Balance at end of period	-	-	-	-
Aggregate amount of credit impairment allowance	-	-	-	-

Branch	(Unaudited)			
Individual credit impairment allowances For the 3 months ended 31 March 2017	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Opening Balance	-	-	-	-
Charge (credit) to statement of comprehensive income	-	-	-	-
Amounts written off	-	-	-	-
Recoveries of previous write off's	-	-	-	-
Reversals of previously recognised impairment losses	-	-	-	-
Other Movements	-	-	-	-
Closing Balance	-	-	-	-

Branch	(Unaudited)			
Collective credit impairment allowances For the 3 months ended 31 March 2017	Residential mortgages (\$)	Corporate (\$)	Other Retail (\$)	Total (\$)
Opening Balance	23,556	302,161	585	326,302
Charge (credit) to statement of comprehensive income	(10,173)	(26,713)	(54)	(36,940)
Other movements	-	-	-	-
Closing Balance	13,383	275,448	531	289,362

The Branch does not have any financial assets designated at fair value, any asset acquired through security enforcement or any assets under administration.

**18. Asset Quality (continued)**

<b>Registered Bank Asset Quality For the 12 months ended December 2016</b>	<b>(Audited) 31 December 2016 (KRW in billions)</b>
Total assets	307,066
Total individually impaired assets	1,824
As a percentage of total assets	0.59%
Total individually credit impairment allowance	771
As a percentage of total impaired assets	42,25%
Total collective credit impairment allowance	270

**19. Concentration of Credit Exposures to Individual Counterparties**

The number of individual bank counterparties (which are not members of a group of closely related counterparties) and groups of closely related counterparties of which a bank is the parent to which the Branch has an aggregate credit exposure that equals or exceeds 10% of the Registered Bank's Overseas Banking Group's equity:

- as at 31 March 2017 was nil (31 March 2016: nil, 31 December 2016: nil); and
- in respect of peak end-of-day aggregate credit exposure for the 3 months ended 31 March 2017 was nil (31 March 2016: nil, 31 December 2016: nil)

The number of individual non-bank counterparties (which are not members of a group of closely related counterparties) and groups of closely related counterparties of which a bank is not the parent to which the Branch has an aggregate credit exposure that equals or exceeds 10% of the Registered Bank's Overseas Banking Group's equity:

- as at 31 March 2017 was nil (31 March 2016: nil, 31 December 2016: nil); and
- in respect of peak end-of-day aggregate credit exposure for the 3 months ended 31 March 2017 was nil (31 March 2016: nil, 31 December 2016: nil)

The peak end-of-day exposures have been calculated by determining the maximum end-of-day aggregate amount of credit exposure over the relevant three-month period, and then dividing that amount by the Registered Bank's Overseas Banking Group's equity as at the end of the period.

The information used for the Overseas Banking Group's equity is at the most recent period for which information is publicly available based on the consolidated Overseas Banking Group Figures at 31 December 2016.

Credit exposures used in the above calculations are determined with reference to actual credit exposures. Credit exposures to individual counterparties (not being members of a group of closely related counterparties) and to groups of closely related counterparties do not include exposures to those counterparties if they are recorded outside New Zealand nor exposures to the central government of any country or bank with a long-term credit rating of A- or A3 or above, or its equivalent.

**20. Risk management policies of the Registered Bank**

There has been no material change in the three months prior to 31 March 2017 in the Registered Bank's risk management policies.

The Branch has not been exposed to any new categories of risk since the previous Disclosure Statement Publication Date.

**21. Insurance Business and Non-Financial Activities**

The Branch does not conduct any insurance business or marketing and distribution of insurance products. The Registered Bank does not conduct any insurance business or non-financial activities in New Zealand outside the Branch.

The Branch is not involved in any trust, custodial, funds management, and other fiduciary activities or securitization of assets.