

오른길로 향하다

2015 KB Financial Group
Sustainability Report



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KB Financial Group has made continued efforts toward the 'Right Way' to lead the domestic financial market and fulfil responsibilities. The 'Right Way' pursued by KB refers to the 'Right and Ascending Way'. KB Financial Group hopes to explore the way for change by communicating with stakeholders on directions and efforts in the perspective of the right and ascending business, finance and companionship through the 2015 Sustainability Report of KB Financial Group.

Contents

- 02 Letter from CEO
- 04 Company Profile
- 06 KB's Right and Ascending Way

Right and Ascending Businesses



- 10 Strengthening Competencies for Fintech and Businesses
A World of Convenience Led by KB

- 16 Managing the Brand Value
Customer Trust KB Has Built

Right and Ascending Finance



- 22 Customer-oriented Mangement
Basics and Principles KB Goes by

- 30 Environmentally and Socially Responsible Finance
A Clean World with KB

Right and Ascending Companionship



- 36 Finance as a Companion
Hope Spread by KB

Appendix

- 42 Subsidiaries Profile
- 54 Corporate Governance
- 56 Risk Management
- 59 Stakeholder Engagement
- 60 Deciding on Content for Reporting
- 62 Performance Summary
- 69 Third Party's Assurance Statement
- 70 GRI G4 Index

About This Report

KB Financial Group has annually published the Sustainability Report since 2012 by expanding it in the Group level, which used to be published by KB Kookmin Bank. KB Financial Group wishes to transparently disclose activities and performance of sustainable management through the report and share the directions forward with stakeholders.

Reporting Period

The relevant period for this report spans from January 1 to December 31, 2015, and description of some important issues includes progress made in the first half of 2016. To demonstrate the trends of time series analysis, the report includes data from the past 4 years (from 2012 to 2015) as of 2015.

Reporting Scope

This report concerns the sustainability-related activities and achievements of KB Financial Group (12 subsidiaries) at all its business locations in Korea including the Group's headquarters. Especially, this report provides information on the specific activities and achievements of each subsidiary, thus providing a balanced view on the progresses at the levels of individual subsidiary and of the entire Group alike.

Reporting and Verification Standards

This Sustainability Report was written and prepared in accordance with the Global Reporting Initiative (GRI)'s new G4 reporting guidelines and following the requirements of the "Core" option. To identify and determine the issues to be covered in this report, a materiality evaluation was performed in advance. The selected main issues are described and explained in details in 5 sections. To ensure the reliability and quality of the information presented in this report, the contents has been subjected to verification by an independent third-party agency, whose written opinion on the verification process can be found as part of this report as well.

Letter from CEO

“KB is Starting a New Journey Toward the Right and Ascending Way.”



Chairman & CEO KB Financial Group Inc. Jong Kyoo Yoon

2015 Highlights



I would like to extend my heartfelt gratitude to you for your unwavering support and encouragement for KB Financial Group as customers, shareholders and all of stakeholders. It is a great pleasure for me to greet you through the fifth Sustainability Report of KB Financial Group.

Looking back, 2015 was a year for KB Financial Group to pour all its energy to be reborn as a reliable financial group for you, and strive to prepare for its future. KB broadened the scope of financial services availability for customers and established balanced business portfolios by embracing KB Insurance as a new family member. Also, KB Financial Group laid the foundation to provide new services and better values to you as a comprehensive financial service provider by being selected as Narasarang Card supplier and launching hybrid branches participated by banks, securities, indemnity insurance and life insurance.

In recent times, KB has successfully completed the takeover of Hyundai Securities, not only reinforcing its non-banking business but also solidifying its prestige as Korea's largest comprehensive financial group. As a consequence, all the 30,000 employees at KB Financial Group will create a turning point for another breakthrough for KB to become No.1 through challenges and innovation.

Internal and external environments for KB are still challenging. While uncertainties are rampant in major global economies, it is difficult to be reassured about a clear turnaround in the domestic economy due to the household debt burden and sluggish export. Numerous waves of challenges will await KB. Nevertheless, KB Financial Group will never stop taking steps for "No.1 KB."

In order to create the Group's synergies driven by core competitiveness in each subsidiary and achieve "No.1 KB" in all business areas, KB will focus on the following initiatives.

First, KB will lead the market as the first mover by preemptively preparing for a newly changing financial paradigm. We will spare consistent efforts to expand the Fintech business including settlement, security and big data but also future growth engines of the Group including asset management and CiB, and to ensure that each subsidiary could find its new income source.

Second, KB will create a framework for sustainable growth by providing comprehensive services to satisfy customers. We will initiate changes and innovation by strengthening competencies in smart financing and expanding synergies of hybrid branches.

Third, KB will serve as a genuine life-time financial partner for the public, which fulfills its social responsibilities as a corporate citizen. We will do the utmost so that happiness and hopes could sprout anywhere with KB's presence through job creation, micro-credit services and charity work for the underprivileged, while securely protecting and scaling up customer assets based on the thorough ethical sense.

In order for such endeavors of KB to gain the trust of stakeholders, our changes must be directed for the right goal. The direction of changes pursued by KB must look towards stakeholders including customers and shareholders. We call this path "Right and Ascending Way" and will ask ourselves, "Is our way right and ascending?" And we will carry on our journey toward the "Right and Ascending Way" with our unchanging belief.

I ask for your endless support for and interest in KB Financial Group which strives to contribute to the value enhancement for customers and the public through sustainable management toward the "Right and Ascending Way."

June 2016
Chairman & CEO KB Financial Group Inc. Jong Kyoo Yoon

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Company Profile

A Company toward the Right and Ascending Way

KB Financial Group

Company Name	KB Financial Group
Chairman & CEO	Jong Kyoo Yoon
Headquarters	84, Namdaemun-ro, Jung-gu, Seoul (Euljiro 2-ga)
Number of Employees	28,780 (Including Executives and Temporary contracts)
Total Assets	329,065,467 million won
Revenue	22,233,276 million won
Operating Income	1,821,134 million won

As of December 31, 2015

Net Income	1,727,306 million won
Number of Branches	1,602 (Domestic 1,573, Overseas 29)
Number of Customers	32 million customers (KB Financial Group)
Major Shareholders and Share Ratios	National Pension Service (9.20%), JP Morgan Chase Bank ¹⁾ (8.07%), Saudi Arabian Monetary Agency (3.41%)
Credit Rating ²⁾	Moody's A1, Standard & Poor's A

1) As a DR depository institution, JP MORGAN CHASE BANK, has its decision-making right held by each DR holder.
2) Based on KB Kookmin Bank's long-term credit rating

In response to the accelerated globalization in the financial industry, lower profits in the traditional banking operations, expansion of the capital market with the adoption of the Capital Market Integration Act and a higher need for comprehensive financial services, KB Financial Group came into being with the establishment of KB Financial Holding Incorporated on September 29, 2008, made possible by the comprehensive transfer of the stocks of major subsidiaries. As of December-end, 2015, KB Financial Group's total asset stood at KRW 329 trillion, establishing itself as a comprehensive financial group with the largest number of customers and branches.

Vision and Strategy

Aspiring toward becoming "Asia Top 10, Global Top 50" under the vision of "global financial group leading the Asian financial industry", KB Financial Group has launched a phase-by-phase strategy goal. First, until 2017, the Group will continue to consolidate the basis for becoming a global leader of finance by securing a distinctive competitive edge, and recover its leadership in the domestic financial market by 2020 with profit expansion through stable asset growth and improved portfolios.

Consequently, the Group is committed to gathering its competencies to predominate the Asian financial market by 2023.

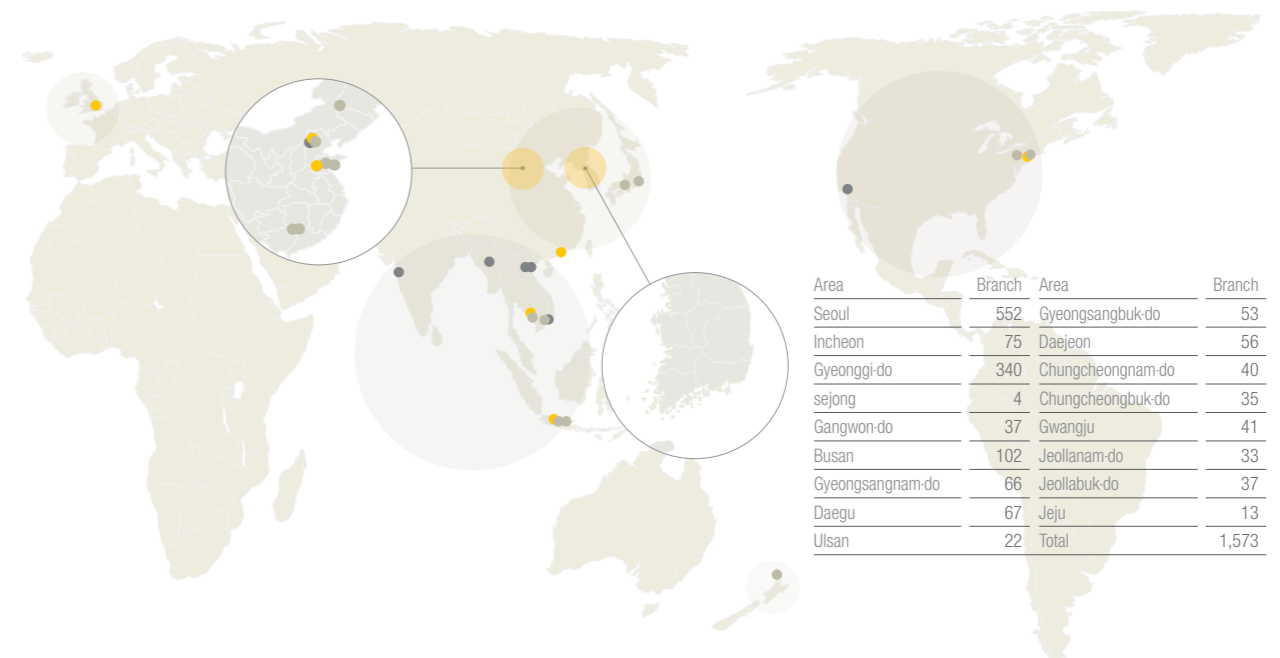
Subsidiaries of KB Financial Group

Following the takeover of LIG Insurance in June 2015, KB Financial Holding's subsidiaries are KB Kookmin Bank, KB Insurance, KB Kookmin Card, KB Investment & Securities, KB Life Insurance, KB Asset Management, KB Capital, KB Savings Bank, KB Real Estate Trust, KB Investment, KB Credit Information, and KB Data Systems. KB Financial Group provides wide-ranging financial services for customers including banking, loan, financial investment and insurance, thus beefing up global competitiveness through cross-subsidiary synergies.

Current Status of Branches and Business Sites

KB Financial Group holds Korea's largest branch network. The Group strengthens product and service capacities for customers to get more convenient services through over 1,500 business channels nationwide. The Group also pours in efforts to make inroads into the overseas market as the importance of exploring new markets has increased to secure future growth engines. KB Financial Group has subsidiaries of KB Kookmin Bank, that is, Kookmin Bank Hong Kong Ltd., Kookmin Bank International

2015 Highlights



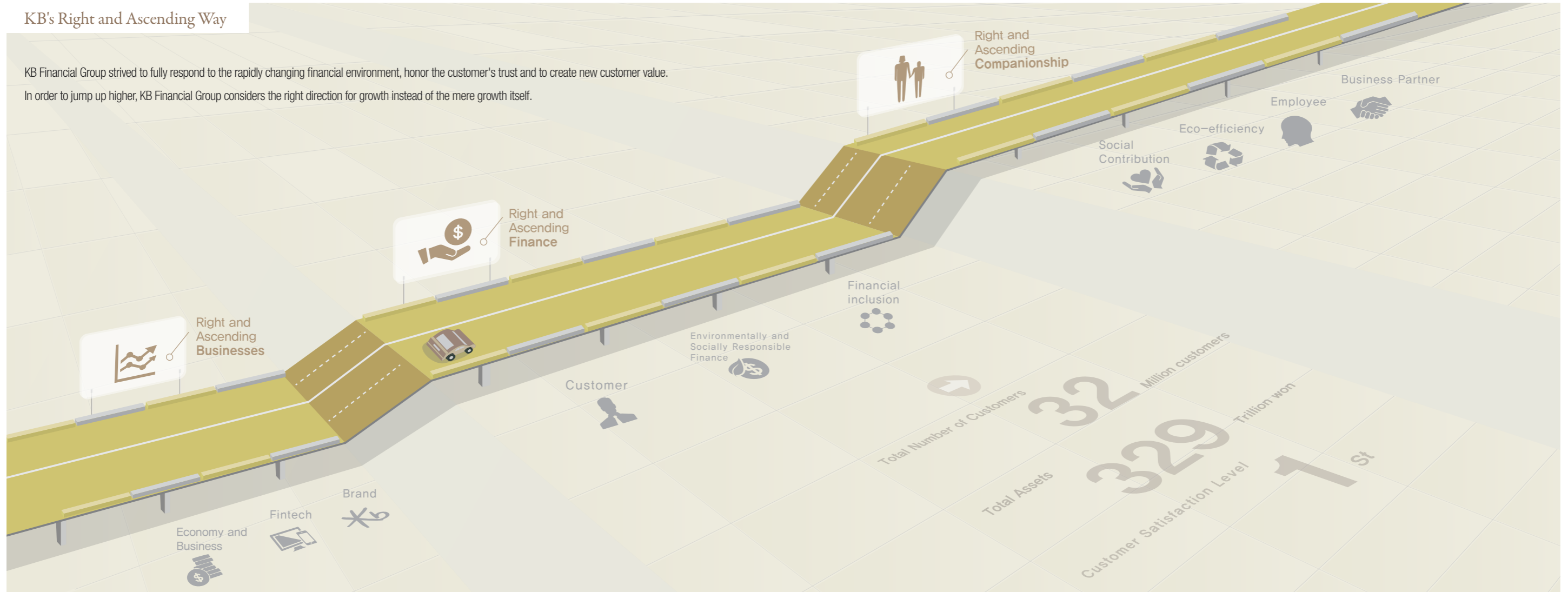
Ltd. (U.K.), Kookmin Bank Cambodia PLC, Kookmin Bank China Ltd., and subsidiaries of KB Insurance including Leading Insurance Services, Inc. (U.S.), LIG Insurance (China) Co., Ltd., PT. Kookmin Best Insurance Indonesia (Indonesia). The Group has realigned its system for its existing overseas network, and seeks for overseas entry, especially in Asia where growth potentials are high.

Area	Business	Subsidiaries
Banking	Business related to loan and deposit banking services toward customers	KB Kookmin Bank
Credit	Business related to sales of credit card, cash advance, card loan etc.	KB Kookmin Card
	Specialized Credit Financial Business such as lease, installment financing, loan etc.	KB Capital
Financial Investment	Business related to investment trading, investment brokerage, and collective investment etc.	KB Investment & Securities, KB Asset Management, KB Real Estate Trust, KB Investment
Insurance	Business related to indemnity insurance and life insurance	KB Insurance ¹⁾ , KB Life Insurance
Savings Bank	Business of extending and receiving credit toward ordinary citizens or SME in accordance with Mutual Savings Banks Act	KB Savings Bank
Others	Support business related to credit inquiry, credit collection, computer and IT system maintenance.	KB Credit Information, KB Data Systems

1) LIG Insurance became an subsidiary of KB Financial Group (2015.6.24)

KB's Right and Ascending Way

KB Financial Group strived to fully respond to the rapidly changing financial environment, honor the customer's trust and to create new customer value. In order to jump up higher, KB Financial Group considers the right direction for growth instead of the mere growth itself.



Key Performance Indicators			Unit	2012	2013	2014	2015	2016 Target	2018 Long-term Target
Right and Ascending Businesses	Economic performance	Total assets	Trillion won	286	292	308	329	-	-
		Operating income		2.4	2	2	1.8	-	-
	Fintech	Online customer by signed online contract	%	56.3	60.2	66.5	68.5	72.1	79.4
	Brand	Brand value (Interbrand)	Billion won	2,670	2,615	2,473	2,682	2,800	3,000
Right and Ascending Finance	Customer	Customer satisfaction level from sales branch	Point	93.76	94.56	92.96	94.53	93.47	95
		National Customer Satisfaction Index (NCSI)	Rank	1	1	2	1	1	1
	Environmentally responsible product and service	Investment Performance on environment ¹⁾		906	1,126	1,313	1,418	1,475	1,595
		Green loans		1,425	890	899	929	1,046	1,110
	Financial inclusion ²⁾	Loan product for low income / low credit	Billion won	666	738	811	867	897	977
		Deposit product for low income / low credit		5	467	911	1,606	1,677	1,828
SME supporting	KB Hidden Star 500		1,479	1,904	1,680	1,318	1,430	1,450	
Financial service for aging society	Products for senior citizens ³⁾		190	201	4,081	4,528	4,981	5,000	

1) Total of target operation product of KB Asset Management and investment target product of KB Financial Group's subsidiaries 2) Including of KB Kookmin Bank, KB Capital, KB Saving Banks and KB Real Estate Trust
3) Based on KB Golden Life collection bank accounts, savings and deposits for pension reward

Key Performance Indicators			Unit	2012	2013	2014	2015	2016 Target	2018 Long-term Target
Environmental efficiency	Greenhouse gas emissions		tCO ₂ e	139,109	136,360	130,906	176,254	Response to emission trading	176,000
		Amount of paper used	Ton	1,186.9	1,217.1	1,403.5	1,540.6	1,443.1	1,400.0
Employee	Satisfaction level of employee		Point	-	-	69.3	71.0	72.0	74.0
	Average training hour per employee		Time	163	127	147	152	155	160
	Recruitment of the socially underprivileged		Person	125	132	154	144	150	160
Business partner	Satisfaction level of business partner		%	97.4	98.3	98.5	99.2	98	98
	Number of business partners implementing self-assessment for sustainability		Case	-	-	-	153	200	300
Community	Total amount of social contribution expenses (Group)		Billion won	71	60	52	48	-	-
	Number of recipients of economics and financial education (Total)			72,551	119,273	143,149	192,549	140,000	140,000
	Number of recipients of economics and financial education (Offline)		Person	44,952	88,534	111,161	147,413	100,000	100,000
	Number of recipients of economics and financial education (Online)			27,599	30,739	31,988	45,136	40,000	40,000



Right and Ascending Businesses

Finance is undergoing rapid changes through the Fintech by converging with IT, and its scope is getting broader.

KB Financial Group will never stop challenging itself to become No.1 financial group through innovation in products and services which lead a new financial paradigm.

Strengthening Competencies for Fintech and Businesses
Managing the Brand Value



Convergence of Finance and Technologies, A World of Convenience Led by KB

KB's Way Today

The craze over Fintech, the IT-finance convergence, has recently spread all over the world. The size of the global mobile payment market is expected to reach USD 721 billion by 2017. In Korea, the Financial Supervisory Commission announced its measures to support IT-finance convergence in 2015 and established the open Fintech platform to be shared in the financial sector.

KB Financial Group established strategies for Fintech in February 2015 and formed a task force accordingly to dominate the business opportunities in the Fintech market amid such changes. The Group is initiating key tasks in five areas: remittance, payment and settlement, loan, asset management and certification. And KB Financial Group has strengthened its new growth engines with appropriate business strategies: proactive overseas entries, cross-subsidiary convergence, greater synergies, expansion of IB banking and a higher income in the non-banking sector.

KB's Way Tomorrow

Toward the Right and Ascending Way



This section covers Fintech, which ranks second in terms of priority with the strategic importance of 87.5 points and stakeholder evaluation of 79.1 points, following the economic performance and business strategy as the top priority one with the strategic importance of 95.8 points and the stakeholder evaluation of 80 points.

Key Performance Indicators	Unit	2012	2013	2014	2015	2016 Target	
Online banking customer by signed online contract		56.3	60.2	66.5	68.5	72.1	
Smart phone banking customer by signed contract	%	18.5	26.7	33.1	37.0	41.1	
Fintech Online customer share by transaction		31.8	32.8	34.5	34.7	34.9	
Data analysis committee / COP held	Number	-	-	-	-	10	
Number of KB app card user	1,000 person	-	-	39,110	49,840	59,840	
Mid-and long-term strategies	The share of non-banking business in the Group	%	22.8	24.2	25.1	27.7	30.0

" Thanks to the exponential development of IT, more financial consumers have come to enjoy financial services easily, fast and simply. KB Financial Group introduced the world's first-of-its-kind financial chip-based mobile banking service in 2003, and the number of mobile banking customers exceeded 10 million for the first time in the financial sector in 2015. KB Financial Group will strive to become the first mover in the financial industry"



First Mover in the Era of the Fintech

Fintech – the Starting Point of the Future Finance

IT has played supplementary roles for the financial industry to provide fast and convenient services until now. However, IT has not only enhanced efficiency in financial transactions but also implemented innovation to enable unprecedentedly new services and create new financial business models amid the rapidly developing technologies. One prime example is M-Pesa. It is a mobile banking service in Kenya where the rate of holding bank accounts is low. The service has enabled money transactions using a mobile phone, while helping low-credit financial consumers who had to bear a high interest rate to have money transactions with other individuals with a direct online platform without going through an intermediary financial institution including a bank.

The word, 'Fintech', a combination of 'finance' and 'technology', is distinguished from the existing IT use in finance. It refers to easy, convenient and low-cost customer-oriented financial services.

Difference between utilization of IT in Finance and Fintech

	Utilization of IT	Fintech
Host	Financial company	IT business
Core value	Stability, efficiency	Convenience, differentiation
	Complicated	Easy and fast
Role of IT	Business support / Improvement tool	Performing core process
Face-to-face channel	Core channel	O2O* expansion
	Requiring counseling capability of employee	Possible to integrate
Non-face-to-face channel	Supporting face-to-face channel	Core channel
Product	Inconvenient	Necessary to suggest customized product
	Standardized product and service	Alternative product and service
Regulation	all of a sort	Cost efficiency
	System+technology / Security regulation	Technology / Security
	Strict and complicated	IT efficiency

* O2O: Online to Offline

Now, Fintech is evolving into the era of Fintech 2.0 based on the Internet of Things (IoT) and smart data from the era of Fintech 1.0 where easy payment and credit payment of consumers were the norms. We live in a new world where new values are created through collaboration of financial companies and tech companies instead of simply competing against one another. As such, KB Financial Group seeks to achieve 'customer-driven smart finance' by beefing up competitiveness through win-win growth and collaboration with tech players.

KB's Fintech Strategy

KB Financial Group's strategic goal for Fintech is to seek for digitalization of businesses through IT alignment with external Fintech companies, thereby achieving vertical innovation in the domestic Fintech industry and expanding the global market accordingly.

In February 2015, the Group set strategic directions: 'creating customer experiences at the Fintech level by improving products and services innovatively', 'establishing an eco-system of win-win growth to ensure shared growth with Fintech start-ups', and 'establishing efficient partnerships with Internet-only banks'. The Group initiated key tasks in five areas: remittance, payment and settlement, loan, asset management and certification.

KB Kookmin Bank is initiating new tech projects under a goal to develop 'Grow engines for future finance'. In 2016, the Kookmin Bank set strategies for Fintech: 'developing a new project model for heterogeneous business collaboration', 'implementing services to respond to new technologies and new devices' and 'establishing the basis for banking modularization by developing standard APIs'.

KB Kookmin Card is responding to changes in the settlement market through the '3-One strategy (One Card, One Click, One Strategy)', introducing diverse related products driven by the easy payment service including SAMSUNG Pay.

Main Tasks for Fintech of KB Kookmin Bank

Category	Main tasks
Certification and security	Introduction of non-face-to-face real name confirmation, introduction of biometric authentication, smart OTP HSM based public certification service
Remittance	Fintech based remittance of foreign currency, Enhancement of simple remittance service,
Loan/Asset management	Improvement in loan application and loan approval system with utilization of Fintech, Data analysis and providing customized product
Specialized services	Development of Fintech platform in financial living, Enhancement of Fintech alliance service Launching of internet-only bank
Others	Improvement in business process with the use of tablet PC, BEACON service in sales branches

System for Initiating Fintech

KB Financial Group launched an exclusive department under its financial holding to efficiently execute Fintech-related strategies, and reinforced cross-subsidiary alignment with Fintech by establishing 'KB Fintech HUB Center'. The Group also runs programs to create a Fintech eco-system. KB Kookmin Bank launched the 'Fintech Business Team under the Smart Finance Department' in January 2015, finding new projects and supporting cross-business alliances.

Fintech Offering Convenience in Lifestyle



Encounter of Technologies and Inclusion

New finance driven by the Fintech is a paradigm to implement financial equality for comparatively underprivileged regions or customers. The level of domestic financial inclusion is not lagging behind the OECD average, if evaluated based on the physical criteria including the number of branches and ATMs. However, branches are clustered in the metropolitan area, and operating hours are fixed, so the existing services are limited in removing blind spots for financial services. Therefore, creating infrastructure to enable account opening, loan application and subscription to financial products without having to visit a branch via Fintech would be the foundation for sustainable growth of KB Financial Group. Raising accessibility for the financially underprivileged is also important not only in terms of the physical aspect but also in the income level. KB Financial Group is looking into the idea of adopting the Robo-Advisor service to offer PB-level asset management with low fees for small funds. The Group runs a Fintech start-up investment program for start-ups that they could get direct investment from general investors through the crowdfunding platform.

Expansion of Investment in Fintech

KB Financial Group runs a program to support Fintech start-ups by aligning with OpenTrade, a crowdfunding company. In the subscription procedure, the Group receives applications for investment subscriptions from general investors through the crowdfunding platform, and KB Investment & Securities makes matching investment for the amount which is equal to the amount targeted. This is the first investment model to be tried in Korea where the collective intelligence of crowdfunding is applied to investment in start-ups which cannot be evaluated with their sales performance and technologies alone in order to verify their business feasibility and make matching investment.

KB Financial Group selected four Fintech start-ups – Wise Care, Wise Mobile, Mobitle and The Pay amid the enactment of the Crowdfund Act, and accepts subscription applications from general investors. KB Investment & Securities completed the investment subscription and payment of the proceeds for Wise Care and Wise Mobile, which have satisfied the matching investment criteria. Acquisition of equity for each company is

determined based on final crowdfunding results. This was the first case where corporate equity was acquired by the domestic financial sector via crowdfunding besides venture capital.

KB Insurance implemented a pilot project for parallel distributed processing of big data by setting up Hadoop, an open source software framework, and aligning it with the existing data warehouse. Hadoop is an effective distributed file system to process big data at a low cost, which otherwise cannot be processed with the existing methods. As such, performance increased in processing data including the system logs for loss ratio of long-term insurance by setting up an environment for decision-making based on big data analytics. In 2016, the company expects to utilize the big data analytics-based infrastructure in diverse business areas by sophisticating the analytical environment. KB Insurance was ranked first in the e-signature usage rate in the financial industry in August 2015 through activities to improve the usability of the e-signature system for tablets in the first half of 2015. In 2016, the company plans to expand the smart work company-wide by continuously providing new content to increase the tablet usage rate in many areas including bancassurance and sales managers besides life planners.

KB Kookmin Card is also leading the Fintech market by launching diverse new services through strategic partnerships with ICT companies, and providing the first virtual currency exchange service in the industry. Authentication services were developed and introduced including App security Authentication, NFC Authentication within the ISP and Good Touch where safety in usage has been upgraded. In 2016, KB Kookmin Card plans to provide distinctive authentication services including biometric authentication and app card authentication in 2016. The company collects and analyzes atypical big data of different types to establish infrastructure for customer-centered management: VOC data recorded upon counseling at a call center, log data recorded upon visiting the mobile homepage app, and buzz data or text data referring to product evaluation and users' reviews written on SNS.

Fintech-based Products and Services

The financial environment is changing to become more smartphone banking-oriented riding the Fintech wave. KB Kookmin Bank adopted a service to enable money withdrawals at the counter without a bankbook or a debit/credit card. The service is made possible by generating a certification number for withdrawal at the counter by operating KB Star

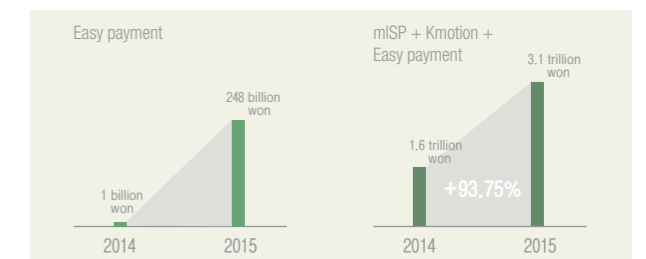
Banking without using an official seal. The Bank introduced the OTP (One-Time Password) card for the first time in the domestic financial sector, which is a smart card with better portability and security than the existing security devices. The Bank also raised customer conveniences by launching KB FX Gifticon Service, easy payment service and HTML5 Internet banking requiring no Active X for the first time in the financial sector. In 2016, the Bank implemented a service for opening accounts through non-face-to-face real name confirmation. The mobile platform has been expanded for customer communication by launching a system to send messages using the data-based alert function for the first time in the banking sector.



KB Insurance opened a mobile subscription platform for Direct Car Insurance in 2015, establishing the basis for online sales. The company entered the online insurance market with Direct Car Insurance in 2016. The company concentrates all competencies to rank second in the online sales by adding calculation features for the existing cars, reinforcing line-ups for long-term products and general products, and improving competitiveness in the online insurance market.

KB Kookmin Card introduced diverse products combined with Fintech: 'KB Kookmin FINETECH Card' providing diverse smartphone-based benefits by partnering with leading Fintech companies specialized in mobile

Increases in the amount of Fintech service used at KB Kookmin Card



business including NHN Entertainment, Starbucks and CGV, and 'KB Kookmin Moile 101 Card', a mobile exclusive card aligned with Samsung Pay for the first time in the financial sector. In 2016, the Bank will launch a OneCard platform-based Fintech product where credit/debit/cash/transportation cards and the smart OPT are integrated into a single physical card. KB Life Insurance established an online insurance system in July 2015 to cater to customer needs amid IT development and lifestyle changes and to prepare for the changing insurance market. Consequently, it also enables the company to start selling non-par KB Chakhan 'Term life', 'Annuity', 'Whole Life', 'Child Insurance' (four types in total). KB Capital signed a strategic partnership with SK Planet to run a mobile membership card. It is to secure customers by leveraging 'Syrup Wallet' used by 6.5 million monthly subscribers as Korea's largest mobile e-wallet, and to provide services focusing on installment plans for durable goods. Customers can use simple mobile installment plans and financial service benefits by subscribing to 'KB Capital Members' via an app, 'Syrup'. KB Savings Bank has improved its Internet channels to become user-friendlier by integrating its website, Internet banking and a loan site, and is expanding mobile channel services by adding a deposit function on the loan-exclusive mobile app.

Support for Fintech Companies

'KB Fintech Hub Center' ensures organic alliances among subsidiaries and Fintech companies through direct contacts with one another. The center identifies start-ups with technological prowess and business feasibility and provides multi-dimensional one-stop services covering tenant space, alignment with investment, mentoring and initiation of partnership projects, spearheading the efforts of creating an eco-system for the development of the Fintech industry. In 2015, the center arranged meetings with about 150 start-ups, and forged partnerships with 10



companies by providing mentoring services for their business models. The center also launched 'KB Starters Valley Program' to intensively nurture Fintech start-ups. KB Kookmin Bank has made joint efforts to provide mentoring to companies selected by the 'Fintech Center' organized by the Financial Services Commission, and devise financial policies and common measures to facilitate the Fintech eco-system. The Bank has participated in a project to set up 'a shared open platform in the financial sector' organized by Korea Financial Telecommunications and Clearings Institute as a working group since August 2015. KB Kookmin Cards successfully launched the 'ring2pay' service, mobilephone ARS-based payment and certification in May 2015 after the 'Fintech Center' introduced INBIZNET to the company. In August, the company implemented the Pointree-Bitcoin conversion service with 'Coinplug', a company specialized in bitcoin transactions and the block chain technology, for the first time in the industry, garnering a huge spotlight. Consequently, Coinplug as a start-up had its technological prowess recognized by KB Investment, attracting the investment fund of KRW 1.5 billion.

Strengthening Business Competencies over the Mid-to-Long Term

KB Financial Group's Mid-to-Long Term Business Strategy

KB Financial Group has realigned its strategic focus by preparing against potential risks including household debts and the economic slowdown in tandem with the financial industry's trends and changing customer needs. The Group put in place five strategic directions: 'enhancing capabilities to generate profits in core business areas', 'establishing a channel system to respond to customer needs and changes in behavior', 'putting in place business models for future growth to expand the non-interest income', 'strengthening global business competencies' and 'beefing up the corporate management system'. The Group is proceeding with 13 strategic tasks accordingly.

Expanding the Income in the Non-Banking Sector

KB Financial Group strives to generate synergies by reinforcing competitiveness of subsidiaries. The Group's business portfolio has been diversified by incorporating KB Insurance (formerly, LIG Insurance) as an subsidiary in June 2015. This served as a trigger for the Group to be reborn as a total financial service provider by expanding its products to marine, fire and car insurances from the existing product line including deposit, fund,

trust and bancassurance. KB Financial Group plans to improve the Return on Equity (ROE) by expanding the business portfolio in the non-banking sector where the income in the banking sector can be complemented under the low interest-rate environment and cross-subsidiary synergies can be boosted.

Strengthening Cross-Subsidiary Convergence

KB Financial Group is generating synergies through cross-subsidiary convergence in the area of wealth management (WM) as well as CIB. The Group introduced Korea's first-of-its-kind hybrid branch encompassing 'bank - investment & securities - indemnity insurance - life insurance' in September 2015 to implement one-stop WM financial services through the expansion of hybrid branches. A total of 16 hybrid branches are up and running as of now. Cross-subsidiary collaboration has been reinforced in product portfolios, and the Group launched 'KB Car Financing Package' in June 2015. The product has garnered a great customer feedback as it integrates a deposit needed for automobile purchasing, a card containing a specialized auto service including discounts in gas fees, auto financing of KB Capital needed for purchasing a car, and the benefits of car insurance discounts of KB Insurance.

Expanding Global Advancement

In order to overcome the limitation of the domestic market resulting from low growth and low interest rates, KB Financial Group is initiating to tap onto new markets in Southeast Asia with high growth potentials by coming up with a mid-and long-term blueprint in the overseas market. The Group is cautiously approaching them considering unstable global financial market. The Group focuses on normalizing the management of Kazakhstan BCC (Bank Center Credit) it owns, and plans to realign other overseas business models. KB Investment & Securities started the stock trading service in China for the first time in the domestic investment and securities sector in 2015, signing an exclusive business partnership agreement on brokerage with Guosen Securities (HK) in China. KB Capital and KB Kookmin Card, meanwhile, established a joint venture in Laos, planning to target the local auto installment market.

Raising Competencies of CIB Partners

KB Financial Group formed the 'Group CIB Committee' as a control tower of CIB (Corporate & Investment Banking) for all subsidiaries in 2015. The Group signed multiple big deals in financing associated with social infrastructure including power plants, roads and railways by improving various schemes and initiating dynamic business activities. KB Financial

Group also created a systematic CIB personnel management system. Given the features of IB operations requiring a high level of expertise, the Group adopted a system of having a specialist pool along with a performance-based compensation system. Each subsidiary runs a CoP (Community of Practice) and formed small forums on real estate and investment. The Group publishes 'KB CIB Case Book' to share best practices on IB projects, and solidifies a collaborative scheme through personnel exchanges among subsidiaries.

Best Practice

Private Investment Projects of Incheon International Airport Railway

KB Kookmin Bank and the Industrial Bank of Korea (IBK) signed a financial agreement after completing the arrangement of a syndicated loan of KRW 3.4 trillion as joint financial advisors in 'Private Investment of Incheon International Airport Railway' restructuring (refinancing) project. This project financing has been the largest of its kind among all the domestic projects carried out so far. It is the government-led first business restructuring (refinancing) project where the asset backed securities (ABS) worth about KRW 1 trillion have been financed in the publicly traded market besides the conventional procurement method of direct loans. It has brought about higher competitiveness and diversification in procurement methods. In this project, the 'Environmental Impact Assessment' for reviewing potential environmental issues and the 'Social Impact Assessment' for reviewing the social impact on community were carried out.

Project of Dongducheon LNG Combined Cycle Thermal Power Plant

KB Kookmin Bank completed the arrangement of a syndicated loan worth KRW 1.265 trillion for 'Project of Dongducheon LNG Combined Cycle Thermal Power Plant (refinancing)' with Samsung Life Insurance as joint financial advisors. The eco-friendly power plant project is jointly organized by Korea Western Power, Samsung C&T and Hyundai Development Company. The project is expected to significantly contribute to raising the electricity power reserve rate. It is regarded as a best practice where advantages of project financing have been fully leveraged by minimizing the burden on investors through the sophisticated financial restructuring based on excellent business feasibility. In this project, the 'Environmental Impact Assessment' for reviewing potential environmental issues and the 'Social Impact Assessment' for reviewing the social impact on community were carried out.

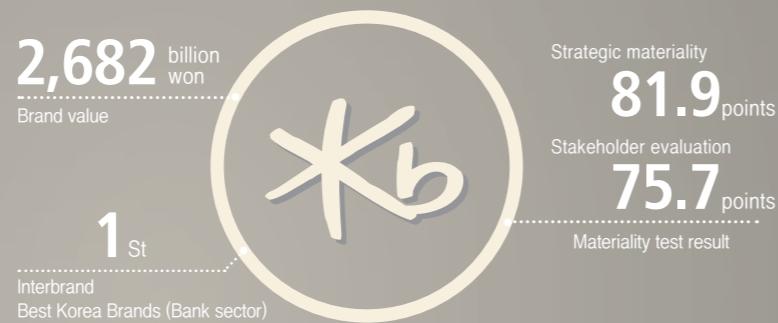
Your Lifetime Financial Partner, Customer Trust KB Has Built

KB's Way Today

KB Financial Group measures tangible and intangible effects of its brand on marketing through the analysis of brand exposure effects, and the analytical results manifest a clear correlation between brand value and marketing performance. A brand is a value formed after long years of customer trust for its products and services and is one of the indicators that imply its relationships with customers. It truly is a critical asset that brings about a differentiated presence in the market by impacting pricing, reputation and customer loyalty.

In line with consistent brand management activities including long-term sports marketing, KB Financial Group seeks to realize its brand vision of 'Enriching the future of customers' and continue on with sustainable businesses.

Toward the Right and Ascending Way



Managing brand value is considered as the fourth priority one with the strategic importance of 81.9 points and stakeholder evaluation of 75.7 points.

Key Performance Indicators	Unit	2012	2013	2014	2015	2016 Target
Interbrand Best Korea Brands (Bank sector)	Rank	1	1	1	1	1
KB brand competitiveness index	%	54.4	54.9	55.5	58.9	62
Top-of-mind awareness	Rank	2	1	1	1	1
Managing the Brand Value						
Brand value (Based on Interbrand Korea)	Billion won	2,670	2,615	2,473	2,682	2,800
Brand-related award record	Case	225	180	115	143	172
A survey on the awareness of the future generation / award winner (Based on University News Network)	Rank	No.1 in the "Best Companies to Work For" list	No.1 in the "Best Companies to Work For" list	No.1 in the "Best Companies to Work For" list	No.1 in the "Best Companies to Work For" list	No.1 in the "Best Companies to Work For" list

KB's Way Tomorrow



"It is KB Financial Group that comes to the mind of people first when they think of familiar and friendly financial services. Such corporate image and the brand of KB are assets which have been the fruits borne by the sustained management of customer relationships for a long time. I wish that the Group can nurture its invaluable relationship assets which is brand value. Please serve as a genuine 'Your Lifetime Financial Partner' with a solid corporate presence suited to its brand."

Brand Value Management

Establishing Strategies to Improve the Brand Value

KB Financial Group touts Korea's largest customer base and largest branch network, and was ranked first in the category of TOM (Top-of-Mind). The Group provides optimal financial solutions to leap forward as a global financial brand with the trust of 32 million customers.

KB Financial Group is implementing systematic and strategic brand management activities under its brand vision of 'Enriching the future of customers' in order to raise the brand image of the Group and put in place a consistent brand image. The Group is initiating its 'individual brand strategy' of emphasizing the name, 'Kookmin', in the names and activities of all the subsidiaries, along with 'umbrella strategy' of supporting the business of subsidiaries by strengthening the brand power of the Group.

Brand Value System

Brand Essence	Enriched Future
Brand Vision	Enriching the future of customers
Brand Mission	With a trustworthy attitude and a sincere mind, we will continue to be your wise partner for finance, introducing you to advanced products and services that will enrich your future.
Brand Values	Trust, Sincerity (Emotional Values) Benefit, Wisdom (Functional Values)
Brand Personality	Trustworthy Professional Sincere Friendly Confident

Managing the Brand at an Integrated Group-wide Level

The CI system is managed at the Group level so that the professional image as a financial group could be emphasized and a consistent brand image could be implemented for subsidiaries. With the incorporation of KB Insurance in 2015, the Group developed and shared a new CI operational guideline, and corrected any misuse of the CI to maintain a unified CI system. Utmost efforts are poured in to retain the Group's brand distinctiveness by implementing prior inspection on the Group's design and advertisement materials and publishing the Group's calendar reflecting its identity.

Integrated Management of Group Brand

Category	Content
Operation and management of the Group	Development and distribution of the CI management guide for the transfer of a new subsidiary
CI system	Collection of CI application error cases at the Group level and their distribution to subsidiaries

Design	Production support, and inspection of the design materials of subsidiaries Support and inspection of main event-related designs in the Group Status inspection, planning, production management of various advertisement in the Group
Calendar	Production of 2016 calendars that reflect the distinctive identity of KB Financial Group

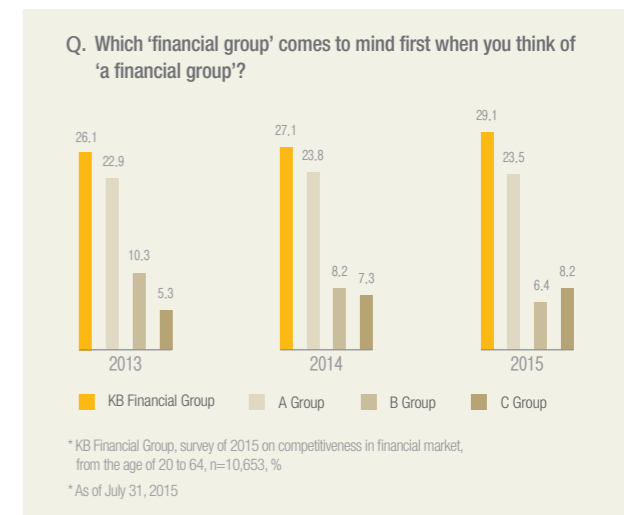
Establishing the Brand Identity

KB Financial Group's CI (Corporate Identity) forms a signature where a symbol in a natural form symbolizing star and a robust and simple logo-type are combined, being a key communication means for the group. Its slogan, 'Your Lifetime Financial Partner' is a combination of the 'public' (meaning kookmin in Korean), the biggest brand asset for the group and 'a wise financial partner', a keyword in the brand mission of the Group. It is an expression of promise and willingness of KB Financial Group to become a lifetime partner for people by providing optimal financial solutions benefiting people.



Managing Brand Performance

KB Financial Group was ranked first by outperforming competitors at the TOM (Top-of-Mind)¹⁾ survey. KB Kookmin Bank was in the first position in the banking sector and 10th in all industries in Korea at 'Best Korea



1) Top of Mind: A word referring to a top-of-mind brand when thinking of a specific product category

Brands¹⁾ 2015¹⁾ released by Interbrand, a global brand valuation agency, which evaluated the brand value to stand at KRW 2,682 billion. KB Financial Group continues to manage KB Brand Competitiveness Index²⁾. In the evaluation results of 2015, the Group gained 58.9% for the index, up 3.4% from the previous year, ranking first among financial groups following its top position in 2014. KB Financial Group secures its brand competitiveness by diagnosing its brand and establishing strategies systematically through periodic monitoring.

Brand Award Performance

Award Name	Award Institution
2015 National Brand Awards (Group)	Brand International/ Economist
2015 Best-Loved Brands of Korea (Group)	Chosunbiz
2015 National Brand Competitive Index No.1 (Bank)	Korea Productivity Center
2015 Top 100 brands of Korea No.8 (Bank)	BrandStock
2016 Brand Star-Korea's No.1 for Brand Value (Bank)	BrandStock

1) Best Korea Brands: An institution to select Korea's top 50 brands by converting a brand's asset value into a currency value through brand valuation methods of Interbrand, consisting of three core elements - 'financial performance of the branded products or services', 'the role of brand in the purchase decision process' and 'the strength of the brand'

2) KB Brand Competitiveness Index: It was developed to measure KB Group and its subsidiaries' brand image, performance and brand loyalty. It is composed of evaluation of KB Group competitiveness, changes in number of transactions of financial organizations, changes in number of financial product, current status of channel transactions and investigating critical financial needs.

Image Advertising and Marketing

Advertising the Group Image

KB Financial Group established Korea's representative financial brand image as 'Your Lifetime Financial Partner' in an advertisement episode titled 'Kookmin Deun Deun', saying the Group will be with 'anyone, any-



time and anywhere'.

The Group is also airing Internet viral advertisements in line with the changing ad trend toward mobile devices. The 'My Father' episode, a viral advertisement produced in conjunction with KB's TV commercial, 'Kookmin Deun Deun,' gained the hearts of people, expressing KB's commitment to being a reliable financial partner for people. The Group also released a newspaper advertisement titled 'KB's Precious Heart for People' aligned with the TV commercial for continued communication with customers and establishing its brand image. Timely newspaper ads were run, using diverse themes including the New Year's greetings, congratulating the incorporation of KB Insurance, celebrating 70th anniversary of Korea's liberation from Japan and congratulating Inbee Park's win. Diverse facets of KB as 'people's brand are introduced through advertisements of products and services of subsidiaries.



Initiating Sports Marketing

Sports marketing of KB Financial Group is based on a sponsorship philosophy to pursue public interest by setting continuous long-term support as the basic direction, conveying consistent brand messages and sponsoring unpopular sports. KB Financial Group has steadily sponsored winter sports, starting with sponsorship of Yuna Kim, the undisputed queen of figure skating, in 2006, in its sports marketing initiatives. Performance of sports marketing in unpopular sports was a breakthrough to herald the Group's management philosophy to consumers, "Do best to pursue your dream, and the dream would come true", while beefing up the development of Korean winter sports.



Brand recognition of KB soared thanks to Inbee Park as the first Asian golfer who achieved the Career Grand Slam and organizing KB Star Championship. Winning sprees in bobsleigh & skeleton KB started to sponsor from 2015 gained a huge spotlight, leading onto KB Financial Group to grab attention.



KB Financial Group's sports marketing covers winter sports including ice sports, Curling, bobsleigh and skeleton along with golf, rhythmic gymnastics, badminton, swimming, baduk ('the go game' or Korean chess), basketball, volley ball and shooting.

Sports Marketing Area

Type	Contents	
Winter Sports	Korea Skating Union	Short track: Suk-Hee Shim / Min-Jung Choi
	Korea Curling Federation	Figure: So-Yoen Park / Jun-Hwan Cha
	Korea Bobsleigh & Skeleton Federation	Skeleton: Seong-Bin Yoon
Golf	KBFG Star Championship KBFG Women's Amateur Golf Competition	Inbee Park / Mi-Hyang Lee Song-Ei Ahn / Ji-Hyuen Oh
	Korea Gymnastics Association (Rhythm Gymnastics Part)	Yeon-Jae Son
Badminton	Badminton Korea Association	
Swimming	Ho-Jun Lee	
Others	KB Kookmin Bank Baduk League, KB STARS Basketball Team, Volleyball Team, Shooting Team	

Support for Future Generations

KB Financial Group extends diverse support for adolescents and university students as would-be key customers for the group to grow up in a proper manner and have their dream come true.

KB Kookmin Bank is transforming itself as a bank that communicates with youngsters, shedding off its existing image as a bank mostly used by elder generations. The Bank's iconic youth marketing brand, 'Rock Star' is an exclusive brand targeting young customers in order to retain potential customers by operating specialized branches near college campuses. In 2016, Rock Star provides hybrid financial services by raising accessibility to online banking channels and complementing online service drawbacks with offline branches, reflecting the features of young customers in the existing channel strategies focused on mostly offline branch services. The Bank also runs the 'KB Rock Star Challenge' to cultivate their spirit of challenge through a global cultural experience and share their passions through encounters with different people. Since its establishment, the program has supported young Koreans traveling to 12 countries including the Antarctica, Mongolia and Kenya. Students in the seventh period of the program in 2015 visited Germany under the theme of 'celebrating 70th anniversary of Korea's liberation from Japan' to reflect on the meanings of national division and reunification. KB Kookmin Bank also runs the 'Rock Star Blog' and 'Rock Star Marketing Idea Challenge' to share creative ideas of youngsters.

As a consequence of the youth marketing, KB Kookmin Bank was selected as the first ranker (25.1%) as the most preferred bank to work for (financial sector) by university students released by the University News Network. The Bank was also ranked first in three areas including social contribution (30.2%), customer satisfaction level (31.5%), reaffirming its image as a leading bank to youngsters.





Right and Ascending Finance

Finance is a business based on the trust of customers and the society. And the starting point is to implement 'clean finance'. KB Financial Group believes that its steps can be stretched afar for long when striving to understand the value of proper finance to be pursued and to communicate with stakeholders and keep promises with customers.

Customer-oriented Management
Environmentally and Socially Responsible Finance



Promises with Customers, Basics and Principles KB Goes by

KB's Way Today

Responsibilities of financial companies over information protection have been strengthened and punitive damages were adopted on the leakage of personal information in accordance with the Use and Protection of Credit Information Act which was amended in 2015. A small crack associated with the protection of customer information might directly lead to large-scale financial losses including damages and massive follow-up cost. In 2014, 530,000 customers moved out of three domestic card companies within about one week after the personal information leakage incidence was reported. It is a vivid example of how the customer information protection is influential to maintain business. KB practices six action plans to protect customer information to ensure that customers could continuously trust it so that any incidence related to customer information could never occur again. The Group also runs an exclusive business unit for consumer protection.

KB's Way Tomorrow



Customer,
Yeon-joo Choi

Toward the Right and Ascending Way



'Protection of customer information' is the third priority issue with the strategic importance of 83.3 points and stakeholder evaluation of 81.1 points, and 'customer satisfaction' issues which ranks eighth with the priority with the strategic importance of 66.7 points and stakeholder evaluation of 77.3 points.

Key Performance Indicators		Unit	2012	2013	2014	2015	2016 Target
Protection of customer information	Sanctions under the laws related to Protection of customer information	Case	0	0	1	0	0
	Promulgate a Group charter for customer information protection	%	18.1	27.3	54.5	75	90
	Ratio of companies with CISO	%	81.8	90.9	90.9	91.6	95
	Ratio of companies with dedicated organizations	%	18.1	18.1	63.6	66.7	70
	Inspections on Protection of customer information status	Case	120	140	186	268	300
Customer Satisfaction	Designation of the Information Security Day for the Group	%	45.5	54.5	81.8	83.3	90
	NCSI (National Customer Satisfaction Index)	Rank	1	1	2	1	1
	Information disclosures and predeliberation on advertisements	Case	3,547	5,029	5,706	5,460	5,800
	Predeliberation on product development	Case	255	253	155	212	250

" I am worried whenever I hear news coverage of personal information leakage. I even felt hesitant to do banking transactions after the incidence in card companies. However, when I visited a KB branch, I can see that the protection procedure has been reinforced. I feel reassured that the procedure, albeit bothersome sometimes, is a means to tightly protect my information. I hope that KB could become a sustainable company by sticking to the 'right and ascending way' from the basics."

Establishing Infrastructure for Customer Information Protection

System to Respond to Customer Information Leakages

In order to counter crises including a leakage of customer information in the Group level, KB Financial Group formulated the 'Manual to Respond to Customer Information Leakages' defining a system and a process to counter customer information leakages. The manual reflects provisions of the recently amended Credit Information Act. The Group periodically monitors revisions in related laws.

KB Financial Group's Manual to Respond to Leakage of Customer Information



Strengthening the System for Customer Information Protection

KB Financial Group inspected about 70 items in the protection of personal information and IT security for all subsidiaries and made improvements accordingly. The Group allows for the provision and use of customer information for internal corporate management among subsidiaries in accordance with the Financial Holding Company Act, but prevents its use for other purposes through thorough management. The Group inspects if customer information has been destroyed and if the period of use is adequate on a monthly basis, and reports it to customer information managers. Current status of provision and use of customer information and adequacy of job handling are reviewed every quarter and reported to the CEO and the board of directors. The holding company reviews the entire process of handling customer information - collecting, storing and destroyed, and reports to the CISO (Chief Information Security Officer) semiannually.

Improving Customer Information Processing

KB Kookmin Bank uses KB-PIN (Personal Identification Number) for financial transactions, which is separately managed within the Bank instead of the resident registration number to protect customer information. KB Insurance encodes key personal information, stores it in a database, and masks (*) customer information shown on the display of devices to securely manage customer information. KB Investment & Securities replaced its pin pad fully so that customers can enter data themselves and enhanced the management of third parties including consignment companies and investment solicitors. KB Capital encoded customer information files provided by the holding company, duplexing the database server and replacing and increasing servers, thus improving the accounting infrastructure overall.

Complicating Customer Information Collection

KB Kookmin Bank amended about 1,100 types of forms to minimize the collection of customer information. The Bank applied the first phase of security measures (restrictions in inquiry) on customer information of which transactions with the Bank have been closed in accordance with the 'Guideline of Comprehensive Measures to Prevent a Repeat of the Massive Leaks of Personal Information'. The second phase of security measures (destruction and separate storage) was applied in March 2016. KB Insurance collects only essential information for financial transactions, allocates the minimum authority upon giving a user account to employees and sales staffs, and frequently inspects to prevent any non-official use. KB Savings Bank manages consent forms by purpose by differentiating essential and optional items in filling in the Consent Form for Collection / Use / Provision of Personal Information.

Inspecting and Improving the Information Protection System

KB Kookmin Bank devised anomaly scenarios reflecting related laws and supervisory regulations to prevent misuse and abuse of customer information, setting up a system for routine monitoring and integrated management in January 2016 and operating it. KB Insurance developed 80 types of scenarios for suspicious actions over actions of violating security measures and of arousing concerns over information leakage in November 2015, and setting up and operating a monitoring system for anomalies. KB Investment & Securities blocks potential risks by diagnosing and improving upon weaknesses in e-banking services, and

protects personal information by inspecting the personal information processing system once a year. KB Real Estate Trust reviews compliance with a system and regulations devised to protect customer information, and conducts the security vulnerability check on information security in partnership with AhnLab, an IT supplier. KB Credit Information conducts simulation drills twice in 2015 to inspect the system to counter customer information leakage, and KB Investment & Securities has conducted them over once a year since 2016.

Strengthening the Corporate Governance for Customer Information Protection

Realigning the Exclusive Business Unit and the Corporate Governance

KB Financial Group separately runs the Information Protection Department under the holding company driven by the firm commitment of the management to information protection. The key purpose is to strengthen the Group's competencies in information protection in forms of its joint projects on information protection and site inspections in subsidiaries. The Chief Information Officer (CIO) and the Chief Information Security Officer (CISO) in major subsidiaries including KB Financial Holding, KB Kookmin Bank, KB Insurance, KB Kookmin Card and KB Savings Bank are separately appointed to reinforce independence of the information protection unit. KB Kookmin Card reshuffled the information protection unit of one department and two teams into one department and four teams with a focus on stronger customer information protection and security functions. By increasing the number of regular employees, the company oversees the entire picture of information security operations, and establishes and verifies information protection policies. KB Life



Insurance beefed up inspection activities by elevating the Information Protection Team into the Information Protection Department in January 2016. KB Capital designated its CISO as an executive in January 2015, who is briefed regularly on matters on information protection. KB Savings Bank launched a business unit for information protection in September 2014 to oversee information security operations, and establish and verify information protection policies, striving for accident prevention and secure information management. KB Credit Information annually designates supervisors for personal information protection, and the Information Protection Team conducts inspection on information protection for all the departments/branches.

Strengthening the Business Process for Customer Information Protection

Reinforcing the Security System and Internal Control

Subsidiaries conduct self-inspection on whether or not PC security programs are properly operating and report the results to the holding company, which, then, reviews the adequacy of inspection, shares improvements made that are identified among subsidiaries to reinforce the PC security system. The Group expands the cloud computing environment to all subsidiaries where critical information could be stored and processed in virtual domains of server rooms at IT centers in order to improve the PC security system in a more fundamental manner.

In order to strengthen the security system, KB Kookmin Bank runs a system to detect and respond to internal and external threats through the network access control system, customer information search and leakage prevention system and anti-virus system. The network separation system is applied where official use and the Internet domain are separated for PCs of all employees to protect customer information. All internal document files are encoded so that they cannot be used even after being leaked, and multilayered authentication is a must for internal documents to leave outside premises for business purposes. When employees approach a customer database, multi-factor authentication is used via security token and fingerprint encryption mouse. Security control has been beefed up by restricting consignment employees to bring in or out external IT devices, managing the X-Ray scanner within IT centers and restricting the Internet use.

KB Insurance operates the information protection control process to

counter hacking at all times. The company applies various measures and monitors policies periodically to enhance stability in information protection. It blocks websites not related to business, shuts off distributed denial-of-service (DDoS), controls server and database access against unauthorized users, inspects application vulnerabilities through hacking simulations, conducts integrated PC security authentication and controls the use of portable storage media (USB). KB Kookmin Card reinforced security measures to protect customer information. The company established a virtual PC environment, separated the Internet networks and implemented the fingerprint recognition to prevent reoccurrence of customer information leakages of early 2014. KB Investment & Securities encodes and stores personal information through document security, and gets the approval of the head of the department via the designated release approval system upon releasing it. Moreover, the Data Loss Prevention (DLP) solution was adopted to manage a process to block unauthorized releases and send a warning via email. The company plans to index the security levels to be complied by employees, improving the security compliance management system which is centrally managed. A system for automatic feedback on drawbacks will also be in place. KB Savings Bank reinforces security through fingerprint recognition-based entry into buildings and attachment of security stickers on smartphones when consignment personnel work in the company. It also controls of any leakage of internal documents to outside through inspection and supervision of PC check-in/out.

Strengthening Monitoring and Inspection

KB Financial Group inspects the status of customer information inquiry on a monthly basis to prevent unnecessary inquiry of customer information, and identifies its adequacy. KB Insurance established a monitoring system for employees and sales personnel. Matters on compliance of information protection are reported to the top management, covering 11 parts on inspection and 34 inspection items pursuant to Article 37.5 of the Electronic Financial Supervision Regulations. Regulatory compliance on the protection of personal information is inspected every month for business units in branches and compensation centers. For consignment companies for personal information, annual training, security check (twice) and contractual and information destruction check (twice) are conducted. Due diligence takes place by sampling risk-based consignment companies on a monthly basis.

KB Kookmin Card devised internal sanctions on unfair use/release of customer information by employees and violation of security policies, while inspecting on compliance with security policies, and expanded categories of transactions subject to monitoring. Disciplinary actions are notified to prevent enterprise-wide operational risks, and information protection-related regulatory compliance is inspected through on-site security check of each department.

Strengthening the Corporate Culture for Protecting Customer Information

Improving Employees' Awareness of Information Protection

KB Financial Group designated every Wednesday of the third week each month as 'e-Cleansing Day' to encourage voluntary information protection activities and training. Every Wednesday of the first week each month is designated as the 'Information Security Check Day' for regular inspection. Cyber courses on information protection are offered based on job functions at the Financial Security Institute semiannually for all employees. Moreover, internal regulations are formulated and managed in accordance with information protection laws. Employees' customer information collection and processing records are inspected in each department on a monthly basis, which is reported to the Information Protection Department and executives in charge on quarterly and semi-annual bases, preventing any violations of information protection laws. KB Kookmin Bank conducts simulation drills on malware email attack to raise employees' awareness about information protection twice a year. Employees are trained to enhance their countering skills against external threats and prevent themselves from entering information recklessly. At KB Insurance, department heads inspect the records of personal information handling and log-in on members on every Tuesday. Monthly security training is expected to be conducted from 2016 by a departmental CA (compliance advisor), and security check will be executed using the self-inspection checklist. KB Investment & Securities informs all employees of action plans for information protection on the 'Day of Information Protection' and 'Day of IT Information Protection' on a monthly basis, and inspects the current status of information ownership and IT security.

Information Protection Training

KB Financial Group conducts annual training pursuant to Article 19.2 of the Electronic Financial Supervision Regulations: over three hours for executives (over six for the CISO), over six hours for general employees, over nine hours for IT staff and over twelve hours for information protection staff.

KB Kookmin Bank Information Protection Training

Types of training	Target	Cycle	Duration
New employee program	New employee	Twice a year	50 minutes
Reinstated employee program	Reinstated employee	Once a year	50 minutes
Financial information protection process	Three people in the IT Group and the Information Protection Division	2015. 3 ~	-
Outbound information protection training	Security managers	Once a year	50 minutes
	Board members		3 hours
Cyber education for KB information security	Employees	Once a year	6 hours
	IT managers		9 hours
	Information security managers		12 hours
(Monthly based) Information security training	Every employees	Once a month	30 minutes / month (6 hours / year)
Information protection awareness Training	Every employees	Everyday	-

Formulating the Charter for the Protection of Customer Information

<p>KB Kookmin Bank held a declaration ceremony and an action pledge for all employees in July 2014 by formulating the 'Charter for the Protection of Customer Information'.</p>	<p>KB Life Insurance proactively practices six codes of action after formulating the 'Charter for the Protection of Customer Information' in December 2015.</p>	<p>KB Investment & Securities plans to formulate the 'Charter for the Protection of Customer Information' from 2016, and to expand training for employees.</p>
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Financial Consumer Protection System

Improving the Consumer Protection System

KB Kookmin Bank considers the Voice of Customer (VOC) as the foundation of consumer protection. The VOC gathered from diverse channels is transferred to departments in the HQ immediately to promptly resolve consumer complaints. A total of 82 institutional improvements were initiated, up about 2.5 times from that of 2014, and the relevant

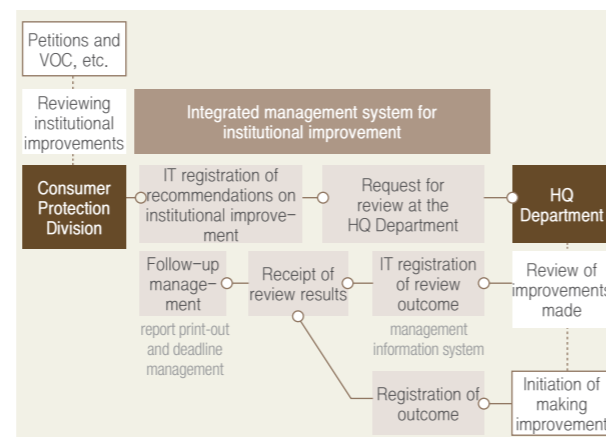
matters are systematically managed through the 'Integrated Management System for Improving Consumer Protection Programs'. The number of civic petitions raised by the Financial Supervisory Service (FSS) were reduced 23.5% compared to 2014 by improving the work process while initiating institutional improvements dynamically. For instance, the Bank reinforced employees' mindset toward consumer protection, devised a process to respond to black consumers, and established a system to respond to the evaluation of financial consumer protection.

KB Insurance runs the VOC system to manage customer complaints in an integrated manner, and formulated several guidelines to handle them promptly and accurately: 'Civic Petition Treatment Standard', 'Civic Petition Treatment Guideline' and 'Ground Rules for Consumer Protection'. KB Kookmin Card explores tasks for improvement based on FSS petitions, VOC from customer centers and online and suggestions/ideas from employees. Improvements are recommended to the relevant department through the consumer protection system, and the Consumer Protection Department monitors the progress, and provides incentives for excellent results in forms of extra points in KPIs and rewards.

KB Insurance improves the system by analyzing FSS petitions and VOC every month. The company reduced FSS petitions by 44.4% compared to 2014 by initiating policies to reduce them, enabling the petition handling department to exclusively process the matters, visiting representatives of GA (general agency) with a high volume of petitions, establishing a cooperation system for petition reduction and setting up a system for integrated management of VOC.

KB Capital runs an IT system for petitions to promptly them, and analyzes and evaluates petitions registered by devising a standard for petition evaluation.

Work Flow for Improving the Consumer Protection System



Business Unit Exclusive to Consumer Protection

KB Kookmin Bank formed the 'Consumer Brand Strategy Group' directly falling under the president to protect rights of financial consumers. The Bank also designated its head as the Chief Consumer Officer (CCO) to oversee consumer protection operations.

KB Kookmin Bank formed the 'Consumer Protection Division' as an exclusive consumer protection unit to cover consumer protection operations including institutional improvement, petition prevention and education and training. The Bank also runs the 'Financial Consumer Protection Council', 'Financial Consumer Protection Working-Level Council' and 'Consumer Compensation Council'.

KB Insurance put the CCO under the CEO, and formed 'Consumer Protection Department' under the CCO, while launching the Consumer Protection Counseling Centers in Seoul and Daejeon. By allocating a chief manager for counseling for each channel in departments, a system for organic cooperation was established between the Consumer Protection Department and the Consumer Protection Counseling Centers. KB Kookmin Card launched the 'Consumer Protection Division' in 2016, establishing a system for consumer protection in all stages—'product development—sales—follow-up management'. In 2015, 'Financial Consumer Protection Council' meetings were held eight times, and the company fairly treats applications for damage claims and provides rational claims through the 'Consumer Damage Claim Committee'.

KB Investment & Securities formed the Financial Consumer Protection Team, and designated a compliance officer as the CCO. The company also launched and operates the 'Financial Consumer Protection Council' to promptly respond to consumer protection issues.

KB Insurance launched the 'Consumer Protection Department' as an independent unit under the CCO, and designates and operates VOC managers in business channels, related departments in the HQ and branches, respectively.

Consumer Protection Systems and Activities

KB Kookmin Bank runs employee training programs for perfect selling whereby financial consumers can select products after listening to sufficient explanation upon selecting and subscribing to financial products. The Consumer Protection Department and the Product Department jointly have a tour around each regional HQ to train on perfect selling. They have provided the 'Business Guidebook for Perfect Selling' and

'Key Points for Perfect Selling' to all branches, and conduct the 'sales survey' for financial investment products regularly to establish a sound perfect selling culture. In order to reinforce prior monitoring functions for consumer protection, the 'Prior Agreement for Consumer Protection' system is implemented, which led to prior agreements for consumer protection amounting to 756 cases in 2015.

KB Investment & Securities runs the 'Financial Consumer Participation Program' and accepts and reflects customer suggestions and applications for e-petitions via its website. It strengthens consumer protection through the 'internal whistleblower system for mis-selling of financial products'.

Customer-Oriented Products and Services

Product Development through Customer Engagement

KB Kookmin Bank identifies consumers' feedback in advance through a focus group interview (FGI) upon developing financial products in order to dynamically reflect their opinions. The FGI targets customers participating in KB Tribunal System operated by the Customer Marketing Department, reviewing new product drafts and gather ideas accordingly. KB Insurance has listened to diverse customer feedback using 'KB Hope Supporters' (a customer panel) since 2012, and continuously strives to develop differentiated products suited to customer needs and market trends by reflecting them. The customer panel system enabled the company to evaluate insurance products in the shoes of consumers and analyzed points for improvement in 2015. The company plans to develop products with adequate claims suited to changes in the environment by collaborating with stakeholders related to insurance products. KB Investment & Securities launches products catering to customer needs as stakeholders are directly engaged in product development.



Projects with stakeholder engagement for product development

	Stakeholders	Product & Service
KB Kookmin Bank	KB Tribunal	KB Kookmin ONE Bank Account Product Service (an additional benefit of fee exemption for money transfer to another bank) Expanding opportunities for asset management by revising downwards the new subscription amount for MMF
	Customer Advisory Panel	Selecting the product name of KB Kookmin ONE Bank Account, configuring specific items for KB Do-It-Yourself Installment Savings and realigning the service for KB Star Banking
	Youth Hope Foundation	Launching the Charitable Remainder Trust of the Youth Hope Fund
	Korea Federation of Credit Guarantee Foundations	Launching a product to support small enterprises at a low interest by signing an agreement of 'Special Guarantee of Hope Dream for Small Enterprises'
	Korea Commission for Corporate Partnership	Launching a B2B product for primary and secondary suppliers to get operating capital at a low interest in the level of credit ratings of large enterprises based on accounts receivable issued by large enterprises
	Korea Credit Guarantee Fund	Launching a guarantee product supporting the exploration of promising SMEs with strong future growth potentials through V-Plus Guarantee
	Korea Federation of Banks Korea Banking Institute	Introducing a program to support the self-employed jointly in the banking sector to raise the importance of credit management and the financial understanding among the self-employed
	Ministry of Health and Welfare	Launching a policy fund to support damaged medical institutions including a drop in sales due to the MERS outbreak
	Seoul Credit Guarantee Foundation	Launching a guarantee product to support small enterprises and merchants located in Seoul directly and indirectly damaged by the MERS outbreak
KB Insurance	Korea Technology Finance Corporation	Launching a loan extension product to support start-ups or youth-employed companies with growth potentials
	KB Hope Supporters (customer panel)	Improving promotional materials on long-term insurance products (brochures/leaflets), and launching new products with customizable guarantees for customers' life cycle, new products in consideration of the elderly and those with symptoms, and insurance products in demand of housewives/women
KB Investment & Securities	Seoul Metropolitan Government	Launching the Special Asset Fund of KB Seoul Sunshine Power Plant
	Government	Launching (8) saving funds and (13) income deduction funds
KB Real Estate Trust	NFUF, Woomi Construction Corporation	Establishing Enterprise-Type Rental Housing REITS (Woomi KB New Stay Commissioned REITS No.1)

Running AfterBank for Working Customers

KB Kookmin Bank's Afterbank is a specialized branch targeting office workers with its working hours adjusted to ensure convenient banking for office workers. Customized services are provided in a customer convenience-oriented facility with counseling-oriented layout design. AfterBank is run in five branches including Gasan Lions Valley Branch as of 2015-end.

Providing Conveniences for Financial Transactions for Foreign Customers

KB Kookmin Bank runs branches for foreigners for foreign customers to use banking services conveniently by providing many benefits. The Bank runs flexible operating hours on weekdays, operating hours on holidays, a specialized counter layout and employees with foreign language proficiency. The Bank offers products reflecting the features of their stay in Korea, customer centers enabling counseling in their mother tongue, multilingual support in non-face-to-face channels including ATMs, and the KB Welcome Service including departure guarantee insurance claim settlement services to foreign workers. A total of 50 ATMs in foreign currencies are available nationwide to offer money exchange services to convenience foreign customers.

Providing Smart Banking Services

KB Kookmin Bank launched 'KB Star Banking Mini' for customers whose focus is to provide fast and simple transactions. The convenience of use was boosted by showing the menu in high demand including balance checks, wire transfers and products exclusive for smartphones. The level of security was upgraded by equipping with modules for app tamper detection and providing personalized images to prevent phishing. The 'KB Portable Branch' was also launched to ease the customer burden of having to visit branches offline. The service is a new marketing channel for customer employees to perform outbound operations by visiting customers, enabling real-time banking operations when and where customers want by using portable devices.

Providing Door-to-Door Service

KB Insurance has waged 'Gagahoho (home visit)' campaign by visiting customers and managing their insurance products subscribed since 2014. Planners visit customers to provide existing services including explaining the content of coverage for subscribed products, check possible dual subscriptions for indemnity insurance and update of personal information. The company also provides a service of finding unclaimed insurance claims.

Strengthening Communication with Customers

Operating Channels with Customer Engagement

KB Kookmin Bank conducts a survey through the 'KB Customer Advisory Panel' and the 'KB Tribunal System'. The survey results with customer feedback are proactively reflected to develop products and improve service. Customers' qualitative needs which are not identified through quantitative studies are reflected in management activities. Seeking to revitalize communication with youth customers as the growth engine of the future and boost the brand image, youths are recruited for 'KB Campus Star (university student ambassadors)' and 'Rock Star Blog Reporters'. The 'Foreign Customer Advisory Panel' is also run as a customer panel to reflect changing financial needs of foreign customers. KB Insurance runs the 'KB Hope Supporters' where general customers participate, experience services of customer contact points and evaluate overall service levels. The scope of usage has been expanded to cover products and marketing by strengthening the competitiveness of long-term products and inspecting the overall process of subscribing to the direct car insurance.



One-Stop Counter for the Protection of Financial Consumers

KB Kookmin Bank established the 'Consumer Information Portal' on its website as a one-stop information channel to guarantee the right to know for financial consumers and ease information asymmetry. The 'e-Petition Counter' is also run within the portal to promptly accept customer complaints. The process has been improved to accept the VOC directly via mobile Star Banking. KB Investment & Securities established an integrated VOC system and realigned the customer bulletin board in 2015. Feedback is given in accordance with the progress of processing

petitions (receipt and answers), and the customer satisfaction level is surveyed on answers in and handling of the customer bulletin board.

Performance in Customer Satisfaction

KB Kookmin Bank was ranked first in the banking sector nine times for the first time among domestic banks at the National Customer Satisfaction Index (NCSI). The Bank maintains the highest level with over 94 points, the average of banks, at the Customer Satisfaction Index (CSI) for branches in 2015.

KB Insurance is standing out in the evaluation of its call center, the representative of customer contact point, being used by customers the most and the mobile website. The company's call center was selected as the first ranker in the indemnity insurance sector in 2012 and 2014 at the Korean Standard-Contact Service Quality Index (KS-CQI) organized by the Korean Standards Association. The call center was awarded the grand prize in the mobile web category at the '12th Web Award Korea' organized by Korea Internet Professional Association in 2015.

KB Kookmin Card established and runs a consumer-centered management system, spreading the consumer-centric management culture and contributing to the higher consumer benefits. The company acquired the certification as a company of excellence for Consumer-Centered Management (CCM) by the Fair Trade Commission in December 2015, and was selected as a company with the best practice in consumer-centered management in 2015. KB Insurance was selected for its call center of excellence for 11 consecutive years at the 13th evaluation of the Korean Service Quality Index (KSQI) organized by the Korean Management Association Consulting (KMAC) in 2016.



Responsible Finance, A Clean World with KB

KB's Way Today

The Korean government announced its '2030 Strategy for the Spread of New Energy Industries' in tandem with the signing of the Paris Accord. Its goal is to establish a new energy industry market worth KRW 100 trillion by 2030. KB Financial Group has steadily managed related products and investment portfolios to fulfill environmental responsibilities imposed on finance to counter climate change.

At a time when competitions in the financial industry are intensified amid low interest rate and market saturation, financial inclusion has become a way to fulfill social responsibilities and a means to minimize loss for the existing customers while attracting potential customers. The silver industry which is growing at over 13% every year amid rapid aging can be a growth engine for the future in the same vein. KB Financial Group is at the forefront of pursuing a happy elderly lifestyle for customers by providing products customized for their life cycle.

Toward the Right and Ascending Way



This section covers product portfolio which ranks sixth in terms of priority with the strategic importance of 80.6 points and stakeholder evaluation of 74 points, financial inclusion which ranks eleventh with the strategic importance of 68.1 points and the stakeholder evaluation of 69.9 points and aging society which ranks ninth with the strategic importance of 69.4 points and the stakeholder evaluation of 74 points.

Key Performance Indicators	Unit	2012	2013	2014	2015	2016 Target
loan product for low income / low credit ¹⁾		666	738	811	867	897
Product for financial inclusion and social contribution	Billion won	5	467	911	1,606	1,677
deposit product for low income / low credit ¹⁾						
KB Hidden Star 500 Loan		1,479	1,904	1,680	1,318	1,430
KB Microfinancing		17	12	17	23	30
Subscription KB Good Job (accumulated)	Number	30,969	38,085	44,144	47,975	51,813
Financial service for aging society	Billion won	190	201	4,081	4,528	4,981
Products for senior citizens ²⁾						
Increases in the amount of reserves for retirement annuity	Billion won	2,227	1,459	1,692	1,845	2,398

1) Including of KB Kookmin Bank, KB Capital, KB Saving Banks and KB Real Estate Trust

2) Based on KB Golden Life collection bank accounts, savings and deposits for pension reward

KB's Way Tomorrow



Expert of Sustainability
CEO Marcsson, Jung-won Han

“ Environmentally and socially responsible management is to play most essential roles for financial companies to fulfil social responsibilities because they can induce social changes in a sustainable direction through diverse environmental and social products and services, and investment. KB's efforts to enhance financial inclusion as a financial group for people are impressive indeed. Hopefully, the Group can continuously contribute to making a sustainable world with the power of finance.”

A Clean World Driven by Finance

Financial Investment to Respond to Climate Change

KB Financial Group considers environmental responsibilities in managing investment, loans, assets and financial products in accordance with basic rules and norms on loans.

KB Insurance continues to find new and renewable energy projects and make mid-and long-term investment to fulfill environmental responsibilities in the financial industry. The company signed a new contract on the JB Yeongyang-gun wind power plant fund worth KRW 31.7 billion in 2015, carrying on investment in new and renewable energies amounting to KRW 100.6 billion for four straight years.

KB Insurance Investment on Renewable Energy

Date	Project	Unit	Amount	Types of project
2012.06	Gyeongju-si wind power plant	Billion won	11	Renewable energy (wind power)
2013.05	Gyeonggi-do fuel cell power plant		33	Renewable energy (Fuel Cell)
2014.08	Gyeongsangbuk-do Yeongyang-gun wind power plant		25	Renewable energy (wind power)
2015.12	JB Yeongyang-gun wind power plant fund		32	Renewable energy (wind power)
Total		Billion won	101	

KB Investment & Securities manages a special asset fund for 'KB Seoul Sunshine Power Plant' to be more engaged in PV projects. The number of accounts for the fund stands at 1,036 as of 2015-end with the amount of balance standing at KRW 8.4 billion.

KB Asset Management has designated four themes, namely, management of demand for electric power, restrictions in emissions, alternative energies and alternative fuel to respond to global warming. The company continues to make investment in new and renewable energy projects including solar, wind and hydropower energies. The company is managing the KB Green Focus Securities Feeder Investment Trust Equity where companies' eco-friendly management capabilities and green technology levels are evaluated and the company makes investment in them, and a part of the investment return is accumulated as a collective donation fund for the environment. The company also manages KB Pohang Reusable Water Facility Fund investing in environmental facility-related projects including wastewater treatment facilities and municipal waste treatment facilities, making efforts in environmentally responsible investment.

KB Life Insurance has invested KRW 46.7 billion in new and renewable en-

ergies through various funds: KB Solar Energy Blind Fund, KB Solar Energy Blind Fund No.2 and JB Clean Energy (Wind Energy Generation) Fund.

Financial Benefits Considering the Environment

KB Financial Group supports companies engaged in green growth, and offers diverse financial benefits to pay back to green customers as much as it can. KB Kookmin Bank manages savings products exclusively for employers where the preferential interest rate of 0.3%p a year is imposed on green growth-related companies.

KB Insurance provides insurance premium discounts when subscribers meet certain qualifications in order to encourage car drivers to reduce the amount of exhaust gas emitted: when a contractual party or its family-owned car subscribed to the car insurance subscribed to the week-day-based car control program, is a car emitting small pollution or a mini car. Special terms and conditions on mileage discounts are also offered to subscribers whose annual driving distance is less than 10,000km, and the number of subscriptions stands at 14,418 in 2015, and the amount of direct premium written is approximately KRW 77.6 billion.

Responsibilities of Finance for the Society

Expanding Financial Accessibility

KB Financial Group adopted the Universal Counter for customers in a wheelchair to access easily, and it has been distributed to 587 branches as of 2015-end. The Group also installed 9,079 ATM equipped with Braille displays, screen magnifiers, and voice guidance, and 3,479 among them are designed to fit in wheelchair-accessible booths as of 2015-end.

KB Kookmin Card has expanded the number of Braille card products for the visually impaired. In the past, only one product was issued with a Braille card, but now all credit/debit card products are available with a Braille card except for cards that are not sold anymore, hi-pass, Star Truck and photo cards. The company also provides a voice guidance service for card issuance forms for the visually impaired to convenience the issuance of Braille cards.

Micro-Credit Support through Financial Products

KB strives to enhance people's financial accessibility, while managing diverse micro-credit and SME supporting products in each subsidiary. KB Kookmin Bank exempts e-banking fees and ATM fees for the under-

privileged and the lower income group. Diverse products have been developed for the ordinary citizens and the underprivileged: KB Happiness Dream Loan II, KB Seed of Hope Loan II and KB Loans from Government Funds. Such efforts are intended to contribute to stabilizing the livelihood of people with low income and low credit. KB Insurance offers 'discounts for recipients of medical expenses under indemnity insurance' with 5% premium discounts when basic livelihood security recipients or the lower income group in the medical blind spot subscribe to medical indemnity insurance. Hope Sharing Special Contract Product is available, which offers discounts (about 17%) for car premiums for basic livelihood security recipients or the lower income group.

KB Investment & Securities sells a variety of financial products for the ordinary citizens and the underprivileged. The company manages 21 funds including KoFC KBIC Frontier Champ 2010-5 PEF.

KB Capital provides loan products for low income people with no house. The company offers the minimum interest rate of 5.0~5.9%, which is lower than secondary financial institutions' for occupants' housing fund and increasing deposits eligible to live in leased apartments.

KB Savings Bank launched the government-secured Sunshine Loan for poor credit or low income customers with the interest rate of 7~8% up to KRW 30 million. In November 2015, the Sunshine Loan Counter was expanded to the Sunshine Loan Service Center.

KB Investment ran the KoFC-KB Youth Start-up No.1 Investment Fund and the Investment Union for KB Start-up Support for Future Creation, investing KRW 13.9 billion, thus contributing to facilitating youth start-ups.

Supporting SMEs for Balanced Growth

Financial Products and Services for SMEs

KB Kookmin Bank is providing loan products to extend operating/facility funds promptly by simplifying the loan process to self-employed customers with adequate real estate security, and the amount of balance as of 2015-end stands at KRW 959.8 billion. The Bank also launched a Fintech loan product enabling loan support without any collateral including real estate through valuation of intellectual property for SMEs with intellectual property, serving as a robust partner for SMEs.

KB Capital eased customers' burden for lump sum payment by providing long-term installment financial services for SMEs and diversifying payment methods through continued alliance with 'Sharing Dream'

installment finance launched in 2013. In 2015, the company signed partnership agreements with 17 companies including five motorbike companies, four home shopping vendors, one bike company and one mobile virtual network operator (MVNO), expanding installment finance to raise sales of small enterprises and medium-sized ones. KB Savings Bank provides diverse products to people with low income and low credit, employees of companies, the self-employed and small enterprises through the expansion of line-up for the Good Loan. It launched KB Good CEO Loan supporting start-ups and operational funds through localized and relationship finance for regional small enterprises and KB Good Franchise Loan to support start-ups and operational funds for excellent franchise members.

Expanding Investment in SMEs

KB Kookmin Bank has made continued exploration and investment in SMEs and venture businesses and new tech operators which are in the early or expansionary phase and with growth potentials.

Name of Product	Unit	Scale
KoFC KBIC Frontier Champ 2010-5 PEF		16
KoFC POSCO HANWHA KB Shared Growth No. 2. Private Equity Fund		25
KB 12-1 Venture Fund	Billion won	40
Future Creation KB Venture Support Fund		12
KB IP Investment Fund		0.4
Gyeonggi-KT Green Growth Investment Fund		0.6
Total	Billion won	94

KB Insurance has steadily invested in venture capital since 2007 for SMEs to expand their new investment and advance abroad. The amount committed up to 2015 stands at KRW 81 billion. KB Investment has newly funded KRW 50 billion in 2015 for venture businesses, and initiated new funding worth KRW 200 billion by February 2016. The company also executed KRW 60.7 billion for investing in SMEs and venture businesses, and eight of investment companies were listed in KOSDAQ.

New Funding for SMEs

Name of Product	Unit	Scale
KB IP Investment Fund (Feb. of 2015 established)		50
KB Solidus Global Healthcare Fund (Jan. of 2016 established)	Billion won	150
KB Outstanding Tech Company Investment Fund (Feb. of 2016 established)		50
Total	Billion won	250

Finance Prepared for the Aging Society

KB Golden Life, the Brand to Prepare for Post-Retirement and Elderly Life

KB Kookmin Bank launched products related to KB Golden Life, its brand to prepare for post-retirement and elderly life in the aging society, established a retirement planning system, and nurtured counseling personnel to systematically provide financial services suited to customers' lifecycle. According to the market competitiveness survey of 2015 for KB Financial Group, the Golden Life outperformed any other brands in terms of brand recognition associated with post-retirement and elderly life. The Bank attracted a total of 162,425 accounts worth 4,528 billion won by 2015-end with the KB Golden Life Collection covering bank accounts, savings and deposits.

KB Kookmin Card also launched KB Kookmin Golden Life Ollim Card by reflecting benefits preferred by the elderly including hospital fees and leisure in product planning in January 2016.

KB Middle® Fund Collection

The paradigm of the fund market is changing from high-risk, high-yield stock-type investment to mid-risk, mid-yield hybrid investment amid demographic structures including aging as well as deposit interest rates being lower than the inflation rate. KB Kookmin Bank launched KB Middle® Fund Collection, a financial investment product with minimized risks by reflecting investment needs of middle-aged and older customers in the retirement period when an additional yield of 1% is longed for. KB Middle® Fund Collection provides a fund package with the expected rate of return of up to 6% from 4% depending on the risk level. The KB Middle® brand won the prize of excellence at the Financial Award in the Age of Centenarians organized by MTN in 2015.

Bancassurance Guaranteeing until 100 Years of Age

KB Kookmin Bank is diversifying its annuity insurance products and coverage insurance products per lifecycle as the demand for post-retirement and elderly life products has risen. In 2015, the Bank launched coverage insurance products to cover up to 100 years of age including Cancer Plus Coverage Insurance, Premium Health Insurance and Dream Plus Health Insurance as well as five annuity products including VIVA Immediate Annuity Insurance and KB Golden Life Immediate Annuity Insurance and ELS Income Variable Life Insurance.

Retirement Annuity, a Lifetime Partner for Elderly Life

The retirement pension market has transformed itself from the company-oriented defined benefit (DB) market into the individual subscriber-oriented defined contribution (DC) market as the wage peak system is adopted and the annual salary system spreads. KB Kookmin Bank is leading changes in the market as the financial institution with the largest reserves in the entire DC market. Under the asset management philosophy of creating customer returns stably, 24 principal and interest-guaranteed products and 43 products with non-guaranteed principal and interest (funds). As of 2015-end, the Bank achieved the highest return compared to commercial banks for 3-year/5-year/7-year periods as of 2015-end. .

Name of Product	Unit	Reserves
Products with principal and interest guaranteed	Billion	9,843
Products with principal and interest non-guaranteed	won	1,109
Total	Billion won	10,952

KB Asset Management exceeded the set amount of KRW 2.17 trillion in the retirement annuity fund sector as of 2015-end, recording the growth rate of 81% year-on-year.

Aging and Changes in Life

Preparing for elderly life includes not only economic issues but also non-financials including work, relationships and health. KB Kookmin Bank provides diverse community services including socialization, training and re-employment for customers to enjoy their energetic and meaningful elderly life. Programs including the Seminar on Happy Elderly Life Planning to help customer (would-be) retiree customers plan for their elderly life, and the Healing Camp for Married Couples for retired married couples have garnered a great feedback. Services will be expanded to provide specialized benefits including in-home nursing, health management and re-employment. In order to provide professional counseling, branches specialized in post-retirement and elderly life amounting to 57 in 2015 have been expanded to VIP lounges in 850 branches nationwide. The number of counseling counters also increased to help customers better prepare for their elderly life.



Right and Ascending Companionship

Driven by the accountability of a leading financial group that spearheads the financial industry in Korea, KB Financial Group does the utmost for a sustainable future of the society. KB Financial Group will pursue social values where every member walking together with the Group could be happy.

Finance as a Companion



Finance as a Companion

Hope Spread by KB

KB is stretching out a helping hand of different types for our neighbors in need and every corner of our society. The goal is to become 'a financial group for people' to return the love and hopes to people. Continued support is extended for 'youths' as the leaders of the world in the future so that their dream can come true. The Group is focused on multi-cultural social contribution projects to make a beautiful society that respects diversity.

Social contribution system map

Vision	The Most Respected Corporate Citizen, KB Financial Group					
Direction	Taking social responsibility	Win-win Growth with local communities		Spreading a culture of sharing		
Field	Public Interest-focused Social Contributions			Strategic Social Contribution		
	Supporting project for development of youth Supporting project for independence of multicultural families.			Social contribution activities with financial competency		
KPIs	Unit	2012	2013	2014	2015	2016 Target
Average hours of participation per employee per year	Hour	13.8	13.6	14.0	14.1	10.0

Hopes Dreamed Together

KB Youth Music College

Youths are the leaders of the world in the future and their sound growth is the driver for the development of a sustainable society. KB Financial Group continuously offers 120 underprivileged young people with pas-



sion and talent in music a higher level of music education program, such as one-on-one tutoring and local and joint recitals, in cooperation with six music colleges (Ewha Womans' University, Sangmyung University, Korea Nazarene University, Chosun University, Gyeongsang University, and Kangwon National University). Many of the program beneficiaries succeeded in obtaining admission to high schools of art, art colleges or won in national competitions.

KB StarB Dream Scholarship

KB Kookmin Bank runs growth management program which provides scholarships to adolescents with dreams and talents in local children's centers starting from 2016 so that they could grow up as sound and righteous members of the society. Scholarships consists of the 'Academic Scholarships' to support students with high academic scores and the 'Dream and Talent Scholarship' to support students with dreams and talents. In 2016, the Bank extended scholarships to 400 youths in partnership with the Headquarters for Community Child Center.

KB Hope Camp

KB Hope Camp provides 120 young people with disabilities with programs of career counseling, field experience with college student, and a two nights and three days' camp to help them have opportunities to design their career path. Thanks to the steady initiation of projects, participants show not only a high level of satisfaction but also tangible performance in landing on a job and being admitted to a school.



Joy of Living Together

KB Rainbow Love Camp

Diversity and inclusion serve as drivers of enhancing productivity in the entire society, while giving warmth to the society by complementing weaknesses among members. KB Rainbow Love Camp as one of KB Financial Group's multicultural social contribution projects is a program to support children from multicultural families with economic and financial education and various cultural experiences. Children learn basic lessons on economy and finance, and watch magic show and experience ride at amusement park through one-on-one matching with employees in the two-day camp. The program has been highly praised not only by participating children but also related stakeholders of participating centers.



KB Hope Bicycle

KB Financial Group is engaged in diverse social contribution activities to contribute to the community development in Asia, its key region for business. KB Hope Bicycle is a program where KB overseas volunteer group goes to less developed countries in Southeast Asia, and assembles bikes and gives them out to impoverished adolescents there. The volunteer group is also engaged in other sharing activities with them. In 2015, 1,880 bikes were given out to children in Hanoi Vietnam, KB overseas volunteers conducted cleaning activities for environment and organized culture exchange events. KB Hope Bicycle was favored by local communities as a program where employees participate in volunteering on site.

KB Overseas Volunteer Group and KB Korean Language Classes

KB Kookmin Bank is propagating the corporate image of doing voluntary work through continuous overseas volunteering programs. KB Kookmin Bank conducts 'RaonAtti', a program where over 40 university students in the overseas volunteer group are dispatched to Cambodia and Vietnam, etc. twice a year where the Bank is doing business and conduct volunteering systematically for five months. In 'Yangon KB Korean Language Class' in Yangon, Myanmar, 412 local adolescents were registered in the systematically designed Korean courses in 2015. Events propagating the Korean culture and hallyu were greatly received by the attendees.



KB StarB Dream Multicultural Mentoring

KB Kookmin Bank conducts the KB StarB Multicultural Mentoring Program for children from multicultural families where they can learn Korean and adapt to the society. The program enables continued learning for at least one year and emotional exchanges between university student volunteers and 135 adolescents through one-on-one matching. This is expected to motivate adolescents from multicultural families to build up their academic achievement and grow up in good health both physically and mentally.

Driver of Sustainable Economy

On-site Talent Donation

'KB Economics and Financial Education' which has been carried on from 2012 is KB Financial Group's representative social contribution project. Each subsidiary and KB Foundation jointly provide 'economics and financial education' of the highest level in the financial sector. KB Financial Group conducts on-site education by visiting schools and local children's centers through eight educational programs, targeting elementary, middle and high schools. The programs are unique in that games are beyond lecturing-based education so that they can approach economics and finance which might look unexciting and difficult in an easy and fun approach. Employees engaged in finance participate as instructors since the Group encourages employees to donate their talents. The Group also runs a volunteering group of university students for education on economics and finance, and extends scholarships. The number of instructors including former and current employees and university students volunteers reaches approximately 900 a year. As such, KB Financial Group touts the best-in-class infrastructure in the scale and quality of education.



Lifecycle-based Education for People

KB Financial Group has expanded the recipients of the education project to various groups in the blind spots of economics and financial education, such as adults in their 20s (those in military service and college

students), seniors, housewives, North Korean defectors, people with disabilities, and people in remote islands and isolated areas. The Group has strengthened cooperation with 11 local community education bases, and partnered with local community bases including senior welfare centers and social welfare centers, thus forming a network to support financial and economic education for people in a broad scope.

The Group has expanded the targets of KB Economics and Financial Education through its online education system. It consists of 150 kinds of learning contents for six levels of learners from kindergarteners to young adults, and most of them are created in the form of animated video clips to help easy and fun learning. The content is freely downloadable on KB Foundation's website. The Group seeks to serve as a steady driver of sustainable economy by providing upgraded content and creating differentiated educational items by reflecting the demands in the educational fields.

Unit		2012	2013	2014	2015
Offline	Person	44,952	88,534	111,161	147,413
Online		27,599	30,739	31,988	45,136

KB StarB Dream Accounting Guidebook

'KB Star Dream Accounting Guidebook' is a program to produce and distribute customized accounting materials for local children's centers in partnership with 'Korea Guide Star'. KB Kookmin Bank distributed to all the local children's centers in 4,207 areas nationwide in the first half of 2016.

Job Creation and Pursuit of Diversity

KB Financial Group contributes to job stabilization by not only dramatically increasing the number of employees to be hired but also organizing KB Good Job Fair, etc. The Group also strives to improve the wage peak system and the personnel structure by adopting voluntary retirement. Equal non-discriminatory treatment is applied based on the principle of diverse and equal opportunities.

Efforts for Job Creation

Job Creation for Youths

'KB Good Job' is KB Kookmin Bank's project to offer job information where a 'forum of meetings' are held with competent SMEs, and job seekers to solve employment issues which has become a social issue. The Bank has organized Korea's largest job fairs for 10 times which have been attended by competent SMEs from 2011 to 2015. Diverse job information is provided in its website (www.kbgoodjob.co.kr).



KB Financial Group has been running 'KB Good Job School' with subsidiaries and KB Foundation since 2016. KB Good Job School strives to provide continued management and support for around 80 job seekers in each period. The school opens on-offline job training programs which were launched in corporation with Incurit Co. Ltd., and provides intensive consulting to the job seekers for six months. As such, the Group strives to offer continued management and support for job creation. KB Kookmin Bank also organized open recruitment 'beyond limits of qualifications to recruit 'customized talents for sites'. The bank is also at the forefront of 'recruiting local talents' through on-site job interviews in local regions. The internship program has been up and running continuously since 2009, and in 2015, 300 university students were recruited as interns, who performed assistant roles for counter at branches so that the internship could focus on hands-on experiences. Preferential benefits were provided for people selected as excellent interns by conducting the comprehensive evaluation by exempting document screening and written screening so that the internship could be linked to securing competent talents.

Job Creation for Women

In 2015, recruited 300 career-interrupted women in the first/second half of the year in order to create more jobs for them to strike a work-life balance. For employees with the highest performance, opportunities to convert into positions without contractual limitations were given so that they could land on more stable positions. KB Life Insurance runs the childcare leave (maximum two years) and family care leave programs along with the shorter working hour system. In 2015, 30, 1, and 10 employees used the childcare leave, family care leave and shorter working hours due to pregnancy, respectively. KB Real Estate Trust implements the 'work-life balance' program to utilize highly educated female employees. Maternity leave can be used for six months before or after childbirth. Childcare leave was extended to one year from childbirth until the point when a child turns eight. The company strives to ensure that employees could have a time with their family by leaving work on time every Wednesday.

Expanding the Recruitment of the Socially Underprivileged

KB Kookmin Bank pursues 'open recruitment' without restrictions on academic background, major, age or gender, except for job categories where specialized skills are required based on the principle of diversity and equal opportunities. The Bank recruits the socially underprivileged by giving extra points to disabled applicants in the recruitment process for each screening stage. For patriots and veterans, extra points are given pursuant to laws for each screening stage. Preferential recruitment is in operation exclusively for them, while special recruitment for patriots and veterans is carried out. As of 2015-end, KB Kookmin Bank has 234 employees with disabilities and 1,309 patriots and veterans. Another special job opening is for graduates of specialized high schools by fully embracing social needs to provide preferential recruitment opportunities for the socially underprivileged. This helps the Bank to provide job opportunities to high school graduates and secure competent talents. The Bank recruits the socially underprivileged besides the disabled and patriots & veterans through preferential recruitment of national basic livelihood payment recipients and the lower income group pursuant to the National Basic Living Security Act by giving them extra points for each screening stage.

Unit	2012	2013	2014	2015
Recruitment of the socially underprivileged	125	132	154	144
Recruitment of career-interrupted women	-	-	-	300

* Recruitment of the socially underprivileged is for war veterans and disabled people.

Expanding Education and Training

KB Financial Group runs a wide variety of educational and training programs to build up employees' competency. As a result, the average training hours per individual stood at 152 hours in 2015, which is up from 147 hours in 2014. The per-head training investment cost was scaled up from KRW 990,000 in 2014 to KRW 1.19 million in 2015.

Efforts to Improve the HR Structure

Operating the Wage Peak System

Companies with 300 or more employees are subject to the retirement age of 60 from 2016 in accordance with the Act on the Extension of Retirement Age (Act on Prohibition of Age Discrimination In Employment and Aged Employment Promotion). Thus, KB Financial Group adopted measures to improve the old-age HR structure, and preemptively introduced the 'wage peak system based on the extension of retirement age'. It is significant that the Group can take actions against the higher wage burden and lower productivity due to the extension of retirement age, while employees can hand over their accumulated know-how to other employees, readying themselves for their post-retirement life. For employees to whom the wage peak system is applied, on-site job functions have been allocated for them to hand over their know-how. This created a culture where they fulfill their roles and responsibilities. The Group improved the HR system for high achievers to receive appropriate compensation.

Initiating Voluntary Retirement

KB Kookmin Bank adopted voluntary retirement for employees to whom the wage peak system is applied in order to improve the old-age, high-rank HR structure and raise HR productivity. As a result of allowing for honorary retirement for employees with long-term seniority and providing life planning opportunities for their post-retirement life, 171 employees opted for voluntary retirement in January 2016, following 1,122 in June 2015.

Outplacement Program

KB Financial Group runs three-stage programs of life planning, career transition school and career transition support so that employees who retire voluntarily or involuntarily due to restructuring or retirement could be least impacted by their job loss and find new opportunities in life through reemployment or start-up.

Current management status of outplacement program

Target	step1 Life-cycle plan	step2 Outplacement school	step3 Outplacement support
Number of participants in 2015	189	52	1,122
Targeted number of participants in 2016	400	200	1,400
Target	Employees between 50 to 54 years old	Employees older than 55 years	Voluntary retirement
Contents	Career check, enhancement of work during the remaining term of office	Successful retirement strategies, sharing of best practices, on-site learning (start-up/return to farming or fishing), one-on-one coaching	Support for career transition in line with the Job Center for the Middle Aged and Older, providing training and counsel, job offer from affiliates

Labor-Management Communication

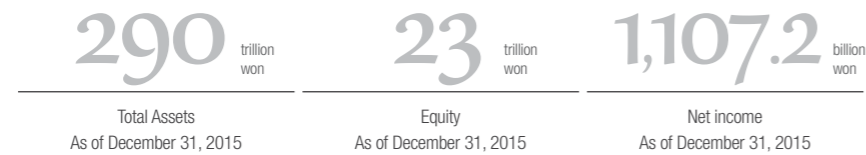
KB Financial Group seeks to minimize the impact on job stability through a proactive communication process in improving the HR structure including employment, retirement and recruitment. KB Kookmin Bank signs collective agreements and employment security agreements with its labor union, and runs a retirement process accordingly.

Appendix

KB Financial Group's 12 subsidiaries steadily strive to create a virtuous cycle structure of sustainable management and growth through effective risk management under a sound corporate governance.



KB Kookmin Bank



KB Kookmin Bank founded through consolidation between the former Kookmin Bank and the former Housing Bank in November, 2001, is Korea's representative leading bank. It has Korea's No.1 sales infrastructure with largest number of customers, the highest customer satisfaction levels, the widest channel networks and brand power. The Bank's vision set a vision of becoming 'an international leader of finance in Asia' with a management goal of 'establishing competitive advantages by differentiating itself in customer-friendly services'. To this end, the Bank consistently carries out the following: securing differentiated competitive edges for non-face-to-face channels, realigning the sales system oriented toward customers and business sites, making the operational system more efficient for enhanced productivity in the organization, strengthening core competencies for higher profitability, intensifying the risk management system for better soundness and reinforcing competencies for core projects to secure growth engines for the future.

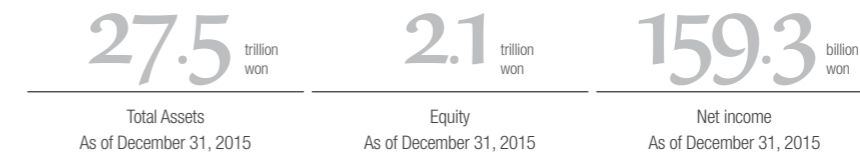
Date of Establishment	November 1, 2001
Chairman & CEO	Jong-Kyoo Yoon
Headquarters Address	84, Namdaemun-ro, Jung-gu, Seoul
No. of Branches	1,150
No. of Customers	29,391,573
No. of Employees	20,960
Homepage	www.kbstar.com



Major Performance

As a leading bank for financial innovation, KB Kookmin Bank has achieved outstanding growth within 16 years from its launch of Internet banking in July 1999. The number of its smartphone banking customers exceeded 10 million in April, and that of Internet banking customers surpassed 20 million in November 2015, for the first time in the financial sector. Amid the increases in the volume for Internet banking, KB Kookmin Bank adopted services to strengthen security: PC-designation service, security-based SMS, phone-based authentication system for Internet banking and anti-phishing personalized service. In July 2015, the Bank applied Fintech for the first time in the financial sector, enhancing the user convenience and security, while implementing the smart OTP. Once a smart OTP card is placed to a smartphone where the near-field communication (NFC) feature is installed in using mobile banking, the password is automatically entered. It has become more convenient than the existing token-type OTP where a password had to be entered whenever using mobile banking. The Bank developed KB mobile housing subscription for the first time in the banking sector. It is a convenient banking service enabling smartphone using customers to subscribe to a housing unit they prefer without visiting since 2016. As a result of such substantial and practical customer satisfaction management, the Bank was ranked first at the National Customer Satisfaction Index (NCSI) nine times for the first time in the banking sector.

KB Insurance



Bum Han Marine Insurance, the former body of KB Insurance, started doing business as Korea's 12th indemnity insurer with the capital stock of KRW 100 million on January 27, 1959. Its name was changed into Lucky Fire & Marine Insurance in June 1988, LG Fire & Marine Insurance in January 1995 and LIG Insurance in April 2006. As it was incorporated as an subsidiary of KB Financial Holdings on June 24, 2015, the name was changed into KB Insurance. KB Insurance is doing the utmost to respond to the rapidly changing financial market and cater to diverse customer needs. To this end, the company raises its corporate value through full preparedness and intensified competency building. The company is committed to becoming an insurer that is ranked first in terms of customer preference, providing optimized security against risks and comprehensive consulting services.

Date of Establishment	January 27, 1959
CEO	Jong-Hee Yang
Headquarters Address	117, Teheran-ro, Gangnam-gu, Seoul
No. of Branches	61
No. of Customers	5,742,000
No. of Employees	3,404
Homepage	www.kbinsure.co.kr



Major Performance

KB Insurance prioritizes on principles and basics under a goal to become 'No.1 insurance company preferred by customers.' The company executes unwavering management principles and site-oriented management. Moreover, the company is communicating with customer through social media and the mobile website to expand customer-oriented services and increase the brand recognition.

KB Insurance was ranked as No.1 indemnity insurer in online communication for four consecutive years in the indemnity insurance and internet service sectors at the '2015 8th Korea Internet Communication Awards'. The mobile website of KB Insurance established with the optimized technology (HTML5&CSS3) and the responsive web gained spotlight by applying one-stop financial services for the first time in the industry. As a consequence, the website was selected as Korea's best mobile website in 2015 at the 12th Web Award Korea. As the company provided customized insurance planning by using big data for the first time in the industry in 2015, it has been highly acclaimed to have the system suited to the rapidly changing IT trends. The company acquired 'web accessibility certification mark' for three consecutive years for the first time in the insurance sector. KB Insurance will make utmost efforts as to be reborn as No.1 insurance company preferred by customers by providing services reflecting long-term customer satisfaction surveys and feedback from customer panels.

KB Kookmin Card



KB Kookmin Card was launched on March 2, 2011 as a spinoff from KB Kookmin Bank to reinforce business competencies in the credit card sector and enhance non-banking competitiveness of the Group. The company is doing the best to establish itself as Korea's No.1 life solution provider through customer value-oriented differentiated marketing and the launch of products with diverse upgraded benefits. The company is partnering with many ICT companies to dynamically respond to the rapidly changing payment and settlement market including Fintech. The company holds approximately 19.22 million credit and debit card members and 2.28 million membership stores and manages 25 branches as of December-end, 2015.

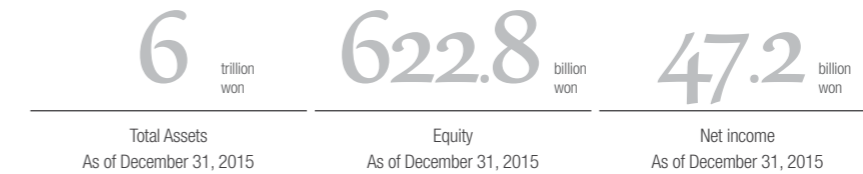
Date of Establishment	March 2, 2011
CEO	Woong-won Yoon
Headquarters Address	30, Saemunan-ro 3-gil, Jongnogu, Seoul
No. of Branches	38 (25 branches and 13 sales offices)
No. of Customers	19,215,624
No. of Employees	1,523
Homepage	www.kbcard.com



Major Performance

KB Kookmin Card established optimized business strategies for a stand-alone card company by leveraging the network of KB Kookmin Bank and a stable financing structure. The company is securing sustainable growth engines by identifying new businesses. Its top priority is on customer values in all management activities covering product development and process and marketing channels, realigning the product portfolios and reinforcing the line-up of products with upgraded benefits. Diverse products continue to be launched reflecting customer needs: Cheongchundaero Card targeting youths, Dadam Card targeting those in their 30s up to 50s, Golden Life Ollim Card for customers aged 60 or higher and Gaon Ollim Card as an integrated product. The company is providing differentiated marketing services based on big data analysis to lead the payment market for the future including mobile easy payment in order to secure the growth bases. The company is pouring in efforts to secure new growth engines and competitiveness in the Fintech market by launching the mobile payment and settlement market by launching the app card and the smart OPT card, while reinforcing competitiveness in the Fintech market through partnerships with ICT companies and start-up companies of home and abroad. KB Kookmin Card is focusing all its competencies to make another leap forward as a company trusted by customers by forging partnerships with other business sectors and expanding business into diverse areas suited to the essence of its business.

KB Investment & Securities



KB Investment & Securities is the strongest player in the bond market by being No.1 for five consecutive years in the Debt Capital Market (DCM) and Asset-Backed Securities (ABS). The company was ranked first for five consecutive years in terms of the market share in managing the issuance of domestic corporate bonds and ABS (according to Bloomberg). It has been dominantly No.1 in all sectors of the DCM including the bond underwriting and key management of ABS. The company was in No.1 position for two consecutive years in six media based on the league table statistics. In the Equity Capital Market (ECM), the company assisted capital stock expansion of SMEs by managing them to be listed in KONEX and investing in a Special Purpose Acquisition Company (SPAC). As a result, the company has been evaluated for playing key roles in facilitating creative financing. And the company growing into an IB that leads the domestic capital market.

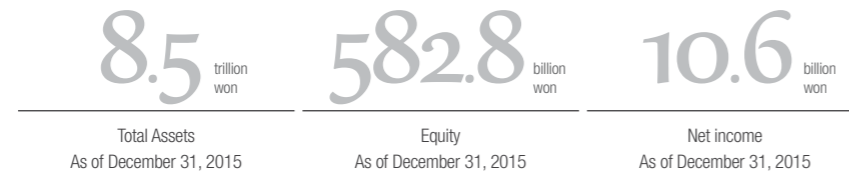
Date of Establishment	August 16, 1995
CEO	Byoung-Jo Chun
Headquarters Address	KB Finance Tower, 28, Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul
No. of Branches	16
No. of Customers	838,000
No. of Employees	588
Homepage	www.kbsec.co.kr



Major Performance

KB Investment & Securities is taking the lead in discovering new markets without being complacent about its No.1 market presence. In October 2015, the company successfully issued mortgage bonds by leveraging the real estate held by ELAND RETAIL with which public offerings of corporate bonds at its credit rating were deemed difficult. The company managed the ABS issuance publicly offered in SOC investment for the first time in the sector, firming its leading presence in the market. The ABS of Incheon Airport Railroad was recorded as the largest deal among over 10-year ABS instruments as the first of its kind to be issued in the public offering format in the SOC market. The company secured the total construction cost for Geoga Bridge of KRW 300 billion through ABS in July. KB Investment & Securities launched seven securities-bank hybrid branches in 2015, holding a total of 16 hybrid branches and reinforcing the wealth management area for the Group. The company introduced 'KB WM CAST', a mobile application to the market, which provide a video service for asset management for the first time in the financial industry. KB WM CAST provides a video optimized for smartphone operation where analysts and product planning managers of KB Investment & Securities appear and explain about various topics: information on investment in securities, introduction to financial products, asset allocation strategies, market trends and basic knowledge about finance. This application has over 430,000 downloads.

KB Life Insurance



KB Life Insurance launched in June 2004 started with bancassurance (BA) channels, through KB Kookmin Bank's nationwide business network. After that, the company established direct marketing (DM) channels, general agency (GA) channels, financial consultant (FC) channels which are exclusive face-to-face ones and group business channels consecutively. The company also entered the online insurance market. It provides products and services catering to market trends and customer needs by establishing cross-sales channels and hybrid insurance branches to maximize intra-Group synergies. KB Life Insurance will become an insurer that grows with customers anytime and anywhere by providing advanced insurance services with products that are easy for customers to understand and are convenient and invaluable.

Date of Establishment	April 29, 2004
CEO	Yong-Kil Shin
Headquarters Address	KB Finance Tower, 28, Gukjegeumyung-ro 2-gil, Yeongdeungpo-gu, Seoul
No. of Branches	26
No. of Customers	355,112
No. of Employees	328
Homepage	www.kbli.co.kr

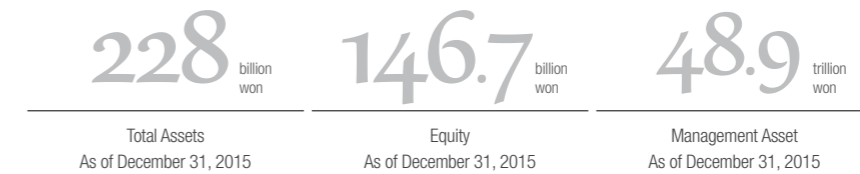


Major Performance

KB Life Insurance focuses its competencies for developing products based on market and channel needs, improving customer-centered business process and expanding infrastructure and establishing a system for consumer protection under a goal to raise customer trust. The company is striving to establish a value management system to secure a framework for sustainable growth, respond to regulations on financial soundness, reinforce risk management and secure HR competencies. Moreover, the company is striving to create diverse new growth engines to counter the rapidly changing financial environment. The company's efforts to catch market opportunities and commercialize them are ongoing by finding areas for various types of synergies by selling online insurance products for customers preferring non-face-to-face transaction and initiating business for insurance hybrid branches.

KB Life Insurance Customer Satisfaction Center has been selected as Korea's excellent call center in the category of life insurance industry for 11 consecutive years at the 'Korean Service Quality Index (KSQI)' evaluation hosted by Korea Management Association Consulting(KMAC). Under KSQI, the quality of call center service of the public institutes and companies is categorized into 16 items, including the reception condition, customer greetings, consulting attitudes, processing, closing attitude, etc., by KMAC, and can be recognized as the excellent call center only when the score of 90 or above is obtained. KB Life Insurance Customer Satisfaction Center was evaluated to have acquired a particularly high score in the reception condition and consulting attitudes.

KB Asset Management



KB Asset Management as a comprehensive asset manager, manages the assets worth KRW 50 trillion in many fields including stocks, bonds, SOC and real estate. The company has become a leading player in the long-term fund market where operational competencies of management companies are clustered. Optimal investment portfolios are suggested to customers by providing diverse products. The company proceeds with stringent internal control so that customers' assets could be utilized as funds for a happy elderly life through asset management and risk management pursuant to long-term investment principles. KB Asset Management will strive to become a beloved asset manager for people through consistent management abiding by investment principles, while doing the utmost to nurture new growth engines.

Date of Establishment	April 28, 1988
CEO	Hee-Kwon Lee
Headquarters Address	70 Yeoeui-daero, Yeongdeungpo-gu, Seoul (25th floor, Shinhan Financial Investment Building)
No. of Employees	186
Homepage	www.kbam.co.kr

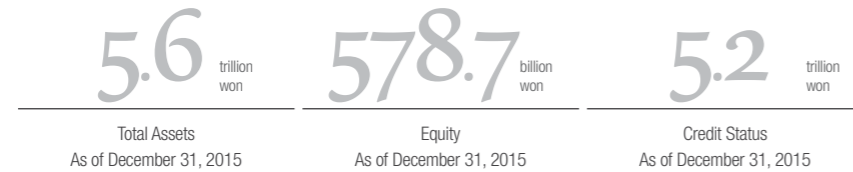


Major Performance

The total amount of assets under management which stood at KRW 30 trillion increased 60% up to KRW 48 trillion as of December-end, 2015. As a result of leading the market with mid-risk, mid-return products in 2015, the company raised the amount of assets under management of over KRW 3 trillion in bond balanced funds, and is striving for continued growth in loan funds (KRW 570 billion) and NPL (KRW 190 billion). The company is making efforts to explore overseas infrastructure markets because the domestic infrastructure market is over-saturated with little room for growth.

The company is solidifying its No.1 presence after a series of strong achievements in the retirement annuity fund market based on the familiarity of the KB brand as Korea's largest financial group and the outstanding operational performance shown in the domestic equity-type funds for many years. The retirement annuity fund market is rising as an income source for asset management companies in the future. It is the area where many asset management companies focus their competencies on product development, asset management and marketing. KB Asset Management was able to become No.1 thanks to its efforts to designate its investment philosophy of 'sound asset management' and ensure employees to practice it. KB Asset Management plans to maximize its performance in pension funds, and expand investment targets by reinforcing the line-up for overseas funds, while raising the yield based on thorough risk management since the pension fund business is directly linked to life after retirement.

KB Capital



KB Capital is steadily growing its business aligned with subsidiaries of KB Financial Group which are strong in retail finance after being incorporated into KB Financial Holdings in March 2014. The company has maintained stable asset growth throughout all business sectors ranging from auto finance to personal finance. The company is the only capital business enterprise with stable portfolios throughout the entire auto finance sector. The company provides diverse auto finance products to consumers throughout its 24 branches, ranging from installment, lease and rent, while forming a network with markets and dealers for new domestic cars, second-hand cars and imported cars. KB Capital puts the top priority on customers' happy future, and all employees make the utmost efforts to serve as a reliable partner of customers at all times.

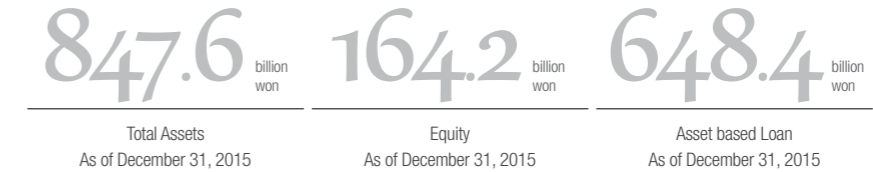
Date of Establishment	September 11, 1989
CEO	Ji-Woo Park
Headquarters Address	295, Hyowon-ro, Paldal-gu, Suwon, Gyeonggi-do (Ingye-dong)
No. of Branches	24 (17 branches and 7 offices)
No. of Customers	410,000
No. of Employees	589
Homepage	www.kbcapital.co.kr



Major Performance

KB Capital has been ranked No.1 in the imported auto finance market steadily. Because it is an exclusive finance company for Jaguar and Land Rover and achieved high performance throughout all brands including BMW and Volkswagen. The company established SY Auto Capital, an exclusive finance company for Ssangyong Motor Company not belonging to an auto manufacturer, which is unprecedented in Korea. As a consequence, the company paved the way to secure a leading presence in the fiercely competitive auto finance market. KB Capital is expected to solidify its presence in the capital business by advance to overseas auto finance markets based on its accumulated auto finance know-how. For personal finance, diverse products are offered including credit loans, installment payment for durable items and mortgage loans. The company launched 'KB Capital Members', a mobile membership service in partnership with SK Planet in December. The company also laid the foundation for customers to use financial products conveniently online by realigning the mobile website. The company will do the best to grow as Korea's No.1 loan business company which is helpful to people's livelihood under its slogan of being a partner for people's personal finance.

KB Savings Bank



KB Savings Bank is growing as a savings bank of strong excellence that leads stabilizing the economic livelihood of the ordinary citizens, serving as an exclusive micro-credit bank under KB Financial Group. The bank extends micro-credit services at a low interest rate to establish itself as a 'good financial partner for people' which grows alongside the ordinary citizens and community. The bank continues to practice social responsibilities through diverse activities for social public interest. KB Savings Bank will do the utmost to become a premium savings bank whose top priority is regional development and value creation for customers as an subsidiary of KB Financial Group.

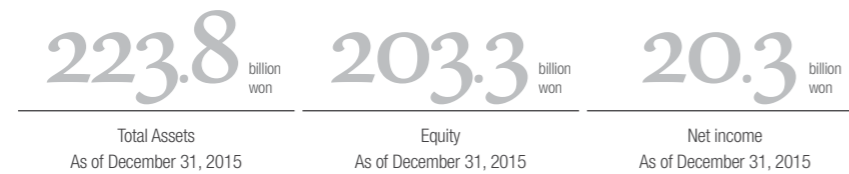
Date of Establishment	January 13, 2012
CEO	Yeong-Man Kim
Headquarters Address	260, Songpa-daero, Songpa-gu, Seoul
No. of Branches	9
No. of Customers	299,753
No. of Employees	155
Homepage	www.kbsavings.com



Major Performance

KB Savings Bank decided its brand slogan as a 'good financial partner for people' in September 2015, and practices customer-centered good finance to upgrade the rights of the ordinary citizens and the quality of their life. Its representative product, 'KB Good Loan', is an exclusive personal credit loan product launched in September 2013 to support self-sufficiency of the ordinary citizens who might not be financially eligible to use services of commercial banks and to reduce illegal private loans. The bank also launched 'KB Good Loan Mobile App' reflecting customer needs, improving product feasibility and accessibility. The bank introduced 'KB Good Conversion Loan', a credit loan conversion product for customers who took out a credit loan from other financial institutions in the non-banking sector like capital companies or loan companies so that they could lessen burden from their high interest debts. KB Savings Bank's KB Good Loan is introduced to customers struggling to have loan extensions at a counter of KB Kookmin Bank in conjunction with the Bank. As such, KB Savings Bank is making a lot of efforts to stabilize the financial life of the ordinary citizens. 'KB Savings Bank' and 'KB Good Loan' were designated as an excellent financial institution and an excellent financial product, respectively, winning prizes from media companies and reliable institutions 10 times in 2015 in recognition of the bank's hard work. The bank also expanded non-face-to-face counters including Internet and mobile channels by reflecting diverse customer demands including office workers who cannot visit branches during daytime.

KB Real Estate Trust



KB Real Estate Trust is an exclusive real estate trust company which is entrusted with customers' real estate. The company efficiently manages and operates it, and returns the yield to them. It is a real estate expert group in charge of developing, managing and disposing of real estate and handling REITs at KB Financial Group. The company reinforces risk management, higher management efficiency and ethical management to protect stable management activities and consumers. The company maintains the highest amount of assets under management driven by the high credit rating and robust capital power.

Date of Establishment	December 3, 1996
CEO	Sun-il Chung
Headquarters Address	15/16th Floors, Samwon Tower, 124, Teheran-ro, Gangnam-gu, Seoul
No. of Branches	3
No. of Employees	150
Homepage	www.kbret.co.kr



Maintaining the best position in the industry of trust account (18.7 trillion won)

2015



Earning 47 billion won from commission which is increased by 11.2% compared to the previous year

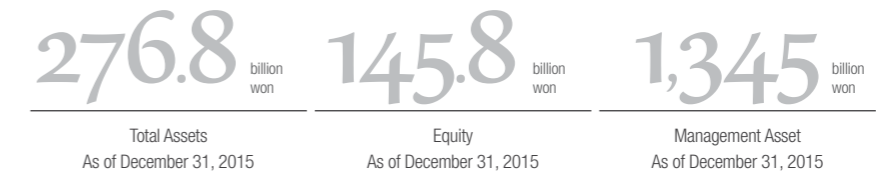
2015

Major Performance

KB Real Estate Trust realigned regulations and made institutional improvements to dynamically respond to the changing market environment and raise the sales performance in 2015. The company upgraded operational efficiency and rationality in its business units through launches of REITs Division and integration of departments. As a consequence, fee and commission revenues reached KRW 42.7 billion, up 11.2% from the previous year, and total assets under management maintain the highest level in the industry with KRW 18.7 trillion as of December 2015.

Meanwhile, the company explored high-yield profitability projects including completion-guaranteed managerial land trust (MLT) using the company's credit rating and the KB brand in order to strengthen its market dominance in the trust sector. The company selectively explored high-yield projects in the leveraged land trust sector which deal with comparatively high-risk projects, and placed seven cases orders including Daerim e-Pyeonhan Sesang Apartment in Sokcho, Gangwon. Thanks to thorough management, the housing subscription rate has shown a continued upturn, which leads to stability in the project management. Moreover, the company is preparing itself to take part in the maintenance business by launching and operating a task force on redevelopment and reconstruction as REIT companies have been allowed to take part in the maintenance business for redevelopment and reconstruction since March 2016.

KB Investment



KB Investment aims to grow itself as the best player within the industry by supporting innovation of investment companies and raising corporate value. To this end, the company will make equity investment for SMEs and venture businesses and medium-sized companies equipped with innovative technologies and services, and entrepreneurship within next-generation new growth industries, namely, leading industries of the future. Moreover, the company is inducing continued growth of investment companies by investing in SMEs and venture businesses and medium-sized companies which are striving to find new growth engines in the rapidly changing business environment, and providing comprehensive management support services (HR, finance, strategy, marketing and legal support). KB Investment will strive to be an investment partner that grows along with other companies as the leading investment firm.

Date of Establishment	March 27, 1990
CEO	Choong-Sun Park
Headquarters Address	9th floor, 731, Yeongdong Avenue, Gangnam-gu, Seoul
No. of Customers	145 (firm and institution)
No. of Employees	37
Homepage	www.kbic.co.kr



Forming 'KB Intellectual Property Investment Association' of 50 billion won

2015.2



Chosen as an management company of 'Global Healthcare Fund'

2015.8

Major Performance

KB Investment contributed to the growth of SMEs and venture businesses by administering KRW 60.7 billion in 2015 for investment for 34 SMEs and venture businesses including two Fintech companies. Investment has been expanded for new growth industries including BIO and ICT service which are emerging as new key industries for the nation. The company also contributes to the growth of competent SMEs by generating eight KOSDAQ-listed companies last year.

KB Investment completed the formation of a fund worth KRW 150 billion in January 2016 while being selected as the management company for a fund of funds, 'Global Healthcare Fund' in July 2015. The fund worth KRW 150 billion has not only been the largest in scale since its foundation but also is significant in that its competitiveness in differentiated investment strategies and operational workforce has been recognized. KB Investment was escalated to the fifth position, up 14 tiers, in the market in terms of the asset scale for venture union management.

KB Credit Information



KB Credit Information as a specialized institution in loan administration within KB Financial Group is leading the industry based on competent specialized workforce and systematic bond management systems despite the challenging management environment including the slowdown in the debt collection market. The company is playing key roles in establishing a structure for a virtuous cycle in financial transactions and in realizing a sound credit-based society through effective management of non-performing loans. KB Credit Information promises to grow into No.1 comprehensive credit information company that seeks for 'market reliability and services with customer satisfaction and customer surprise'. To this end, the company will explore new growth engines, and maintain the highest competitiveness in the industry based on stronger competitiveness in key business areas including debt collection.

Date of Establishment	October 9, 1999
CEO	Hyeon-Cheol Oh
Headquarters Address	Gateway Tower, 107, Huam-ro, Yongsan-gu, Seoul
No. of Branches	18 (16 branches and 2 centers)
No. of Customers	4,027 (firm and institution)
No. of Employees	144
Homepage	www.kbci.co.kr



Right to indemnity of KB Insurance 16 billion won
2015



Entrusted company of Kamco Achieving the recovery rate of 106% compared to the plan
2015

Major Performance

In 2015, the debt collection market shrunk due to the aggravated financial market situations and regulatory environment on the credit information business. As a result, the company had numerous struggles in the business environment. However, the company strengthened an exclusive management system for each delinquency period per bond and the internal competition system. Other efforts include conducting various promotions per purpose and period and implementing policies to provide preferential treatment of competent bond management companies. The company recovered bonds worth over KRW 240 billion, maximizing the contribution levels in the Group by reducing the delinquency rate and generating special profits. Its roles within the Group further expanded as the company newly underwrote claims for reimbursement worth about KRW 16 billion for KB Insurance. The company manages KAMCO (Korea Asset Management Corporation)'s bonds continuously by being designated again as a delegated company for its bonds in February 2014 in order to pave the way for diverse profits. The company is making multifaceted efforts to diversify the profit bases even outside the Group. Specifically, the company has achieved the recovery rate of 106% compared to the plan by fulfilling qualifications as an asset management company pursuant to the Asset-backed Securitization Act, reinforcing management of asset management companies in transaction including KNS, My Asset and Discovery Asset Management and strengthening concentrated management on civil and commercial credits.

KB Data Systems



KB Data Systems is a financial IT company which has fulfilled its roles as a companion in the development of Korea's finance, while spearheading the advancement of financial IT in Korea. The company has provided timely IT services necessary in the Group based on expertise built up through diverse projects in the financial IT sector since its foundation in 1991. The scope of specific businesses includes IT consulting, system integration, IT outsourcing (system integration) and solution development and management. The company will contribute to the development of the financial industry at home and abroad by providing optimized systems suited to customer needs based on the industry's top-notch technologies and best solutions.

Date of Establishment	September 6, 1991
CEO	Yoon-Tae Kim
Headquarters Address	13/14th Floor, Jaram Building, 78, Mapo-daero, Mapo-gu, Seoul
No. of Employees	265
Homepage	www.kds.co.kr



Operating an integrated information security center
2015



Developing payment server of 'Geo-Line' that is KB Starters Valley's first business
2016

Major Performance

KB Data Systems has made multifaceted efforts to play key roles in enhancing stability in operating IT systems for subsidiaries and establishing a key IT system within the Group, and to raise the Group's IT competencies. The company strives to dynamically prepare against various types of security accidents in managing IT for subsidiaries. The company has fulfilled its roles as an IT subsidiary of the Group by playing the roles as a representative subsidiary for the Group's integrated information protection center. The company has also focused all its competencies on certain areas with high growth potentials including IT solutions on subsidiaries' smart finance and ALM and risk management areas including the Basel system. Other areas include those where technical dependency on outside companies must be minimized to embody the IT competencies of the Group. As a consequence, the company has laid the foundation for future directions for development by forming consensus with the holdings company and each subsidiary. The company has clearly set strategy directions for the expansion of the corporate roles and buildup of expertise within the Group for areas with high potentials including Internet, mobile, security and risks. Moreover, the company has clearly specified tasks for the mid-and long-term development of the company through the Group's IT competency diagnosis consulting. It served as an opportunity to rise higher as a leading player in the financial IT market, while contributing to the development and efficiency of IT in the Group.

Corporate Governance

Composition and Roles of the Board of Directors

The Board of Directors of KB Financial Group decides matters prescribed in laws and the Articles of Incorporation as the top decision-making body, oversee the management and strives to maximize the corporate value and build trust among stakeholders. The Board consists of eight directors, that is, one executive director, one non-standing director, and six non-executive directors. The Chairman of the Board is elected among non-executive directors. KB Financial Group is made up of six subcommittees to strengthen their expertise and independence and monitor and advise on key agenda: Audit Committee, Remuneration Committee, Risk Management Committee, Corporate Governance Committee, Non-executive Director Nominating Committee and Audit Committee Member Nomination Committee.

Board of Directors Composition

As of March 27, 2016

	Name (Tenure)	Gender	Duty	Experience
Executive Director	Jong Kyoo Yoon (2017.11.20)	M	Chairman of the Governance Committee, Member of the Non-executive Director Nominating Committee	Chairman and CEO KB Financial Group Inc.
	Young-Hwi Choi (2017.3.24)	M	BoD Chairman, Member of the Audit Committee, Member of the Non-executive Director Nominating Committee, Member of the Governance Committee	President / CEO (former) Shinhan Financial Group Co., Ltd.
	Suk-Ryul Yoo (2017.3.24)	M	Chairman of the Non-executive Director Nominating Committee, Member of the Risk Management Committee, Member of the Remuneration Committee	Samsung Electronics Advisor
Non-Executive Director	Michael Byungnam Lee (2017.3.24)	M	Chairman of the Remuneration Committee, Member of the Non-executive Director Nominating Committee, Member of the Governance Committee	CEO of LG Academy, the corporate university for LG Group
	Jae-Ha Park (2017.3.24)	M	Chairman of Risk Management Committee, Member of Remuneration Committee	Senior Fellow at Korea Institute of Finance
	Eunice Kyonghee Kim (2017.3.24)	F	Member of the Audit Committee, Member of the Risk Management Committee	Professor at Ewha Womans University Law School
	Jongsoo Han (2017.3.24)	M	Chairman of the Audit Committee, Member of Remuneration Committee	Professor of Accounting at the School of Business, Ewha Womans University
Non-Standing Director	Hong Lee (2017.3.26)	M	Member of the Risk Management Committee, Member of the Governance Committee	Senior Executive Vice President of the Sales Group and member of the board of Kookmin Bank

Board of Directors of KB Financial Group is made up of six subcommittees that are in charge of specific responsibilities to enhance Directors' expertise.

As of March 27, 2016

Subcommittee	Major Responsibilities
Audit Committee	Responsible for overall tasks of auditing
Risk Management Committee	Establishment of policy for risk management and decision-making
Governance Committee	Establishment of plan for management succession of President of group and CEO of subsidiaries, and carrying forward the plan
Remuneration Committee	Establishment of policy for remuneration and decision-making
Non-executive Director Nominating Committee	Recommendation of non-executive director
Audit Committee Member Nomination Committee	Recommendation of audit committee member

Nominating Procedure for Non-executive Directors

The Group has established explicit rules and procedures on the nomination of non-executive directors including the Rules on the Non-executive Director Nominating Committee. The committee makes use of recommendations and nominations from outside sources, including major shareholders and external advising agencies as much as possible. Specialized fields including finance, accounting, law, risk management, HR, and other related business areas are specified and managed routinely. The Group's pool of possible candidates is reported to the Board twice a year. The Non-executive Director Nominating Committee is required to nominate candidates based on their expertise, reputation for fairness and integrity in office, ethics and responsibility, loyalty, and other such key criteria demanded by the Financial Holding Companies Act and other applicable laws.

Activities of the Board of Directors

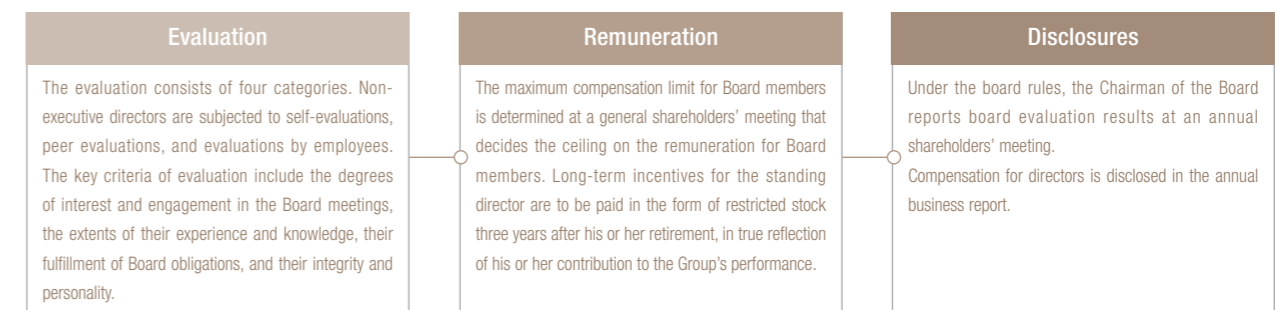
The KB Board was held 14 times in 2015, with the attendance rate averaging 95.9%. At the quarterly regular meetings, management performance was discussed and the Group's pending agenda were discussed. At the ad-hoc Board meetings held in December 2015, KB Financial Group's major mid-and long-term management strategies were decided and business plans and budget for 2016 were confirmed.

Efforts to Enhance Expertise and Communication

KB Financial Group held four training sessions for non-executive directors in 2015 to support the Board to make rational decisions. The Group regularly provides management information including the Group's business activities and investor trends. The Group also organizes Board workshops to freely discuss among the management including non-executive directors and the CEO on the Group's mid-and long-term strategies, and promotes active communication with stakeholders via diverse channels.

Evaluation and Remuneration

The evaluation of the Board is categorized into the composition and efficiency of the Board of Directors, functions and roles of the Board, protection of shareholders' rights and shareholder relationships. Non-executive directors are subjected to internal evaluations, peer evaluations, and external evaluations. Evaluation results during the service period are provided to the Non-executive Director Nominating Committee to be used as reference for judging the continuity of their service, and evaluation results on the Board and non-executive directors are reported to the regular shareholders' meeting pursuant to the related regulations. The maximum compensation limit for Board members is determined at a general shareholders' meeting that decides the limit on the remuneration for Board members. Long-term incentives for the standing director are to be paid in the form of restricted stock three years after his or her retirement, in true reflection of his or her contribution to the Group's performance. Compensation for directors is regularly disclosed in the annual business report.



Evaluation

The evaluation consists of four categories. Non-executive directors are subjected to self-evaluations, peer evaluations, and evaluations by employees. The key criteria of evaluation include the degrees of interest and engagement in the Board meetings, the extents of their experience and knowledge, their fulfillment of Board obligations, and their integrity and personality.

Remuneration

The maximum compensation limit for Board members is determined at a general shareholders' meeting that decides the ceiling on the remuneration for Board members. Long-term incentives for the standing director are to be paid in the form of restricted stock three years after his or her retirement, in true reflection of his or her contribution to the Group's performance.

Disclosures

Under the board rules, the Chairman of the Board reports board evaluation results at an annual shareholders' meeting. Compensation for directors is disclosed in the annual business report.

Risk Management

Risk Management System

In order to respond to risk factors that have changed since the 2000s, and efficiently manage capital, there has emerged a greater need to establish a system for integrated risk management at the Group level. The Group classifies core risk management domains and takes action for them: managing risks amid the rapidly changing financial environment, intensively managing credit portfolios of KB Kookmin Bank and intensively managing major non-banking affiliates. The Group expanded the risk management standards which used to be applied mostly to the bank and the card company to other subsidiaries including KB Investment & Securities, KB Insurance, KB Savings Bank and KB Capital in order to establish an integrated risk management system and enhance risk management capabilities. As of 2015- end, the Group established a management system for the internal ratings-based approach for credit risks pursuant to Basel III based on a single model. In 2016, the Group is expected to acquire approval from the supervising authority. KB Kookmin Bank derived potential operational risks and established a plan to manage the risks, redefined the requirements under the Key Risk Index (KRI). The Bank kicked off developing the IT system in 2015 and plans to apply it to all departments and branches in 2016. Recently, the Bank improved bankruptcy and recovery data, and established a process for source inspection, thereby re-estimating LGD / CCF and carrying out projects to assist with Group Basel II/III adoption. The Bank has currently requested for the approval of the supervision agencies. In addition, the Bank re-established a system for improving the measurement of risk-weighted assets.

KB Kookmin Card developed the system and management structure for the adoption of the Group Basel II/III Capital Regulation System. In relation to the adoption, the company redeveloped the retail credit evaluation system for credit risks, and redeveloped a strategic operation system. Credit risks including the credit evaluation and the PD were reflected to the said operational system. Since 2009, KB Investment & Securities has been operating the Risk Management IT System to measure the amount of risks throughout the company and also for each book, and monitors limit management. In 2015, the company improved the ELS evaluation methods and the IT system, and intensively improved the risk management system and the payment system for other OTC products

Strengthening the Risk Management Organization

KB Kookmin Bank operates the Risk Management Committee, a subcommittee under the Board of Directors. The Committee is delegated by the Board of Directors to control the risks incidental to the Bank's business activities. To be specific, the Committee's duties include: policy establishment, determination of the level of risk taking, determination of the risk limit, and supervision of the adequacy of the risk management policies and systems. The Risk Management Council and the Risk Management Deliberation Council by Risk Type were also launched. The department for risk management under the CRO employs over 100 experts to carry out their duties. KB Financial Group identifies the critical impact of not only business issues but also social issues on corporate management, and includes climate change and social issues, etc. in the company-wide risk management system. The Risk Management Committee is the overseeing body under the Board of Directors, forming an exclusive business unit to manage legal and reputational risks related to climate change and operating a management system.



Directions for Risk Management

Once the U.S. interest rates increase, and concerns over the Chinese economic slowdown become a reality, global economic uncertainties are expected to increase. KB Financial Group seeks to continuously improve the Group's portfolio by managing a preemptive risk management system against asset defaults in the process of industrial restructuring following the economic slowdown and the influx of non-performing assets.

Strengthening Risk Management at the Group Level

KB Financial Group defined pending risk types, and selected and implemented key risk management activities for the Group, including policies and limit, regulatory response, institutions and processes, asset soundness and the management system. Risk management activities in 2015 include: setting policies and the limit for risk management for the Group, stabilizing asset soundness indicators for the Group, sophisticating the risk management system and establishing the internal model management system against Basel II and III capital regulations for the Group. In particular, the Group strived to improve the quality of the Group's portfolio and reinforce the enterprise-wide risk management system in order to respond to the extension of low-growth trends and uncertainties in the global financial market.

Establishing a Risk Management Guideline for Each Subsidiary

The Group established a risk management guideline for each in 2016 in consideration of risk types based on characteristics of each subsidiary, and manages risks through an exclusive department in each subsidiary. KB Kookmin Bank strengthened a system for loan management and a system for managing credit loss in consideration of borrowers' repayment capabilities. KB Kookmin Card is responding to credit risks by managing goals for adequate asset growth and soundness. KB Investment & Securities and KB Life Insurance manage preemptive risks against the diversification of the business structure and the expansion of alternative investments. KB Asset Management is reinforcing a risk management system for managing alternative funds. KB Capital and KB Savings Bank are also scaling up the level of preemptive management systems against potential defaults, while establishing an asset management system in consideration of risks.

Expansion of Group-level Risk Management

Credit Risk	The risk of loss from the asset portfolio because of the other party's failure to perform its obligations or the contract or undermined credit rating
Market Risk	The risk of loss from the trading position because of changes in market factors such as interest rates, stock prices, and exchange rates
Interest Rate Risk	The risk of possible decrease in net interest income or net asset value caused by adverse changes in the market interest rate
Liquidity Risk	The risk of loss because of fund insufficiency caused by the discrepancy between the procurement and operation of funds or unexpected expenditure, or the procurement at a higher interest rate or unfavorable sales of assets to resolve fund insufficiency
Operational Risk	The risk of loss caused by an inappropriate or wrong internal procedure, personnel, system, or external accident
Sustainability Risk	Threats due to ESG factors including climate change, environmental effect, social issue

5 Risk Management Activities

Policy / Limit	<ul style="list-style-type: none"> Set risk limits for each subsidiary to ensure balanced growth of its assets Determine the risk appetite (RA) that matches the Group's management strategies to manage its capital adequacy
Response to Regulations	<ul style="list-style-type: none"> Respond to the Financial Supervisory Service's Basel II-III capital regulation Stage 1: Build the Group RDM and RWA calculation system Stage 2: Build the management system for the Group's internal model Stage 3: Build the Group-wide corporate credit rating system (apply for approval)
System / Process	<ul style="list-style-type: none"> Improve the credit rating model and rene the population parameters for risk measurement Improve the measurement criteria for insolvency rate related to bank retail exposure Improve the individual card user credit rating model
Asset Integrity	<ul style="list-style-type: none"> Define/manage the target ratio of asset integrity Optimize the postmanagement process for nonperforming debts Reestablish the credit policies for household portfolios and manage industrial portfolios renelement policies
Management system	<ul style="list-style-type: none"> Build and consolidate risk management systems in new subsidiaries Standardize and specialize risk management in each financial sector

Key Performance Indicators

	Unit	2012	2013	2014	2015
Number of Risk Management Committee held (Group)	Number	6	5	5	6
Ratio of subsidiaries has an exclusive risk-related department (Group)	%	81.8	81.8	81.8	83.3
Number of employee specialized in risk management (Group)	Number	-	-	282	295
Ratio of establishing the guideline for subsidiaries(Group)	%	-	72.7	81.8	83.3
Number of employees completed the course for nurturing specialist in risk management	Number	18	4	126	129

Emerging Risks in Finance

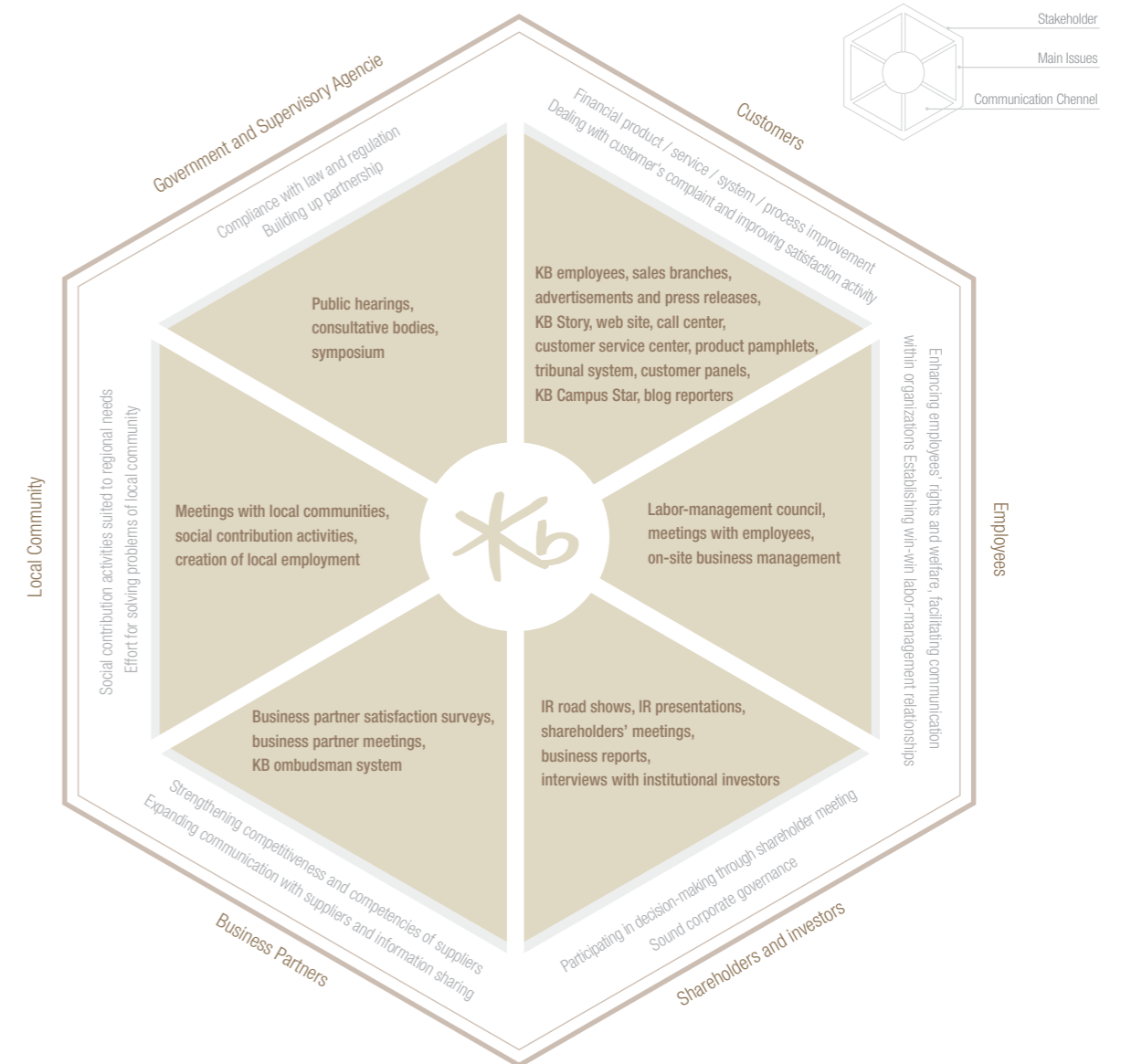
An emerging risk is a long-term potential risk that could have a material influence on the company's future business. This is a different concept from the emerging market risk usually managed in the investment sector. Companies are managing this type of risk from five perspectives, which includes geopolitical, social, economic, technical, and environmental perspectives. Examples of emerging risks in the geopolitical aspect include increasing international terrorism, increased weapons of mass destruction, instability in the Middle East, etc. The emerging risks in the social field include infectious diseases, economic inequality, a rapid change in demographic patterns, etc. The risks in the technical field include a blackout situation of telecommunications—infrastructure and Internet, cyber war and issues on industrial espionage, emergence of new technology and related risks, etc. Environmental risks, on the other hand, refer to climate change, depletion of oil reserves, industrial pollution, loss of biological diversity, etc. The emerging risks that influence the financial industry mostly pertain to the risks in terms of an economic perspective and includes oil price shock, suspension of energy supply, instability of the world economy, financial risks caused by demographic changes, variability of asset pricing and commodity market, fluctuations in the exchange rate, etc.

KB Financial Group's Efforts in Management

The emerging risks that might have the most significant impact on the future business of KB Financial Group are possibilities of non-performing household debts and low-growth risks. Amid the prolonged economic slowdown, possibilities of household debt defaults have increased. The occurrence of such risks is expected to spread defaults of KB's key business areas including household mortgage loans, credit loans, SOHO loans, card finance and auto finance amid the real economy slowdown at home and abroad. Concerns over defaults of household debts might come from high-risk individuals who sensitively respond to the economic situation. Therefore, the Group preemptively manages risks in high-risk individuals in the household sector by restricting new high-risk entrants and monitoring of their soft landing. The Group has run a 'council for risk management in household portfolios in the Group' since 2011, shares issues on key management indicators for household risks and seeks for countermeasures. The council also analyzes the estimated loss volume per risk type and its impact on net income through scenario testing against a crisis where the domestic housing price would plummet. It also reports results to the Risk Management Committee and supports decision making. High-risk assets are on the rise including marginal companies amid the continued low economic growth. This leads to higher credit cost and aggravates capital adequacy of banks. KB Financial Group established a timely response system against high risks and related industries, devising plans to set and execute the industrial risk levels for high-risk assets. Action plans were confirmed through the Industrial Portfolio Management Council (the head of the department), while risk stages were set through the Credit Risk Management Working-Level Council (launched by the team director). Management plans were established based on the Credit Portfolio Management (CPM) for integrated management of industrial portfolio risks. The limit for managing total exposure by industry was set, reflecting industry-specific credit policies. Sub-limits for high-risk industries have been set, and new standards for handling them are in operation.

Emerging Risk	Explanation of Risk	Potential Impact on Business	Risk management plan
Possible insolvency of housing loans	Increased possibility of housing loan insolvency due to continuous economic downturn	Expansion of KB's major business sectors, such as housing mortgage loan, credit loan, SOHO loan, card financing, car financing, in the housing sector, etc., because of the domestic and foreign recession of the real economy	Restraining a new influx of highrisk group and monitoring the softlanding Operating a Group Housing Portfolio Risk Management Council Crisis scenario test such as sharp decline of domestic housing prices, etc.
Low growth risk	Increasing of marginal business and affecting banks' source of income due to continuous slow economic growth rate	High-risk assets, such as marginal companies, etc, increase the credit cost and negatively influence the capital adequacy of the Bank	Establishing a timely response system for high-risk industries Comprehensive management of industry portfolio risks

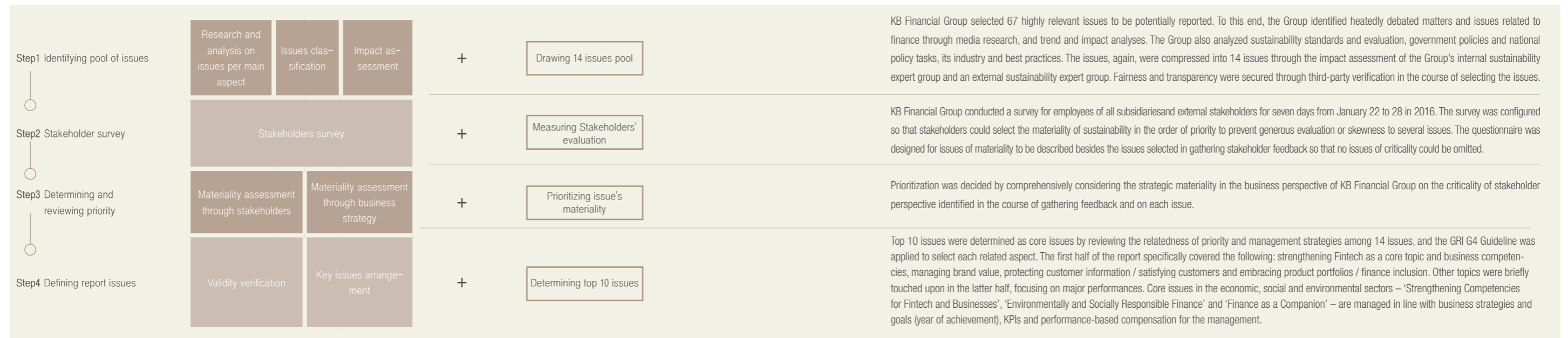
Stakeholder Engagement



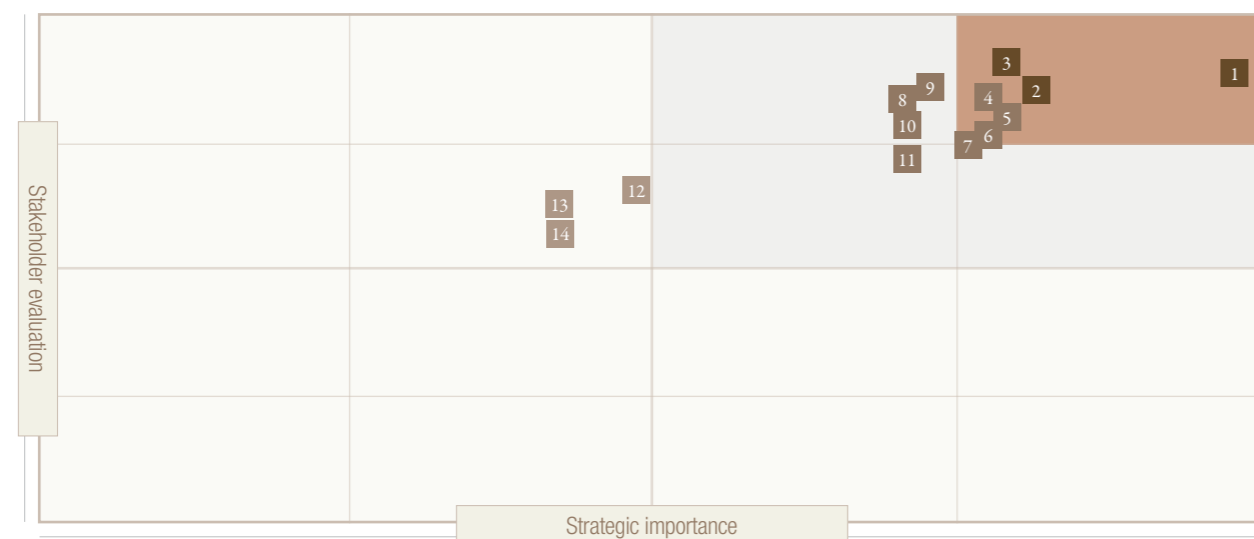
KB Financial Group defines stakeholders as business units or individuals which exchange direct and indirect impacts on management activities. Major stakeholders are defined as customers, employees, shareholders and investors, business partners, local communities, the government, and related agencies. KB Financial Group listens attentively to the opinions of its stakeholders and runs diverse communication channels to dynamically reflect them in management activities. KB Financial Group transparently discloses its management directions and achievements at the Group level through management disclosure, shareholders' meetings, business reports and its website. The Group promptly responds to stakeholder needs and changes in the management environment by establishing stakeholder communication channels in each subsidiary. The Group plans to enrich sustainable management through dynamic communication with stakeholders, and disclose the sustainability report on an annual basis.

Deciding on Content for Reporting

KB Financial Group decided on content for reporting in the Sustainability Report among issues identified after searching for potential ones which directly and indirectly impact its business. To this end, the Group selected issues to be addressed over the long term in economic, environmental and social sectors, and conducted materiality testing to identify factors gaining the highest interest from stakeholders.



Materiality Test Result



Material Aspects	Strategic Importance	Stakeholder Evaluation	Reporting Page	Issue Category
1 Economic Performance and Business Strategy	95.8	80	p.10	Economic Issue No. 1
2 Fintech	87.5	79.1	p.10	Economic Issue No. 1
3 Protection of Customer Information	83.3	81.1	p.16	Environmentally and Socially Responsible Finance
4 Brand Management	81.9	75.7	p.22	Environmentally and Socially Responsible Finance
5 Risk Management	81.9	75.1	p.30	Environmentally and Socially Responsible Finance
6 Product Portfolio (environmentally and socially responsible finance)	80.6	74	p.36	Environmentally and Socially Responsible Finance
7 Corporate Governance	79.2	70.2	p.54	Social Issue No. 1
8 Customer Satisfaction	66.7	77.3	p.56	Social Issue No. 1
9 Aging	69.4	74	p.62	Social Issue No. 1
10 Recruitment	68.1	71.5	p.64	Social Issue No. 1
11 Local Community (financial inclusion, Social contribution)	68.1	69.9	p.66	Social Issue No. 1
12 Energy Use	44.4	61.5		
13 Raw Material Use	31.9	60.7		
14 Greenhouse Gas Emissions	31.9	58.7		

Performance Summary

Figures are based on data of every subsidiaries of KB Financial Group unless there is an additional footnote. Data of KB Capital and KB Insurance is added up from the year they become part of KB Financial Group in 2014 and 2015 accordingly.

Economic Performance

Financial performance

		Unit	2012	2013	2014	2015
Total assets			286	292	308	329
Net income		Trillion won	1.7	1.3	1.4	1.7
Credit rating	Moody's	Rank	A1	A1	A1	A1
	Standard & Poor's		A	A	A	A

* The credit rating is based on KB Kookmin Bank's long-term credit rating, and other financial performances are based on data of all KB Group subsidiaries

Economic Value Distribution

	Unit	2015
Customer: deposit interest		3,035,425
Shareholder and investors: dividends		378,625
Employee: pay and benefits	Million won	3,126,267
Local community: social contribution		47,932
Business partner: procurement and services		94,348
Government: corporate taxes		437,389
Total	Million won	7,119,986

Information on Taxation

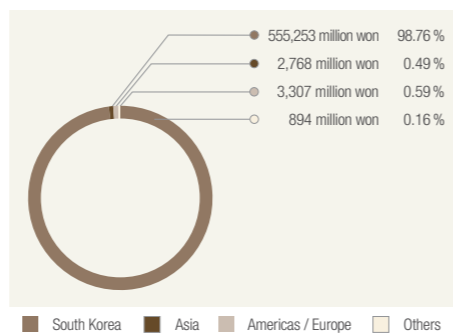
Since most of KB Financial Group's revenues are generated in Korea, most of its tax and dues occur domestically with a minimal amount to be paid outside Korea including China and the U.S. The Group's effective corporate tax rate as of 2015 stands at 20.21%, which is 24.2% lower than the statutory one. Such a difference arises from the difference in the profit and loss recognition principle between K-IFRS and the tax code. Records of key differences are disclosed in Note 33 of the consolidated audit report.

Financial and tax information by country

Unit	Revenue	Operating income	Corporate tax
Domestic	22,107,558	1,751,653	431,866
China	56,798	25,882	910
United States of America	20,081	11,847	2,251
Japan	16,105	10,709	235
New Zealand	11,687	5,143	855
United Kingdom	10,756	7,602	869
Other Nations	10,291	8,298	403
Total	22,233,276	1,821,134	437,389

* Other Nations: Vietnam and Cambodia

Status of taxes and dues by region



Customer Satisfaction

		Unit	2012	2013	2014	2015
KB Kookmin Bank	NCSI ¹⁾	Rank	1	1	2	1
	Satisfaction level in sales branches	Point	93.76	94.56	92.96	94.53
KB Insurance	NCSI	Rank	-	-	-	2
	Satisfaction level in sales branches	Point	-	-	-	93.4

1) National Customer Satisfaction Index

Ethical Management

KB Financial Group conducts anti-corruption training through meetings with compliance officers and employees. The Group formulated the standard code of ethics and the standard code of behavior for business partners in order to spread the culture of ethical actions, and mandates all employees in the Group to pledge to them. KB Kookmin Bank conducts legal compliance and ethical management training for employees which is presided over by deputy managers of branches every month. The job training session by the Talent Development Department also covers legal compliance and ethical management. Group training takes place for supervisors of internal control every year to raise awareness about financial accidents and internal control. In 2015, special broadcasting (KBN) with compliance officers was aired to eradicate financial accidents. Diverse channels are available for secure whistleblowing under the 'Right Whistleblowing Program' to address crimes, corruption and violations of the code of ethics. Risks in internal control are diagnosed and steadily managed in departments in each headquarters.

		Unit	2012	2013	2014	2015
Average training hour for ethical management per employee		Time	39.4	45.7	74.2	82.6
Breaches of anti-corruption policy and codes of conduct	Corruption reported		0	2	6	7
	Bribery	Case	0	1	0	0
	Other breaches		133	145	36	47
	Total	Case	133	148	42	54
Follow-up actions	Reduction in salary		0	1	0	0
	Immunity from responsibility	Case	0	1	0	0
	Others		133	147	41	33
	Total	Case	133	148	41	33

* The training hours per individual on ethical management is based on the subsidiaries. In particular, as KB Investment & Securities expanded training on preventing money laundering, the average training hours dramatically dropped. For the number of policy violations and actions taken, data on KB Financial Holdings, KB Investment & Securities, KB Life Insurance, KB Asset Management, KB Real Estate Trust, KB Credit Information and KB Data Systems are included. Most of the cases among them are related to the limited number of self-offs pursuant to investment regulations of employees. As such, these are not violations of the Capital Market Act but those of stringent internal regulations. The number of violations and actions taken dramatically dropped thanks to continued employee training (KB Investment & Securities). Other violations include non-acquisition of prior approval of the head of the division upon conducting outside business activities, inappropriate use of budgetary expenses and use of fault name cards in doing business. Violators were subject to reprimand, dismissal and warning through the deliberation of the HR Committee and Business Ethics Deliberation Committee in each subsidiary. The total number of violations and actions taken are not the same because although some cases reported were whistle-blown by some anonymous reporters who are assumed to be the same person, the targets in the reporting were unspecific and no specific violation was found, leading to no sanction taken.

Environmental performance

KB Financial Group has compiled and reported only environmental data of KB Kookmin Bank until 2014, but from 2015, it does so for data of all subsidiaries for initiating systematic environmental management. Accordingly, the data of the past four years were covered 100%, so that they might somewhat differ from the values indicated up until the last year. In 2015, numbers in each item increased as KB Insurance was incorporated into the Group as a subsidiary.

Environmental efficiency

	Unit	2012	2013	2014	2015
Water use	Million m ³	1,2935	1,1895	1,1994	1,6135
Volume of waste treated	Metric ton	2,310.10	3,107.04	2,760.87	2,986.74

* The volume of waste treated includes the value of converting the waste treatment volume due to the use of standardized trash bags into the weight units.

Paper use

	Unit	2012	2013	2014	2015
Amount of paper use	Ton	1,186.9	1,217.1	1,403.5	1,540.6

* KB Asset Management's data of 2012 were not compiled and those of KB Insurance were excluded from the compilation of data. KB Insurance started to apply a print-out management solution from the mid-2015 to enable accurate compilation of the amount of paper used. KB Kookmin Bank used to manage the amount of paper used in branches up until February 2014, but it has managed the bank-wide paper usage amount from March 2014.

GHG Emissions and Energy Use

Electricity is a key GHG emission source at KB Kookmin Bank, taking up about 90% of its GHG emissions. The Bank is consecutively adopting high-efficiency LED lighting to all branches to enhance the lighting efficiency which impacts the use of electricity in office the most. LED lighting was introduced to 351 branches from 2013 to 2015, and it is estimated that such efforts saved the cost of KRW 915 million as well as the electric power of 8,743 MWh, and GHG emissions of 4,077 tons.

The Group also took part in the pilot project titled 'Energy Efficient Market' organized by Korea Energy Agency where companies get remuneration for the energy reduction performance after committing themselves to replacing lights with LED lighting. Under the pilot project, KB Kookmin Bank replaced all lights with LED lighting in five branches in buildings it owns, saving the electricity of 136 MWh and KRW 14 million. In July 2015, diesel was replaced with LNG gas for heating fuel especially in large buildings it owns, which is likely to reduce the cost of KRW 8 million a year.

		Unit	2012	2013	2014	2015
Greenhouse gas emissions	Direct greenhouse gas emissions	tCO ₂ e	19,448.97	18,588	17,299.94	23,560.67
	Indirect greenhouse gas emissions	tCO ₂ e	119,659.74	117,771.76	113,606.13	152,693.15
Energy use		MWh	774,312.03	760,809.93	730,173	983,900.91
Cost of energy consumption		Million won	80,838.18	79,428.56	76,230.06	102,719.25

KB Kookmin Bank's energy saving efforts are leading to social contribution. In 2015, the Bank jointly conducted the 'Electricity Saving Campaign with Financial Institutions' with Korea Energy Agency and social contribution activities for energy sharing. The Bank attached plug-in timers to water purifiers in branches to block unnecessary operation and standby electricity, saving the electricity of 153 MWh and the cost of KRW 10 million. The amount saved was used to replace lights into LED lighting and supply new and renewable energy-related instruments in Miral School and All Love School.

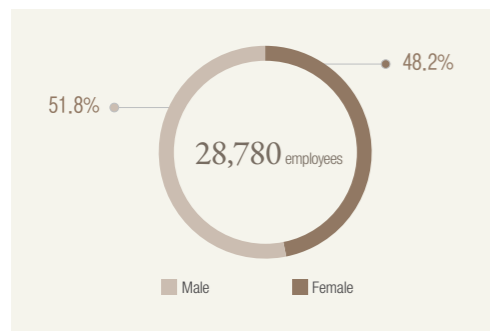
Business trip

		Unit	2012	2013	2014	2015
Total business trip distance	Air		12,401,085	11,390,498	11,171,778	10,343,157
	Train		6,110,192	5,466,401	5,221,317	7,001,465
	Motor vehicle	Km	48,583,663	47,956,163	45,320,914	40,399,663
	Bus		2,176,726	1,641,438	1,684,945	1,838,505
	Total distance of business trip		69,271,666	66,454,500	63,398,954	59,582,790
Greenhouse emissions due to business trip	Air		1,860,163	1,708,575	1,675,767	1,551,474
	Train		183,306	163,992	156,640	210,044
	Motor vehicle	KgCO ₂ e	10,202,569	10,070,794	9,517,392	8,483,929
	Bus		60,295	45,468	46,673	50,927
Total distance of business trip		12,306,333	11,988,829	11,396,471	10,296,373	

The total distance travelled for business trips in 2015 for KB Financial Group amounted to 59,582,790km, and its GHG emissions stood at 10,296,373kgCO₂e. Due to the acquisition of KB Insurance in 2015 (in June 2015), the number of companies to be measured increased compared to 2014. However, as a result of the Group-wide systematic efforts to lower GHG by managing the total distance travelled for business trips and waging campaigns in all subsidiaries, the total distance and resulting GHG emissions dropped.

Social Performance

Employees ratio by gender



The total number of employees at KB Financial Group is 28,780, and 48.2% of them amounting to 13,872 are women. The ratio of women went up from 46.5% in 2014 to 48.2%, and the ratio of women in management positions went up from 23.8% to 26.5%. The ratio of women in intermediate manager levels also increased from 23.9% to 26.6%. KB Financial Group imposes no limitation on promotion of women. As the ratio of women in positions of LO and L1, which are candidate groups for manager positions, increased up to 81.04%, there will be more female intermediate-level managers in the future.

Recruitment

		Unit	2012	2013	2014	2015
New recruitment	Female	Full-time	207	124	135	122
		Temporary	66	257	228	319
		Total	273	381	363	441
	Male	Full-time	244	245	282	308
		Temporary	50	107	99	150
		Total	294	352	381	458
Total	Full-time	451	369	417	430	
	Temporary	116	364	327	469	
	Total	567	733	744	899	
Employee turnover	Total	Person	371	397	432	1,443

* Voluntary resignation of 1,122 employees was included in employee turnover in year 2015.

Labor practices

	Unit	2012	2013	2014	2015
Ratio of employees under collective agreement	%	90.98	91.12	91.86	94.96
Employee grievances resolved	Case	33	18	19	553

* The ratio of employees under collective agreement includes data of KB Kookmin bank, KB Insurance, KB Kookmin Card, KB Capital, KB Real Estate Trust and KB Credit Information where labor union is formed. KB Financial Group guarantee freedom of assembly and association. KB Financial Group operates labor management council to protect rights of employees when labor union is not formed by employees. The number of grievance resolved is increased because KB Insurance focuses on resolving grievances through operating notice board of corporate culture in 2015.

Employee Satisfaction

KB Financial Group resumed the employee satisfaction survey from 2014, which was halted for two years in 2012 and 2013.

	Unit	2012	2013	2014	2015
Employee satisfaction level	Point	-	-	69.3	71.0

Health, Safety and Wellness of Employees

KB Financial Group runs comprehensive health programs related to work/non-work in order to improve employees' health and wellness. KB Kookmin Bank provides content and services in five areas – health check-up/evaluation, healthcare, wellness solutions, counseling/community and Ever Health Shop – through Ever Health, a customized personal health platform from 2009. The Bank continues to upgrade the online health services in quantity and quality. Moreover, subsidiaries conduct flexible work arrangement so that many employees including the elderly, pregnant women and employees engaged in childcare could keep healthy and strike a work-life balance.

Social Contribution

KB Financial Group makes special efforts to facilitate training on economics and finance besides engaging in social contribution in forms of donation or volunteering. The number of targeted recipients stands at 100,000 people, which is the highest level in the financial sector. The Group plans to focus on differentiating itself in financial education in quality instead of merely scaling up the quantity.

	Unit	2012	2013	2014	2015
Contributions	Billion won	71	60	52	479
Political Contributions		-	-	-	-
Average volunteering activity hours per employee	Time	13.8	13.6	14	14.1
Number of recipients from economics and financial education (offline)	Person	44,952	88,534	111,161	147,413
Number of recipients from economics and financial education (online)		27,599	30,739	31,988	45,136

Sustainable Supply Chain

KB Kookmin Bank's supply chain is categorized into facility construction, procurement, consignment service, IT, other consulting and maintenance, and other subsidiaries manage a similar type of the supply chain structure. Companies which do not fulfill transaction conditions through a verification procedure including the periodic technical assessment are excluded from the list of suppliers or business partners in transaction. Not only the financial status and the employee turnover but also non-financials including reputation and sustainability are comprehensively considered in proceeding with stable supply chain management. KB Financial Group formulated the code of ethical acts for business partners in 2015 to manage the supply chain sustainably. KB Kookmin Bank disclosed a self-diagnosis checklist to evaluate their degree of sustainable management in accordance with the code of actions required. In 2015, KB Kookmin Bank completed the sustainability self-assessment 100% for business partners in the sector of facility construction, and the Group plans to expand it to IT, procurement and all subsidiaries.

	Unit	2012	2013	2014	2015
Satisfaction level of business partners and suppliers	Point	97.4	98.3	98.5	99.2
Self-sustainability assessment of business partners and suppliers	Case	-	-	-	153
	%	-	-	-	46

Financial Inclusion

	Unit	2012	2013	2014	2015
Loan product for low income / low credit ¹⁾		666	738	811	867
Deposit product for low income / low credit ¹⁾	Billion won	5	467	911	1,606
KB Hidden Star 500 Loan		1,479	1,904	1,680	1,318
KB Microfinancing		17	12	17	23
Subscription of KB Good Job (accumulated)	Person	30,969	38,085	44,144	47,975
Products for senior citizens ²⁾	Billion won	190	201	4,081	4,528
Increase in the amount of reserves for retirement annuity		2,227	1,459	1,692	1,845

1) Including KB Kookmin Bank, KB Capital, KB Savings Bank and KB Real Estate Trust 2) Based on KB Golden Life collection bank accounts, savings and deposits for pension reward

Third Party's Assurance Statement

To the Readers of KB Financial Group Sustainability Report 2015:

Foreword Korea Management Association Registration Inc. (hereinafter "KMAR") has been requested by KB Financial Group (hereinafter "the Group") to verify the contents of its Sustainability Report 2015 (hereinafter "the Report"). The Group is responsible for the collection and presentation of information included in the Report. KMAR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard KB Financial Group describes its efforts and achievements of the sustainability activities in the Report. KMAR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMAR's assurance team (hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI G4 indices, where professional judgment of the team was exercised as materiality criteria. The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI G4.

Our approach In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report
- Level of assurance: Limited Assurance

Our conclusion Based on the results we have obtained from material reviews and interviews, we had several discussions with KB Financial Group on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity** Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.
 - KB Financial Group is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder group left out during this procedure.
- **Materiality** Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
 - KB Financial Group is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
- **Responsiveness** Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
 - The assurance team could not find any evidence that KB Financial Group's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI G4.

Recommendation for improvement We hope the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Organizations shall select, edit and report the information of their performance consistently. KB Financial Group is advised to write the report based on specific data through establishing and operating internal guidelines and management system that are for improvement in consistency
- Also, it is highly recommended to manage the quantitative indicators including key issues which are required by GRI G4 and to strengthen the reporting system constantly.

Our independence With the exception of providing third party assurance services, KMAR is not involved in any other KB Financial Group business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

June 24, 2016

K. H. Park
CEO Ki-ho Park



GRI Content Index

no,	Classification	Disclosures	page
General Standard Disclosures			
G4-1	Strategy and Analysis	Provide a statement from the most senior decision-maker of the organization	2-3
G4-2		Key impacts, risks, and opportunities	3
G4-3	Organizational Profile	Organization name	4
G4-4		Primary brands, products, and services	4-5
G4-5		Headquarters location	4
G4-6		Number of countries where the organization operates, name of countries with locations of major operations, or with specific relevance with sustainability issues covered in the report	4-5
G4-7		Nature of ownership and legal form	4-5
G4-8		Markets served (geographic breakdown, sector served, and customer / beneficiary type)	4-5
G4-9		Scale of the organization	4-5
G4-10		Total workforce by employment type, employment contract and region	42-53, 66
G4-11		Percentage of total employees covered by collective bargaining agreements	66
G4-12		Major characteristics of the supply chain related to the organization's major activities, products and services	4-5
G4-13		Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	4-5
G4-14		Whether and how the precautionary approach or principle is addressed by the organization	56-58
G4-15		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	72
G4-16		Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization subscribes or endorses	72
G4-17		All entities included in the organization's consolidated financial statements or equivalent documents.	4-5
G4-18		Process for defining report boundaries and content	60-61
G4-19	Identified Material Aspects and Boundaries	Material Aspects identified in the process for defining report content	60-61
G4-20		Descriptions of material aspect boundaries within the organization	60-61
G4-21		Descriptions of material aspect boundaries outside the organization	60-61
G4-22		Effect of any re-statements of information provided in previous reports, and the reasons for such restatement	No restatement made.
G4-23		Significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A
G4-24	Stakeholder Engagement	List of stakeholder groups engaged by the organization	59
G4-25		Basis for identification and selection of stakeholders with whom to engage	59
G4-26		Stakeholder engagement approach, including frequency by type and by stakeholder group	59
G4-27		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	59
G4-28	Report Profile	Reporting period	About this report
G4-29		Date of most recent previous report (if any)	About this report
G4-30		Reporting cycle (such as annual, biennial)	About this report
G4-31		Provide the contact point for questions regarding the report or its contents	75
G4-32		In accordance option, GRI Index and report assurance	70-72
G4-33		Policy and current practices regarding external assurances for the report	69

no,	Classification	Disclosures	page	
G4-34	Governance	Governance structure of the organization	54	
G4-38		Composition of the board and its committees	54	
G4-39		Details on whether the Chair of the highest governance body is also an executive officer	54	
G4-40		Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	55	
G4-41		Processes for the highest governance body to ensure conflicts of interest are avoided and managed	54-55	
G4-43		Actions of the highest governance body to develop and enhance knowledge related to economic, environmental, and social topics	54-55	
G4-51		Remuneration policies for the highest governance body and senior executives for the following types of remuneration	54-55	
G4-56		Description of the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	63	
G4-57		Ethics and Integrity	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	63
G4-58			Internal and external systems of the organization that enable the reporting of unethical or illegal acts and integrity related issues of the organization	63
Specific Standard Disclosures: Economic				
EC1	Economic Performance	Direct value generated and distributed	62	
EC2		Financial implications and other risks and opportunities for the organization's activities due to climate change	30-31, 64-65	
EC7		Development and impact of infrastructure investments and services supported	30-33	
EC8		Significant indirect economic impacts, including the extent of impacts	36-38	
Specific Standard Disclosures: Environment				
EN3	Energy	Energy consumption within the organization	64	
EN6		Reduction of energy consumption	64-65	
EN8	Water	Total water withdrawal by source	64	
EN15	Emission	Direct greenhouse gas (GHG) emissions (Scope 1)	64	
EN16		Indirect greenhouse gas (GHG) emissions (Scope 2)	64	
EN19		Reduction of greenhouse gas (GHG) emissions	64	
EN23		Total weight of waste by type and disposal method	64	
EN30	Transport	Significant environmental impacts of transporting products and other goods and materials of the organization's operations, and transporting members of the workforce	65	
Specific Standard Disclosures: Society (Labor Practices and Rights)				
LA1	Employment	Total number and rates of new employee hires and employee turnover by age group, gender, and region	66	
LA9	Training and Education	Average hours of training per year per employee, by gender, and by employee category	7, 40	
Specific Standard Disclosures: Society (Human Rights)				
HR2	Investment	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	40	
HR4	Freedom of Association and Collective Bargaining	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	66	
HR12	Human Rights Grievance Mechanisms	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	66	

no,	Classification	Disclosures	page
Specific Standard Disclosures: Society (Society)			
SO1	Local Community	Percentage of operations with implemented local community engagement, impact assessments, and development programs	15
SO4	Anti-Corruption	Communication and training on anti-corruption policies and procedures	63
SO5		Confirmed incidents of corruption and actions taken	63
SO8	Compliance	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	N/A
SO11	Grievance Mechanisms	Number of grievances about impacts on society field, addressed, and resolved through formal grievance mechanisms	26
Specific Standard Disclosures: Society (Product Responsibility)			
PR5	Product and Service Labeling	Results of surveys measuring customer satisfaction	63
PR7	Marketing	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions, and sponsorship, by type of outcome	N/A
PR8	Customer Privacy	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	N/A
DMA		Policy for fair design and sales on financial product and service	26-29
FS7	Product Portfolio	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	30-33, 68
FS8		Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	30-31
FS13	Local Community	Access points in low-populated or economically disadvantaged areas by type	31
FS14		Initiatives to improve access to financial services for disadvantaged people	31

Association and Principles

Association

21 Century Financial Vision Forum	Korean Pension Association
IMI	Korea Federation of Banks
National Strategy Institute	Federation of Korean Industries
Seoul Economist Club	Korean Employer's Federation
Seoul Financial Forum	Korea Financial Investment Association
Institute for Global Economics	Korea International Trade Union
Human Development Institute	Korea Management Association
Korea-Japan Economic Association	Korea Life Insurance Association
Korea Chamber of Commerce and Industry	Korea Housing Builders Association
Global Finance Society	Korea Association of Real Estate Investment Trusts
Korea International Finance Association	The Credit Finance Association

Principles

UN Global Compact

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**2015 KB Financial Group
Sustainability Report**

You can download the PDF version of the Report from the
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To minimize environmental impact throughout the entire lifecycle of this eco-design report, KB has used soybean oil and shunned the use of spot color printing or coating.