

2017 KB금융그룹 지속가능경영보고서

KB FINANCIAL GROUP
SUSTAINABILITY
REPORT

-

2017

About this Report

KB Financial Group has been publishing its annual Sustainability Report since 2011, building on KB Kookmin Bank's Sustainability Report published in 2009 and 2010. With this report, we wish to share with all of our stakeholders our commitment to sustainability in financial, social and environmental areas and our journey going forward.

Standards

We prepared this report in accordance with the Global Reporting Initiative's Standards: Core Option. We focused on material issues, identified through a materiality test, that matter to both internal and external stakeholders.

Reporting Period

This year's Sustainability Report presents our activities and performance made from January 1, 2017 to December 31, 2017. Some quantitative data include those of the latest three years (2015–2017) to demonstrate year-on-year trends. For some important sustainability activities, we also provide 2014 data and performance made in the first half of 2018.

Scope

Our 2017 Sustainability Report provides performance and progresses achieved in financial, environmental, and social areas by KB Financial Group and its 12 subsidiaries that include KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, KB Life Insurance, KB Asset Management, KB Capital, KB Savings Bank, KB Real Estate Trust, KB Investment, KB Credit Information, and KB Data Systems, and covers head offices and all of its business locations in Korea, unless otherwise stated.

Assurance

For the reliability and quality of the information presented, external assurance was performed and the results can be found in the Third Party's Assurance Statement starting on page 78–79 of this report.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM 

KB Financial Group was included in Dow Jones Sustainability World Index member for two consecutive years and named banking leader in Korea in 2017.

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2017 Highlights



Customers

–

Customized products and services

33.63 million

Customers in total



Community

–

Community contribution building on our financial services capacity

KRW 55.2 billion

Donated for Philanthropic Causes



Employees

–

Fostering employee development

28,487

Employees



Environment

–

Expanding green investment and green finance

KRW 1.4 trillion

in Green Loans



Financial Performance

–

Focusing on sustainable financial performance

KRW 3.3 trillion

in Net Income

[2017 Highlights](#)

CEO's Message
Company Profile
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1st place for 11 times

in the National Customer Satisfaction Index

36.2%

Active Users of Online Banking Services

KRW 139.4 billion

KB Miso Microfinance Supported (cumulative)

7,092

of New Employment Created
through KB GoodJob Programs (cumulative)

154 hours

of Average Training Hours per Employee

84.5 points

in Employee Satisfaction

544.8 billion

Investment in New and Renewable Energy

Named Sector Honors

at CDP Climate Change 2017

KRW 766.7 billion

in Dividend Payment

KRW 795 billion

in Tax Payment

CEO's Message



The year 2017 was indeed a meaningful year for KB Financial Group as we have achieved solid financial performance results, realigned a stable and stronger business portfolio, and regained our position as a leading financial group in Korea. This remarkable achievements were possible thanks to the unwavering support from our customers, shareholders and stakeholders in the community as well as the strong commitment of our employees. I wish to extend my sincere and heartfelt appreciation to you.

Based on digital technology innovation, global ICT companies in non-banking sectors like telecom, distribution, or IT have become ever more aggressive in entering the market and new players of internet-only banks are vying for market shares, throwing the financial industry into an unprecedented paradigm shift. In addition, growing volatility in the global financial market and swelling household debts are some examples of many issues found in the current financial environment. Undeterred by these uncertainties home and abroad, KB Financial Group honors the value of responsible finance, continues to work for shared growth and strives to become a life-time financial partner for good, hard-working people.

Putting the Customers First

Our customers' success and financial prosperity is our priority as we strive to offer customized products and services to better suit their needs in a timely manner. We will adjust any process in our organization that may stand in the way of our customers' interests to build a process that puts our customers first. At the core of our commitment to digital innovation and execution-focused agile organization lies this value of putting the customers first. At KB, we have combined our business capabilities for one-stop service platform for our customers. We will never stop trying new ideas and a better approach to put ourselves ahead of the competition.

Taking a Greater Responsibility in our Community

We want to grow together with our customers and the community where we operate by taking a greater corporate social responsibility. We believe that is how we can give back the support we have received. We will make our financial system more open to the working class by offering mid-range interest rate loans for people with mid-to-low credit standing and various financial products and services for financially excluded low-income families and small businesses. In addition, we will expand credit and investment assistance for SMEs and startups to create an ecosystem where innovative startups thrive. This will help create more jobs, and lead to a virtuous cycle of job creation. We will continue to seek various ways, at the group level, to provide effective support for the working class and SMEs.

Nurturing Talents and Creating a Culture that Values Challenges and Ingenuity

A business enjoys sustainable growth when there exist heavy investment in talents and expertise, and a corporate culture that values challenges and ingenuity. In this respect, we will work to create a culture where those striving to upgrade themselves will be supported and provided with an opportunity to grow and those with innovative thinking and leadership will have a place where they can challenge new ideas.

With our 7th Sustainability Report, we proudly present a variety of activities and progress that we have engaged and achieved to grow and prosper together with our community. We will continue to generate positive impacts on our society, economy and environment for a better life for all. I ask for your continued support and encouragement in this journey. Thank you.

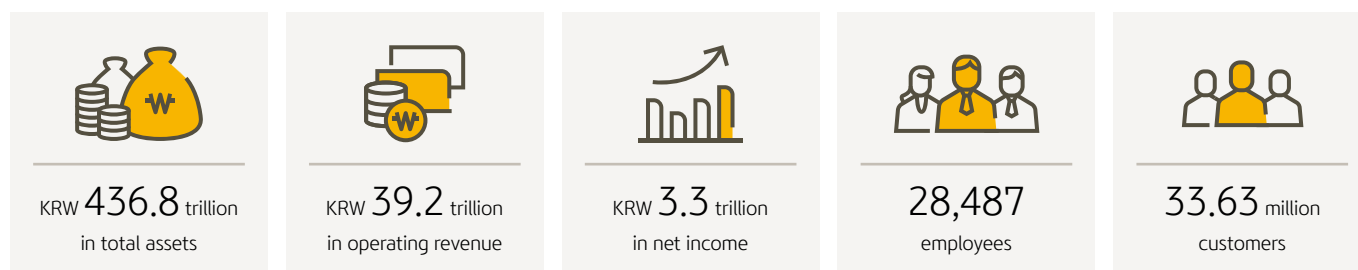
Jong Kyoo Yoon
Chairman & CEO
KB Financial Group Inc.



Company Profile

As the leading financial group with the country's biggest customer base and branch networks, we provides various financial services of retail, corporate financing, financial investment, insurance, credit card, asset management, etc. We have twelve subsidiaries and 1,689 branches in Korea and 38 offices in 13 countries including China, US, Japan and Vietnam.

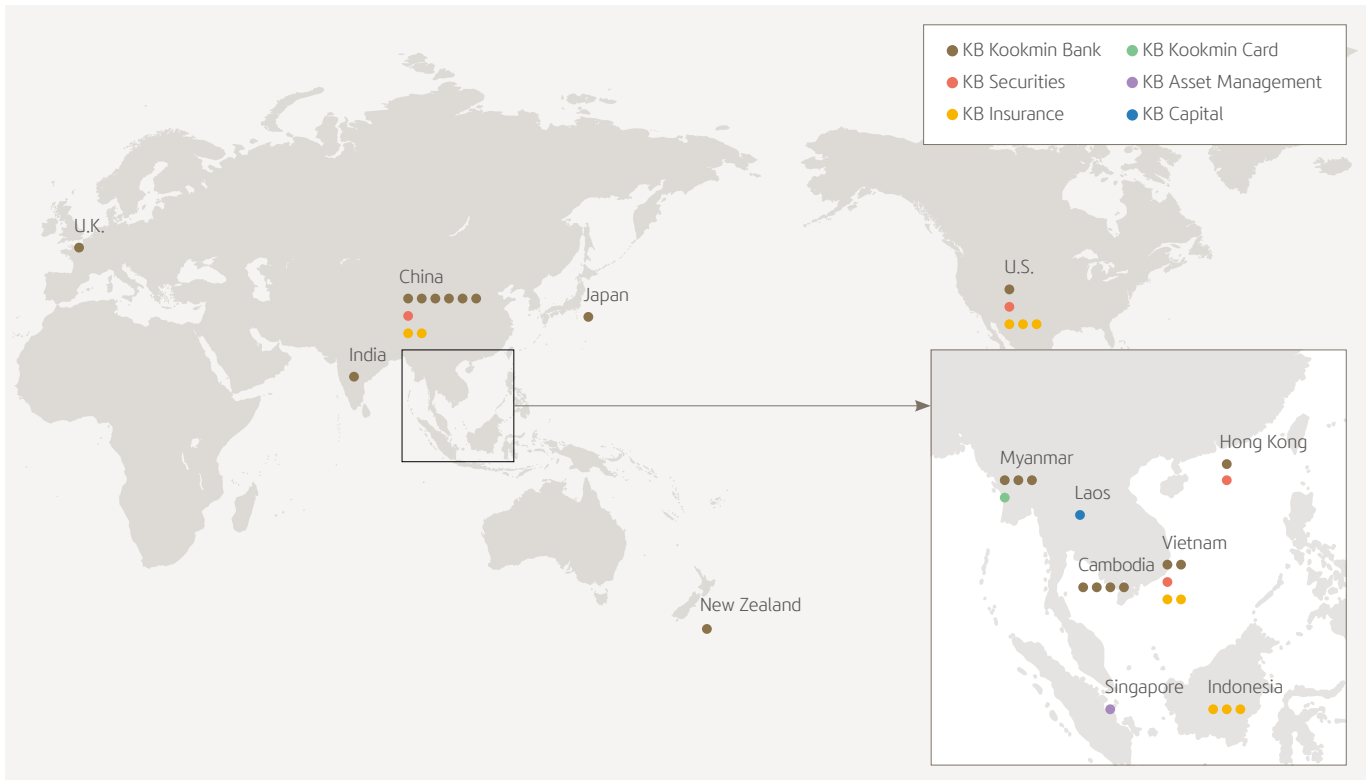
KB Financial Group strives to become a life-time financial partner for people delivering success and financial prosperity to our customers. With innovation in business model in line with the 4th industrial revolution and customer-centered one-stop financial services, we have solidified our position in domestic market and continue to grow into a leading financial services provider in Asia.



* Based on net income in controlling interest on a consolidated basis

Our Businesses

Banking	KB Kookmin Bank	Strives to become a bank that always puts customers first, delivering the very best customer value and leading digital innovation.
	KB Securities	Offers the finest financial solutions to our customers through competitive business portfolio in all business areas.
Financial Investment	KB Asset Management	Provides quality investment products of equity, bonds, offshore property, real estate, infrastructure, PE, and hedge fund.
	KB Real Estate Trust	Is a real estate trust specialist dealing with real estate development, financing, asset management, and REITs.
	KB Investment	Makes equity investment in SMEs and startups, offering them comprehensive business management services.
Insurance	KB Insurance	Delivers security and stability to people's lives and businesses with products and services that suit their needs.
	KB Life Insurance	Serves customers with easy-to-understand, value-added products and advanced insurance services.
Credit	KB Kookmin Card	Has built itself as Korea's No.1 lifestyle solution provider with customer-value products, strong marketing strategy and competitiveness in the FinTech market.
	KB Capital	As a specialized auto financing company, offers auto financing with asset portfolios for all types of vehicles, and personal financing.
Small Loan Finance	KB Savings Bank	Continues to build customer trust and enhance value for ordinary citizens and SMEs with a priority given to customer value creation.
	KB Credit Information	Is committed to building a sound credit society with excellent professionals and top-notch system.
Others	KB Data Systems	Delivers optimal IT services from consulting to system implementation and operations by effectively responding to an ever-changing financial market.



Domestic Branch

KB Financial Group	1
KB Kookmin Bank	1,062
KB Securities	120
KB Insurance	344
KB Kookmin Card	70
KB Life Insurance	35
KB Asset Management	1

* As of Dec. 31, 2017

* A head office is counted as one branch.

KB Capital	27
KB Savings Bank	8
KB Real Estate Trust	3
KB Investment	1
KB Credit Information	16
KB Data Systems	1
Total	1,689

Global Network

KB Kookmin Bank	21
KB Securities	4
KB Insurance	10
KB Kookmin Card	1
KB Asset Management	1
KB Capital	1
Total	38

* As of Dec. 31, 2017



Material Issues

We identify material issues annually by reviewing any concerns that stakeholders, both internal and external, may have and progresses we made in sustainability.

We make a thorough report on these findings to share with KB's stakeholders, so that we stand on the same ground and work together for further development.

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Community	32
Employees	44



Stakeholder Engagement and Materiality Test

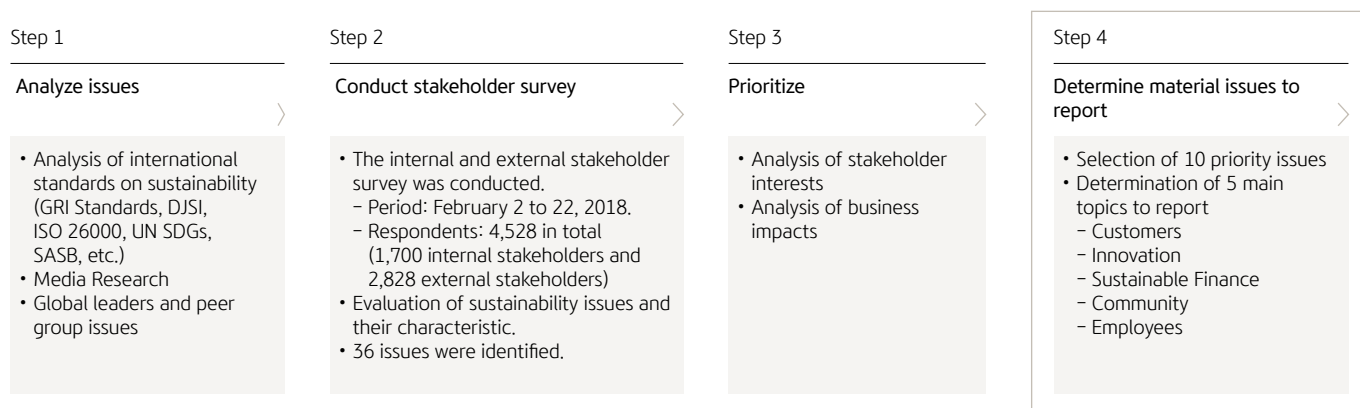
Communication with Stakeholders

KB Financial Group defines customers, employees, shareholders/investors, suppliers, local communities, and the government and regulatory bodies as our key stakeholders. Further, we identified individual areas of concern for each stakeholder group to recognize their opinions and reflect those elements in our decision-making and business strategy. To that end, we gathered stakeholders' opinions through a variety of channels. We remain committed to sustainability based on this dialogue with our stakeholders and going forward we will respond to changes in their needs and requirements.

	Customers	Employees	Shareholders & Investors	Suppliers	Community	Regulators
Main Concerns	<ul style="list-style-type: none"> Quality of products and services Financial accessibility Customer satisfaction rate Personal Information Security 	<ul style="list-style-type: none"> Fair assessment Strengthening capabilities Work and life balance Industrial relations for win-win for employees and management 	<ul style="list-style-type: none"> Improve corporate value Sound governance Risk management Transparent disclosure 	<ul style="list-style-type: none"> Fair trade Shared growth Transparent communication 	<ul style="list-style-type: none"> Community service and donation Investment in local community Job creation Assistance for those financially underserved 	<ul style="list-style-type: none"> Compliance Public policy implementation
Communication Channels	<ul style="list-style-type: none"> Branches Website Call center Customer panels Customer satisfaction survey 	<ul style="list-style-type: none"> Grievance settlement center Labor-management council Employee meetings 	<ul style="list-style-type: none"> Shareholders' meeting Earnings release presentation IR road show Investor relations 	<ul style="list-style-type: none"> Meeting with suppliers Supplier satisfaction survey 	<ul style="list-style-type: none"> Community-oriented social contributions KB GoodJob KB Miso microfinance 	<ul style="list-style-type: none"> Policy gathering Public hearings

Materiality Test Process

For the materiality test based on these stakeholders concerns and impact on the business, we first launched an array of activities including international standard analysis, global benchmarking, media research, and stakeholder survey. Having identified key sustainability issues relevant to us from internal and external stakeholders perspectives, we conducted the materiality test closely following the guidelines of GRI Standards. This process of prioritization enabled us to select a set of issues to report and these issues were incorporated into our report.

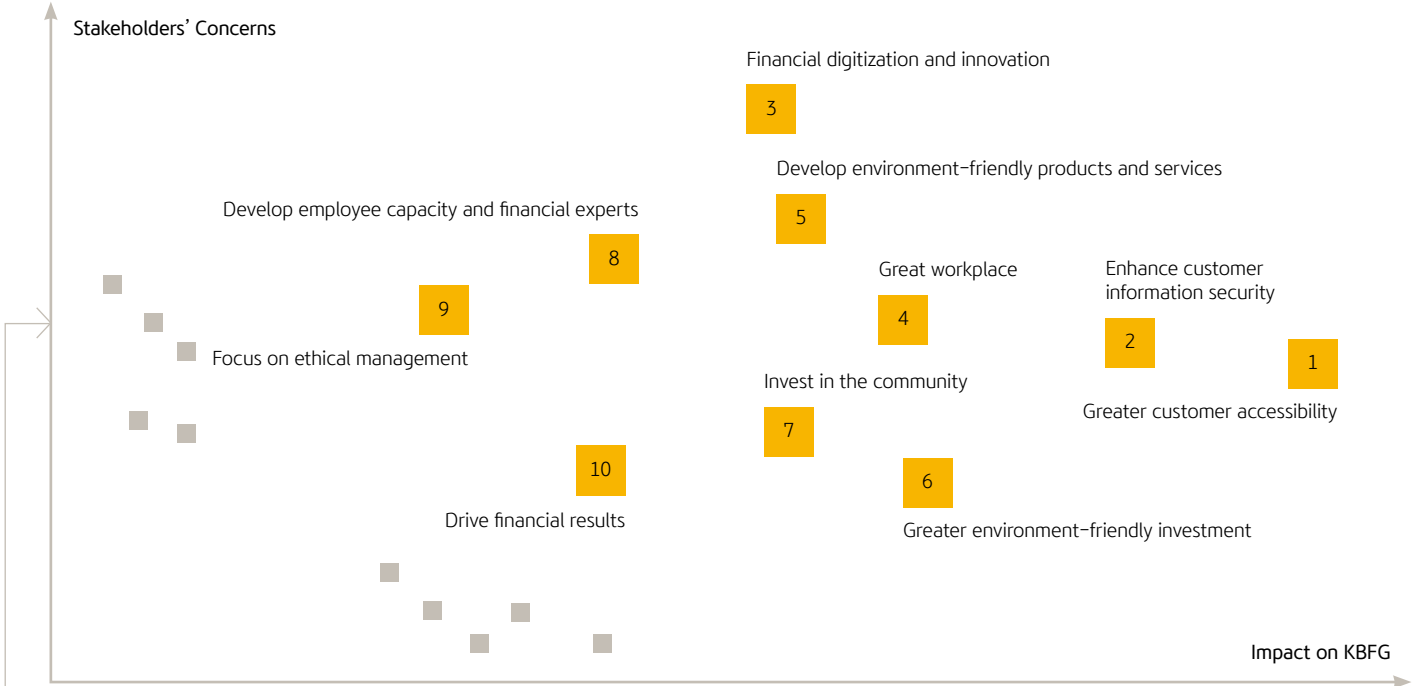


Material Issues

Stakeholder Engagement and Materiality Test

- Customers
- Innovation
- Sustainable Finance
- Community
- Employees

Stakeholders' concerns



Issues and Impact Analysis

No.	Topic	Stakeholders material issues	To whom impacts are made					Impact of issues		
			Employees	Customers	Suppliers	Community	Shareholders & Investors	Improving management	Increasing market share	Improving corporate image
1	Customers	Greater customer accessibility		●			●	○		
2	Customers	Enhance customer information security	●	●					○	
3	Innovation	Financial digitization and innovation	●	●			●	○		
4	Employees	Great workplace	●					○		
5	Sustainable Finance	Develop environment-friendly products and services	●	●		●			○	
6	Sustainable Finance	Greater environment-friendly investment		●		●			○	
7	Community	Invest in the community	●			●			○	
8	Employees	Develop employee capacity and financial experts	●					○		
9	Human Rights Management	Focus on ethical management	●	●	●		●		○	
10	Financial Performance	Drive financial results	●	●	●		●	○		

Customers

Materiality

The saturated financial market and concerns from long-term economic projections of slower growth trend in Korea require players to launch new products that reflect customers' needs and the market trends. In this unprecedented era of low growth and low interest rates, customers request financial products that suit their specific needs and show a special interest in the issues of retirement planning and money management for their longer life and life after retirement. Such being the case, we need to analyze customers' needs and the market trend from a more integrated perspective, meet and exceed customers' needs and commit ourselves to activities that empower our customers in order to secure our sustainability.

Trends

Risks

The financial market seems to have reached a saturation point and, with exponential growth of FinTech, virtual banking services, peer-to-peer lending, mobile payments and money transfers are quickly replacing services traditionally offered by mainstream financial services companies and weakening their hold on customers.

Opportunities

KB's high market share in the domestic market and superior IT capabilities will aid our competitive advantage in the fast-changing financial market by enabling us to deploy customer-focused business activities.

Our Response

We offer products and services that meet our customers' requirements by identifying their needs more accurately. In addition, "one stop service" is of key importance at KB, where the business capabilities of our subsidiaries are combined and offered to our customers. Our customers value us for continuing to stay innovative for maintaining competitiveness.

Greater Customer Accessibility

Greater Accessibility for Different Customer Groups

We are reaching out to underserved groups of customers such as seniors, customers with disabilities, expats and office workers so that they have greater and more convenient accessibility to financial services.

Seniors

Since May 2017, KB Kookmin Bank has operated a new telephone service dedicated to senior customers (1644-3308) where they are directly connected to staff without having to selecting any ARS menu. Beginning in September 2017, voice announcements are delivered at a slower pace and in more easy-to-understand terms for seniors who choose “Easy Guide Service” for phone banking ARS. KB Securities now serves seniors through a dedicated counter at branches and KB Insurance introduced a guideline for senior customers to promote their rights and benefits.

People with Disabilities

In December 2017, KB Kookim Bank introduced “Visual ARS” to provide visual images together with voice ARS for the hearing impaired. “Liv Talk Voice Recognition Service” was launched for the people with visual impairment so they can make money transfers or check their account details through voice verification. The Bank also improved non face-to-face real name verification services through biometric verification or video conferencing to mitigate inconvenience for those unable to make branch visits. More ATMs will be equipped with zoom-in screen features, braille dots, and voice guidance as well as universal counters designed for better wheelchair access to increase accessibility to banking services to those with disabilities. Also, KB Kookmin Card is providing braille handbooks to customers with visual impairment.

Expats

KB Kookmin Bank provides multi language services through virtual and telephonic channels and actively seeks to enhance accessibility for expat customers. We launched multi-language service for our banking platform “KB Star Banking”. The service started with English, Chinese and Japanese in November 2016 with Cambodian added in December 2017 and Vietnamese in February 2018. In March 2017, a call back process for foreign language speakers was implemented for a total of six languages (English, Chinese, Japanese, Vietnamese, Russian and Cambodian). Now the Bank not only assists foreign language speakers through a call center but also places callbacks so those customers do not have to wait on hold. In addition, the Bank operates five branches that are open on weekends for some expat workers who can not visit branches during weekdays and continues to hire foreign staff to reduce language barriers. KB Kookmin Card has prepared English and Chinese brochures for expatriates so they may access financial services with no language barriers.

Office Workers

KB Kookmin Bank expanded branches with flexible working hours for office workers: 14 KB Wise operations (open from 9am to 7pm) and 24 After Banks (open from 10am to 5pm, from 11am to 6pm or from noon to 7pm).

KB Kookmin Card has improved customer access by implementing a system where a new credit card may be approved or credit line increased by phone call on a 24/7 basis.

Financial Consumer Protection

Financial Consumer Protection Framework

We have strong commitment to protecting the rights of financial customers. We prioritize and value our customers, so we are improving our process by reflecting Voice of Customer.

KB Kookmin Bank delivers Voice of Customers, captured through various channels, to the relevant divisions for timely improvements and tracks such improvements through an Integrated Tracking System for Consumer Protection process. In 2017, a total of 94 cases of process improvements were requested based on analysis on repeat complaints. In addition, a user-oriented information service channel, Consumer Information Portal appears in the first page of the company's website to protect financial consumers' right to know. A customer may opt to raise an issue through an electronic complaints channel in the Consumer Information Portal or through the Bank's mobile app. Complaints so received are handled within a designated period of time and reported back to the original customer. Furthermore, KB Kookmin Bank has a dedicated window to handle complaints at each local branch and a managerial-level staff is designated as customer protection manager to ensure timely and fair resolution of customer complaints.

Issues relating to consumer protection are discussed and closely followed by the Financial Consumer Protection Council and claims for compensation above a stipulated amount are forwarded to the Consumer Compensation Committee for fair resolution and reasonable compensation.

The Consumer Protection Team at KB Kookmin Card is contacted and consulted prior to launch of new financial products or marketing programs. In addition, a monthly Financial Consumer Protection Council is convened to discuss issues and concerns relevant to financial consumer protection.

Improving Employee Awareness of Consumer Protection Concerns

At KB Financial Group, we are committed to raising employees' awareness of consumer protection concerns.

KB Kookmin Bank offers cyber training courses and new recruit's training sessions on consumer protection to raise employee awareness on this issue. In addition, the Consumer Protection Mileage program offers a solid framework for the Bank to evaluate employee performance based on their consumer protection efforts. These efforts were recognized when KB Kookmin Bank obtained "Good" for two consecutive years in all qualitative items in the Financial Supervisory Service's evaluation on Financial Consumer Protection.

KB Kookmin Card and KB Life Insurance observe a monthly Financial Consumer Day to raise consumer protection awareness among employees. KB Life Insurance, publishes a monthly webzine Financial Consumer Protection Report to monitor the current status of complaints and examine issues related to consumer protection on a regular basis.

Customer Information Security

Strengthening Customer Information Security

We remain committed to improving our overall information security standards by adhering to the Group-wide information security guidelines and thereby maintaining consistent control of all our subsidiaries. KB Financial Group and its subsidiaries, including KB Kookmin Bank, KB Securities, KB Insurance, and KB Kookmin Card, all have separate CISO (Chief Information Security Officer) and CIO (Chief Information Officer) to ensure the complete independence of units in charge of information security. KB Kookmin Bank is equipped with an integrated monitoring system designed to promptly respond to fraud attempts and to prevent data breaches. The Integrated Personal Information Management System is a GRC (Governance, Risk, and Compliance)-based personal information protection system that monitors and tracks any fraudulent activities in compliance with pertinent laws and regulations. The Bank continues to advance its systems to prevent the misuse of customer information by KB Financial Group's employees as well as employees of its business partners to ensure customer information security.

KB Securities obtained ISO27001, an international information security standard, and received certification for Korea Internet & Security's ISMS (Information Security Management System) in 2017. KB Kookmin Card introduced PCI-DSS (Payment Card Industry Data Security System) and successfully reinforced customers' trust in information security. KB Financial Group designated every third Wednesday as e-Cleansing Day to help raise employees' awareness on the protection of customer information and designated every first Wednesday as Information Security Review Day to conduct regular inspections and ensure the protection against malicious codes. KB Financial Group also offers cyber security education and training for all employees twice a year in association with Financial Security Institute. In 2017, we organized a Group-wide contest for ideas and short videos on ways to reinforce information security and awarded outstanding entries to help our employees take this issue more seriously.



Group Security Control Center

Enabling Safe Financial Transactions

We remain prepared for cyber security risks at all times through our integrated security control center. KB Kookmin Bank developed FDS (Fraud Detection System) using deep learning technology to strengthen its capabilities to detect unusual activities, better prevent ever-evolving crimes such as voice phishing, and thereby create an environment for safe and secure financial transactions. The Bank's operators are available all year round to protect customers' financial assets.

Communication with customers

Enhancing Communication with Customers

We strive to achieve customer-centric management by identifying customers' needs through various channels (the operation of the Customer Advisory Panel, surveys, etc.) and reflecting the findings on all aspects of our business activities from product development to marketing. KB Kookmin Bank operates various programs such as the KB Customer Advisory Panel and KB Tribunus Plebis to expand participation of and communication with customers. In 2017, the Bank launched KB Expat Customer Advisory Panel for the first time in the industry to collect opinions of international customers and reflect them on product development. As a result, KB WELCOME PLUS Installment Savings was released and the Bank's overseas remittance services were improved. KB Securities and KB Insurance operate a customer panel to identify customers' needs and fully take advantage of them as they develop products and services. KB Kookmin Card regularly conducts surveys on consumer spending patterns to better cater to customers' needs regarding credit cards across all sectors of its business operation.

Our Customer Engagement Programs

		Activities	
KB Kookmin Bank	KB Tribunus Plebis	Each task is conducted based on the opinions of the ten members on the panel.	KB Wise Working, a flexible work arrangement system, was further expanded at the suggestion of KB Tribunus Plebis in 2017.
	KB Customer Advisory Panel	A total of six surveys were conducted with the sixth KB Customer Advisory Panel consisting of 4,787 customers recruited online.	Improvements were made to production leaflets based on survey results in July, 2017.
	KB Golden Life Customer Advisory Panel	Opinions and suggestions of the panel are gathered to reinforce products and services targeting senior customers.	
	KB Expat Customer Advisory Panel	Ideas of expat customers are gathered via surveys and offline channels.	KB WELCOME PLUS Installment Savings exclusive for expat customers was launched in 2017.
	KB Digital Customer Advisory Panel	The panel seeks to achieve customer-oriented digital innovation by keeping abreast of the latest digital developments.	
	KB Campus Star	College students suggest innovative ideas and promote new products and services.	
KB Securities	KB Star Messenger	Customers' opinions are collected and reflected in the product and service planning and development stages.	KB-able Account-Asset Allocation was upgraded based on customers' opinions and released.
	KB Customer Evaluation Group	Customers identify improvement points regarding new online services and content and enhance the quality of services accordingly.	
KB Insurance	KB Hope Supporters	Services are reviewed and improvement ideas are proposed by customers.	

Customer Satisfaction

Our Efforts for Greater Customer Satisfaction

We strive to create greater value for our customers by conducting customer satisfaction surveys on a regular basis and offering tailored customer-centered services. KB Kookmin Bank has scored an average of 95 or above (96.25 in 2017) on customer satisfaction index surveys for branches after improvements were made based on standardized guidelines and in-depth analyses of survey results by gender, age, visiting hour, and product type. In addition, the Bank has sought to achieve full-scale improvement across all areas from face-to-face and voice-to-voice services to products, systems, digital channels, and business processes by conducting in-depth BANK CSI involving all branches.

KB Kookmin Bank has also operated an optimized customer service education system, through which CS managers of the highest caliber provide tailored CS education to all employees as well as KB Financial Group's subsidiaries and pertinent organizations. Powered by such continued efforts for customer satisfaction management, KB Financial Group has received high evaluations from diverse external evaluation organizations. KB Kookmin Bank ranked first in the banking sector of the National Customer Satisfaction Index for eleven times for the first time in the industry. KB Insurance won the Korea Service Grand Prix hosted by Korea Standards Association for three consecutive years as a result of its continued efforts to improve the quality of its services mainly by reinforcing its mobile services and conducting real-time mobile customer satisfaction surveys. KB Kookmin Card ranked first in the check card sector of Korean Standard Service Quality Index (KS-SQI) and Korean Customer Satisfaction Index (KCSI) in 2017 for three consecutive years in recognition of its efforts to improve services at points of customer contact and a wide range of activities to bolster customer satisfaction. KB Life Insurance's call center was also selected as the outstanding call center in the life insurance industry sector of KS-SQI in 2017 for 12 consecutive years.



**KB Kookmin Bank
Ranked 1st
in NCSI for 11 times**

Innovation

Materiality

As the financial industry faces fast changes with new digital technology driving advances in financial infrastructure and more customers having mobile experiences, digital innovation has gained momentum across all financial sectors and processes. In this environment, leading digital capabilities are required to maintain our competitive position as a global financial group and continue to grow.

Trends

Risks

We are facing a rapidly changing environment: the advent of internet only banks; entry into the financial services market by distributors and ICT companies; the resulting paradigm shift in the industry; and FinTech's growing influence on financial services.

Opportunities

We can enhance customer satisfaction with digital friendly product development and process innovation to embrace the changing financial market and diversifying customer needs.

Our Response

We continue to enhance our digital finance capabilities by developing customer lifestyle friendly platforms, developing infrastructure for technology innovation, and establishing an ecosystem for win-win with FinTech firms. We are also focused on expanding customized services based on big data analysis and, simultaneously developing data analysis professionals.

Material Issues

Stakeholder Engagement and Materiality Test

Customers

Innovation

Sustainable Finance

Community

Employees

Digital Finance Innovation

Innovative Digital Products and Platforms

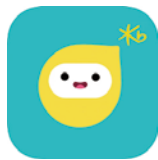
KB Kookmin Bank launched Liiv Tong, the industry’s first IoT (Internet of Things)-based digital money box, in February 2017. It is a digital money box themed after Liiv, the Bank’s mascot, and connected with the Liiv Tong app to offer a wide range of deposit services.

In 2017, KB Kookmin Bank newly launched digital platforms to provide the latest information and innovative customer experience. KB Real Estate Liiv ON, a real estate transaction platform, allows customers to preset conditions and search property put on the market accordingly. Our platform is also filled with a variety of contents drawn from KB Financial Group’s expertise and knowledge in real estate and sets itself apart from other real estate transaction programs. Liiv Talk Talk is a conversational banking platform that allows customers to access and use various services (product browsing, money transfers, loan extension, etc.) of different subsidiaries through dialogue with Talk Talk, a digital assistant. Liiv Talk Talk is equipped with a highly secure messenger service. KB Insurance rolled out KB Diabetes Care, a diabetes-specific health insurance plan in collaboration with Seoul St. Mary’s Hospital and provides healthcare related services through wearable devices allowing patients with diabetes to manage their condition more easily.

In 2017, KB Capital launched KB Cha Easy, the industry’s first online credit inquiry and contract platform, to increase customer convenience. KB Capital has also joined hands with KAIST to upgrade KB ChaChaCha, the company’s online used car marketplace to provide accurate market prices by utilizing deep learning.



“KB Real Estate Liiv ON” application



“Liiv Talk Talk” application



Digital Money Box “Liiv Tong”

Digital Innovation for Simplified Transactions and Greater Convenience

We are adopting digital innovation to simplify financial transaction process and provide greater convenience and a faster transaction for customers.

In 2017, KB Kookmin Bank upgraded KB Star Banking and added new service features such as Account View where users can access their account without having to log in and Fast Transfer that enables wire transfers to a pre-designated account within a matter of five seconds. “KB Star Shot” makes tax or bill payments easier and faster as a quick snapshot from your mobile device will instantly direct to the relevant payment page. In addition, a biometric authentication service is offered for the convenience of customers, replacing certificates and long passwords by simplifying the authentication process. The Bank started with fingerprint scanning in November 2016 and has implemented a wider variety of biometric authentication such as iris scanning, voice recognition, and palm print scanning. In 2017, a biometric authentication system based on palm vein recognition was implemented. Customers only have to register the vascular patterns on their palms at the Bank to be able to access services at an ATM or at a branch. The introduction of the Digital Counter allowed customers to complete and submit documents electronically, thereby making the entire process of financial transactions much simpler. Also, the electronic signature system was simplified to require customers to sign only once making the process more convenient. KB Kookmin Bank plans to adopt Digital Counter at all branches across the nation for better customer convenience and satisfaction.



Digital Counter at KB Kookmin Bank

Material Issues

Stakeholder Engagement and Materiality Test

Customers

Innovation

Sustainable Finance

Community

Employees



KB Innovation Hub



KB Starters

Supporting FinTech Companies

KB Financial Group has been providing a variety of programs to achieve close cooperation and co-prosperity with FinTech companies and plans to further the parameters of such programs in the future.

In 2017, we expanded and reorganized the KB FinTech Hub Center, originally opened as the industry's first incubator for FinTech companies in March 2015, into the KB Innovation Hub.

KB Innovation Hub serves as the link between KB Financial Group and the FinTech companies through collaboration with startups for research on FinTech and open source technology. In addition, KB Innovation Hub is focusing on finding FinTech partners capable of resolving KB's technological challenges and providing these partners with financing and mentoring services for overseas expansion, mobile apps, and IT. As of March 2018, we have partnered with 36 startups (KB Starters). The amount of investments that has been made since 2015 reached KRW 10 billion. We have also come up with a total of 55 solutions and services for our subsidiaries such as voice authentication and a chatbot based on continued investment and cooperation with FinTech companies.

In 2017, KB Kookmin Card started Future 9, a support program for startups equipped with innovative technologies and ideas, after identifying the nine areas for innovation that are most closely interconnected with everyday life, from shopping to dining, fashion, and payment. KB Kookmin Card invested KRW 170 million in eight startups and jointly conducted diverse projects with them to expand the spectrum of services.

Creating Right Environment for Digital Finance

Nurturing Experts of Digital Finance

We are dedicated to nurturing experts in digital finance for the future of the financial industry. Starting in August 2017, AI intensive courses were offered to employees of all subsidiaries and a wide range of support programs are in place to enhance the understanding of and interests in digital finance.

The Data Analysis Academy has also been opened to expand the Group's pool of data analysis specialists and enhance their competence. A total of 116 employees completed this program in 2017.

KB Kookmin Bank initiated a new program entitled KB Digital A.C.E Academy to cultivate digital experts in the areas of artificial intelligence, data analysis, and other digital technologies and have strived to reinforce competence of its employees through tailored courses.

In 2017, KB Insurance has focused on training in data analysis. A total of 17 employees have obtained certificates in relevant fields following education in data analytics, machine learning solution, and statistical analysis tool such as SAS. In the same year, KB Kookmin Card opened the Digital Core Talent Academy to build company-wide digital capabilities and core talent. The training consisted of four-level courses from Digital 101 to Advanced Theory. 1,459 staff members took the Level 1 course and 25 employees finished Level 2.

Agile Unit

For digital innovation and digitization at the Group level, we introduced a new type of "Agile"* unit named ACE which is capable of rapidly responding to market changes. KB Kookmin Bank identified and successfully performed ten tasks for digital improvement through ACE throughout 2017. As a result, Liiv Talk Talk (a conversational banking platform) was launched, and KB Star Banking was upgraded with innovative features such as account viewing and fast-track transfers.

In 2018, KB Kookmin Bank is seeking to adopt ACE units not only in specific tasks but also in projects requiring company-wide innovation and collaboration.

We will continue to seek innovative ideas in the field of digital technology and lay a solid foundation for cutting-edge customer-centric service by further promoting and spreading our agile corporate culture.

* Agile is a term referring to a type of an organization or an approach that brings down barriers among divisions and deals with given tasks with flexibility.

Material Issues

Stakeholder Engagement and Materiality Test

Customers

Innovation

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Employees

Building Infrastructure for Technological Innovation

We focus on introducing the latest technologies to provide innovative services that ensure customers' convenience.

Open API platform is now in place at KB with the participation of KB's seven subsidiaries, helping them to provide their core services. We continue to seek ways to actively utilize API platform which include enabling customers to track transactions of their securities or insurance account through our bank's mobile banking app, expanding customer contact channels by partnering with external API-based service providers, and extending to a wider range of partnership/convergence services.

Robotics Process Automation was adopted to implement business process automation of simple and repetitive tasks. In 2017, the first year of its deployment, 46 tasks from KB subsidiaries were defined for business automation and we are continuing to drive standardization for automation of that tasks.

KB Kookmin improved the previous CRM System into "CRM Campaign System 2.0" which features with optimal financial service for individual customers based on Big data analytics.

KB Life Insurance is implementing a project of converting audio recordings into text data and digitizing them for an analysis purpose to understand customer behaviors. In addition, with its attempt to realign Voice of Customer program to be more customer-centered, it will be able to pinpoint what shapes and triggers certain customer behaviors, drive service innovation, improve business process.

KB Financial Group opened the KB-KAIST Financial AI Research Center in cooperation with KAIST in June 2017. The Center researches ways to better utilize digital technologies such as AI and data analysis to offer differentiated customer value and products.

Creating Sustainable Values

Pursuing Sustainable Growth

We are committed to sustainable growth through a variety of activities for improvement and innovation. In order to respond to the fast-changing financial market and cater to the individual needs of customers, we are coming up with packaged financial products and improving processes, leading to sustainable growth of the Group.

For better customer experience with our financial products and services, we continue to improve our process by working closely together with our subsidiaries. An Integrated Process for Loan Product Inquiry and Application is now in place offering one-stop services to customers for inquiring their credit limit and interest rates applied to products offered by four KB subsidiaries that make loan services. This resulted in 1,510 loan applications worth KRW 24.8 billion by the end of December 2017. The One-Click Loan Product was launched through “Liiv Mate”, the Group-wide financial platform, enabling customers to view their loan limits and interest rates online offered by the four subsidiaries (KB Insurance, KB Kookmin Card, KB Capital, and KB Savings Bank) and to choose the one most suitable to them.

In addition, to respond to the changing environment of the financial services market and reflect the diversifying needs of customers, KB Financial Group has introduced packaged financial products. Launched in May, the “KB 1conomy* Youth Package”, which consists of savings, loans, card, insurance, fund, and ELS offers integrated financial solutions tailored to the rapidly growing number of single-person households. Also, the KB Petconomy* Package was launched in July for a growing number of pet owners.

KB Financial Group has upgraded its KB Star Club so that a customer, once selected as a loyal customer, enjoys more benefits. With these improvements in the loyal customer incentive system at the Group level, we witnessed a growth in the number of total customers at KB Financial Group to 33,630,000. Customers making transactions with more than one subsidiary of KB Financial Group also increased by 426,000 from the end of last year to 9,516,000, a substantial growth in our customer base.

KB Kookmin Card is working hard to increase its valued customer base and establish life-long brand loyalty. It offers a wide range of card products from which customers can choose based on their specific needs and preferences. By encouraging customers to make an automatic bill payment plan with KB Kookmin Card for their monthly apartment or telecommunication bills, KB Kookmin Card continues to work to expand its base of lifelong customers. It also focuses on managing customer contact points such as call centers to minimize customer churns.

Pursuing Global Expansion

KB Financial Group is seeking global market expansion into Asia and beyond to overcome the limitations of the domestic financial services market and to secure further growth and value creation potential. The accelerated pace of digital technology development has opened up new possibilities for businesses as barriers to market entry and national boundaries are rendered obsolete in the digital world. Businesses can find a new mode of market entry and investors can go abroad for a better return on investment.

* “1conomy” is a term newly coined by combining “single-person household” and “economy” and refers to the economic activities of the rapidly growing number of single-person households.

* “Petconomy” is a term newly coined by combining “pet” with “economy”. The KB Petconomy Package is a financial product tailored for 5.9 million pet owners.

Material Issues

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We always have these new possibilities and developments in mind while operating our global businesses based on the competitive advantage of our strategic businesses that include CIB, consumer finance, digital banking and asset management.

In 2016, KB Kookmin Bank successfully launched its global digital banking model “Liiv KB Cambodia” to capture new growth opportunities. In 2018, it continues to sophisticate Liiv KB Cambodia and expands its digital banking model to other Southeast Asian markets.

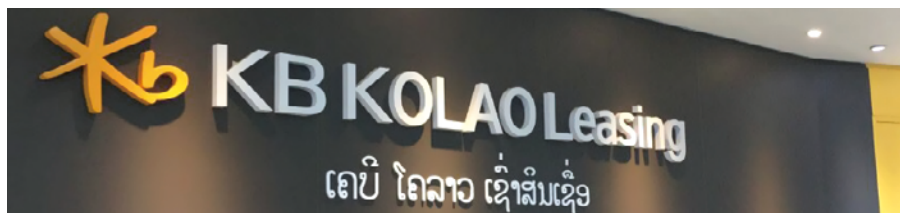
KB Kookmin Bank opened “KB Microfinance Myanmar” in March 2017 in Myanmar where entry barrier is low and demand for financing is strong. We now have a total of 4 branches in operation. We are now offering micro loans and housing loans and seeking to enter banking and non-banking market where the financial market opens up in the future.

KB Insurance runs its overseas operations based on its global network in the US, China, Indonesia and Vietnam, and continues to identify new market opportunities in emerging markets for new growth engine for the company.

KB Securities, after the acquisition of Vietnam’s Maritime Securities in 2017, renamed the operations KB Securities Vietnam in January 2018. It offers brokerage and IB services to local companies, discovers investment opportunities in the local market and brings structured products to investors in Korea. It is planning to operate M&A arm providing consulting services to those planning to acquire local businesses.

KB Kookmin Card, upon obtaining a permission to establish a local office from the Central Bank of Myanmar in September 2017, has elevated its endeavor to enter the market. It is mostly likely to do so as a specialized credit financial company that can operate installment financing and credit card business. It also has set a goal to operate credit loan and credit card business by entering the consumer finance market in Vietnam by the end of this year. Also, KB Kookmin Card took over specialized Cambodian credit financial company “Tomato Specialized Bank” in February 2018 in an attempt to phase in the credit card business from installment financing and credit loans.

KB KOLAO Leasing Launched in Laos



KB KOLAO Leasing is a joint venture between KB Capital, KB Kookmin Card and KOLAO Group of Lao PDR. KB KOLAO Leasing is a prime example where KB’s subsidiaries joined together to enter the overseas market, and is expected to stabilize its operations at an early stage as it is poised to make the most of the sound business network of KOLAO Group, No.1 in car sales in Laos. KB KOLAO Leasing plans to offer installment financing products for new vehicles, and later expand to used vehicles. It plans to enter the installment financing market in Indonesia, Vietnam and Cambodia.

Sustainable Finance

Materiality

In accordance with the Paris Agreement on Climate Change adopted by UN in 2015, the Korean government announced a policy roadmap of cutting greenhouse gas emission by 37% by 2030. KB Financial Group will actively join the global and national efforts against climate change. We will set clear targets for green finance, and plan to transparently disclose our progress.

Trends

Risks

Products in environment-friendly green finance and responsible finance tend to have higher operating costs as well as limited sales and profit creation opportunities. Firm commitment of the management and long-term strategic direction is required.

Opportunities

Green finance products are clearly different from other regular deposit and loan products. As they are designed with a specific purpose, there exist challenges in finding consumer bases to offer and retain them. However, such offerings, because they are difficult to implement and maintain in the profit-seeking financial services market, testify to our strong commitment to environmental issues and show our progress we have made embracing social responsibility and leadership.

Our Response

With our newly launched green finance products in banking and investment, we are engaging with our customers to make the environment better. KB will continue to be at the forefront of taking social responsibility of the financial sector regarding environmental issues by expanding green investment and setting standards for the market.

Environment-Friendly Green Finance

Expanding Investment in New & Renewable Energy Sector

Since 2007, KB Kookmin Bank has provided financial advices and arranged syndicated loans for a wide range of new and renewable energy projects including solar power, wind power and solid refuse fuel. In 2017, we arranged syndicated loans for a district energy project at Seokmun National Industrial Complex located in Dangjin, Chungnam (KRW 195.1 billion), Shinkwang Wind Mills located in Pohang, Gyeongbuk (KRW 50.8 billion) and Baeksu Wind Mills in Yeonggwang, Jeonnam (KRW 85.3 billion) and extended foreign currency loans of USD 20 million for SBL Holdings which has a photovoltaic power plant portfolio. Also, we signed an agreement with Korea Energy Agency and Korea Credit Guarantee Fund to offer financial support for businesses that either supply or demand ESS (Energy Storage System)* to put ESS in greater use. KB Kookmin Bank will be at the forefront in assisting the new and renewable energy industry by offering special funding at more affordable interest rates.

In January 2018, KB Asset Management signed a financing agreement with Korea Southern Power and S-Energy for a photovoltaic power generation business in Chile. The business operates five small scale power plants with less than 9 MW capacity and will receive a total of USD 52.5 million or KRW 60 billion in financing. One of the plant began its commercial operations in August 2017 and the rest will be constructed throughout 2018.

KB Financial Group will expand investment and make our strong commitment to the field of new and renewable energy.

Green Financial Products

Bearing in mind the impact that finance has on the environment, KB Financial Group has developed and released a variety of environmentally friendly green financial products.

Along with offerings of green loan products of Energy Usage Rationalization Loan and Environmental Industry Growth Fund Loan, KB Kookmin Bank is providing KB Green Growth Loan which offers preferential interest rates for businesses that pursue green growth and contributes a certain percentage of profit generated to relevant green growth associations.

In 2017, KB Kookmin Bank released the KB Solar Power Generator Loan designed to offer preferential interest rates for solar power generation businesses. The Bank also released the Green Remodeling Agreement Loan as an extension of the Green Remodeling Interest Support Project Agreement concluded with the Ministry of Land, Infrastructure and Transport, and provided support for interest for those businesses that upgraded their facilities.

KB Asset Management launched a number of fund products that support the growth of the new and renewable energy industry, both at home and abroad, and offers environmentally friendly funds that invest in private sewage rehabilitation projects, as well as environmental plants and assets.

* ESS (Energy Storage System) refers to a system or an apparatus that stores electricity generated in a storage device (or battery) and supplies on demand to enhance efficiency in electric power usage.



KB Kookmin Bank offers deposit and savings products that promote use of public transportation, as well as KB Magic Car Loans at preferential interest rates for those purchasing electric vehicles, small vehicles or hybrid vehicles. KB Insurance also encourages use of public transportation and green vehicle usage with its Electric Vehicle Insurance, weekly no-driving day rider, public transportation use discount rider, green parts use rider and KB Citizen Bicycle Insurance.



Sector Honors in CDP*

KB Financial Group was named for carbon management sector honors at the 2017 CDP Awards for Climate Change.

* CDP (Carbon Disclosure Project)
Global disclosure system that measures listed companies' environmental impacts.

Our Endeavor to Fight Climate Change

We are devoted to our fight against climate change by reducing carbon emission generated from our business activities and enhancing energy efficiency.

KB Kookmin Bank has implemented environmental management systems (international standard certification of ISO 14001) at six buildings including Yeouido Head Office, Myeongdong Head Office, and the IT Center. This systematically manages elements of environmental impact such as waste generation and greenhouse gas emission by tracking an environmental scorecard for each building. KB Securities, KB Insurance, KB Kookmin Card, and KB Capital also obtained ISO 14001 and adopted internal policies and guidelines on environmental management, embodying the CEO's leadership and commitment.

KB Kookmin Bank celebrates Energy Savings Day every month and promotes energy efficiency by participating in a Smart Energy Analyzing Campaign by Korea Energy Agency. We have annually replaced approximately 100 light bulbs at branches to LED lights and improved heating efficiency for buildings we own.

Our integrated IT center and new office building to be built by 2019 and 2020 respectively are expected to cut down carbon emissions greatly as they are environmentally friendly buildings that use new and renewable energy.

As part of Ministry of Land, Infrastructure and Transportation's green initiatives to promote reuse of auto parts, KB Capital made strategic investment into Recycle Park, an auto parts distributor, in an effort to expand green automotive financing.

In addition, KB Kookmin Bank and KB Securities continue to plant trees at Seoul Grand Park and Noeul Park respectively to reduce carbon emission through forestation and raise environmental awareness among employees.

Responsible Finance

Responsible Investment and Lending

We at KB Financial Group have incorporated environment, social and governance factors into our lending and investment approval process. Based on our Principle Code of Loan and Standards of Loan Practice reflecting EGS factors, strict internal restrictions are placed on credit offering for and investing in illegal activities like drugs and armaments as well as enterprises that go against public interests or sound economic development. In addition, when making a financing decision, we also look at the progress a company has made in social responsibility. For large-scale financing projects with huge environmental and social impact, in particular, we perform on-site review with internal assessment officers, risk experts and independent specialists to conduct an environmental and social impact assessment before making the final determination.

KB Asset Management's KBSTAR ESG Socially Responsible Investment Exchange Traded Fund (ETF) reflects a company's performance in social responsibility in investment decisions and invests in businesses that score highly on ESG factors including workers' basic rights, fair trade among partners and competitors, consumer rights protection, and community contribution. The ESG Fund creates a positive environment for sustainability and provides the right vehicle for investors to act on their beliefs in social responsibility.

Introduction of Stewardship Code

In September 2017, KB Financial Group decided to incorporate a stewardship code into the businesses of all subsidiaries that manage customer assets and consulted with independent specialists and conducted internal review. As of March 2018, the introduction was completed at six subsidiaries. (KB Kookmin Bank, KB Securities, KB Insurance, KB Life Insurance, KB Asset Management and KB Investment)

With a stewardship code in place at the Group level, we aim to strengthen institutional investors' role in protecting and growing customers' assets by promoting mid-to-long term growth of investee companies. The stewardship code was set forth to lay out a clear framework for us as institutional investors as we manage assets of customers or beneficiaries and by adhering to the code, we fulfill our fiduciary responsibilities. We should aim to identify long-term and responsible investment opportunities through in-depth analysis by reviewing a company's financial performance and non-financial aspects of the environment, as well as social and governance issues as important factors that drive mid-to-long term value. Fulfilling our fiduciary responsibilities is expected to help us have a voice in the managerial matters as shareholders, take business decisions in the best interests of shareholders, ensure that market surveillance works soundly, bring out positive changes in corporate governance, and eventually promote the rights and interests of customers.

The principles of Stewardship Code and related performance are transparently disclosed on the websites of our subsidiaries.

Community

Materiality

With the intensifying economic polarization, the buzzword among global financial leaders and international organizations is financial inclusion. Financial companies of Korea are being required to faithfully perform their social responsibility in accordance with the government's policy to focus on financial inclusion. In addition, companies need to pursue balanced and inclusive growth by embracing various stakeholders to secure their own sustainability.

Trends

Risks

Apart from government-driven financial support for the underserved, more programs and services are required to assist the financially excluded. The absence of affordable financial services for the underserved may pose risks to those prospective financial consumers as it deprives them of opportunities to help themselves out of poverty. Microfinance programs, if scaled down, or implemented superficially, fail to reflect the diversity of financial consumers and may stop prospective financial consumers from entering the mainstream financial market. It is time to make a sustainable plan, implementing long-term, realistic and effective measures rather than one-off community contribution activities and financial support for the underprivileged.

Opportunities

We can realize financial inclusion by expanding a range of financial services for financially excluded low income families. These efforts may include: extension of products with policy financial assistance, development of mid-range interest rate loans and development of loan products exclusively for microbusinesses. Consistent social contribution activities will help a company to build a positive corporate image devoted to the local community, and activities focusing on the community's needs and solving problems together can make social impact.

Our Response

We are committed to our duty as a financial services provider and place value on customer focus and a culture of sharing, as well as on playing a bigger role in assisting the working class, venture companies, SMEs and midsize businesses. We emphasize our social responsibilities as befitting a leading financial services group as our 12 subsidiaries work together by designing various programs and services to support the financially excluded.

Financial Inclusion

We strive to provide financial services closely to the working class and to foster a culture of sharing. We believe that, by doing so, we are expanding financial inclusion and building a people-centric economy. We also support SMEs and startups, creating productive financial infrastructure.

Assistance for the Working Class and the Financially Excluded

KB Kookmin Bank offers affordable loan to the working class with low income or low credit who previously borrowed from non-banking financial institutions at usurious interest rates. We also make credit available to those generally rejected by banks due to low income or low credit, by operating separate guideline for the underprivileged people. In addition, under an agreement with the Health and Welfare Ministry, we offer household stabilization loans at a low interest rate to persons with disabilities who have come of age and are referred by a chief of a district office of their residence. KB Kookmin Bank, through KB Miso Financial Foundation, is running microcredit business where small credits are granted without collateral or guarantee to the financially excluded who are generally rejected or underserved by formal financial outlets due to low income or credit, in order to help them stand on their feet. The Bank also enables them to have easier and more access to financial services by providing comprehensive advice on microfinance products at KB Hope Finance Plaza. In addition, KB Kookmin Bank is planting seeds of hope by expanding financial assistance to long-term delinquent debtors. Those eligible for assistance are National Basic Livelihood Security beneficiaries, people with severe disabilities, elderly people over 70, unemployed under 34, and business owners who failed within the first seven years. Those suffering financial hardship due to joint guarantee, in particular, may get reduction of up to 95% of their debt obligations, which gives them a chance to get their life back on track.

KB Savings Bank's Sunshine Loan



Sunshine Loan Support Center at KB Savings Bank

Sunshine Loan was launched exclusively for people with low income and credit who have limited access to bank credit. This product is guaranteed by Korea Inclusive Finance Agency and Federation of Credit Guarantee to support the underprivileged people. KB Savings Bank launched online Sunshine Loan for the first time in February 2018 providing better access and lower interest rates. KB Savings Bank is also running Sunshine Loan Support Center to provide various services for Sunshine Loan from consultation to underwriting, lending and follow-up management.

Support for SMEs and Small Businesses

Support for SMEs and Venture Businesses

KB Financial Group is creating a proper ecosystem for startup businesses by offering practical support for startup businesses and SMEs that find it challenging to obtain proper financing despite their innovative technology or growth potential in new growth areas of the fourth industrial revolution.

KB Kookmin Bank, through special funding to the local Credit Guarantee Foundation, makes community contributions and helps to build a stronger local economy. In 2017, the Bank funded KRW 16 billion for 16 local Credit Guarantee Foundations and their umbrella organization of Korea Federation of Credit Guarantee Foundations, awarding loans worth KRW 181.3 billion to microbusinesses and SMEs. With the launch of KB Preferential Credit Loans for Startups and KB Preferential Loans for Innovative Venture Businesses targeting for startup businesses with good growth prospects and excellent technology, KB Kookmin Bank is creating the right climate where funds are put to productive use to foster SMEs and startups at affordable costs. In addition, we will work together with our subsidiaries to combine our strengths, like KB Investment creating venture investment funds and KB Securities helping startups in the process of M&A or IPO or offering equity investment incubation for startups, to deliver financial support for innovative venture businesses.

Moreover, KB Kookmin Bank offers KB Wise Consulting, an advisory service tailored to the needs of SMEs. A group of professionals, such as certified public accountants, tax accountants, and patent attorneys present optimal solutions catering to the varying concerns of each business and help SMEs in their journey to growth and development. A total of 783 cases of consulting services have been offered since 2013.

Support for Small Businesses

In 2016, KB Kookmin Bank opened KB SOHO Business Center, the first ever program by a financial services provider, to offer free business consulting services to startups and small business owners facing challenges. Five startup centers located in Seoul have offered a total of 760 cases of consulting through 2017. The Bank plans to open more startup centers in the five cities of Gwangju, Daegu, Daejeon, Busan and Incheon to serve more small businesses and startups. In addition, the Bank, in cooperation with Seoul Credit Guarantee Foundation, held “Small Business Start-up Academy Seminar” and offered free lectures by investment specialists, legal advice from lawyers, and one-on-one consulting services from specialists working at KB Start SOHO Business Center.



Start-up Academy of Small Business

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Support for Social Enterprises

KB Kookmin Bank assists social enterprises through its Social Innovation Projects aiming to foster social economy. Applicants who registered a call for assistance will be screened by KB Kookmin Bank in partnership with Korea Social Enterprise Promotion Agency and KNSEC. Enterprises selected for the assistance in 2016 have yielded solid results in product development and research, creating good jobs and hiring marginalized people. The Bank has funneled a total of KRW 100 million in aid into five social enterprises and KNSEC, contributing to the development of social enterprises.

Providing Financial Aid to Disaster Victims

2017 was a devastating year with disasters and accidents such as wildfires in Gangneung and Samcheok area, floods in Cheongju, massive fires in the Sorae fish market and Yeosu fish market, and earthquakes in Pohang affecting many people across Korea. KB Financial Group has arranged various financial aids for those affected by disasters, including financial relief for interest burden, to relieve their pain and help them get life back to normal.

KB Kookmin Bank immediately offered Emergency Livelihood Stabilization Fund loans to disaster victims, extended the maturity of debts without further principal repayment, and provided option for fee waiver. KB Kookmin Card offered special financial aid to flood victims by granting a grace period for payment or allowing payment in installments of their credit card balance or card loans. Other benefits, like discounts on financial commissions or late fee waivers, were extended.

A Fund-raising System for Natural Disaster Relief



Donations through ATMs

KB Kookmin Bank, partnering with National Disaster Relief Association, has established a fund-raising system using non face-to-face channels. Anyone holding a KB Kookmin Bank account can make donations through ATM, internet banking or smartphone banking. The system makes it easier to track donations as a customer's withdrawal account is connected to the virtual account of the relevant organization. For two weeks in December 2017, about 1,000 customers participated in the fundraising for earthquake victims in Pohang donating KRW 220 million. This fund will be funneled through National Disaster Relief Association to support recovery efforts.

Co-Prosperity with Suppliers

Fair Trade and Shared Growth

KB Financial Group is taking a company-wide multipronged approach for fair and equitable trade. We are implementing integrity pacts to enhance integrity in all activities related to contracts. Conflicts of interest in connection with a contract will be disclosed in advance of procurement of goods and services and a provision on integrity pacts will be incorporated into contracts for greater transparency. Meanwhile, we are committed to fair trade with all companies in business relationships with us. Limiting a bid or discriminating in assessment based on the size of a company is banned, and transparent transactions are encouraged by disclosing clear guidelines on contracting method for all prospective suppliers.

KB Kookmin Bank has built a monitoring system into the Fair Trade Compliance Program Manual, specifying sanctions against employees who breach applicable laws and regulations. The Bank implements rigorous controls and supervision over compliance of fair trade through internal and external audits on a periodic basis and voluntary special inspections by the relevant department. We have Duties Management Guidance in place for sanctions against and discipline of those in breach. We also maintain internal fair trade principles by adhering to implementation of a memorandum of integrity agreement and fair assessment pledge when entering into contracts. In addition, satisfaction surveys conducted on partner businesses incorporate an item assessing the Bank's employees. KB Kookmin Bank is committed to growing together with its suppliers. In all contracts with partners, a provision clearly states that partnership should be built and flourish based on mutual respect. We actively communicate with our suppliers about their concerns and areas of improvement through regular communication channels that include periodic seminars and satisfaction surveys. Meanwhile, we have performed assessments of approximately 200 ICT partners in terms of business deals made and status in new or strategic business deals to seek new models for shared growth and provide support for co-prosperity.

Supplier Code of Conduct

To abide by the principle of socially responsible management, KB Financial Group has developed Supplier Code of Conduct and encourages them to voluntarily implement the standards in their own business. The standards comprise five sections: Workers' Basic Rights and Compliance, Safety and Welfare, Environmental Protection, Fair Competition and Market Order and Co-prosperity with Business Partners, and Ethics for Partners. More detailed information is available at KB Financial Group's website.



Supplier Code of Conduct (<https://www.kbfg.com/Eng/about/ethics.htm>)

Material Issues

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Community Contribution

Our Approach

We aim to exert a positive impact on society, achieve shared growth with local communities, and spread a culture of sharing and compassion through our community outreach programs. We strive to reciprocate what we have received as a respected corporate citizen and build a brighter future for all through support for youth and multicultural community, economic and financial education, and job creation. We work to realize both our corporate vision and common global goals by keeping our community outreach programs in line with UN SDGs (United Nations Sustainable Development Goals)*.

* UN SDGs
UN SDGs (United Nations Sustainable Development Goals) is global agenda for sustainable development formally adopted by UN General Assembly in September 2015.

KB Star Dream Volunteer Corps

We operate KB Star Dream Volunteer Corps with all employees. Our employees take part in Theme Volunteer Corps (supporting youth, multi-cultural families, etc.), Talent Dream Volunteer Corps (pro bono service), and Speed Dream Volunteer Corps (relief aid for damage from natural disasters), instilling hope in different corners of society. As many as 80,235 employees participated in volunteering activities for 296,824 hours in 2017 alone on a cumulative basis. The average hours of volunteering per employee on a yearly basis is 10.6 hours, setting an example for other local companies. We have also designated May and December as periods of focused social contributions to further promote Group-wide philanthropic activities. May is “the month of social contributions” and December is “the month of winter relief for the underserved”. Powered by these initiatives, KB Financial Group employees touch many lives in a proactive and meaningful way.

KB Financial Group’s CSR Strategy

Goal	The Most Respected Corporate Citizen, KB Financial Group		
Direction	Taking social responsibility	Win-win growth with local communities	Spreading a culture of sharing
Priority	Public interest-focused social contributions		Strategic social contributions
	Youths support	Multi-cultural community support	Financial education and job creation
SDGs	 4. To ensure quality education and promote lifelong learning opportunities for all	 17. To strengthen and revitalize the global partnership for sustainable development	 8. To promote sustainable economic growth, full and productive employment, and decent work for all
Volunteer work	Encouraging employees’ participation in volunteer work in cooperation with the communities we serve		

Youths Support

Children and teenagers are future leaders who will drive the advancement of our society. As such, we focus our resources on laying the foundation, upon which they can build their dreams and share hopes.

KB Hope Camp

We help young people with disability accomplish their dreams through the KB Hope Camp. Each teenager mentee is paired with a college student mentor and offered the chance to seek diverse job opportunities, gain hands-on experience, and consult with experts. Over 600 students took part in this program since 2014 and were inspired to design their future.

KB Youth Music College

We have conducted KB Youth Music College program since 2013 to nurture the musical talents of underprivileged youth. Every year, we provide quality education in music to underprivileged young people who have passion and talent in music through one-on-one tutoring with college professors in cooperation with 6 music colleges. As a result of these efforts, many of the program's participants succeeded in obtaining admission to art high schools and colleges of music, and won awards in national music competitions. As such, we have contributed to developing the artistic potential of youth and provided them with opportunity for self-development. About 600 teenagers were given the chance to nurture their musical talent through this project until 2017.



KB Youth Music College Concert

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「Youth Mentor, KBI!」

「Youth Mentor, KBI!」 is KB Kookmin Bank’s community outreach program newly launched in 2018. Based on this program, the Bank has conducted systematic mentoring projects for children and teenagers to provide multifaceted, well-organized support for youth of disadvantaged families and help them better respond to changes in the educational environment, such as the Fourth Industrial Revolution.

Projects			
Details	Mentoring for Learning	Mentoring for Career Planning	Mentoring for Digital Inclusion
	<p>Supporting education for students from low-income households</p> <ul style="list-style-type: none"> • English camp for elementary school students • Mentoring for junior high school students through the operation of a college student volunteer group • Scholarships for junior high and high school students 	<p>Reinforcing the competence of teenagers for career development</p> <ul style="list-style-type: none"> • Dreams Coming True - a “talk concert” for career planning • Job Experience Camp • Visiting universities and research institutes 	<p>Nurturing Creative Talents</p> <ul style="list-style-type: none"> • Coding education for marginalized youth with poor access to technologies • Software competition • Digital Mentoring Coding Camp



1. Dreams Coming True – a “talk concert” for career planning



2. Mentoring for Learning



3. Digital Mentoring Coding Camp

Multi-Cultural Community Support

We exert our best efforts to help youth of multicultural families grow into confident members of our society. We are also expanding investment and support for projects designed to aid developing nations in Asia.



RaonAtti in Myanmar

RaonAtti – Overseas College Student Volunteer Corps

RaonAtti, an overseas college student volunteer corps formed by KB Kookmin Bank in association with YMCA Korea in 2008, has dispatched 505 volunteers to 11 Asian countries, including Myanmar, Laos, Vietnam, Cambodia, and the Philippines. College student volunteers are trained for one month to learn the language and culture of the destination country, receive additional training to adapt to communities on site, and engage in various volunteer activities, including education for youth of low-income households and support for the development of local communities, for five months in the destination country.

KB Hope Star School Donated to Vietnam

KB Kookmin Bank built and donated the KB Hope Star School in Binh Yen, Son Duong District, Tuyen Quang Province in Vietnam. The Bank plans to continue its community outreach activities in Vietnam and provide better education environment to youth of underserved communities.

Supporting Heart Surgery for Cambodian Children

Since 2012, KB Kookmin Bank invited Cambodian children suffering from congenital heart disease to Korea and provided full support for their surgery in association with Financial Supervisory Service. As many as 66 Cambodian children regained their health through this program. The Bank also opened the “KB Kookmin Bank Hebron Heart Center” in Cambodia in 2014 and provided financial aid for surgery on site.

Material Issues

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Supporting Heart Surgery for Cambodian Children

Supporting Migrant Workers in Korea

KB Kookmin Bank has engaged in volunteer projects to provide free medical services to migrant workers in Korea with poor access to healthcare in collaboration with Korean Open Doctors Society. The Bank also provides free legal consultations to contribute to the wellbeing of migrant workers.

KB Insurance has provided support for homeland visits of migrant workers in Korea since August 2016. This program targets migrant workers from countries in which KB Insurance has presence, who have been unable to visit their homes for an extended period of time due to financial difficulties.

Publication of Legal Advice Handbook for Migrant Workers



Legal Advice Handbook for Migrant Workers



KB Kookmin Bank published Legal Advice Handbooks for Migrant Workers as an extension of the Bank's activities to protect the rights of migrant workers residing in Korea. This handbook contains legal advice and basic solutions for problems that migrant workers may face throughout their stay in Korea. It is available in the four languages of Cambodian, Burmese, Vietnamese, and Mongolian. A total of 1,000 copies were printed for each language version and distributed at KB Kookmin Bank's Foreign Exchange and Remittance Center for free. It is also available in electronic form.

Financial Education & Job Creation

We carry out financial education and job creation projects by utilizing our capabilities as a leading financial institution to promote sustainable economic growth.

KB Star Economy Class

We have focused on financial education as the Group's major CSR program since 2012 and operated KB Star Economy Class led by the KB Foundation. We provide financial education across various sectors to help people develop financial knowledge and prudent financial habits. Through this program, as many as 203,629 students, soldiers, newcomers in the job market, and those with limited access to financial information such as the elderly, housewives, North Korean defectors, marriage migrant women received education in 2017 alone via online and offline channels.

KB Star Economy Class Mobile Web

KB Foundation launched KB Star Economy Class mobile web (www.kbstarschool.or.kr) to better reach out to young generations adept at mobile devices. This application is designed to provide tailored education to meet the individual needs of people of all ages and genders, from elementary school students to retirees. It contains digital content grafted with AR and VR technologies to make learning easy and fun.



KB Star Economy Class mobile web

Material Issues

Stakeholder Engagement and Materiality Test

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KB GoodJob Fair

KB GoodJob, Job Placement for All

KB Kookmin Bank contributes to resolving the issue of youth unemployment and the creation of jobs through KB GoodJob.

Since its launch in 2011, KB GoodJob has offered a wide range of employment information via its website (<https://kbgoodjob.kbstar.com>) as well as tips for writing resumes and job interviews. KB GoodJob achieved the feat of having more than 53,000 job vacancies posted and matching over 14,000 job seekers with employers as of late March 2018.

We staged the KB GoodJob Fair, the nation's largest job fair, as many as 12 times since 2011, bringing job seekers together with competent SMEs.

Hiring subsidiaries are provided to participating companies that recruit job seekers who apply for the job at the fair. Until 2017, 4,501 companies have participated in the KB GoodJob Fair and recruited 7,092 job seekers.

In addition, the Bank held the KB GoodJob Employment Academy seven times from 2013 to 2017, targeting students from specialized and meister high schools, college students, and military personnel about to be discharged from service. Over 1,500 job seekers participated and received education.

The KB GoodJob Employment School, a six-month-long training and employer-employee matching program targeting students from specialized and meister high schools, has also been times since 2016, providing training to 400 students.

Employees

Materiality

With the advent of the Fourth Industrial Revolution, the competence of each individual, has emerged as a decisive factor in company's competitiveness. We fully recognize the need to foster a corporate culture that encourages our employees to freely show their capabilities and promotes diversity and the cultivation of high-caliber professionals to thrive as a global company.

Trends

Risks

The emergence of the Fourth Industrial Revolution and changes in digital financial services have highlighted the importance of experts who are well-versed in new technologies such as block chain. Companies are required to invest in cultivating and retaining such experts to survive in today's fiercely competitive financial world.

Opportunities

We aim to nurture and support professionals of diverse sectors of digital finance, such as FinTech and block chain, to meet today's challenges and make leaps forward. We will remain at the forefront of talent management to better brace for the Fourth Industrial Revolution based on our knowhow and close cooperation with our subsidiaries.

Our Response

We strive to create a horizontal organizational structure and provide full support for our employees to reach new heights and improve customer value through creativity. Furthermore, we aim to nurture a corporate culture centered on a healthy work-life balance to improve Group-wide efficiency and lay the foundation for tapping each employee's growth potential and fostering expertise.

Talent Development

Developing Employee Competencies

KB Financial Group continues to expand employee exchanges among its subsidiaries to nurture experts with collaborative or cross-functional knowledge across diverse sectors of the financial industry. About 200 employees were screened through the Group's internal contest and given the chance to work at another subsidiary since 2015. Also, we are encouraging our employees to engage in self-led learning by supporting the operation of CoP (Community of Practice) at a Group level. We exert our efforts to foster our employee's expertise through various development programs. We have been operating "KB WM Academy", the integrated employee training program of KB Kookmin Bank and KB Securities for wealth management (WM) since April 2017. Through the specialized and systematic courses of this program, as many as 1,800 employees improved their expertise and professional skills in WM. KB Kookmin Bank requires new employees to take comprehensive KB Kookmin Bank business courses for five years to improve their core competencies and skills. In addition, the Bank has identified eight key areas (wealth management, corporate financing, capital market, data analysis, digital finance, global presence, risk management, and IB) and cultivates high-caliber professionals for these areas. The Bank operates KB HRD Cloud to promote micro-learning and is supporting diverse self-led training and learning programs. KB Insurance establishes a competence development plan for all employees at the beginning of each year and provides support for various forms of self-led learning. To foster financial experts, KB Insurance runs weekend courses to help employees attain certificates and licenses. KB Kookmin Card established Training Road Map (TRM) aimed at reinforcing core competencies of its employees in a systematic manner. The company initiated a permanent support system for small learning groups in February 2018 to promptly respond to diverse learning needs that may arise on the business frontier. This system allows employees to explore areas of interests and plan training program, and the company provides support for the program.



Group CoP Activity



Graduation Ceremony of KB Insurance's KB Dream Campus

Cultivation of Female Leaders

We strive to foster and help female professionals thrive in the workplace and promote gender diversity. As of the end of 2017, the percentage of our female employees stands at 45.2% at KB Kookmin Bank. Women account for 28.8% of management positions, 42.4% of junior management positions, and 15% of top management positions. In addition, women account for 32% of management positions in revenue-generating departments such as Sales department.

Since 2015, KB Kookmin Bank has focused on creating part-time jobs for mothers on career breaks to help them successfully re-enter the job market while managing family life.

KB Insurance established a mid-to-long term road map to nurture female professionals and leaders and aims to create a culture that inspires female employees to push forward towards their visions and goals. KB Insurance's KB Dream Campus, first launched in September 2016 to cultivate high-caliber female managers, provides training for female employees under section chief level. A total of 40 employees completed this program in September 2017, and 34 are currently taking part in the 2018 session.

Lifetime Planning for Employees

KB Kookmin Bank helps its employees plan for life after retirement by operating a lifetime planning program and career transition school targeting those in the 50s. In addition, since November 2016, the Bank provided education and consulting services to help employees prepare for life after retirement and career transition through KB Career Consulting Center for all soon-to-retire employees. KB Insurance's lifetime planning program Happiness Plus is also designed to help employees 50 and older better prepare for a life after retirement.

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Great Workplace

Work-Life Balance

We fully recognize that sufficient breaks lead to an engaged, committed workforce and ultimately to better business performance. Thus, we focus on helping our employees maintain a healthy balance between work and family life.

KB Kookmin Bank introduced, a flexible work program named Wise Shift Program that allows its employees to choose flexible working hour arrangements, while KB Kookmin Card has also put the flextime into operation to give greater scheduling freedom to employees.

KB Financial Group celebrates Family Care Day on a certain day of the week, to encourage all employees to leave work on time and spend more quality time with family. Many of our subsidiaries, such as KB Kookmin Bank, KB Securities, and KB Insurance, have implemented PC Off program. This program shuts down employees' computers automatically at the preset time to make them leave work on time. KB Kookmin Card includes the PC OFF time in Key Performance Indicators (KPIs) of departments to minimize overtime.

In addition, KB Financial Group actively encourages employees to take leave for self-development and annual paid holidays to refresh and relax. KB Insurance strives to achieve improved productivity by encouraging employees to take breaks and adopted the "extended leave for self-development" program in 2018. Employees are given 10 additional paid holidays when spending 10 annual paid holidays and can take one month off in total along with weekends.

Bring Your Kids to Training



"With Kids" Program

Our employees are encouraged to bring their kids to work when taking part in weekend training. Kids can participate in our program designed to inspire them through play, while parents receive training in diverse areas from investment cases, certification, to taxation. It is an extension of our endeavor to promote an enjoyable work-life balance.

Family-Friendly Workplace

We are striving to cultivate a family-friendly workplace by offering diverse benefits in child birth and child caring.

We provide various programs for new and expectant mothers. We guarantee 110 business days of maternity leave, which is longer than the legally required 90 days, and 2 years of childcare leave per child for both male and female employees. New mothers are allowed to take maternity leave as soon as pregnancy is confirmed to ensure maternal and fetal wellbeing. The reduced working hour system during pregnancy and for childcare also helps working parents balance work and family. We guarantee also support childcare by operating childcare centers and lactation rooms in the workplace and by supporting educational expenses of preschool children and living expense for children with disability.

KB Securities is striving to build a culture that ensures the right balance between work and family. It expanded the length of maternity leave and childcare leave and made improvements to provide financial assistance for childcare for up to 2 years. It also continues to improve maternity protection program by introducing “leave for the reproductively challenged” and an increase in the cash gift for child birth. One of KB Insurance’s supportive perks for female employees returning to work after maternity leave is to assign them to offices closer to their homes to help them balance work and family.

Childcare in the Workplace



KB Kookmin Bank’s Gangseo Childcare Center

We run on-site childcare centers to offer wider childcare options for our employees. KB Kookmin Bank operates KB Gangseo Childcare Center and KB Daejeon Childcare Center, and KB Kookmin Card operates the I-nuri Childcare Center.

In March 2018, KB Insurance opened an childcare center near its office building in Hapjeong-dong. It is open to children of employees of not only KB Insurance but also other subsidiaries and affiliated companies of KB Financial Group to provide reliable childcare service.

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Safe Working Environment

We focus on creating a safe and comfortable working environment. In order to protect employees from serious safety accidents, earthquake, fire, terror and contagion, a quarterly safety and fire inspection is conducted in all departments. Emergency evacuation drills including fire drills and civil defense drills are conducted regularly to improve crisis management capability.

First aid training such as CPR is provided to employees. In addition, we established BCP (Business Continuity Planning) and emergency plans to ensure business continuity and protect our people from disasters, and make sure that major businesses can be resumed in case of crisis. Also, employees are required to carry out disaster recovery drills based on the results or risk assessments to remain prepared for crises and to protect our people and customers' assets.

Healthcare and Stress Management

We conduct annual medical check-ups to prevent disease at an early stage and in-depth check-ups for those diagnosed with specific signs to ensure the wellness of our employees. We also operate healthcare programs, such as blood pressure management, blood sugar management, obesity management, and smoking cessation. We have infirmary and dental clinics in our office, and run physical wellness programs and on-site fitness facilities. We hire professional catering companies to provide healthy and balanced meals to our employees at in-house cafeterias.

We provide diverse stress management programs to help our employees better manage mental health. KB Kookmin Bank runs Healing Cafe, an employee counseling program, in association with counseling centers to help relieve stress and assist counseling expenses. KB Kookmin Card provides Employee Assistance Program (EAP), a support program for employees' mental health, through which each employee can receive counseling up to six times a year.

Employee Communication

We strive to foster flexible and open organizational culture and by keeping diverse communication channels open. Our intranet features "Talk with Group CEO", through which our employees can directly communicate with CEO and reinforce their bond with the company. One-Firm Communication Relay is another program designed to improve communication with our employees on the business frontier. We also have diverse channels aimed at achieving harmony and co-prosperity between labor and management, from Labor-Management Council, Industrial Safety and Healthcare Committee, Equal Employment Opportunity Committee, to Grievance Committee.



Talk with Group CEO



Fundamentals

We believe that our efforts to ensure transparency in corporate governance, integrity, and preemptive risk management help sustainability take firm root and that such efforts lay a solid foundation to reinforce our global competitiveness.

We strive to fulfill our corporate social responsibility by protecting human rights of stakeholders across all business areas in which we operate.

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Corporate Governance

Board of Directors

The Board of Directors is KB Financial Group's supreme decision-making body that determines matters prescribed in laws and the Articles of as well as important matters in business management. It oversees the management and focuses on maximizing the company's value and earning stakeholders' trust. The Board consists of 1 executive director, 1 non-standing director, and 7 non-executive (independent) directors as of March 31, 2018. Non-executive directors hold a majority of the board and the chairperson of the Board is selected among non-executive directors to ensure the independence of the Board and help it faithfully performs its checks and balances.

As of March 31, 2018

	Name	Gender	Career Background	Role	
Non-executive directors (Independent)	Suk Ryul Yoo	Male	Chairman of Credit Finance Association	<ul style="list-style-type: none"> Chairman of the Board of Directors Member of the CEO Nominating Committee Member of the Evaluation and Compensation Committee 	<ul style="list-style-type: none"> Member of the Non-Executive Director Candidate Nominating Committee Member of the Subsidiaries' CEO Nominating Committee
	Stuart B. Solomon	Male	Chairman, MetLife	<ul style="list-style-type: none"> Member of the Risk Management Committee Member of the Evaluation and Compensation Committee 	<ul style="list-style-type: none"> Member of the CEO Nominating Committee
	Suk Ho Sonu	Male	Visiting Professor, College of Business Administration, Seoul National University	<ul style="list-style-type: none"> Chairman of the Risk Management Committee Member of the Audit Committee 	<ul style="list-style-type: none"> Member of the Non-Executive Director Candidate Nominating Committee Member of the CEO Nominating Committee
	Myung Hee Choi	Female	Vice President, Korea Internal Control Assessment	<ul style="list-style-type: none"> Chairman of the Evaluation and Compensation Committee Member of the Risk Management Committee 	<ul style="list-style-type: none"> Member of the Subsidiaries' CEO Nominating Committee Member of the CEO Nominating Committee
	Kouwhan Jeong	Male	Principal Attorney, NambuJeil Law and Notary Office	<ul style="list-style-type: none"> Member of the Audit Committee Member of the Evaluation and Compensation Committee 	<ul style="list-style-type: none"> Member of the CEO Nominating Committee
	Jae Ha Park	Male	Senior Researcher, Korea Institute of Finance	<ul style="list-style-type: none"> Chairman of the Non-Executive Director Nominating Committee Member of the Audit Committee 	<ul style="list-style-type: none"> Member of the Subsidiaries' CEO Nominating Committee Member of the CEO Nominating Committee
	Jong Soo Han	Male	Professor, Department of Business Administration, Ewha Womans University	<ul style="list-style-type: none"> Chairman of the Audit Committee Member of the Risk Management Committee 	<ul style="list-style-type: none"> Member of the Non-Executive Director Candidate Nominating Committee Member of the CEO Nominating Committee
Executive director	Jong Kyoo Yoon	Male	CEO, KB Financial Group	<ul style="list-style-type: none"> Member of the Subsidiaries' CEO Nominating Committee 	
Non-standing director	Yin Hur	Male	CEO, KB Kookmin Bank	<ul style="list-style-type: none"> Member of the Subsidiaries' CEO Nominating Committee 	

Board Sub-Committees

To comply with pertinent laws, such as the Act on Corporate Governance of Financial Companies, and to ensure the efficiency of operating the board, we are running 7 sub-committees (Audit Committee, Risk Management Committee, Evaluation and Compensation Committee, CEO Nominating Committee, Subsidiaries' CEO Nominating Committee, Non-Executive Director Candidate Nominating Committee, and Audit Committee Member Nominating Committee) as of March 31, 2018. Each committee is comprised of directors equipped with expertise in the area concerned.

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Board Sub-Committees and Their Functions

As of March 31, 2018

	Members	Function
Audit Committee	4 non-executive directors	Supervision of overall auditing tasks
Risk Management Committee	4 non-executive directors	Establishment of risk management policies and systems and pertinent decision-making
Evaluation and Compensation Committee	4 non-executive directors	Establishment of evaluation and compensation policies and systems and pertinent decision-making
CEO Nominating Committee	All non-executive directors	Establishment of a plan for CEO succession and execution of succession procedures
Non-Executive Director Candidate Nominating Committee	4 non-executive directors	Management of the pool of non-executive director candidates and nomination of candidates for non-executive directors
Subsidiaries' CEO Nominating Committee	3 non-executive directors, 1 executive director, 1 non-standing director	Establishment of a plan for CEO succession in subsidiaries and execution of succession procedures
Audit Committee Member Nominating Committee	All non-executive directors	Nomination of candidates for Audit Committee members

Appointment of Non-Executive Directors

We nominate non-executive directors based on three core principles: shareholder representativeness, expertise, and diversity. As such, the Board maintains a pool of non-executive director candidates with different areas of expertise from financial business management to accounting, finance, laws and regulations, risk management, HR, IT, and consumer protection. Also, to ensure diversity in the composition of the Board, we take into consideration factors such as gender, race, ethnicity, nationality and country of origin in nominating candidates. Non-executive directors are recommended by the Non-Executive Director Candidate Nominating Committee and appointed at the general meeting of shareholders. Pertinent laws and the Articles of Incorporation mandate that non-executive directors must be nominated among those who are equipped with expertise in the areas involved, who are able to perform given duties fair-mindedly, and who have both ethics and a sense of responsibility.

Board Operation and Evaluation

The Board holds regular and ad-hoc meetings convened by the chairperson. Regular meetings are held on a quarterly basis, while ad-hoc meetings take place when the chairperson acknowledge that it is needed and when any director or subcommittee requests it. In 2017, a total of 15 Board meetings took place to discuss and vote on items such as the acquisition of shares for the full privatization of KB Insurance and KB Capital, mid-to-long term management strategies of KB Financial Group, and the convocation of the extraordinary general meeting of shareholders in 2017. The Board meeting attendance rate of non-executive directors (excluding internal directors) in 2017 stands at 96%. We disclose details about decisions made by the Board and its subcommittees each quarter through our quarterly report. The Board's activities, management succession, and compensation system are transparently disclosed in the Annual Report on Corporate Governance and Compensation released every March. Meetings attended only by non-executive directors can be held to help them more efficiently perform their duties, and support and advice from our employees and outside experts are also provided if deemed necessary. We provide education and training for non-executive directors to assist them in decision-making. The Board is evaluated across four areas: the composition and efficiency of the Board, roles and functions of the Board, responsibilities of the Board, and protection of shareholders' rights and investor relations. Internal evaluations and peer evaluations are conducted for non-executive directors with commitment, expertise, leadership, and contributions as indicators. The results of evaluations are delivered to the Non-Executive Director Candidate Nominating Committee to be referred to when deciding on their re-appointment. In addition, the performance of the Board is independently evaluated by Korea Corporate Governance Service (KCGS)* every year. As a result of 2017 assessments, KB received an overall grade of "A" for governance sector. Remuneration and severance pay for non-executive directors are decided at the general meeting of shareholders and detailed information is shared via the website of KB Financial Group.

* KCGS

Korea Corporate Governance Service is an independent non-profit organization established to improve corporate governance of Korean companies by promoting best practices and evaluating corporate governance of listed companies in Korea.

Ethical Management

Ethical Management System

The KB Financial Group's Charter of Ethics was established and declared in January 2010 as a Group-wide credo. In January 2016, the KB Financial Group's Code of Conduct reflecting the key ethical values and standards of the Charter was established and applied to all subsidiaries to help our employees retain integrity and ethics across all business operations. Also, each subsidiary adopted Code of Practice, a set of ethical standards reflecting business-specific characteristics of each subsidiary, upon which each company can seek solutions for ethical conflicts that may arise from their business activities.

We have Internal Control Committee, a consultative body for the operation of our internal control system; Compliance Council consisting of compliance officers of the holding company and all subsidiaries; and the Working-Level Compliance Council consisting of compliance managers to promptly track and address key issues regarding ethical management and internal control. We will continuously strive to nurture sound and ethical management practices by upgrading relevant systems and proactively monitoring any updates in pertinent laws and regulations.

Internal Control System

We have diverse compliance programs such as preliminary review of compliance in important tasks, activities to prevent suspicious transactions, reinforcement of management and monitoring of each department's "Compliance Checklist," education for compliance staff of each department, etc. aimed at promoting ethical management practices and preventing legal sanctions, financial losses, and reputational damage due to the violation of laws. The operation of such compliance monitoring programs significantly contributes to helping employees take precautions and improve their awareness on the importance of ethical management practices and sound internal control. We have reported the results of yearly inspections on each subsidiary's internal control to the Board of Directors since 2016 pursuant to the Act on Corporate Governance of Financial Companies. Furthermore, we hold Internal Control Committee, Compliance Council, and Legal Affairs Council meetings on a regular basis to readily share and address the Group's compliance and legal affairs issues. We updated our internal policies to ensure the independence of compliance officers and set detailed standards for mandatory leave and the internal reporting system as specified in pertinent laws such as the Act on Corporate Governance of Financial Companies and have put them into operation.



**KB Kookmin Bank
Ranking 1st in the Comprehensive
Anti-Money Laundering Performance
Evaluation for Seven Consecutive
Years.**

KB Kookmin Bank was recognized for its efforts to reinforce awareness on anti-money laundering and improve its capabilities to implement necessary measures and ranked 1st for seven consecutive years among local financial institutions in the Comprehensive Anti-Money Laundering Performance Evaluation.



**2017 Prime Minister's Commendation
Awarded to KB Securities and KB
Insurance**

Prime Minister's commendation was awarded to KB Insurance for the establishment of anti-money laundering system and KB Securities for the reinforcement of its anti-money laundering and management system for overseas branches.

Whistleblowing System

KB Financial Group has in place a whistleblowing system to prevent the possibility of violation of internal control standards and prevent accidents from further spreading. In 2015, an independent whistleblowing channel was set up enabling internal reporting through our website and mobile apps with ease. Furthermore, we have established a hot line for employees to directly contact Group's Compliance Officer through his personal contact number, Viber, and Telegram to protect whistleblower's confidentiality.

Anti-Money Laundering

Many countries have stepped up their management and monitoring for compliance with their money laundering prevention requirements. As such, we established a Group-wide consultative body to discuss material issues on anti-money laundering and conducted on-site inspections on overseas branches of KB Kookmin Bank, KB Securities, and KB Insurance. In order to determine whether the identification of UBOs (ultimate beneficial owners) is being carried out faithfully pursuant to pertinent laws, an all-out inspection was conducted on all subsidiaries and deficiencies were corrected accordingly. We reflect the outcome of the anti-money laundering performance evaluation by the Korea Financial Intelligence Unit as an indicator in the assessment of compliance officers of our subsidiaries to ensure the effectiveness of our anti-money laundering activities.

KB Kookmin Bank established a unit dedicated to money laundering prevention (Anti-Money Laundering Office) in 2017 for the first time in the industry and launched various programs to take a Risk-Based Approach (RBA) and ensure an independent and thorough anti-money laundering activities. The Bank has successfully mitigated the risks of money laundering by reporting issues to the Board of Directors and management in a prompt manner, regularly conducting RBA-applied money laundering risk evaluations, and executing on-site inspections of its overseas branches. The Bank has actively engaged in RBA-applied monitoring and management activities such as conducting regular inspection on Suspicious Transaction Report and have improved our employees' awareness of and abilities to perform anti-money laundering practices through systematic and differentiated education. KB Insurance upgraded its anti-money laundering mechanism and established a new RBA-based money laundering prevention system. KB Insurance also conducted an inspection of internal control and anti-money laundering on overseas departments in 2017 and reported the outcome and improvement points to the management. Countermeasures have been implemented and are monitored regularly.

Integrated Risk Management

Risk Management Function and Process

The Risk Management Committee under the Board of Directors develops risk management policies, determines risk-taking levels, sets risk limits, and monitors the effectiveness of risk management policies and systems. The Risk Management Council, consisting of risk management officers from the holding company and its subsidiaries, discusses details of risk management policies and their implementation. In 2016, pursuant to the Act on Corporate Governance of Financial Companies, the Board appointed qualified risk managers with a guaranteed term of office of two years at minimum to improve risk governance.

Integrated Risk Management System

A Group-wide integrated risk management system is critically needed to preemptively respond to diverse risk factors stemming from the rapidly changing business environment and efficiently manage capital. In 2017, we reinforced our risk management system to better deal with domestic and international risk factors such as soaring household debt and North Korea's nuclear provocations and to promote a balanced growth of the Group's portfolio. In addition, we designated reinforced management of heavy debtors to prevent household insolvency, the reinforced management of issues regarding corporate restructuring and marginal firms in advance, and improvement of the bond portfolio management system as the key risk management tasks and took measures accordingly. As KB Financial Group, which originally centered on the banking and credit card businesses, has evolved into a comprehensive financial group encompassing the securities and insurance businesses as well, we have focused on developing an integrated, Group-wide risk management system to deal with the latest changes in a preemptive manner and to keep pace with our rapidly diversifying business portfolio.

Advancement of Risk Management System

We adopted KB Kookmin Bank's corporate credit rating model as the Group-wide corporate credit rating model to meet the government's requirements and improve the credit rating system of the Group's eight non-banking subsidiaries. Through this move, our ability to screen good assets has been improved and our ability to manage loans has also evolved based on our systematic prior/ex post facto management. KB Securities improved its market risk management system to reinforce its advance risk management following of the launch of various products and strengthened its OTC derivative risk analysis and risk control for new products. KB Insurance improved its market risk measuring system to prepare for the introduction of Own Risk and Solvency Assessment (ORSA) in 2018 and expects it to lead to the expansion of risk measuring targets and the enhancement of the internal model and exchange risk management.

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Major Areas of Risk Management

We have defined different types of risks we are managing at the Group level and conducted Group-wide risk management activities based on our risk policies and exposure limits, pertinent systems and processes, asset quality management system, and responses to regulations. In 2017, we focused on managing heavy debtors to prevent household insolvency, reinforcing preemptive management of issues regarding corporate restructuring and marginal firms, and establishing and implementing the Group-wide real estate financing risk management system.

Credit risk	Risk of loss incurred in an asset portfolio due to the counterparty's failure to perform obligations or fulfill a contract or due to a downgraded credit rating
Market risk	Risk of loss from trading positions mainly due to fluctuating market drivers such as interest rates, exchange rates and stock prices
Interest rate risk	Risk of a decrease in the net asset value or net interest income (NII) caused by adverse fluctuations in market interest rates
Liquidity risk	Risk of loss arising from the discrepancy between available cash and debt obligations, unexpected cash outflows, etc. and from funding at high interest rates and unfavorable disposal of assets to overcome the shortage of funds
Operational risk	Risk of loss incurred by inappropriate or defective internal procedures, staff, and systems or by external factors
Sustainability risk	Risk incurred due to climate change, environmental, social issues, and other ESG issues

Emerging Risk Management

We have defined emerging risk as risk that arises from economic, environmental, and social changes and that can significantly impact our business activities in the long term. We take various preemptive measures to mitigate and manage emerging risks. We have identified "demographic shifts caused by the declining birth rate and aging population" and "changes in business practices brought forth by digital finance innovation" as material emerging risks.

Emerging Risk	Description	Impact on Business	Mitigating Activities
Demographic shifts due to the declining birth rate and aging population	Demographic shifts due to an aging population, etc. is expected to lead to a decrease in savings rates and household income, especially as aging debtors stop engaging in economic activities and thereby cause a deterioration in asset quality.	Analysis of the asset quality of debtors of household credit loans shows that asset quality is in inverse proportion to age.	Debtors in our loan portfolio are expected to enter the age groups that are highly likely to experience a decline in income, which could ultimately lead to a deterioration in asset quality. As such, we are focusing on enhancing our risk management process in a preemptive manner by upgrading our credit requirements to take into consideration debtors' income level and debt repayment ability by life stage.
Changes in business practices brought forth by digital finance innovation	The innovation of digital finance provides financial institutions with new growth opportunities. However, failure to keep abreast with new technologies and financial innovation could compromise competitiveness, while new technologies and innovations are expected to create risk risks in terms of information technology, information leakage, financial fraud, etc.	The innovation of digital finance and new technologies are affecting the entire value chain of the traditional financial industry. Digital finance is fundamentally changing how we operate and is creating new business models, products, and services.	We are proactively analyzing potential risks that may stem from digital finance innovation and developing countermeasures for those identified risks to reinforce preemptive risk management. Simultaneously, we are taking full advantage of new technologies such as Big Data and machine learning.

Human Rights Management

Our Commitment to Human Rights

KB Financial Group supports universal values of human rights beyond ideologies, political, religious, and cultural backgrounds presented in the “Universal Declaration of Human Rights” and “UN Framework and Guiding Principles on Business and Human Rights” and actively taking into account such human rights principles when serving customers, making investments, managing human resources, building business relations with suppliers and partner companies in all of our business activities. To that end, we have declared KB Financial Group Statement on Human Rights. Following our statement on Human Rights, we are prohibiting any discrimination against gender, age, race, disability, religion, political orientation, and place of origin throughout our human resources management process including recruiting, evaluation, compensation, and training, and we respect diversity of employees. We also prohibit child labor and forced labor, and complies with the labor standards on healthcare, safety, and working hours recommended by the International Labor Organization (ILO) and ratified by the Korean government. The principles and policies on human rights are applied to all stakeholders that KB can exert its influence on including employees and business partners. The principles and policies are applied across the Group in a consistent manner while specific human rights situations pursuant to individual subsidiaries are addressed by the respective subsidiaries.

KB Financial Group Statement on Human Rights

At KB Financial Group we seek to grow together with our stakeholders through ethical management and meet social expectation and demand; and believe that such effort will contribute to improving its corporate image which, in turn, will lead to stronger customer loyalty, help create intangible asset value, and ultimately transform into a cornerstone of business competitiveness. Accordingly, we are committed to coexist with our customers, employees, shareholders and investors, business partners and local communities and respect the basic rights of all stakeholders.

We support the human rights principles proclaimed by the United Nations Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Right and considers such human rights principles in all of our business activities including serving customers, making investment, managing human resources, building business partnerships.

KB Financial Group:

- Prohibits discrimination based on gender, age, race, disability, religion, political orientation, or place of origin in hiring, performance evaluation, compensation, education of employees and other human resources management areas; and respects diversity.
- Bans child labor or forced labor and complies with all labor rules related to health, work safety, work hours, recommended by the International Labor Organization and ratified by the Korean government.
- Recognizes customer satisfaction as the first and foremost of value to us and forbids discrimination of any form based on gender, age, religion, disability, religion, political orientation or place of origin.
- Keeps personal information to a minimum level required by law and makes sure to have in place necessary systems and procedures to protect customer information.
- Respects human rights in all business activities including provision of financial products and services, and deciding investment and transaction deals.

Our Salient Human Rights Issues

According to the UN Guiding Principles Framework, salient human rights issues refer to those human rights that are at risk of the most severe negative impact through a company's activities or business relationships. We have identified the following three topics as our salient human rights issues.

1. Prohibition of Discrimination against Customers
2. Human Rights Protection for Employees
3. Human Rights Protection for Employees of Our Partners

Prohibition of Discrimination against Customers

We ban any discrimination against customers on the basis of gender, age, ethnicity, disability, religion, political orientation, and place of origin. Based on Best Practices in Loan Management, we strive to eliminate discrimination against customers in the course of recommending and providing loan products and services and do our best to readily rectify and relieve damage if any discriminatory act is deemed to have been committed. We also adhere to legitimate procedures for credit collection for default loans.

We continuously strive to improve the reach and accessibility of financial services for marginalized groups, such as people with disabilities and migrant workers. We provide microfinance and loan products with low interest rates for those who have limited access to the services of mainstream financial institutions due to low income and poor credit.

Human Rights Protection for our Employees

We recognize that our employees are our greatest asset and focus on creating a healthy working environment to ensure their work-life balance, dignity, and safety. We run diverse grievance settlement programs, such as the offline Grievance Center and e-Shinmungo (online grievance reporting system) and counseling center for sexual harassment, to help our employees report grievances easily and to promptly respond to their grievances.

Human Rights Protection for Employees of our Partners

We make sure that the rights of all employees of our suppliers, including call center employees and security guards, are protected and respected.

As call center employees are often exposed to verbal abuse and sexual harassment, we developed an employees' guide to help them address these issues and safeguard themselves against abusive consumers. We also aggressively take legal action on any human rights violations detected. To relieve call center employees' emotional stress, we provide counseling, operate morale-boosting programs, and take measures to create a safer working environment.

We recognize the need to create a respectful working environment for our security guards. To this end, we inspect their working conditions on a regular basis, identify their difficulties, and take actions to remedy problems and boost their morale.





Performance Data

We respect various stakeholders such as customers, employees, and communities and strive to reflect their opinion. Our efforts to establish a foundation for mutual growth with stakeholders are presented in the form of performance data. We will continue to expand our corporate responsibility as financial companies and contribute to the wellbeing of humanity by fulfilling our social responsibility as a global corporate citizen.

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Customers

Customer Satisfaction

		2015	2016	2017
KB Kookmin Bank	NCSI ¹ Rank	1	1	1
KB Insurance	NCSI ¹ Rank	2	2	2
KB Kookmin Card	NCSI ¹ Rank	3	3	5
	KCSI (Credit Card) ² Rank	3	3	3
	KCSI (Debit Card) ² Rank	1	1	1
	KS-SQI (Credit Card) ³ Rank	3	3	3
	KS-SQI (Debit Card) ³ Rank	1	1	1

1. NCSI refers to National Customer satisfaction Index by Korea Productivity Center

2. KCSI refers to Korean Customer Satisfaction Index by Korea Management Registration Consulting

3. KS-SQI refers to Korean Standard Service Quality Index by Korean Standards Association

Customers Using Online Banking Services

	2015	2016	2017
Customers subscribing for online banking services (%)	68.5	70.1	72.6
Active users of online banking services (%)	34.7	35.3	36.2

Customer Accessibility

	2015	2016	2017
Universal counters (#)	587	666	682
ATMs with zoom-in screen features for visually impaired ¹ (#)	9,079	8,479	7,988
Braille and audio guidance ATMs (#)	6,353	7,679	7,915
Wheelchair accessible ATMs (#)	3,479	5,035	5,742

1. All ATMs have zoom-in screen features.

Community

Charitable Contributions and Volunteering Hours

	2015	2016	2017	2020 Target
Charitable contributions (₩100m)	479	398	552	2,000
Total employee volunteering hours	383,780	372,860	296,824	-
Average volunteering activity hours per employee	14.1	12.4	10.6	11
Monetary value of employee volunteering during daily working hours ¹ (₩100m)	-	40	40	-
Management overhead ¹ (₩100m)	-	22.9	28.3	-
Political contributions ²	-	-	-	-

1. Calculated from 2016

2. In Korea, businesses are prohibited from making political contributions by the Political Funds Act.

KB Financial Group prohibits political contributions to organizations based on our internal policy on charitable contributions.

Community Contributions for Youth

	2015	2016	2017
Recipients of 「Youth Mentor, KB!」 scholarship ¹	-	400	500
「Youth Mentor, KB!」 scholarship amount ¹ (₩100m)	-	8	10
Recipients of KB Foundation scholarship	274	265	260
KB Foundations scholarship amount (₩100m)	5	5	5
KB Hope Camp participants	120	120	100
KB Youth Music College beneficiaries	113	114	114

1. Started from 2016

Community Contributions for Multicultural Community

	2015	2016	2017
Beneficiaries of KB Korean Language Class in Myanmar	215	397	514
Beneficiaries of medical support for migrant workers	1,028	2,059	1,734
RaonAtti Volunteers	40	20	20

Financial Education

	2015	2016	2017
Recipients of Financial education (offline)	147,413	262,842	178,480
Recipients of Financial education (online)	45,136	12,372	12,207
Recipients of Financial education (mobile web) ¹	-	-	12,942
Total	192,549	275,214	203,629

1. Mobile web launched in 2017

Job Creation through KB GoodJob

	2015	2016	2017
Individual members of KB GoodJob website (cumulative)	47,975	50,997	52,127
KB GoodJob Academy participants	455	257	380
KB GoodJob School participants ¹	-	192	195
People employed through KB GoodJob Fair (cumulative)	6,008	6,555	7,092

1. KB GoodJob School was launched in 2016

Financial Support for SMEs and Small Businesses

	2016	2017
Contributions to local credit guarantee foundations ¹ (₩100m)	150	160
Amount of loan guaranteed and specially financed by local guarantee foundations ² (₩100m)	1,889	1,813

1. Includes contribution to Korea Federation of Credit Guarantee Foundations

2. As of the end of 2017

Consulting Assistance for SMEs and Small Businesses

	2015	2016	2017
KB Wise Consulting services offered (#)	184	177	240
KB SoHo Business Incubating Consulting services offered ¹ (#)	-	169	591

1. Started in 2016

Supply Chain

	2015	2016	2017
Business partners self-assessed for supply chain sustainability	153	179	148
Business partner satisfaction level ¹	99.2	98.4	-

1. Satisfaction survey not conducted in 2017

Performance Data

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Loans for the Underprivileged (₩100m)

	2015	2016	2017
KB Miso Microfinance	1,035	1,212	1,394
KB New Hope Spore II	6,727	8,112	9,620
KB Happy Dream Loan II	5	5	4
KB Change Dream Loan	801	567	399
KB College Student and Youth Sunshine Loan	230	301	361
KB Stepping Stone Loan	1	1	2
Assistance for People with Disabilities Loan	157	130	101
KB Sunshine Loan	535	854	1,586
KB "Sah-it-dol" Middle Interest Rate Loan ¹	-	463	796
KB "Sah-it-dol" 2 Loan ¹	-	64	263
Total	9,491	11,709	14,526

1. Launched in 2016

Deposits for the Underprivileged (₩100m)

	2015	2016	2017
KB National Pension Assurance Bank Account	83	138	225
KB Kookmin Hope Keeper Bank Account	43	58	60
KB Happiness Keeper Bank Account	34	51	70
KB Teachers Pension Lifetime Assurance Bank Account	7	12	15
KB Kookmin Happiness Installment Savings Plan	656	741	783
KB Love Sharing Installment Savings Plan	1,215	2,092	1,999
KB Patriotic War Veterans Keeper Assurance Bank Account	-	7	16
KB Kookmin Government Employee Pension Lifetime Assurance Bank Account	-	8	16
KB Junior Life Installment Savings Plan	6,540	6,881	6,807
KB Miso Dream Installment Savings Plan	1	7	13
KB Kookmin Property Formation Savings ¹	13,564	20,635	26,750
KB Kookmin Fixed Rate Property Formation Savings ¹	459	1,069	1,634
Family Love Freedom Installment Savings Plan ¹	3,313	736	220
Total	25,915	32,435	38,608

1. Sales discontinued

Environment

EMS Certification

KB Financial Group collects and manages the environmental data of all subsidiaries, and achieved the ISO14001 certification to promote systematic environmental management according to international standards. The certified subsidiaries, including KB Kookmin Bank, KB Insurance, KB Kookmin Card, and KB Capital, have a huge environmental impact in terms of the number of employees and of branches, and account for 95% of the Group.

	2014	2015	2016	2017	2020 Target
EMS Certification(ISO14001) coverage	83.2	70.5	95.1	95.1	98

Scope 1 & Scope 2 GHG Emissions

	2014	2015	2016	2017	2020 Target	
GHG emissions (tCO ₂ e)	Scope 1 emissions	18,617	20,806	21,513	19,179	18,800
	Scope 2 emissions	110,080	116,908	122,536	112,322	106,200
	Total GHG emission	128,697	137,714	144,050	131,501	125,000

Energy Consumption

	2014	2015	2016	2017	2020 Target
Energy consumption (MWh)	238,312	253,030	262,839	240,932	230,000
New and renewable energy consumption (kWh)	217,097	190,060	165,133	174,338	198,160

Water Consumption

	2014	2015	2016	2017	2020 Target
Water consumption (m ³)	260,211	290,118	299,777	277,454	265,000
GHG emissions (tCO ₂ e)	172	191	198	183	175

Paper Consumption

	2014	2015	2016	2017	2020 Target
Paper consumption (ton)	1,854	2,080	2,213	2,033	1,800
GHG emissions (tCO ₂ e)	2,706	2,329	2,478	2,277	2,016

Waste

	2014	2015	2016	2017	2020 Target
Waste to landfill (ton)	1,904	2,059	2,194	1,930	1,900
GHG emissions (tCO ₂ e)	647	700	746	656	646

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Business Travel

		2014	2015	2016	2017	2020 Target
Business Travel ¹ (km)	Air	9,181,589	9,707,570	11,380,566	10,549,840	10,242,510
	Train	3,295,183	4,052,696	3,510,106	3,044,580	2,950,000
	Bus	387,401	720,660	583,933	447,632	430,000
	Total travel distance	12,864,173	14,480,926	15,474,605	14,042,053	13,622,510
GHG Emissions (tCO ₂ e)	Air	1,377	1,456	1,707	1,582	1,536
	Train	99	122	105	91	89
	Bus	11	20	16	12	12
	Total GHG emissions	1,487	1,598	1,829	1,686	1,637

1. When calculating the total distance of business travel, motor vehicle is excluded since it is reflected in the Scope 1 mobile combustion.

Capital Goods and Purchased Goods

			2017
Capital goods	Desktop	Ea	613
		tCO ₂ e	20
	Laptop	Ea	332
		tCO ₂ e	6
	Monitor	Ea	345
		tCO ₂ e	5
Multifunction Printer	Ea	1,284	
	tCO ₂ e	509	
Purchased goods	Bankbook	Kg	302,341
		tCO ₂ e	339
	Credit Card	Kg	72,027
		tCO ₂ e	97

Usage and Disposal of Goods Sold

			2017
Usage of Goods Sold	e-banking	GHG emissions (tCO ₂ e)	5,058
		Kg	81,909
Disposal of Goods Sold	Accounts terminated	GHG emissions (tCO ₂ e)	10
		Kg	60,141
	Cards terminated	GHG emissions (tCO ₂ e)	141

Green Loans (₩100m)

	2016	2017
KB Green Growth Loan	8,674	9,090
KB Solar Biz Loan ¹	1,091	1,053
KB Green Eco Loan ¹	5	4
Preferential Loans for Photovoltaic Power Plant Businesses ²	-	8
Green Remodeling Agreement Loan ²	-	-
Energy Usage Rationalization Fund Loan	3,777	3,667
Recycle Industry Growth Fund/Natural Gas Supply Facility Installation Fund	349	404
Specific Material Usage Rationalization Fund	7	6
Environmental Industry Growth Fund/Environmental Improvement Fund	241	255
Total ³	14,144	14,486

1. Sales discontinued

2. Launched in 2017

3. The sum may not equal the total due to rounding.

Green Funds (₩100m)

	2016	2017	
Investing in overseas new and renewable companies or funds	KB Japan Photovoltaic PE Special Assets Investment Trust	1,069	917
	KB Mission Solar PE Special Assets Investment Trust No.1 ¹	639	-
	KB Europe New and Renewable Energy Customized Investment PE Special Assets Investment Trust	46	73
	KB Global New and Renewable Energy Customized Investment PE Special Assets Investment Trust	140	86
	KB Saudi SEPCO II Customized Investment PE Special Assets Trust	-	74
	Sub-total	1,894	1,151
Investing in local new and renewable companies or funds	KB New and Renewable Energy PE Special Assets Investment Trust	539	473
	KB RPS Focus PE Special Assets Investment Trust	1,705	1,439
	KB RPS Focus PE Special Assets Investment Trust No.2	313	304
	KB Solar Energy PE Special Assets Investment Trust	367	212
	KB Solar Energy PE Special Assets Investment Trust No.2	1,027	563
	KB Solar Energy Customized Investment PE Special Assets Investment Trust No.3	197	369
	KB Seoul Sunshine Power Plant PE Special Assets Fund	83	83
	KB Renewable Customized Investment PE Special Assets Investment Trust No.1	45	259
	KB RPS Focus PE Special Assets Investment Trust No.3	-	316
	KB Gunsan Floating PV Customized Investment PE Special Assets Trust	-	57
	Sub-total	4,276	4,075
Investing in sewer rehabilitation BTL projects	KB Korean Peninsula BTL PE Special Assets Trust No. 1	2,510	2,378
	KB National Land Love PE Special Assets Trust No. 1	2,382	2,279
	KB Hope Sharing PE Special Assets Trust	433	419
	KB Yeongnam Area Love PE Special Assets Trust	24	39
	KB Gangneung Sewer Rehabilitation PE Special Assets Trust	175	163
	Sub-total	5,524	5,278
Investing in environmental facility enterprises or assets	KB Pohang Wastewater Reuse Plant PE Special Assets Trust	625	613
	KB Agricultural Wastewater Treatment Plant PE Special Assets Trust	403	403
	KB Green Infrastructure PE Special Assets Trust	343	338
	KB Gwangju SRF PE Special Assets Trust	267	261
	Sub-total	1,638	1,615
Total ²	13,332	12,119	

1. Redemption of the fund made in 2017

2. The sum may not equal the total due to rounding.

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Other Green products (₩100m)

		2016	2017
Deposit offering benefits to green enterprises	Special Installment Savings Plan for Business Clients	3,771	2,984
Savings and deposit bank accounts promoting the use of public transportation	KB My Way Installment Savings Plan	5,311	10,093
	KB My Way Freelancer Bank Account	8	35
	KB Military Hope Preparation Installment Savings Plan	983	1,804
	Luxury Women Total Bank Account ¹	11,490	12,036
	KB 1 conomy Smart Installment Savings Plan ²	-	1,212
	KB 1 conomy Officetel Rental Deposits Loan ²	-	160
Insurance policies promoting the use of public transportation and green vehicles	Mileage Discount Rider ³	2,382	3,840
	Public Transportation Discount Rider ³	44	151
	Weekly No-Driving Day Rider ³	0.2	0.1
	Electric Vehicle Insurance	5	12
	KB Citizen Bicycle Insurance	90	117
Preferential rate applied for electronic, compact or hybrid motor vehicle purchases	KB Magic Car Loan (Second hand car)	87	502
	KB Magic Car Loan (Second hand car refinancing)	3	190
	KB Magic Car Loan (New car)	422	1,331
	KB Magic Car Loan (New car refinancing)	8	944
Natural disaster compensation insurance policy	Storm and Flood Insurance	118	164
Total⁴		24,722	35,576

1. Sales discontinued

2. Launched in 2017

3. Riders of KB Insurance's Auto Insurance Products

4. The sum may not equal the total due to rounding.

Green Card (#)

		2016	2017
KB Kookmin Green Card ¹		128,182	139,767
KB Kookmin Green Company Card ¹		4,492	1,794
Total		132,674	141,561

1. Valid debit and credit cards at the end of the year

Investments in New and Renewable Energy Sector (₩100m)

		2016	2017
Solar Power	Hanwha Solar PV Generation No.3 Fund	400	400
	KIAMCO Japan Solar PV Fund	500	500
	Samsung OCI Solar PV Project Fund ¹	-	500
	Heungkuk Solar PV ESS Project Fund ¹	-	300
	Samsung America Solar PV Project Fund ¹	-	170
	Kyobo Axa Solar PV ESS Project Fund ¹	-	300
	Hana America Solar PV Project Fund ¹	-	183.5
	Sub-total	900	2,353.5
Wind Power	Yeongam Wind Power Generation Project	271	253.1
	Geochang Wind Power Generation Project Refinancing	98.3	98.3
	Shinkwang Wind Power Generation Project PF (Pohang Shinkwang Wind Power Generation Project) ¹	-	100
	Yeonggwang Baeksu Wind Power Generation PF ¹	-	272.7
	North Gyeongsang Province Yeongyang Wind Power Generation	250	250
	Hyundai Peru Wind Power Generation Fund	220	220
	JB Yeongyang Wind Power Generation Fund	317	317
	GS Yeongyang Wind Power Generation linked ESS Project	50	50
	Gyeongju Wind Power Generation Refinancing	156	156
	KIAMCO Uljin Wind Power Generation Fund	300	300
Sub-total	1,662.3	2,017.1	
Others	Gyeongju Environmental Energy Center Private Investment Project	134.5	123.7
	Busan Metropolitan City Waste Treatment & Power Generation Facility	45.5	36
	Daegu Metropolitan City Waste-to-Energy Plant (SRF) Private Investment Project	226.2	226.2
	Daejeon Metropolitan City Environmental Energy Complex Town Construction Private Investment Project ¹	-	90.8
	Seokmun National Industrial Complex Collective Energy Project Refinancing ¹	-	351
	JB Clean Energy PE Special Assets Trust No. 1	69.9	-
	Busan Fuel Cell Generation	250	250
	Sub-total	726.3	1,077.7
Total²	3,288.6	5,448.3	

1. Started investing from 2017

2. The sum may not equal the total due to rounding.

Performance Data

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Employees

Employees by Gender

	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	15,158	13,594	28,752	16,530	14,226	30,756	15,620	12,867	28,487

Employees by Status and Rank

		2015	2016	2017
Status	Executives	149	192	208
	Full time ¹	26,265	27,545	25,508
	Temporary	2,338	3,019	2,771
Rank ²	Section Chief-General Manager (L2 and above)	14,248	15,503	14,840
	Associate-Assistant	14,355	15,061	13,439

1. Unlimited contract is included in full time worker

2. Including both full time temporary employees

Diversity (Social minorities)

	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Children of veterans	501	152	653	532	181	713	493	182	675
Employees with disabilities	273	56	329	285	80	365	279	100	379
Expats	38	41	79	46	47	93	74	87	161
High school graduates ¹	9	61	70	11	59	70	3	45	48
Career-interrupted women ¹	-	300	300	-	146	146	-	218	218

1. Based on KB Kookmin Bank data

Childcare Leave

	2015			2016			2017		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees accessing childcare leave	73	1,250	1,323	68	1,238	1,306	62	769	831
Returnees from childcare leave	56	952	1,008	43	780	823	28	400	428

Labor Practices

	2015	2016	2017
Employees covered under labor union ¹ (%)	79.1	75.8	79.2
Employee grievances resolved (#)	553	480	596
Employee satisfaction level ²	71.0	71.5	84.5

1. Based on KB Kookmin Bank data

2. Changed survey methodology from 2017

Absenteeism

	2016	2017
Work-related injuries	8	7
Absentee days	53	115
Absentee rate ¹	0.0007	0.0016

1. 2016 absentee rate is restated due to error in absentee days

Training

	2015	2016	2017
Average training hours per employee	152	154	167
Average training expense per employee (₩10,000)	119	124	142

Ethical Management

	2015	2016	2017
Average ethics education hours per employee	7.5	8.5	8.5
Whistle blowing (#)	7	5	2
Breaches of Code of Conduct and Code of Ethics ¹ (#)	Graft	0	0
	Violation of internal control measures	47	29
	Violation of privacy and human rights	0	0
	Sub-total	47	29
Follow-up measures taken ¹ (#)	Salary reduction	0	14
	Reprimand	0	0
	Others	33	23
	Sub-total	33	37

1. The number of the breaches and the follow-up measures do not correspond for the following reasons: some of the reports were made anonymously presumably by the same person; the alleged report target was unspecified and no specific violation was found; or follow-up measures were taken on the year following the year of report or violation.

Performance Data

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Financials

Financial Performance (₩trillion)

		2015	2016	2017
Total assets		329	376	437
Operating revenue		22.2	25.4	39.2
Net income		1.7	2.1	3.3
Credit Rating ¹	Moody's	A1	A1	A1
	Standard & Poor's	A	A+	A+

1. The credit rating is based on KB Kookmin Bank's long-term credit rating, and other financial information is consolidated data of the Group

Economic Value Distribution (₩100m)

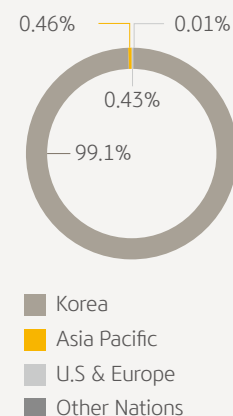
		2015	2016	2017
Customers	Interest on deposit	30,354	24,766	23,459
Shareholders and investors	Dividend	3,786	4,980	7,667
Employees	Pay and benefits	31,263	37,756	37,686
Community	Charitable contribution	479	398	552
Government	Corporate tax	4,374	4,385	7,950
Total		70,256	72,284	77,314

* Consolidated data of the Group

Taxation (₩100m)

Since most of KB Financial Group's revenue is generated in Korea, most of our taxes and dues occur domestically with a minimal amount paid outside Korea including China and the U.S.

	2017				Total taxes and dues	Tax and dues by region (%)
	Operating revenue	Operating income	Taxes taxation ²	Corporate tax ²		
Korea	388,220	39,318	1,726	7,883	9,609	99.1
China	1,543	347	7	9	16	0.17
U.S.	1,469	42	5	18	23	0.24
Indonesia	193	11	1	2	3	0.03
Luxembourg	176	145	-	1	0.9	0.01
Other nations ¹	162	-3	0.3	0.3	0.7	0.01
U.K.	159	72	1	7	8	0.08
New Zealand	134	59	0	10	11	0.10
Cambodia	83	70	5	8	13	0.13
Vietnam	77	55	1	10	11	0.11
Japan	76	44	1	0.7	2	0.02
Total	392,292	40,160	1,747	7,950	9,697	100



1. Panama, Singapore, etc.

2. K-IFRS accrual basis



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GRI Index

Universal Standards (GRI 100)

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	305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	66	7, 13
	305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	66, 67	7, 13
	305-5	Reduction of GHG emissions	66, 67	7, 13
Effluents and Waste	306-2	Waste by type and disposal method	66, 67	7, 13

Social Performance (GRI 400)

	Indicator	Description	Page	SDGs
Employment	401-1	New employee hires and employee turnover	71	8
	401-3	Childcare leave	71	
Occupational Health and Safety	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	72	
Training and Education	404-1	Average hours of training per year per employee	72	4
	404-2	Programs implemented to upgrade employee skills and assist transition	45~46	4
Diversity and Equal Opportunity	405-1	Governance bodies and employee	52, 71	5
Human Rights Assessment	412-2	Employee training regarding operations related human rights policies or procedures	58, 72	4
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	58, 59	12
Local Communities	413-1	Percentage of local community engagement, impact assessments, and development programs	63, 64	
Marketing and Labeling	417-3	Non-compliance with regulations concerning marketing communications	N/A	
Customer Privacy	418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	N/A	
Compliance	419-1	Non-compliance with social and economic laws and regulations	N/A	

Product Responsibility (FSS, Financial Service Sector Supplement)

	Indicator	Description	Page	SDGs
Product Portfolio	MA	Policy for fair design and sales on financial product and service	18	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	64, 65	12
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	68~70	12, 13
Local Communities	FS14	Initiatives to improve access to financial services for disadvantaged people	15, 62	9, 10

Third Party's Assurance Statement

To the Readers of KB Financial Group Sustainability Report 2017

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by KB Financial Group to verify the contents of its 2017 Sustainability Report (hereinafter "the Report"). KB Financial Group is responsible for the collection and presentation of information included in the Report. KMR'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 corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR's assurance team(hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
 - Management Approach
 - Economic Performance: 201-1, 201-2
 - Indirect Economic Impacts: 203-1, 203-2
 - Anti-Corruption: 205-2, 205-3
 - Energy: 302-1
 - Water: 303-1
 - Emissions: 305-1, 305-2, 305-3, 305-5
 - Effluents and Waste: 306-2
 - Employment: 401-1, 401-3
 - Occupational Health and Safety: 403-2
 - Training and Education: 404-1, 404-2
 - Diversity and Equal Opportunity: 405-1
 - Human Rights Assessment: 412-2, 412-3
 - Local Communities: 413-1
 - Marketing and Labeling: 417-3
 - Customer Privacy: 418-1
 - Socioeconomic Compliance: 419-1
- Financial Services Sector Disclosures:
 - Portfolio: MA, FS7, FS8
 - Local Communities: FS14

This Report excludes a data and information of suppliers, contractor etc. which is outside of the organization, i.e. KB Financial Group, in reporting boundaries. Also, we conducted additional reliability review of specific performance data (water usage, waste discharge, business travel distance, industrial accident data). Data of KB Financial Group and its twelve subsidiaries were examined. The review team had interviews with relevant staff and found evidentiary data to check achievements.

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

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 KB Financial 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 standards.

Recommendation for improvement

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

- KB Financial Group has been actively using the report as a main tool to communicate with and deliver sustainability achievements to stakeholders. KB's initiatives to internalize sustainability by ensuring transparency in corporate governance, ethical management and preemptive risk management were particularly notable in the report. The financial organization can consider sharing sustainability strategies with various stakeholders and reflecting this into the performance evaluation of internal stakeholders to lay a foundation for reinforcing global competitiveness.

Our Independence

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



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000-129

May 25th, 2018

Eun Ju Hwang

CEO of Korea Management Registrar Inc.

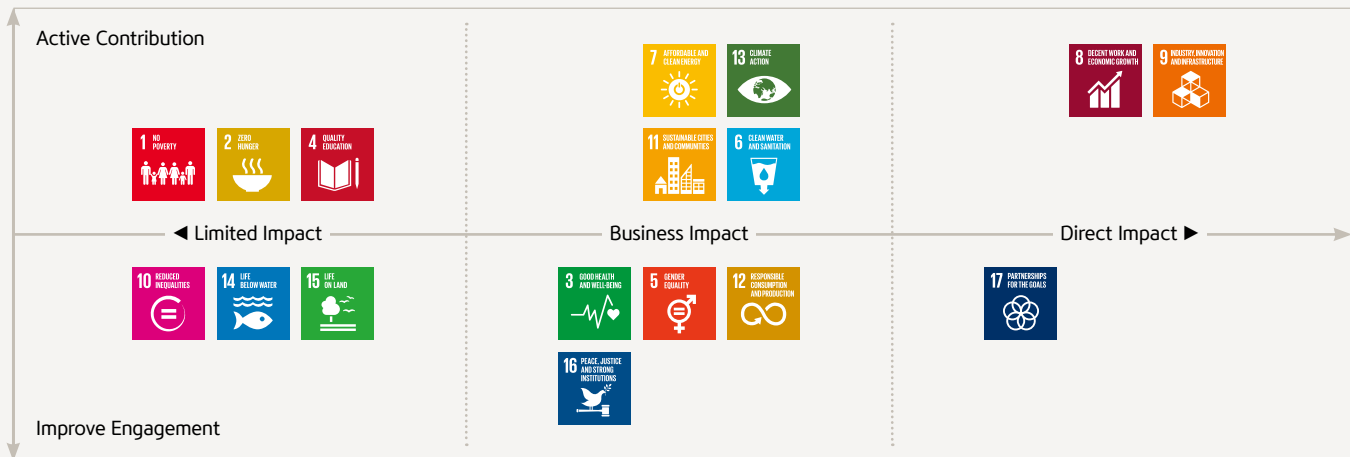
UN SDGs

SDGs Link

UN Sustainability Development Goals (SDGs) were signed by 193 heads of state in September 2015 and came into effect in order to address universal challenges facing mankind, protect the planet’s environment and resolve socio-economic problems. SDGs consist of 17 goals and 169 targets that the international society as a whole must achieve for 15 years from 2016 to 2030. KB Financial Group actively supports the SDGs and applies them as top priority when it comes to managerial decision making activities.

Correlation Analysis regarding the 17 SDGs

KB Financial Group reviews possible ways to link the SDGs with the Group’s strategy and reflects them in the mid-to-long term business activities prior to implementing the Group’s overall sustainability strategy. We also establish mid-to-long term roadmaps to actively identify and invest in fields directly impacting the society with positive improvement potentials, following a comprehensive analysis on social changes led by subsidiaries’ and group-wide management activities.



Goal Definition

- | | |
|---|---|
| <ul style="list-style-type: none">  1. End poverty in all its forms everywhere  2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture  3. Ensure healthy lives and promote well-being for all at all ages  4. Ensure quality education and promote lifelong learning opportunities for all  5. Achieve gender equality and empower all women and girls  6. Ensure sustainable management of water and sanitation for all  7. Ensure access to sustainable energy for all  8. Promote sustainable economic growth, full employment and decent work for all  9. Build resilient infrastructure, sustainable industrialization | <ul style="list-style-type: none">  10. Reduce inequality within and among countries  11. Make cities and human settlements inclusive, safe, and sustainable  12. Ensure sustainable consumption and production patterns  13. Take urgent action to combat climate change and its impacts  14. Conserve and sustainably use the oceans, seas and marine resources  15. Protect ecosystems and halt biodiversity loss (forests, desertification, land etc.)  16. Provide access to justice for all  17. Strengthen the means of implementation and revitalize the global partnership |
|---|---|

Associations and Principles

Associations

Korea Financial Investment Association	Korea Chamber of Commerce and Industry
Korea Life Insurance Association	General Insurance Association of Korea
The Credit Finance Association	Korea Federation of Savings Banks
The Federation of Korean Industries	Korea Federation of Banks
Korea Federation of SMEs	Korea Employers Federation
Korea Association of Real Estate Investment Trusts	Korea International Trade Association
Korean Venture Capital Association	International Swaps and Derivatives Association, Inc

* Contributions to trade associations: KRW 7.1 bil. in 2014, KRW 8.4 bil. in 2015, KRW 9.7 bil. in 2016, KRW 10.6 bil. in 2017 (Restatements made to data from 2014 to 2016)
 * Largest contribution in 2017: Korea Financial Investment Association (KRW 3 bil.), General Insurance Association of Korea (KRW 2.7 bil.), Korea Federation of Bank(KRW 2.6 bil.), Credit Finance Association (KRW 1.2 bil.), Korea Life Insurance Association (KRW 0.2 bil.)

UN Global Compact



We joined the UN Global Compact, a UN initiative aimed at encouraging businesses to adopt sustainable and socially responsible policies, in 2009 and pledged to faithfully comply with the Ten Principles of the UN Global Compact across the four focus areas of human rights, labour, environment, and anti-corruption.

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technology.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

2017 KB Financial Group Sustainability Report

You can download the PDF version of the Report from the KB Financial Group website.



 **KB Financial Group**

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