
LEADing to a Better World and Customer Happiness

Toward the Shared Goal
of Sustainability

KB Financial Group Annual Report 2019



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LEADing to a Better World and Customer Happiness

Toward the Shared Goal
of Sustainability

As Korea's leading financial group,
we are committed to maximizing customer
value and pursuing sustainable growth with
all of our shareholders.

In 2019, KB Financial Group solidified its position as a leading financial group taking another step forward in establishing a truly One-Firm KB framework by leveraging the organic collaboration among its 12 subsidiaries to deliver more convenient financial services and greater customer satisfaction from the customer-centric perspective.

In 2019, KB Financial Group's total assets posted a KRW 38.9 trillion YoY growth to KRW 518.5 trillion, and its net income amounted to KRW 3,311.8 billion, which made the group the first in the domestic financial industry to exceed the KRW 3 trillion mark in net income for three consecutive years. With more than 34 million customers that we serve at the group-wide level, we are further consolidating our position as Korea's leading financial group.

Looking to 2020, KB Financial Group will remain true to its mission of 'Financial Services Delivering Changes - Happier Life & Better World' in order to maximize customer value as their lifelong financial partner and establish its status as an unrivaled leading financial group. To this end, we set forth 'L.E.A.D. 2020' as our strategic cue to guide our business directions and will conduct business accordingly.

The following represents our initiatives to be undertaken in accordance with **L.E.A.D. 2020**

Level up the Core Level up KB Financial Group's core competitive edge

Expansion of the Territory Expand the territory of our business operations

Active & Creative KB Create an active and creative KB culture

Digital Innovation Customer-Centric Pursue customer-centric digital innovation

This will surely enable KB Financial Group to seek bold customer-centric innovation to solidify the basis for sustainable growth in 2020.

LEVEL UP THE CORE

KB Financial Group will ensure that each of its subsidiaries strengthens competitiveness in their core business areas with a focus on key subsidiaries of KB Kookmin Bank, KB Securities, KB Kookmin Card, and KB Insurance as a way to rebuild a robust and efficient business model and become as an unrivaled No.1 financial group with dominant market leadership.

KB KOOKMIN BANK

Reinforce business portfolio and innovate the cost structure

KB Kookmin Bank continues to strengthen its business portfolio by diversifying revenue sources and innovate its cost structure to secure solid earnings fundamental.

KB SECURITIES

Focus capabilities on key growth business areas

KB Securities will expand market dominance and enhance profitability in IB and WM business, strengthen its competitive edge, and innovate global investment services in order to reinforce future sustainable growth engines.

KB INSURANCE

Secure a 'Value-driven Management' with a focus on embedded value and value of new business

KB Insurance will continue to advance customer & value-driven management, and maximize synergy among its subsidiaries, financial planners, and channels through the strength of KB Financial Group's broad range of businesses.

KB KOOKMIN CARD

Diversify the revenue sources through new & global businesses

KB Kookmin Card will further fine-tune its products and services through new digital technology and expand its new overseas business opportunities to diversify revenue sources.

Number of
KB Financial Group
Customers

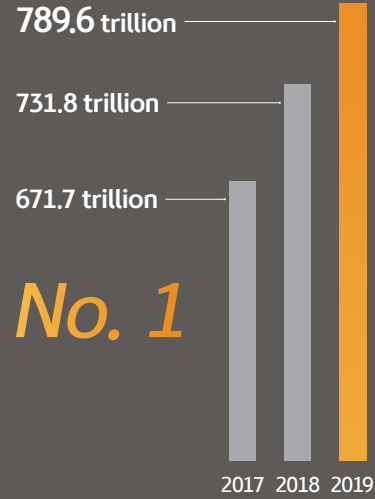


34.8 million

Strengthen cross
collaboration business

Group Total Assets (Incl. AUM)

Unit : KRW



No. 1

Diversify customer channels
(including non-face-to-face channels)

KB Kookmin Bank's Net Income

No.1

Ranked top in Net Income

KB Kookmin Bank's Market Position

No.1

Ranked top in Loans in Won & Deposit in Won

KB Securities' Market Position

**No.1 for
9 consecutive years**

Ranked top in the Debt Capital Market

KB Insurance's EV growth

+35.1%

KRW 6,639 billion in Embedded Value in 2019

KB Kookmin Card's Market Position

**No.1 for
9 consecutive years**

KRW 34.9 trillion in check card transaction volume

Reinforce integrated
group-wide marketing

Build customer-centric processes



E EXPANSION OF THE TERRITORY

KB Financial Group acquired a 70% stake in PRASAC Microfinance, the largest MDI in Cambodia, and signed an SPA to acquire an 80% stake in PT Finansia Multi Finance, a local credit finance business in Indonesia, to accelerate its advancement into the previously-untapped Southeast Asian markets and to secure future growth engines. Going forward, KB Financial Group will pursue sustainable growth opportunities in the years ahead through continued channel expansion.



EXPAND THE BUSINESS TERRITORY

- Seek the expansion of our business territory to develop the group portfolio and secure new revenue sources
- Pursue a range of M&A opportunities to strengthen the group business portfolio and take bold and prompt action when promising opportunities arise



STRENGTHEN THE GLOBAL BUSINESSES

- Follow the two-track strategy in Southeast Asia and advanced markets to broaden our global business presence
- Take a differentiated inorganic growth strategy to strengthen our network while continuing with an organic expansion strategy

Target Global Net Income
Contribution within the Group

**20% within
the next Decade**

Cambodia's Largest MDI

PRASAC

Acquired a 70% stake
(approximately USD 603 million)

Liv KB Cambodia

98,000 users

Fintech mobile bank service
in Cambodia

Indonesian Specialized Credit
Finance Business

**PT Finansia
Multi Finance**

Signed a SPA to acquire an 80% stake
(approximately USD 81 million)

KB Securities Vietnam

10th place

Ranked 10th securities company
in terms of equity in Vietnam

A

ACTIVE & CREATIVE KB

KB Financial Group has pursued innovative changes in the way it conducts business to promptly reflect a broad range of customer needs while embracing an agile organization system to promote prompt decision-making and execution with an aim to build an active and creative corporate culture. We will continue to disseminate an organizational culture driven by creativity and equality and to strengthen ESG management to serve as a leader in fulfilling social responsibility and generating future value.



KCGS

A+

Korean ESG rating, rated Most Excellent in Corporate Governance for 2 consecutive years

DJSI

Highest-level DJSI World Index

Listed for 4 consecutive years

Bloomberg

Gender-Equality Index

First Korean company to be listed

Asia's First

Subordinated Sustainability Bonds

Issued USD 450 million by KB Kookmin Bank

RPA adopted within the Group in 2019

754,623

hours saved

Work satisfaction improved through the automation of repetitive tasks

AGILE ORGANIZATION 'ACE'

ACE teams are structured in a way that breaks down departmental silos and embrace a streamlined decision-making process to swiftly detect changes and flexibly respond to them

- Liiv Talk Talk
- Star Link
- CMS: Star CMS

ESTABLISH ESG MANAGEMENT SYSTEM

We proactively join global initiatives to strengthen our ESG global leadership, and take the lead in fulfilling corporate social responsibility and creating future value

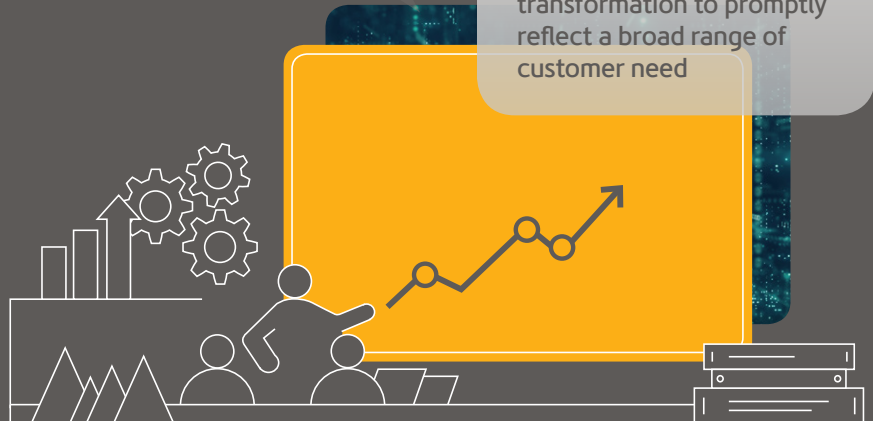
- UNEP FI
- Carbon Disclosure Project

LAUNCH NEW SPECIALTY PRODUCTS THAT CATER TO TARGETED CUSTOMERS

We deliver products that reflect the needs of shifting demographics and social trends to stay current with our customer base and act with agility and boldness to become truly dynamic

- KB Clear Sky Installment Savings Deposit
- 280 Days for My Baby Installment Deposit
- KB X BTS Installment Deposit

We pursue innovative transformation to promptly reflect a broad range of customer need



DIGITAL INNOVATION

In 2019, KB Financial Group reinforced its IT infrastructure including the group-wide integrated certificate and cloud and became the industry's first to unveil the MVNO-based Liiv M service as a way to offer more innovative services to customers. Going forward, we will be committed to deliver differentiated customer experience and value through customer-centric digital innovation.



Develop the financial cloud CLAYON

Upgrade the cloud-based innovation platform CLAYON to create a stable financial cloud environment that serves as the basis to facilitate external collaboration



Undertake the 'The K Project' to develop a next-generation IT system

Leverage the latest technologies of artificial intelligence, big data, and cloud to develop an innovative IT infrastructure



KB Mobile Certificate

Launch the KB Mobile Certificate to allow for log-ins and electronic signatures without any physical security medium (security card, OTP) in order to improve the user convenience of mobile financial transactions



KB Innovation HUB

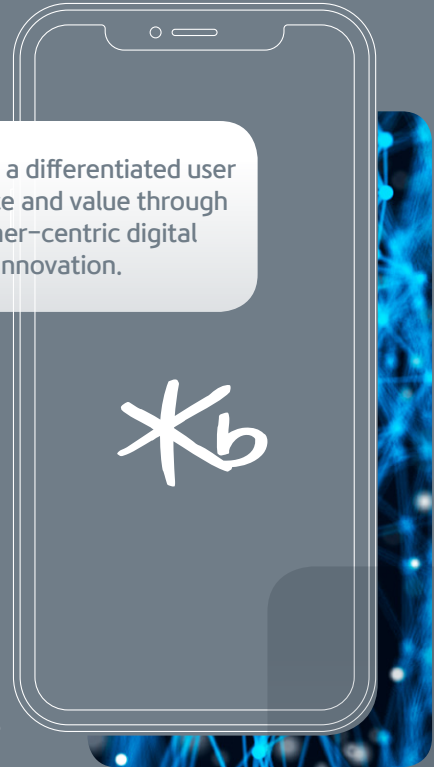
Select 76 high-tech startups as 'KB Starters' who push the limits to create innovative services and provide intensive support by connecting these fintech businesses with KB Financial Group subsidiaries (which has been ongoing since the HUB's initiation in March 2015).



Launch Liiv M

Become the financial industry's first to unveil the MVNO based finance and telecommunications service Liiv M that serves as a total finance and telecommunications platform capable of delivering high quality telecommunications services as well as convenient and secure financial transactions

We deliver a differentiated user experience and value through customer-centric digital innovation.





Liiv M

Mobile Virtual Network Operator (MVNO)

Korea's first finance and telecommunications mobile service



KB Star Banking App MAU

No.1

KB Kookmin Bank's flagship mobile app

KB Innovation HUB

KRW 32.6 billion / 113 cases

Investment support / No. of business cooperation with startups

KB Mobile Certificate Members

2.5+ million mark

In just 6 months following its launching in July 2019

KB Cha Cha Cha

No.1

Preowned car trading platform exceeding the 120,000 mark in number of preowned cars registered for sale

CEO Message

KB Financial Group has been fully aligned across the board to drive financial innovation and broaden the scope of its business presence with an aim to secure sustainable future growth engines.



Dear esteemed customers, shareholders and investors!

I would like to begin by extending my heartfelt gratitude for the unwavering trust and support you have provided to KB Financial Group.

Throughout 2019 we have faced a difficult business environment that continues to be characterized by weak economic growth and lingering uncertainties in global financial markets. Despite such challenging conditions, we have channeled our group-wide resources to drive financial innovation and expand the scope of our businesses.

In the past year, we became the nation's first financial institution to launch an MVNO (Mobile Virtual Network Operator) service. In successfully launching our MVNO services, "Liiv M", we were able to strengthen our digital capabilities by creating a platform that combines finance with telecommunication technology. In addition, we have introduced new services and products to meet the challenges presented by Korea's rapidly aging society and the growing demand of our customers for services after retirement. For example, we have opened senior care and assisted living facilities in urban areas that offer premium services similar to those in advanced nations.

Our investment banking business has also been significantly enhanced with the acquisition of the Financial Services Commission's mega investment banking license, allowing us to issue promissory notes with greater leverage and thus improving our funding capabilities.

Behind our improved performance is the unfailing support of our customers and shareholders and the firm commitment of our employees. Each and every one of us at KB Financial Group will do our utmost to progress even further through sustained transformation and innovation.

On the global business front, we have expanded our network in Southeast Asia. Following our acquisition of shares in Bank Bukopin of Indonesia in 2018, we have acquired shares of PRASAC Microfinance Limited, a leading provider of microfinance and deposit-taking services in Cambodia. We have also acquired major stakes in PT. Finansia Multi Finance and Sunindo Primasura Finance in Indonesia. In established capital markets such as London, Hong Kong, and New York, we have made significant strides in solidifying our IB business network.

In our continuing efforts to reinvent our branch banking network we have successfully implemented a broad foundation for our "PG 2.0" project, our transformation to a branch network that is more optimized than ever before in meeting the demands of each local community. We have also improved the services of our digital channels by introducing new platforms in auto financing and unsecured loans. Internally, we have completed various projects such as implementing next-generation digital systems, introducing digital procedures to our traditional branch operations and developing new and efficient HR systems. In undertaking these digital initiatives, we are highly confident that we will remain a leading financial services provider in an ever-changing and competitive environment.

Now I would like to briefly review our financial performance in 2019.

In 2019, KB Financial Group posted KRW 3,311.8 billion in net profits. This is an increase of KRW 250.6 billion from the previous year, primarily attributable to interest income from solid loan growth as well as improvements in non-interest income, increased operational efficiencies and good asset quality performance.

Total assets of the Group increased by KRW 39.0 trillion from the previous year to KRW 518.5 trillion. Loans showed well-balanced growth with increases in key household products and to prime customers in SOHO and SME. In our efforts to diversify our sources of income, we also expanded our investment portfolio in securities.

Our improved financial performance, highlighted by expansion in our net profit and total assets, is a result made possible by the unfailing support from our customers and shareholders, as well as the strong commitment shown by our employees. Each and every one of us at KB Financial Group will maintain our strong dedication to innovation and continue to deliver sustainable progress.

We continue to face mounting concerns over the global economy and growing volatility in global financial markets. As forecasted by many, we expect the Korean banking sector to be challenged by low interest rates, low growth and low inflation. There is also the ongoing competition from tech giants who are advancing into the financial industry on the back of their digital platforms.

In overcoming these challenges and emerging as a genuine leader in the financial services industry, we at KB Financial Group have created the acronym 'L.E.A.D.' as our strategic blueprint to guide our journey in 2020. As we aspire to be the life-long financial partner deeply trusted by our customers for our market leadership and unrivaled services, we vow to focus our group-wide capabilities on the following initiatives.

First, we will “level up” the core competitive edge of KB Financial Group to establish a more robust and efficient business model.

We will strengthen our core competitiveness to generate solid income contribution from our main subsidiaries and key business areas. In facing an economic environment that continues to be slow in growth, we will innovate our cost structure and reinforce our crisis management system to readily address potential crisis situations both in Korea and abroad.

Second, we will expand our business territory and markets through strategic M&As, both at home and abroad, to strengthen and diversify our business portfolio and secure new growth momentum.

Our 'Two Track' strategy of pursuing expansion in Southeast Asia and advanced markets will continue. In addition, we will continue our efforts to discover new opportunities, such as in My Data and MVNO, to promote sustainable future growth.



Third, we will expedite our pace of transformation and innovation to establish and reinforce an “active and creative” corporate culture.

We are continuing to create and internalize a corporate culture that encourages fast decision-making and execution and a culture that values creativity and openness. We also aim to establish an ESG management system that is on level with global standards to lead the way in fulfilling corporate social responsibility and creating sustainable social value.

KB Financial Group created the acronym - L.E.A.D - as our strategic blueprint to guide our journey in 2020 to become the life-long financial partner deeply trusted by customers for our dominant market leadership and unrivaled services.

Fourth, we will pursue customer-centric “digital innovation” to improve the customer experience in our digital channels.

As we continue to diversify and widen the reach of our digital platforms and channels through expanded digital marketing, we will build our seamless digital network by drawing on internal as well as external data to provide customized services to our customers.

Through KB Innovation Hub Center, we also plan to expand our strategic partnerships with start-ups and fintech companies to create KB’s own digital ecosystem.

With many uncertainties surrounding the economy and our industry we are expecting many challenges in the year ahead. Even so, we at KB Financial Group are determined to collectively overcome these challenges, setting us apart from the competition and reinforcing our status as a leading financial group dedicated to Innovation driven growth.

We look forward to your continued support for KB Financial Group and we wish you and your loved ones good health and happiness.

Thank you.

Jong Kyoo Yoon
Chairman & CEO
KB Financial Group Inc.

Company Profile

As a leading financial group with the largest customer base and the most extensive branch network in Korea, KB Financial Group is committed to delivering one-stop comprehensive financial services that truly cater to a broad range of customer needs through organic cooperation among 12 subsidiaries. KB Financial Group and its subsidiaries are uniting with a relentless spirit of challenge to drive KB Financial Group's evolution into becoming a lifelong financial partner that its customers can count on. It will do so with its differentiated competitive edge that comes from its robust capital strength and extensive network as well as its operational and risk management expertise accumulated through years of experience. With our firm belief in customer-centric management and group mission of 'Financial Services Delivering Changes-Happier Life & Better World', we will ceaselessly pursue innovation while providing differentiated products and services through consistent innovation based on prompt decision-making and agile execution. KB Financial Group plans to continue to solidify our market position as Korea's leading financial group.



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Group Senior Management (As of March 31, 2020)

<p>● Jong Kyoo Yoon · Chairman & Chief Executive Officer</p>	<p>● Chang Kwon Lee · Deputy President · Chief Strategy Officer · Head of Global Business Unit</p>	<p>● Ki Hwan Kim · Deputy President · Chief Finance Officer</p>	<p>● Nam Jong Seo · Deputy President · Chief Risk Management Officer</p>
<p>● Pil Kyu Im · Deputy President · Chief Human Resources Officer</p>	<p>● Kyung Yup Cho · Deputy President · Head of KB Research</p>	<p>● Young Hyuk Jo · Deputy President · Head of Audit Department</p>	<p>● Nam Hoon Cho · Senior Managing Director · Chief Global Strategy Officer</p>
<p>● Chan Il Park · Managing Director · Chief Compliance Officer</p>	<p>● Seok Mun Choi · Managing Director · Head of the Office of Board of Directors</p>	<p>● Soon Bum Kwon · Managing Director · Research on Finance Industry</p>	<p>● Jeong Rim Park · Head of Capital Market Business Unit</p>
<p>● Sung Hyun Kim · Head of Corporate and Investment Banking Business Unit</p>	<p>● Jong Hee Yang · Head of Insurance Business Unit</p>	<p>● Dong Cheol Lee · Head of Retail Customer Business Unit</p>	<p>● Young Gil Kim · Head of Wealth Management Business Unit</p>
<p>● Woon Tae Kim · Head of Small and Medium Enterprise Business Unit</p>	<p>● Mun Cheol Jeong · Chief Public Relation Officer</p>	<p>● Dong Whan Han · Chief Digital Innovation Officer</p>	<p>● Woo Yeul Lee · Chief Information Technology Officer</p>
<p>● Jin Soo Yoon · Chief Data Officer</p>	<p>● Sang Hyeon Woo · Senior Managing Director · Corporate and Investment Banking Business Unit</p>	<p>● Jeong Ha · Senior Managing Director · Capital Market Business Unit</p>	<p>● Chai Hyun Sung · Senior Executive Vice President · Retail Customer Business Unit</p>
<p>● Yun Sang Song · Senior Managing Director · Insurance Business Unit</p>	<p>● Jae Young Choi · Head of Pension Business Division</p>	<p>● Jin Gyu Maeng · Head of the Office of Planning and Coordination</p>	

Credit Ratings

ESG Ratings

Moody's

S&P

KCGS

MSCI

A1 / Stable

A / Stable

A+

A

*Long-term foreign currency issuer ratings & outlook

Financial Highlights

In 2019, KB Financial Group posted KRW 3,311.8 billion in net income. This was mainly driven by the solid growth in net interest income and net fee & commission income maintaining robust fundamentals even amid the economic slowdown. KB Financial Group's top priority for 2019 was to focus on asset quality and profitability, which prompted our endeavors to pursue quality loan growth, manage our net interest margin, and improve performance in our non-interest income. This, in return, allowed us to maintain highly steadfast fundamentals in generating income. KB Financial Group's credit cost ratio recorded to 0.20% in 2019 which remained subnormal level attributable to quality-driven loan growth and preemptive risk management. As of the end of 2019, the group BIS ratio and CET1 ratio posted 14.5% and 13.6% respectively demonstrating the highest level of capital strength in the Korean financial industry.

By subsidiary, KB Kookmin Bank recorded KRW 2,439.1 billion in net income, KB Securities KRW 257.9 billion, KB Insurance KRW 234.3 billion, and KB Kookmin Card KRW 316.6 billion, which account for 98.1% of the group total income. Overall improvement in performance was witnessed in other subsidiaries as well, with KB Asset Management posting KRW 48.9 billion in net income, KB Capital KRW 117.0 billion, KB Life Insurance KRW 16.0 billion, KB Real Estate Trust KRW 61.7 billion, and KB Savings Bank KRW 16.3 billion.

As we move into 2020, KB Financial Group will further strengthen its core business competitive edge and pursue bold customer-centric innovation in order to solidify its basis for sustainable growth and take a renewed step forward to become leading financial group.

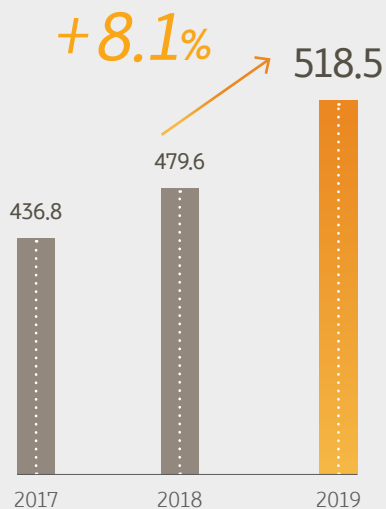
Key Financial Figures

		2019	2018
PROFITABILITY (KRW in billions)	Gross operating income	11,431.9	10,859.7
	Net operating income	4,490.6	4,267.5
	Net profit ¹⁾	3,311.8	3,061.2
	ROA (%)	0.7	0.7
	ROE (%)	8.9	8.8
	Cost-income ratio (%)	54.9	54.5
FINANCIAL POSITION (KRW in trillions)	Assets	518.5	479.6
	Liabilities	479.4	443.9
	Shareholders' equity	39.1	35.7
ASSET QUALITY (%)	NPL ratio	0.48	0.59
	NPL coverage ratio	149.2	139.4
	Credit cost ratio (%)	0.20	0.21
CAPITAL ADEQUACY (%)	BIS ratio	14.5	14.6
	Tier 1 ratio	13.9	14.0
	CET 1 ratio	13.6	14.0

Note 1) Profit attributable to controlling interests

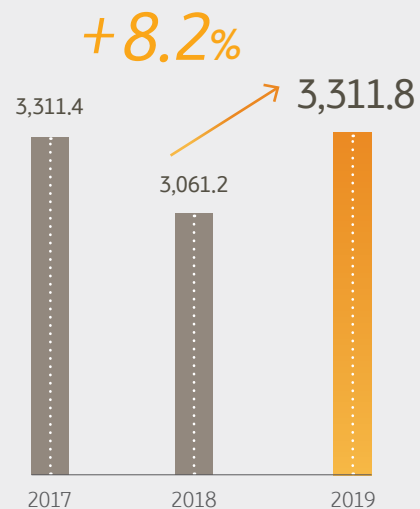
Total Assets

(KRW in trillions)

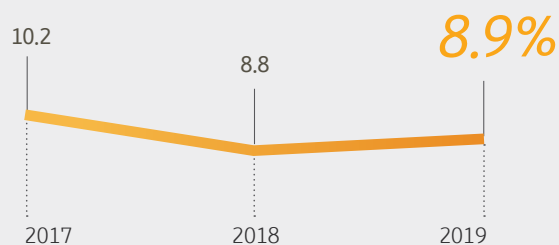


Net Profit

(KRW in billions)

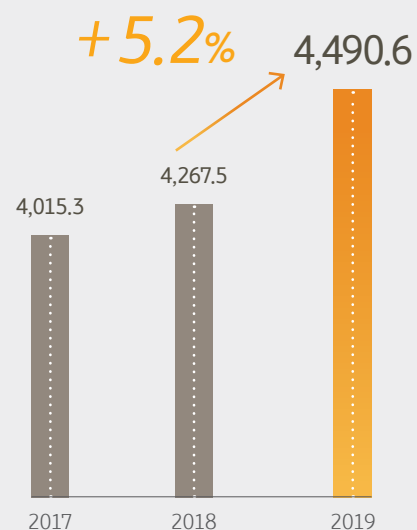


ROE



Net Operating Income

(KRW in billions)



Capital Ratios 2019

BIS **14.5%**

Tier1 **13.9%**

CET1 **13.6%**

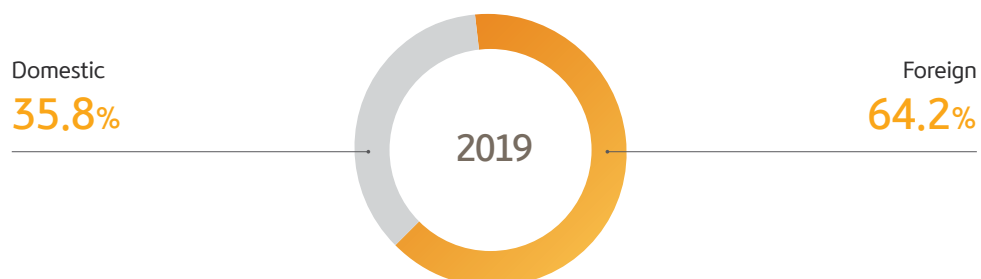
Shareholder Information

Stock Information

(Shares, KRW)

	2019	2018
Total shares issued	415,807,920	418,111,537
Treasury shares	26,173,585	22,415,468
Shares outstanding	389,634,335	395,696,069
Year-end share price	47,650	46,500
Market capitalization (in trillions)	19.8	19.4
Dividend per shares	2,210	1,920
Book value per share	91,871	83,266
Basic earnings per share	8,451	7,721

Share Ownership



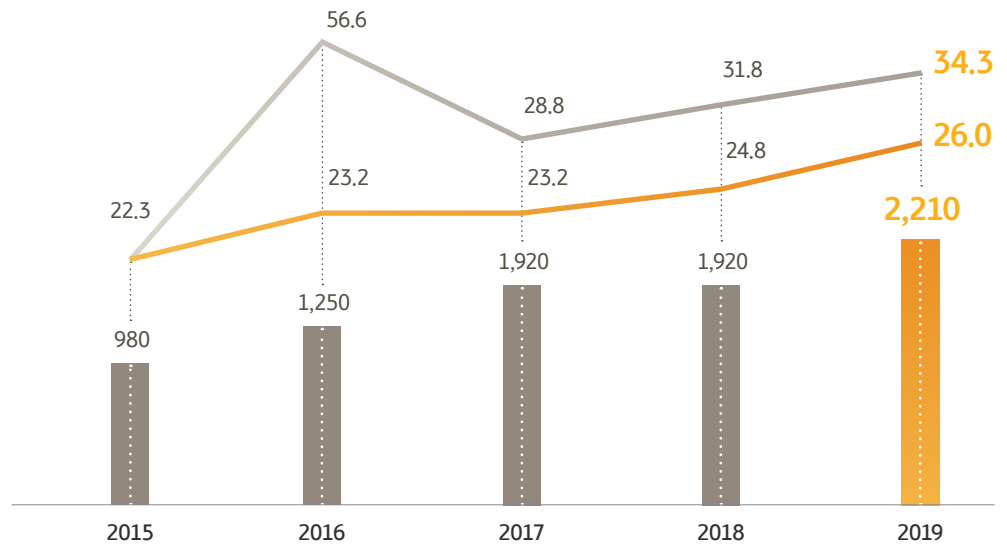
(Shares, %)

Name of shareholder	Number of shares owned	Ownership
Korean National Pension Service	41,468,003	9.97
JPMorgan Chase Bank (ADR Depository)	26,622,633	6.40
The Government of Singapore	10,279,233	2.47
Samsung Asset Management	7,795,567	1.87
Vanguard Total International Stock Index	6,075,212	1.46
Peoples Bank of China	4,844,987	1.17
Mirae Asset Global Investments	4,575,008	1.10
Fidelity Investment Trust	4,418,815	1.06

Dividend

(KRW, %)

- Dividend per Share
- Dividend Payout Ratio
- Total Shareholder Return



Share Buyback & Cancellation

Share Buyback

Share Cancellation

26.2 million shares

2.3 million shares

6.3%
of total outstanding
shares issued

KRW 1.4 trillion
share buybacks

4 times
for recent
four years
(2016-2019)

First
bank holding company
in Korea to cancel
shares

Vision & Strategy

Group Mission & Vision

KB Financial Group defined its mission as “Financial Services Delivering Changes – Happier Life & Better World” to embody its firm commitment to leveraging finance to assist customers in designing a more flourishing future and to bring greater convenience and progress to the world. Its vision “Driven by world-class talents and bold innovation, to become your trusted financial partner for a lifetime” will guide the group’s endeavors to become a lifelong financial group by leading innovation that shifts the financial paradigm with best professionals. With prompt decision-making and agile executional capabilities, we relentlessly pursue innovation to provide differentiated products and services that will ultimately solidify our position as the most trusted and recognized leading financial group.

2019 Key Activities and Achievements

Business Unit System for organizational operation to increase group-wide collaborative synergy

Following the expansion of the Business Unit from the three units of WM, CIB, Capital Market to seven with the addition of Digital Transformation, Retail Customer, SME, and Insurance in 2019, Global Business Unit was newly created in 2020. This helped boost our execution of global business operations, thus increasing the number of units under this operational system to a total of eight. Our employees are also allowed to hold additional positions in related subsidiary organizations as a way to increase synergy from respective Business Units through the ‘One-Firm’ approach and improve management accountability. Going forward, KB Financial Group will reinforce the Business Unit System to maximize synergy among subsidiaries and promote efficiency in organizational operation.

Balanced growth and synergy generation between banking & non-banking business

Over the past four years, we have leveraged M&As in securities, insurance and capital operations, which were traditionally the weaker components of our business portfolio, to reinforce our non-banking business and realign our business portfolio. This brought our net income ratio between banking and non-banking business from 8:2 to 7:3. Our mid to long-term goal is to eventually reach 6:4 to secure sustainable growth momentum by enhancing the inherent competitiveness of respective subsidiaries and strengthening our non-banking business through M&As.

Broader global business presence and stronger competitiveness

Our global business approach takes into account a range of factors, from country-specific regulatory conditions, demographic structures, and financial industry infrastructure to developmental characteristics of respective financial sectors and the growing overseas investment needs of domestic investors, and is focused on the four areas of CIB, retail banking, digital business, and asset management. Our recent advancement into the digital banking, auto finance, MFI, and securities business in Cambodia, Laos, Myanmar, and Vietnam has allowed us to develop our understanding of and experience in these Southeast Asian markets. To effectively use our business resources, a limited number of countries will be selected as hub candidates and nurtured as new ‘Mother Markets’.

As part of this strategy, we acquired a 70% stake in PRASAC Micro Finance, Cambodia’s largest Microfinance Deposit-taking Institution (MDI), in December 2019. With a local business network of 11 locations, PRASAC has an unrivaled market dominance in the Cambodian market as the third largest lender in the local financial market while posting high profitability with KRW 90.7 billion in net income and 29.4% in ROE as of 2018. KB Financial Group’s post-acquisition plan is to share its exceptional retail capabilities with PRASAC while retaining its core competitive edge at the maximum possible level and swiftly transform PRASAC into a commercial bank. PRASAC could then go on to become an unrivaled leading bank in Cambodia, which will surely lay the basis for KB Financial Group to expand its global business presence across the entire Southeast Asian region.

Management Strategy to Achieve Goals of 2020

In line with mounting concerns over the global economic recession and continued uncertainties in the global financial market, the domestic economy is expected to suffer low interest rates, low growth, and low inflation for an extended period of time. This is further aggravated by the emergence of new competitors and threats, ranging from the full-fledged implementation of open banking to tech giants advancing into the financial industry with their powerful platforms.

To evolve into a true “Leader” who reliably pioneers the market as Korea’s top-notch financial group even in the most trying of times, KB Financial Group determined the management keyword “L.E.A.D.” as the strategy direction to guide its journey in 2020, and will focus group-wide capabilities to become a trusted financial partner for a lifetime, known for its market leadership and unrivaled service.

L Level Up the Core

First, we will “level-up” our core competitive edge to establish a robust and efficient business model.

Our core competitiveness will be strengthened to generate solid profits from main subsidiaries and key business areas. In preparation for an era of continued low growth, our cost structure will be strategically innovated and our response system will be reinforced to readily address any possible situation both in Korea and abroad.

E Expansion of the Territory

Second, we will further complete our business portfolio through strategic M&As both at home and abroad, and secure growth momentum in line with changing business conditions.

A range of M&A opportunities will be actively reviewed and implemented to bolster our business portfolio while the ‘Two-Track’ strategy will be executed to advance into Southeast Asian and mature markets to broaden our global business presence. Furthermore, My Data, MVNO and other new business opportunities will be extensively explored to generate future sustainable growth.

A Active & Creative KB

Third, we will ramp up our pace of transformation and innovation to establish an organizational culture befitting the title of Active & Creative KB.

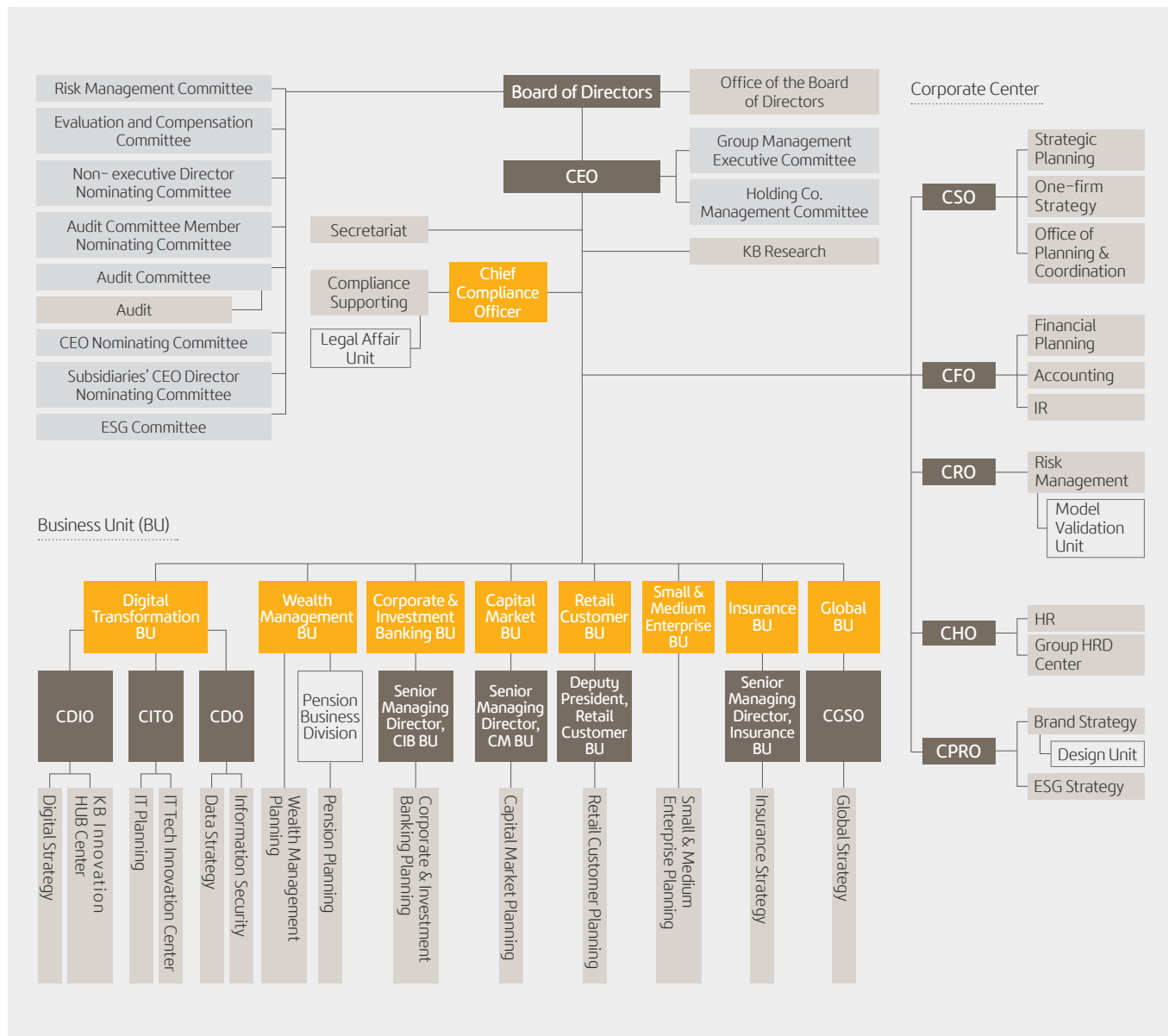
A corporate culture that values creativity and equality will be developed to enable prompt decision-making and execution. We will also establish an ESG management system on par with global standards to serve as a leader in fulfilling corporate social responsibility and creating future value.

D Digital Innovation Customer-Centric

Fourth, we will provide customer-centric digital innovation to deliver a differentiated user experience and value.

Our customer contact points will continue to strengthen through diversified channels and broader digital marketing activities. A wide array of channels will be aligned to reinforce our seamless service delivery system while refined analysis of internal/external data will be performed to offer personalized products and services. With the KB Innovation HUB Center playing a pivotal role, we will expand our strategic partnership with fintech companies to create a digital ecosystem where KB services are situated at the hub.

Group Corporate Structure (As of March.31, 2020)



Corporate Governance

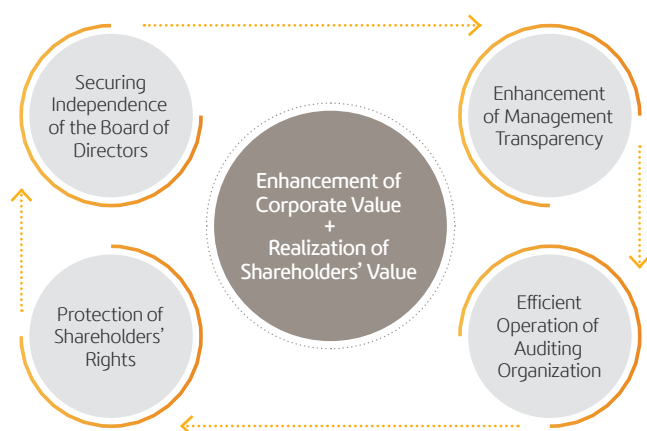
Principles

The Board of Directors of KB Financial Group serves as the supreme decision-making body to deliberate and decide on major management issues of the Group and other subsidiaries. As of the end of 2019, the Board of Directors consisted of a total of nine directors – seven non-executive directors, one executive director and one non-standing director – with non-executive directors accounting for the majority, faithfully fulfilling their role to hold the management in check.

The Chairman and CEO of KB Financial Group is appointed at the general shareholder meeting as stipulated in the Articles of Incorporation. Candidates for this position are selected and their qualifications are examined in accordance with fair and rigorous procedures at the CEO Nominating Committee, which is composed solely of non-executive directors, prior to their nomination to the general shareholder meeting.

At KB Financial Group, the Board of Directors defined ‘shareholder representation, professionalism, and diversity’ as the core principles in appointing non-executive directors. As such, a pool of non-executive director candidates is managed year-round in the detailed segments of ‘financial business, accounting, finance, law/regulation, risk management, HR, IT, and consumer protection’. Their nomination process consists of the three steps of candidate pooling, evaluation and nomination, which are operated in complete isolation to ensure the independence and fairness of this process. The candidate pool is regularly managed on a semi-annual basis and is created based on the recommendations from shareholders and external search firms. Notably, any shareholder who owns one or more shares of KB Financial Group can recommend candidates and KB Financial Group is the first in the financial industry to institute such a practice. Furthermore, external advisor panels participate in this process to ensure objectivity in assessing candidates, and the results are used, along with reference checks, to select the final candidates at the Non-Executive Director Nominating Committee. These candidates are evaluated for their qualifications at the committee meeting in accordance with the criteria set by relevant regulations and the Articles of Incorporation before they are nominated to the general shareholder meeting.

Corporate Governance Goal



In conformity with the Articles of Incorporation, the Chairman of the Board of Directors is appointed among non-executive directors: the chairman is mandated to preside over the board of directors meetings and ensure that the board of directors is operated in accordance with the principles of checks and balances.

Committees of the Board of Directors

Committees under the board are delegated to perform a portion of the board of directors functions as stipulated in governmental regulations and the Articles of Incorporation, and are composed of directors who bring their expertise in the relevant field to the table.

Audit Committee

The Audit Committee performs audits on the business operations and assets of the holding company and its subsidiaries while deliberating and deciding on related issues in order to audit the performance of directors.

Risk Management Committee

The Risk Management Committee serves as the top decision-making body to develop risk management strategies and policies in order to swiftly identify, measure, supervise and control overall risks that may occur across the entire business conduct of the holding company and its subsidiaries.

Evaluation & Compensation Committee

The Evaluation & Compensation Committee develops compensation policies for the holding company and its subsidiaries and supervises the planning and operation of their performance compensation systems.

Non-Executive Director Nominating Committee

The Non-Executive Director Nominating Committee regularly manages the pool of non-executive director candidates and nominates candidates to the general shareholder meeting.

Audit Committee Members Nominating Committee

The Audit Committee Members Nominating Committee nominates Audit Committee member candidates to be appointed at the general shareholder meeting.

Subsidiaries' CEO Director Nominating Committee

The Subsidiaries' CEO Director Nominating Committee regularly manages the pool of subsidiary CEO candidates while establishing and revising management succession plans concerning subsidiary CEOs.

CEO Nominating Committee

The CEO Nominating Committee regularly manages the pool of group CEO candidates, and is mandated to develop and revise management succession plans for the group CEO and implement the CEO succession process.

ESG Committee

The ESG Committee serves as the top decision-making body to develop and approve group-wide ESG-related strategies and policies and to monitor and supervise their implementation.

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2019 The Board of Directors Meeting: Major Resolutions and Other Achievements

In 2019, the board of directors met 14 times to deliberate on 24 decision items and 33 reporting items. The board of directors decided on the ‘Issuance of write-down contingent convertible bonds’ as a hybrid instrument to improve the group’s capital adequacy in March, and decided on the ‘Retirement of treasury shares’, for the first time as a bank holding company, to elevate shareholder & corporate value. Furthermore, another decision was made on ‘Equity acquisition of Cambodia’s microfinance deposit-taking institution by KB Kookmin Bank, which ultimately broadened the group’s retail network in Southeast Asia.

At regular the board of directors meetings held on a quarterly basis, directors were briefed of business results and discussed the pending issues of the group. At the ad-hoc meeting hosted in December 2019, management plans and budgets for 2020 were finalized.

Plans for 2020

KB Financial Group aims to establish a stable corporate governance and lay the basis for quality-focused management over the mid to long term in order to promote sustainable growth, enhance corporate value, and protect the interests of shareholders and other stakeholders. In 2020, KB Financial Group vows to further elevate its corporate value and shareholder value through a reasonable and transparent decision-making.

Governance Structure (As of March 31, 2020)



Board of Directors (As of March 31, 2020)

■ Non-executive Director ■ Executive Director ■ Non-standing Director

Suk Ho Sonu

- Chairman, Board of Directors, KB Financial Group
- Chairperson, CEO Nominating Committee
- Member, Evaluation and Compensation Committee
- Member, Non-Executive Director Nominating Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2007-2007	President, Korea Finance Association
2009-2010	President, Korea Money and Finance Association
2011-2013	Dean, Graduate School of Business Administration, Hongik University
2017-2019	Visiting Professor, Business School, Seoul National University
2017-Present	Visiting Professor, School of Business Administration, Hongik University

Stuart B. Solomon

- Member, Risk Management Committee
- Member, Non-Executive Director Nominating Committee
- Member, CEO Nominating Committee
- Member, ESG Committee

1998-2000	Executive Managing Director, MetLife Insurance Co. of Korea
2000-2001	Executive Vice President and Representative Director, MetLife Insurance Co. of Korea
2001-2009	President & CEO, MetLife Insurance Co. of Korea
2009-2011	Chairman, MetLife Insurance Co. of Korea.

Myung Hee Choi

- Chairperson, Non-Executive Director Nominating Committee
- Member, Evaluation and Compensation Committee
- Member, CEO Nominating Committee
- Member, Audit Committee
- Member, ESG Committee

1974-1991	Senior Operation Officer, Citibank Korea Inc., Seoul Branch
2003-2005	Director, Financial Supervisory Service
2005-2009	Auditor, Korea Exchange Bank
2011-Present	Vice President, Korea Internal Control Assessment Institute

Kou Whan Jeong

- Chairperson, Evaluation and Compensation Committee
- Member, Non-Executive Director Nominating Committee
- Member, CEO Nominating Committee
- Member, Audit Committee
- Member, ESG Committee

2002-2003	Branch Chief Prosecutor of Bucheon Branch Office of the Incheon District Prosecutor's Office
2006-2009	Chairperson of Consumer Dispute Settlement Commission, Korea Consumer Agency
2013-2014	Standing Mediator, Korea Medical Dispute Mediation and Arbitration Agency
2016-Present	Nambujeil Law and Notary Office Inc. President Attorney at Law

Kyung Ho Kim

- Chairperson, Audit Committee
- Member, Risk Management Committee
- Member, CEO Nominating Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

1991-2020	Professor, Hongik University
2000-2003	Vice President, Korea Accounting Standards Board
2004-2010	Non-executive Director, Shinhan Investment Corp.
2007	President, The Korean Association for Government Accounting
2015-2019	Non-executive Director, Citibank Korea, Inc.
2017-2018	Vice President, Hongik University

Seon Joo Kwon

- Chairperson, Risk Management Committee
- Member, Evaluation and Compensation Committee
- Member, CEO Nominating Committee
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2013	Head of Risk Management Division, Industrial Bank of Korea
2013-2016	Chairman & CEO, Industrial Bank of Korea

Gyu Taeg Oh

- Chairperson, ESG Committee
- Member, Risk Management Committee
- Member, CEO Nominating Committee
- Member, Audit Committee

1991-1995	Assistant Professor, University of Iowa
2010-2012	Non-executive Director, Kiwoom Securities Co., Ltd.
2011-2015	Public Funds Oversight Committee Member, Sub-Committee Chair, Financial Services Commission
2018-2020	Non-executive director, Moa Savings Bank
1995-Present	Professor, School of Business Administration, Chung-Ang University

Jong Kyoo Yoon

- Chairman & CEO, KB Financial Group
- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2002-2004	Senior Executive Vice President, Finance & Strategic Planning Division, Kookmin Bank
2004	Senior Executive Vice President & Head of Retail Banking Group, Kookmin Bank
2005-2010	Senior Advisor, Kim & Chary
2010-2013	Deputy President & Chief Financial Officer, KB Financial Group
2014-2017	President & CEO, Kookmin Bank
2014-Present	Chairman & CEO, KB Financial Group

Yin Hur

- Member, Subsidiaries' CEO Director Nominating Committee
- Member, ESG Committee

2013-2014	Managing Director, Credit Analysis Division, Kookmin Bank
2015	Senior Managing Director, Strategy and Finance Planning Group, Kookmin Bank
2016	Senior Executive Vice President, Sales Group, Kookmin Bank
2017- Present	President & CEO, Kookmin Bank

Awards & Recognitions

KB Financial Group

Ranked first in the 2019 governance evaluation performed by the Korea Corporate Governance Service for two consecutive years
Korea Corporate Governance Service

Chairman Jong Kyoo Yoon awarded the best CEO of the year at the '51st Korean CEO Awards' Korea Management Association

Won the Grand Prize at the '2nd Korean Accounting Awards 2019' Maeil Business Newspaper

Listed in the 2019 DJSI World Index for four consecutive years
S&P Dow Jones Indices, RobecoSAM

Chairman Jong Kyoo Yoon won the Iron Tower Industrial Medal on the 2nd Day of Accounting Korea Accounting Association

Named for the Carbon Management Sector Honors in the financial sector for exceptional performance in responding to climate change at the 'CDP Climate Change 2018' for two consecutive years Carbon Disclosure Project

KB Kookmin Bank

Ranked first in the 'National Consumer Satisfaction Index 2019' for 13 years
Korea Productivity Center

Ranked first at the National Brand Competitive Index in the banking sector for 16 consecutive years Korea Productivity Center

Awarded at the 'Korea Consumer Trust Leading Brand Awards 2019' in the banking sector for 13 consecutive years Korea Brand Management Association

KB Securities

Awarded at the Customer Impression Awards 2019 in the finance/securities sector
Korea Economic Daily

Won the Best IB Deal Award at the '16th Korea IB Awards'
Money Today

Won the Grand Prize at the 'Maekyung Securities Awards 2019' Maeil Economic Daily

Won the Korea Financial Investment Association Chairman Award at the '10th Korea IB Awards' in the DCM sector Korea Economic Daily

KB Kookmin Card

Won the Presidential Award at the 'Labor-Management Culture Awards 2019'
Ministry of Employment and Labor

Awarded at the 'National Service Awards 2019' in the mobile app card sector Institute for Industrial Policy Studies

Won the Prime Minister's Citation on the '13th Day of Anti-Money Laundering Day' Financial Intelligence Unit

KB Savings Bank

KB Good Loan awarded at the 'National Service Awards 2019' in the mid-range interest rate loan sector for two consecutive years
Institute for Industrial Policy Studies

KB Good Banking awarded at the 'National Consumer-Centered Brand Awards 2019' in the savings bank sector Dong-A Daily

Awarded at the 'Korea Creative Management Awards 2019' in the customer satisfaction management sector JoongAng Daily

CORE COMPETENCY

KB Financial Group will be committed to assist its subsidiaries in strengthening their respective core competitive edge to further complete its group business portfolio and to relentlessly broaden its global business presence.

Furthermore, KB Financial Group will establish an ESG management system in compliance with global standards so as to set the trend for social transformation and future value creation.

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Risk Management

KB Financial Group is focused on improving group risk transparency, preventing risk transfer among subsidiaries, and proactively responding to the rapidly-shifting financial landscape in an aim to efficiently support its mid to long-term strategy and business decision-making.

Risk Governance

The Risk Management Committee is mandated to set risk management strategies, determine acceptable levels of risk appetite, review the status of group-wide risk management, and approve the application of risk management systems, methodologies and major improvements.

The Risk Management Council consists of Risk Management Officers from the holding company and subsidiaries, and is responsible for deliberating on the matters delegated by the Risk Management Committee and consulting on detailed risk management issues.

The Risk Management Department of the holding company monitors and manages the status of group-wide risk operations and the limits of internal capital by developing risk management policies and operating relevant processes.

Credit Risk Management

KB Financial Group defines credit risks as expected and unexpected losses that may occur due to the default or declining creditworthiness of the counterparty.

Credit Policy Direction

KB Financial Group develops credit policies in consideration of the economic outlook, business conditions, asset quality trends, and risk management capabilities, and operates sector-specific loan policies accordingly in household, corporate, and credit card sectors. The

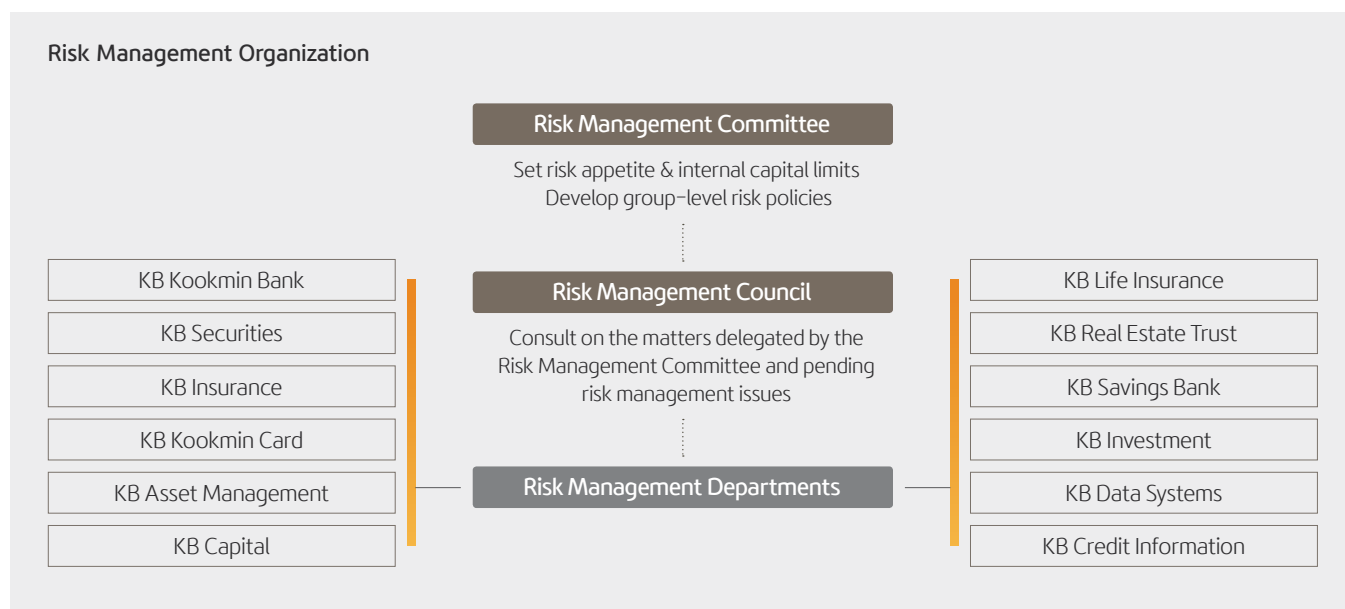
primary goal of its credit policy is to maintain asset quality and minimize mid to long-term credit cost volatility in order to maximize the value of KB Financial Group.

Credit Risk Measurement & Management

To measure credit risks related to Capital at Risk or CaR concerning on/off balance sheet assets, KB Financial Group takes the Internal Ratings Based Approach developed in compliance with supervisory standards. CaR calculated as such refers to the maximum possible losses from business operations that may arise at a certain confidence level due to changes in creditworthiness of the borrower or counterparty. Our CaR calculations reflect any possibility of insolvency on the part of the borrower, possible losses and remaining maturity of exposure, and economic correlations. Furthermore, we identify, measure and monitor credit concentration risks that may additionally occur due to the disproportionate focus on specific borrowers or sectors within the group-level portfolio.

Total Exposure Limit Management

KB Financial Group's Total Exposure Limit Management System aims to prevent excessive risk exposure and risk concentration in specific sectors and optimize the credit portfolio through stable asset management. The Risk Management Department of the holding company is responsible for periodically monitoring our total exposure limit and reporting outcomes to the Risk Management Committee.



Market Risk Management

KB Financial Group defines market risks as possible losses from its trading positions in line with interest rates, exchange rates, stock prices and other market fluctuations, and identifies, measures, monitors, controls and reports such market risks inherent in bonds, foreign currencies, securities, and derivatives. Serving as an indicator to quantify the risks inherent in trading accounts, Market VaR(Value at Risk) refers to the maximum possible losses that may occur within a certain period of time at a certain confidence level. Our subsidiaries that operate trading accounts verify the adequacy of our VaR model through the daily comparative analyses performed on actual and virtual profits/losses and VaR calculations. For assets or subsidiaries to which this model is not applicable, KB Financial Group utilizes its standard methodology in compliance with supervisory regulations to manage market risks.

Interest Rate Risk Management

We defines interest rate risks as possible decreases in net asset value or Net Interest Income(NII) attributable to unfavorable fluctuations in market rates. The goal of interest rate risk management is to comprehensively manage our assets and liabilities to maximize our net interest income within the acceptable risk range while minimizing any losses in net interest margins that may occur due to changing interest rates.

Liquidity Risk Management

We defines liquidity risks as risks that may arise due to maturity mismatches or any failure to respond to unexpected demand and supply of funds. A systemic approach is taken to manage liquidity risks to meet the demand for cash outflows – deposit withdrawals, the pending maturity of financial bonds, and the repayment of borrowings – while securing liquidity for asset management including lending and bond investments.

Operational Risk Management

We defines operational risks as any and all financial and non-financial risks that may negatively impact its capital management through business operations. Our operational risk management aims to satisfy the regulatory purposes of supervising authorities and to disseminate a risk management culture across the board through strengthened internal controls and improved processes.

Internal Capital Management

Internal capital is required to prevent economic insolvency caused by unexpected losses at the target confidence level. KB Financial Group manages group-wide capital adequacy by measuring, allocating, and managing the internal capital of respective subsidiaries. The Risk Management Committee sets group-level risk appetite and then allocates internal capital by risk type and subsidiary while each subsidiary conducts business within the allocated capital limit.

Stress Testing

Stress tests are performed to analyze the potential vulnerabilities of our portfolio and develop countermeasures accordingly under possible scenarios created based on economic forecasts. KB Financial Group conducts such tests at least semi-annually and sometimes more frequently by reflecting economic cycles and prospects in order to analyze how its operations may be impacted by abrupt changes across the business landscape and to respond to them proactively. Test results are reported to the top management and the Risk Management Committee to help set group-wide risk appetite and limits and promote the decision-making process.

Basel III Internal Ratings Based Approach for Group Credit Risk Management

Following the introduction of the Basel III framework by the Korean Financial Services Commission, KB Financial Group fully prepared the development of the necessary human/physical infrastructure to address such regulatory changes and has adopted these Basel standards in calculating its risk-weighted assets and capital adequacy ratios since December of 2013.

To elevate the level of risk management across subsidiaries, we developed the group-level, single model-based Internal Ratings Based Approach approved by the Korean Financial Supervisory Services through rigorous assessments, which has been under operation since the end of 2016 to calculate group-wide BIS ratios.

This approach is expected to further advance KB Financial Group's risk management system spanning from risk management methodology and system development to data management and control structure, and establish a risk management culture in addition to improving its capital adequacy, which will in turn strengthen its risk management performance, increase global creditworthiness, and enhance the quality of its business operations across the board.

2020 Risk Management Directions

With escalating possibilities of a prolonged global economic slowdown, the domestic economy is also forecast to suffer a continued downturn cycle caused by structural factors that perpetuate low growth. Our awareness of these deteriorating conditions at home and abroad and their resulting potential risks that may threaten our endeavors to improve soundness and profitability as a financial institution, helps our risk management focus on minimizing such risks.

As such, KB Financial Group will strengthen the monitoring of subsidiaries so that they maintain their asset quality at the highest possible level among industry peers while promoting proactive risk management of respective subsidiaries concerning volatility in interest rates, exchange rates, stock prices and other market factors to fully address uncertainties in the market. Our risk management will also be further enhanced through proactive response to and monitoring of subsidiaries advancing into the global market and launching new businesses.

Emerging Risk Management

KB Financial Group defines emerging risks as possible upcoming risks posed by economic, environmental, and social changes which may have a grave long-term impact on its business operations, and takes proactive countermeasures to reduce such risks. Primary emerging risks that we identified include “demographic changes caused by low birth rates and aging populations” and “changes in our way of conducting business driven by the innovation of digital finance”. The following illustrates the detailed definition of these risks, their long-term impact on our business, and our countermeasures.



Population aging and other demographic changes are expected to cause decreases in savings rates and in income levels as elderly borrowers become economically inactive, which will ultimately deteriorate our asset quality.

While financial institutions may create innovation-driven growth opportunities through new technology and financial innovation, they may fail to swiftly respond to such changes or be left behind while facing increasing risks in relation to IT, information protection and fraud that may arise with emerging new technology and innovative finance.

Impact on Businesses

The asset quality analyses performed on household credit loan borrowers by age group demonstrate that asset quality deteriorates with age.

New technology or new finance driven by digital financial innovation is widely penetrating the entire value chain of the traditional financial business to change the way we conduct business and create new business models, products and services.

Risk Reduction Countermeasures

As the average age of borrowers in our loan portfolio is forecast to increase to face a high probability of income reduction, we are proactively refining our risk management process in preparation for any decline in asset quality caused by the decreasing income levels of the elderly (e.g. operating credit guidelines that consider borrowers' income and debt burden levels by life cycle stage)

We are taking a stronger proactive risk management approach by intensively analyzing and identifying potential risks and developing countermeasures in preparation for the emergence of new risks from digital financial innovation while fully utilizing new technology from big data to machine learning in improving our risk management infrastructure in order to elevate our core competitive edge in risk management.

Synergy Creation

KB Financial Group is wholeheartedly committed to further improving the intrinsic competitive edge of respective subsidiaries, maximizing synergy through organic collaboration and delivering differentiated and unique comprehensive one-stop services. In 2019, we took a broad range of actions to efficiently create synergistic effects in order to practice customer-oriented management.

Group Synergy Strategy

KB Financial Group's synergy strategy aims to strengthen its competitive edge under the One-Firm philosophy to build a group structural competitive advantage. To this end, we are taking a multi-faceted approach to advancing our One-Firm culture by developing customer-centric processes to enrich customer experiences, reinforcing integrated group-level marketing, and facilitating referral sales across subsidiaries. In 2020, we will identify new business areas on the basis of organic collaboration among subsidiaries, develop integrated group-wide services, and strengthen the seamless alignment between face-to-face and non-face-to-face channels to continue with our endeavors to build a stronger synergistic edge.

Building Customer-centric Processes to Enrich Customer Experience

KB Financial Group enabled customers to purchase the core services of multiple subsidiaries through connected non-face-to-face channels and developed one-stop processes to deliver its financial products, which ultimately improved customer convenience and their product purchase ratio. Our 'Star Banking' app allows customers to open their bank account and be issued credit and check cards simultaneously, and our 'Startable' app ensures that customers who open their securities account can also apply for card issuance at the same time. This has undoubtedly helped subsidiaries broaden their non-face-to-face product sales channels.

Furthermore, we opened the 'KB Easy Loan' service that allows customers to use the 'Liiv Mate' app to check their credit loan limits and interest rates simultaneously and even receive recommendations for tailored products and take out loans accordingly across the four banking, credit card, capital, and savings bank subsidiaries. This service diversified our product line-up to cater to wide-ranging customers from those with excellent credit scores to those with mid-to-low scores while streamlining the customer document submission process and adopting a user-centric UI/UX to improve customer convenience. The 'KB Car Easy Integrated Limit Check' service was also launched to assist customers in purchasing our products with greater convenience: using our used car trading platform 'KB Cha Cha Cha', customers can check their auto loan limits and interest rates, and apply for membership cards and car insurance plans across the three banking, credit card, and capital subsidiaries.

Launching Diverse Products and Services to Generate Synergy

Our wide-ranging package products aim to swiftly respond to the shifting domestic/global financial landscape represented by

demographic shifts and financial consumer behaviors. These products also work to deliver financial products and services that cater to diversifying customer needs. By launching a total of four package products, including a package that emphasizes the social trends of 'women, retirees, and the environment' and 'BTS Collaboration' that targets youth customers, we strive to elevate KB Financial Group's One-Firm brand and strengthen customer relationships.

Notably, our Environmental Keeper Action package designed to reflect social concerns over increasing Micro dust issues exceeded 300,000 in the number of accounts sold for nine months, and donations were made to help with urban forestation. Our KBXBTS Package II (installment savings and check card), created through collaboration with the world-acclaimed boy band BTS to build our own youth customer base, posted nearly 100,000 in the number of purchases in

Number of Group Customer

34,822 thousand

Reach a total of 34,822 thousand of customers as a result of commitment to customer-centric management based on synergy creation within the Group



One-stop Process Development

KB Easy Loan

Provide one-stop access to diverse auto financing products within KB Financial Group



just four months following its release. KB Financial Group intends to gather customer feedback through market research and KB Tribunus Plebis to develop group-level package products that meet financial needs in a more refined manner.

Strengthening Integrated Group-level Marketing

Since we became the first financial institution to establish a joint advertisement process among subsidiaries, we launched another joint mobile advertisement campaign through social network channels to continue with our efforts to strengthen integrated group-level marketing. TVs, digital windows and ATMs installed at our bank branches that are easily accessible by our customers will readily provide information on the products and services offered by our securities and insurance subsidiaries to further broaden synergistic activities undertaken among subsidiaries.

Furthermore, we became the first Korean financial holding company to create promotional contents that publicize the features provided by the major mobile apps of five of our subsidiaries – KB Kookmin Bank's Liiv Talk Talk, KB Securities' M-able, KB Insurance's Mobile Direct, KB Kookmin Card's Liiv Mate, and KB Capital's KB ChaChaCha – in order to produce a joint video commercial available on social network channels. The commercial presented a single story that illustrated how to use the respective apps provided by five subsidiaries, and its script was written in a movie scenario format in order to increase viewer ratings. This video commercial received a total of 2.41 million views of Youtube, as of December 2019, and contributed to solidifying our corporate image as a youthful and vibrant business that is willing to pursue change and try something new.

Facilitating Referral Sales and Disseminating the One-Firm Culture

As a way to facilitate referral sales, we migrated subsidiary-specific synergy management systems into an online version to improve the convenience of field sales operations, and expanded employee exchange programs across subsidiaries to further disseminate our One-Firm culture. Notably, the recently renewed group-wide 'Synergy Performance Management System(2.0)' was customized with an aim to increase employee convenience: the system makes it easier to identify and manage employees' synergy activities and utilizes a digital window to streamline the process to request referral sales consent, laying the basis to promote referral sales among subsidiaries.

In addition, 'Department Head Community' and 'Synergy RM Workshop' are operated to promote interactions among employees across subsidiaries and share major issues related to synergy creation, paving the way for subsidiaries to collaborate on key group-wide initiatives.

Number of Active Cross-selling Customers

10,283 thousand

Reach 10,283 thousand of cross-subsidiary customers, up by 333 thousand from the previous year to significantly expand the customer base

Cross-selling Ratio in 2019

45.8%

Ratio of customers who use products and services of more than two main subsidiaries



Number of WM Multi-service Branches

70

Broaden the WM coverage between banking and securities



Number of CIB Multi-service Branches

9

Improve bank-securities sales efficiency in serving SME customers at CIB centers – creating synergy among subsidiaries

Digital Finance

KB Financial Group takes a customer-centric approach in its pursuit of digital innovation. In November 2019, KB Financial Group became the first-ever financial institution to launch its hybrid service dubbed “Liiv M” that combines finance with telecommunication, demonstrating its full commitment to broadening KB’s financial ecosystem and developing a differentiated competitive edge.

Delivering an innovative customer experience through non-face-to-face channels from the customer-centric standpoint

KB Financial Group continues to advance its major platform apps – KB Star Banking, Liiv, Liiv ON/Liiv Mate/KB Cha Cha Cha – by improving their UX/UI for increased customer convenience. Notably, the ‘Open Banking’ service, which allows customers to register their accounts at other banks for account checks, transfers and other financial transactions, was adopted for our Star Banking, internet banking, Liiv, and Liiv Talk Talk. The KB My Money was further upgraded to help respond to the shifting data industry landscape and to strengthen our competitive edge as an asset manager. Furthermore, our AI-based customer counseling chatbot service was launched to improve user experiences from financial business counseling to financial term explanations and product recommendations.

To deliver a fresh new and convenient user experience in mobile financial transactions, we unveiled the “KB Mobile Certificate” which enables customers to log in and use their e-signatures without cumbersome physical security measures such as security cards or OTPs. The KB Mobile Certificate proved to be an extraordinary success, surpassing 2.5 million users in just six months following its release in July 2019. This new certificate system is set to extend its application from our banking to other subsidiaries in the insurance, card, and securities businesses.

Pursuing diverse financial innovation through deregulatory opportunities allowed within the financial regulatory sandbox

Fully utilizing the financial regulatory sandbox provided by the Korean government, we advanced into the telecommunications business last November, becoming the first Korean financial institution to make such a move, and launched an MVNO based hybrid service dubbed “Liiv M” that combines finance with telecommunications. This service is expected to create new added value through the abundant data generated both from telecommunications and financial industries.

In addition, KB Financial Group made 18 applications to create innovative financial services in accordance with the financial regulatory sandbox, and three of them were approved including KB Kookmin Card’s ‘online safe payment service based on credit card points’. In 2020, we plan to make 12 additional applications to continue our pursuit of financial innovation.

Laying the basis for a KB-driven digital ecosystem through proactive collaboration with external tech players

KB Financial Group is reinforcing the competitive edge of its digital platform through collaboration with wide-ranging tech players. More than 373 open APIs were developed to support the seamless alignment between our financial services and external platforms, and CLAYON, a cloud-based innovation platform, was further advanced to pave the way to create a wide array of financial services in the cloud. Specifically, CLAYON became the first in the financial industry to pass the safety test performed on cloud service businesses. This helped to showcase its achievement in building a stable financial cloud environment that will promote external collaboration. We also upgraded our non-face-to-face log collection system to strengthen our customer behavior analytics as a way to facilitate external collaboration and the development of data-enabled digital financial services.

In January 2019, KB Financial Group and LG Group signed an agreement to conduct joint business on the basis of new digital technology: KB’s bank accounts were connected with the blockchain-based local currency pilot service launched within the LG Science Park in Magok, Seoul, to create a platform that allows for real-time charging, payment, and settlement through block sharing with KB blockchain. This was followed by the signing of MOUs with such diverse IT companies as SK C&C, Atomrigs Lab, and Microsoft to develop AI, blockchain and cloud technology.

Furthermore, KB Financial Group operates the ‘KB Innovation HUB’ to identify and support startups with high growth potential. Since its launch in March 2015, the KB Innovation HUB has selected high-tech startups as ‘KB Starters’ for their endeavors to create innovative services, and

Number of Mobile Certificate Users

2.5+ million

Surpass 2.5 million of users
in just 6 months after launching



Liiv M

Financial industry’s first-ever MVNO-based finance-telecommunications hybrid service to generate new added value



intensively nurtured them by connecting these fintech businesses with KB Financial Group subsidiaries. As tangible outcomes were achieved through this initiative over the years, the number of KB Starters reached 76, the cumulative number of partnerships amounted to 113, and investments made through CVC funds and others were valued at nearly KRW 33 billion. In July 2019, the KB Starters became the first in the Korean financial industry to partner with the global accelerator PLUG & PLAY(PNP) to advance into the global market. As such, KB Financial Group continues to support innovative businesses so that promising high-tech startups in Korea can go global and evolve into unicorn companies.


















Strengthening core capabilities to advance digital transformation

To swiftly reflect varying customer needs, KB Financial Group is pursuing innovation in the way it conducts business. Diverse devices

are used to digitalize teller operations while an AI-enabled chatbot counseling service was introduced to offer easily accessible and convenient 24/7 counseling in a bid to improve work efficiency and provide high-quality financial counseling to customers. Furthermore, the adoption of Robotics Process Automation(RPA) was expanded to address simple and repetitive processes within subsidiaries, which saved a total of 754,623 hours of work during 2019.

Wide-ranging training programs were provided to assist employees in strengthening their digital competency across all digital-related areas, from digital and IT to data and information protection. The 'KB Digital Finance ACE Academy', and 'Blockchain Expert Training Course' were operated to secure a core digital workforce, and the recruitment of professionals was increased in the areas of new technology(blockchain, AI, etc.) and app design & planning.

Major Applications of KB Financial Group

KB Kookmin Bank		KB Star Banking	Provide full banking services to retail customers
		Lliv	Provide convenient financial services including currency exchange and remittance
		Liiv Talk Talk	Provide interactive banking and messenger services
		KB Star Alarm	Provide financial information notifications
		KB Real Estate Lliv ON	Provide real estate information and relevant specialized services
		KB My Money	Provide integrated mobile asset management services
		KB Star Corporate Banking	Provide banking services to corporate customers including fund and payment management
KB Securities		M-able	Provide trading, financial product, and business services
KB Insurance		KB Insurance	Support mobile-only insurance financial services
		Mobile Direct	Support non-face-to-face sales of insurance plans and calculations
KB Kookmin Card		KB Kookmin Card	Support card-related business and financial service contents
		KB Kookmin App Card (Easy Pay) Kmotion	Enable on and offline payments and account checks
		Liiv Mate	Provide customer-engaging services including Pointree and day-to-day consumption
		KB Kookmin Card Life #	Provide card-related collateral services on travel, shopping, and culture
KB Capital		KB Cha Cha Cha	Provide a platform for online preowned car transaction and other services related to car sales
KB Life Insurance		KB Life Insurance	Provide insurance plan explanations and support contract management services
KB Savings Bank		KB Good Banking	Support banking and loan services through convenient authentication

To improve external digital communication, we operated the ‘KB D.N.A(Digital Native Alliance)’ and ‘KB Digital Customer Advisors’. The KB D.N.A program allowed us to partner with SOPT, an undergraduate IT startup club, to identify a total of 33 necessary improvements on our major mobile platforms and improve their UX/UI by taking into account the preferences and feedback from the Digital Native generation.

Undertaking the K Project to develop our next-generation computing system

The K Project was designed to develop a next-generation computing system and thus assist KB Financial Group in successfully pursuing digital transformation. Its ultimate goal is to create an innovative IT infrastructure that combines Artificial Intelligence and big data with the cloud and other latest technologies. This project is taking a phased-in approach across six areas – marketing hubs, mobile channel, call center system, data hub, and global platform redevelopment – along with 75 subprojects. Starting with a preliminary opening at all banking branches in Korea in February 2020, this project is set for completion by October 2020.

Work is currently underway to improve the function and design of integrated terminal screens across branches and increase their system stability, build an advanced platform that supports segmented marketing to meet diverse customer needs, and replace aging infrastructure to elevate the operational efficiency of the IT system. In addition, our big data platform is being upgraded to maximize data quality and the use of analytical data, and our global system is being renovated to establish a digital banking support system.

Building an integrated KB IT center

July 2019 marked the completion of KB Kookmin Bank’s KB Integrated IT Center. This center represents the concentration of all IT infrastructure and technology that have been distributed across respective KB Financial Group subsidiaries in the banking, securities, insurance, and card business, and is expected to play a pivotal role in conducting core digital business at the group level. The KB Integrated IT Center is recognized as the financial industry’s top-notch “Green Data Center” equipped with global-level safety, scalability, efficiency

and security. Its safety was further improved with the adoption of an earthquake-resistant design; the center is powered by renewable energy including photovoltaics and fuel cells; and uninterrupted power supply, biometric access control, and purpose-specific network separation contributed to establishing a stable network system.

Refining marketing campaigns through big data analytics

In 2019, a total of 674 ‘Smart Offering Service’ campaigns were launched and a total of 2.8 million cases of real-time marketing activities were undertaken on the basis of our refined big data generated through the latest data processing technology and our real-time analytics system. Moreover, personalized customer offerings were made available by increasing the use of such data as customer behavior logs and customer/product similarities and by elaborating on our product recommendation model through machine learning-based analytics/application.

Facilitating and advancing the “Data Open Lab” business

To facilitate KB Kookmin Card’s Data Open Lab business, a target marketing and advertisement service business model was developed on the basis of payment data in order to diversify our efforts to identify corporate consumers of such data. This resulted in an increase of KRW 1.5 billion in data sales in 2019, from KRW 252 million in 2018. Intensive promotion of the card data business aligned with the Data Open Lab also helped increase the number of affiliated business partners from nine in December 2018 to 50 in 2019.

Plans in 2020

In 2020, the financial infrastructure will be fully open, in line with the expansion of open banking services and other financial technologies, and the introduction of ‘My Data’ business spurred by the passing of three major data regulations in Korea. The advancement of Naver, KaKao, Toss and other tech businesses into the financial industry is also set to further intensify competition. Amid such challenging conditions, KB Financial Group will leverage its solid customer base and unrivaled digital core competitiveness to deliver differentiated financial products and services and to pursue ‘customer-centric digital finance’.

Efficiently responding to open banking, My Data, and other deregulatory trends

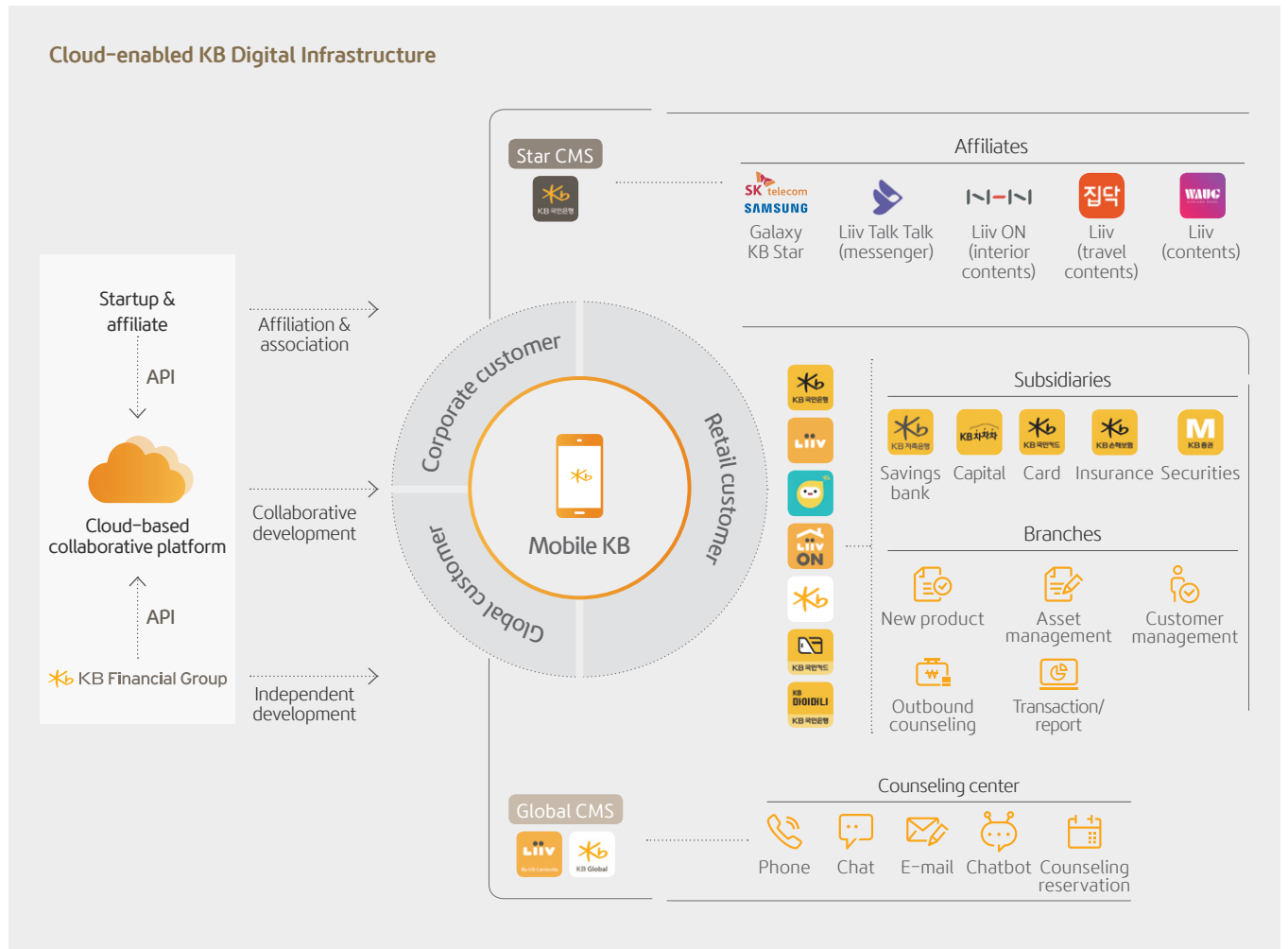
Our response to open banking will be to strengthen core services and streamline our UX/UI for customers. As to My Data business introduced as a result of the promulgation of three major data regulations in February 2020, we intend to take a subsidiary-specific customized strategy by offering tailor-made products and services and differentiating platform contents. As data utilization will constitute one of the key competitive components for any financial institution, KB Financial Group plans to help revitalize the data economy and improve its core competitive edge to strengthen the value chain. We will simultaneously pursue proactive convergence with data from other industries including retail, telecommunications, and healthcare to develop innovative products and services and build a comprehensive financial platform that supports customers in every area of their life.

KB Kookmin Card’s Data Sales Performance

KRW 1.5 billion

Facilitate data open lab business to raise its sales performance from KRW 252 million in 2018 to KRW 1.5 billion in 2019





Leveraging big data to develop and sell products and services

We will further refine our customer targeting through the combination of our structured or non-structured data to broaden real-time tailor-made customer marketing. To this end, we plan to build a data analytics platform and perform big data analyses through wide-ranging channels in order to create new added value. A data governance system will be developed to improve data user convenience, and the use of data assets will be upgraded through improved accessibility. Customer Mind Research that uses search data will be conducted to plan personalized contents and identify new contents based on the intention of potential customers, and a KB data collaborative platform will be created as a new type of data-enabled collaboration system. By fully implementing 'Liiv M', our MVNO-based finance-telecommunication hybrid service unveiled in the 2nd half of 2019, we plan to secure new customers and differentiate our platform service. Furthermore, we will strengthen the group-level alignment of financial products and services and leverage the KB Mobile Certificate and USIM to reinforce the connection of mobile platforms across subsidiaries.

Using digital technology to improve efficiency

We will continue to identify the new applications of RPA while combining RPA with wide-ranging digital technologies to improve work efficiency. The Integration of RPA with AI and other digital technologies will help extend the scope of RPA introduction and automate front office operations. Meanwhile, The K project will enable us to deliver an innovative experience to customers and efficient work conditions for employees. To flexibly respond to the rapidly-shifting financial landscape, we plan to establish a horizontal and efficient corporate culture and strengthen internal training to develop a professional IT technology workforce.

Furthermore, cloud, blockchain and other varying digital technologies will be combined to facilitate open innovation and push the boundary of financial services. CLAYON will be equipped with a multi-cloud architecture structure through our contract with AWS and other global cloud service providers to improve its performance while reinforcing its stability.

Global Business

KB Financial Group takes a multi-faceted approach to strengthen its global business capability and position. We leverage the assets owned by respective subsidiaries and the business capabilities we have developed in retail banking and other diverse areas while comprehensively considering new types of market entry made available with the development of digital technology in order to broaden our global business presence in a way that suits country-specific market conditions.

Over the years, KB Financial Group has advanced into digital banking, auto financing, MFI, and securities businesses in Cambodia, Laos, Myanmar, Vietnam, and Indonesia to further understand and experience these Southeast Asian markets. While we strike the right balance between organic growth based on our existing network and inorganic growth promoted through subsidiary-level M&As to effectively use our resources, we also focus on a limited number of hub candidates, rather than multiple countries, to transform these target countries into our 'Mother Markets'. In parallel, we also opened IB Units in Hong Kong, London and New York as our regional IB operation hub to broaden our business line-up in mature markets and explore diverse global market entry options. As such, we follow a two-track strategy to tap into both emerging and advanced markets.

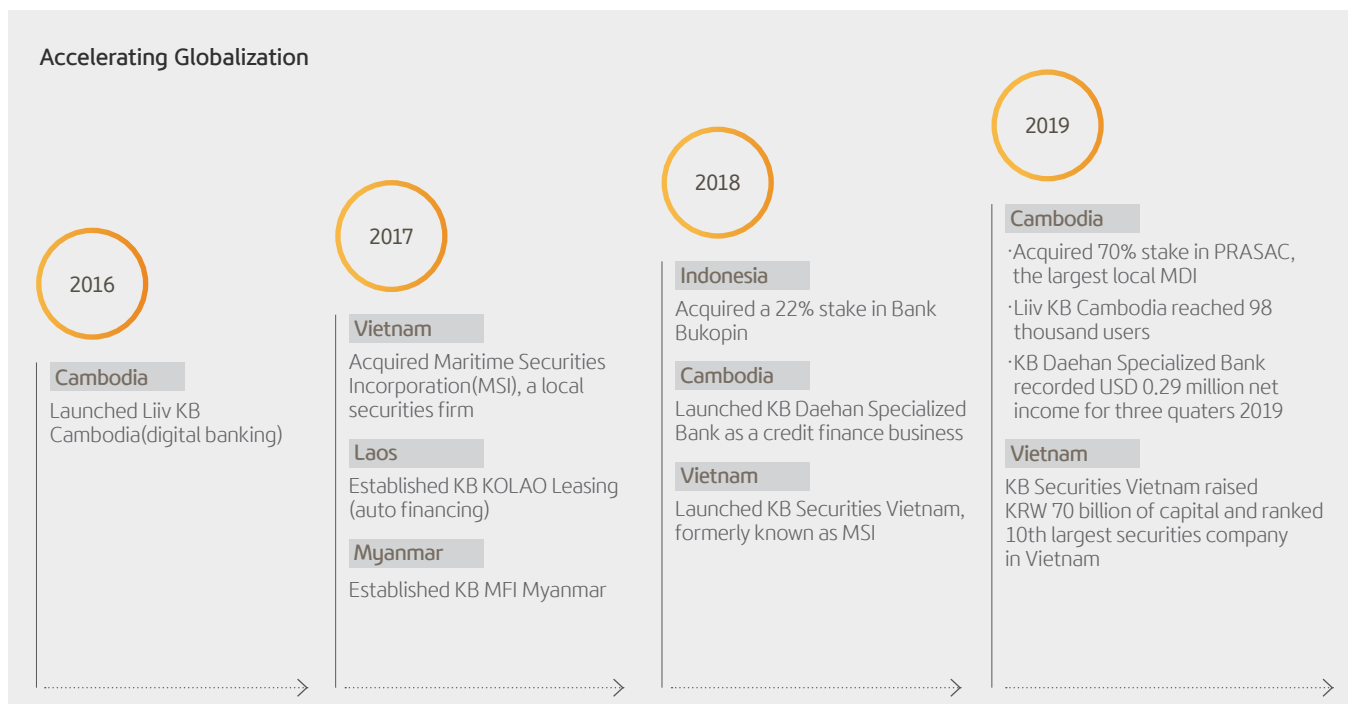
In October 2019, KB Financial Group signed an MOU to form a strategic alliance with Stifel Financial, a U.S.-based firm with multiple subsidiaries in the securities, banking, and asset management businesses, to promote mutual investment cooperation. This will serve to develop a close collaboration system in each other's business areas – CIB, WM,

and asset management – and jointly explore diverse collaborative and new business opportunities. Starting with U.S. stock brokerage and research that draws growing interest from domestic institutional and retail customers, our collaboration will extend its scope into other areas including but not limited to IB deals, financial investment product sourcing, and PI investments.

In January 2020, KB Kookmin Bank signed a stock purchase agreement to acquire a 70% stake in PRASAC Microfinance, Cambodia's largest Microfinance Deposit-taking Institution(MDI). With a local network of 117 locations, PRASAC represents the nation's largest MDI and is ranked third in loan market share. KB Kookmin Bank plans to transform PRASAC into a commercial bank to transfer its exceptional retail capabilities and help PRASAC evolve into a leading bank in Cambodia in order to broaden its business presence in Southeast Asia.

KB Kookmin Bank's Hanoi Office in Vietnam and its Gurugram Office in India were transformed into branches following the preliminary approval granted from the local financial authorities, and initiated their operation in February 2019. Specifically, we are keeping an eye on the Indian market as India is home to the world's second largest population, is posting continued high economic growth in the 7% range, and is rapidly growing its trade with Korea, and we plan to continuously expand our branch network in the country to accelerate our advancement into the Indian market.

KB Securities' local Vietnamese subsidiary KB Securities Vietnam(KBSV) opened its 4th Vietnamese branch in Saigon in January 2019, and



increased its capital by nearly KRW 70 billion to join the top 10 local businesses based on the size of equity capital. KBSV plans to focus on its retail operations and strengthen IB capabilities and improve S&T profits as part of its growth strategy through collaboration with KB Securities head office in Korea.

In November 2019, KB Kookmin Card signed a stock purchase agreement to acquire an 80% stake in 'PT Finansia Multi Finance', a local Indonesian credit finance company conducting business in auto, motorbike, and durable goods installment financing in Jakarta, Indonesia. KB Kookmin Card plans to expand installment financing products that cater to local customer needs to focus on high-quality assets while partnering with local mobile platform operators to expand digitally-based non-face-to-face operational channels.

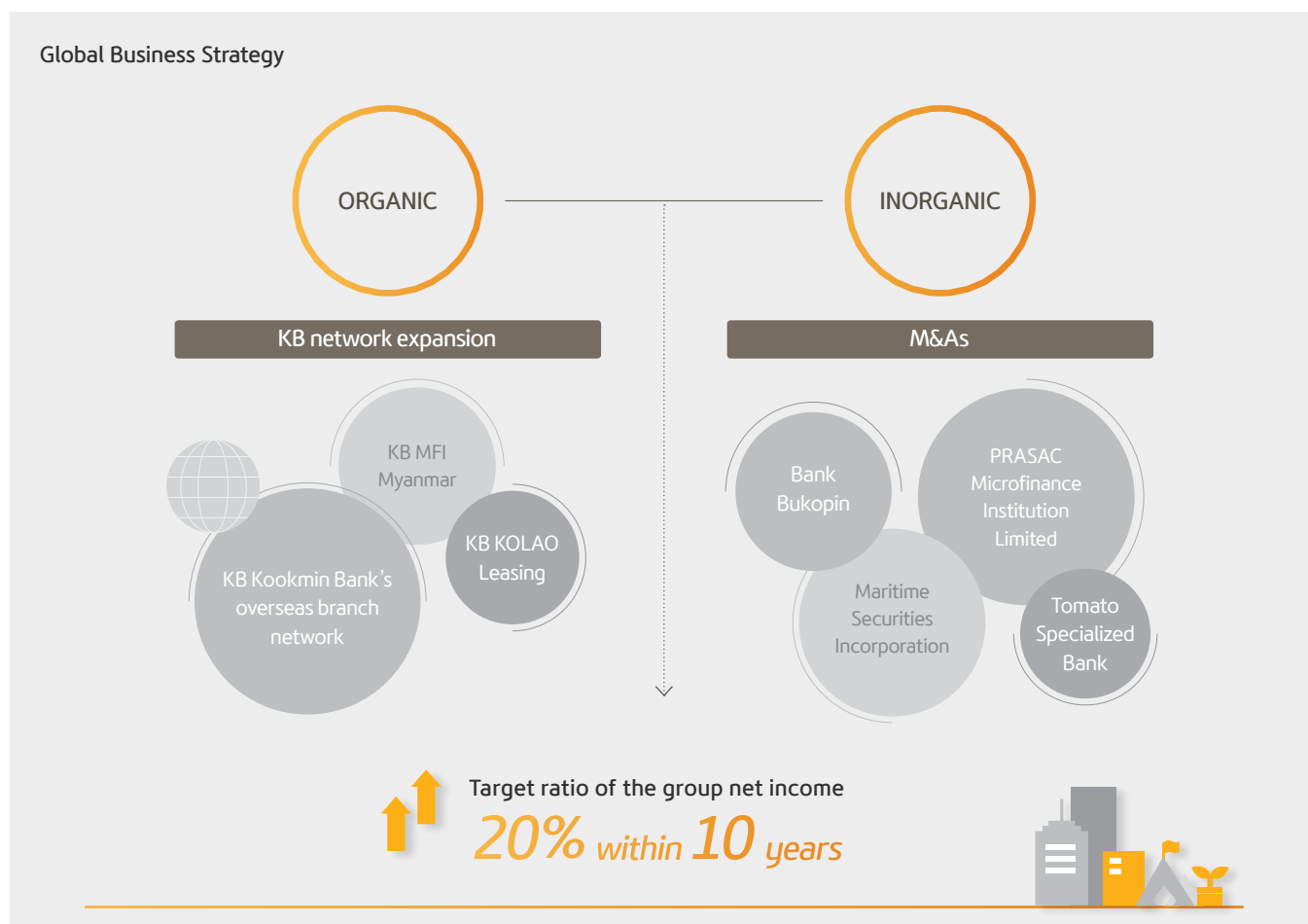
In February 2019, KB Capital signed an agreement to acquire an 85% stake in 'PT Sunindo Parama Finance' in Indonesia. This will enable KB Capital to expand its installment finance business from new car purchases into used cars and consumer goods as well as the car rental business.

Plans in 2020

To expand its global business presence, KB Financial Group will follow a two-track strategy to focus on 'Southeast Asia expected to achieve high growth' and 'U.S. and other advanced markets known for their high investment stability and favored by Korean customers as an overseas investment destination'.

In Southeast Asia, we will target Vietnam, a country posting rapid economic growth and attracting numerous Korean businesses, Indonesia, the region's largest market, and the three countries of Myanmar, Cambodia, and Laos situated along the Mekong River. To broaden our global business in these countries, we will continue with M&As on the subsidiary level and pursue the organic growth of the existing network.

In the U.S. and other mature markets, our market entry and expansion strategy will focus on 'securing stable growth drivers across the group portfolio' and 'developing global capabilities in the WM/CIB/asset management sectors'.



Global Network

KB Financial Group is accelerating its advancement into the global market to overcome the growth limits in the domestic financial market, pursue sustainable growth, and realize its value creation potential. Notably, these endeavors to expand our global presence are focused on CIB, retail banking, digitalization, and asset management, and a business-specific approach is taken in consideration of a full range of factors, from local regulatory environments and demographics to financial industry infrastructure and growing offshore investment demand among domestic investors.



61 Overseas Network

KB Kookmin Bank	KB Securities	KB Insurance	KB Kookmin Card	KB Asset Management	KB Capital
38	7	10	2	3	1

Southeast Asia

KB Financial Group added four new locations in 2019 to reach a total of 42 in its Southeast Asian network.

- **Cambodia**
KB Kookmin Bank 6
KB Kookmin Card 1
- **Myanmar**
KB Kookmin Bank 18
KB Kookmin Card 1
- **Laos**
KB Capital 1
- **Vietnam**
KB Kookmin Bank 2
KB Securities 4
KB Insurance 2
KB Asset Management 1
- **Singapore**
KB Asset Management 1
- **Indonesia**
KB Kookmin Bank 1
KB Insurance 3
- **Hong Kong**
KB Kookmin Bank 1
KB Securities 1

Primary Countries of Focus

Over the years, KB Financial Group has made inroads into the digital banking, auto financing, microfinance, and securities sectors in Cambodia, Laos, Myanmar, and Vietnam. Our strategy is to develop understanding and accumulate experience in these Southeast Asian markets and to focus on a select number of target countries.

Recent Achievements

Acquired a 70% stake

PRASAC

Develop PRASAC into Cambodia's leading bank to broaden our business presence across Southeast Asia



Cambodia

Signed a SPA to acquire an 80% stake

PT Finansia Multi Finance

Expand installment financing product line-ups that cater to local customer characteristics as well as non-face-to-face digital channels

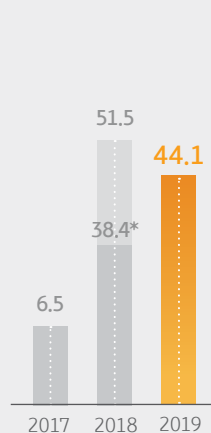


Indonesia

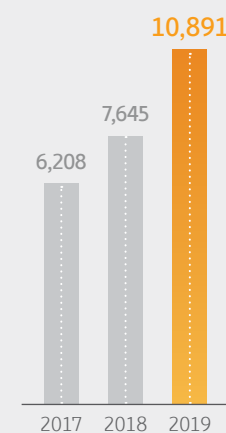


- U.S.**
KB Kookmin Bank 1
KB Securities 1
KB Insurance 3

Net income from global operations
(USD in millions)



Total assets of global operations
(USD in millions)



* Excluding non-recurring items (including changes in criteria used to calculate banking reserves)

ESG Management

In pursuit of responsible finance that cares for the environment and society, KB Financial Group adopted ESG standards across the entire business conduct to establish and operate a sustainability management system. We have set the three key strategic directions of promoting ESG-based innovative growth for sustainable finance, advancing our climate change strategy for the environment, and internalizing accountability management, and are committed to fulfilling our role as a financial leader in ESG management both in Korea and abroad.

Strengthening global ESG leadership by proactively endorsing international initiatives

KB Financial Group is committed to fulfilling its leading role in ESG by proactively joining global initiatives and international organizations. In September 2019, we signed up for 'The Principles for Responsible Banking' of the UNEP Finance Initiative (UNEP FI), which were presented to the banking industry to reach the social goals set under the UN Sustainable Development Goals and the Paris Agreement.

We are the only Korean financial business to join the 'UNEP Collective Commitment to Climate Action' which, as a follow-up implementation program for the signatories to the above-mentioned principles, was attended by 31 institutions to take climate-friendly actions by reducing carbon-intensive business in corporate operations while increasing the ratio of green business. In addition to the UNEP FI, we are also actively participating in the UN Global Compact, Carbon Disclosure Project, Task Force on Climate-related Financial Disclosures and other global initiatives on sustainability management. We have also recently assisted in the development of the UNEP FI and EU Taxonomy guidelines for banks designed to adopt a global green investment classification system in performing banking credit reviews.

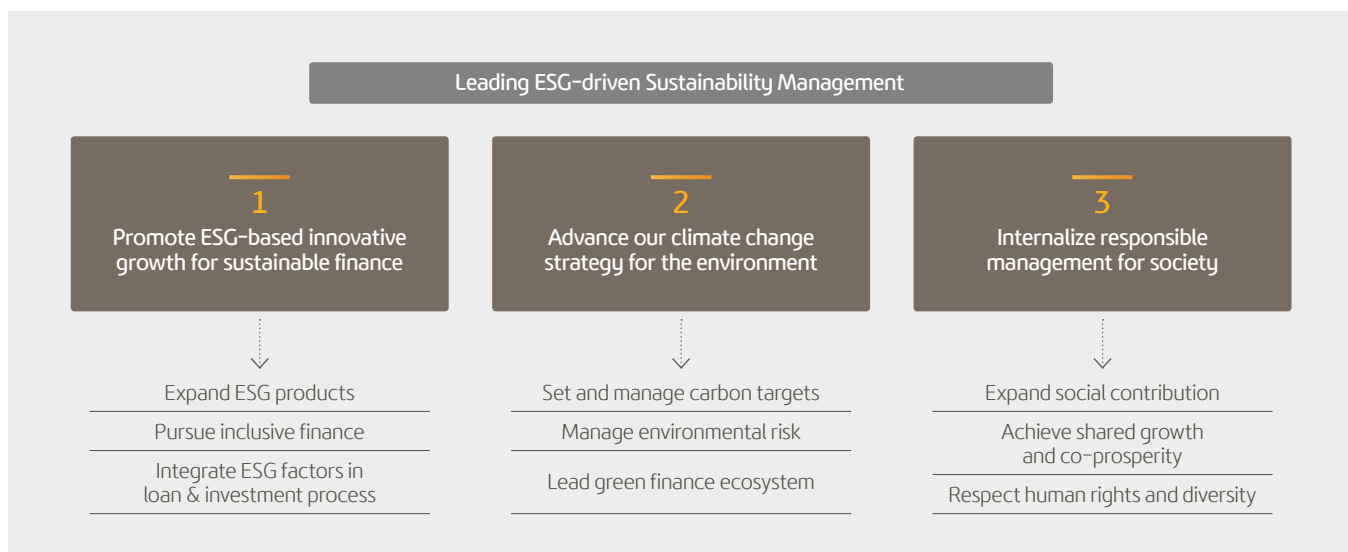
Furthermore, we officially endorsed the Women's Empowerment Principles (WEPs) to create a corporate culture that respects gender equality, inclusiveness and diversity.

Pursuing sustainable finance by playing a leading role in the ESG financial market

KB Financial Group is an active player in undertaking renewable energy projects, and is working to make our society greener. Since 2007, we have served as a financial advisor and syndicated loan underwriter on wide-ranging renewable energy projects including photovoltaics, wind, and fuel cells. As a leading financial institution in the renewable energy sector, we were chosen as a financial advisor and lead arranger for such large-scale renewable power generation projects as Jeju Hanlim offshore wind, Solaseado photovoltaics, Yeongam PV Power Plant, and Incheon fuel cell power generation.

KB Securities created a blind fund with a Canadian investment and management company with expertise in the resource and energy sector and is conducting a PV power generation business following the acquisition of the required business license. KB Asset Management has increased its renewable energy investments since 2007 to surpass KRW 1 trillion in cumulative investments in the offshore PV, biogas and PV-connected energy storage system business while investing in the overseas PV power generation business and actively advancing into the global market to diversify its investment destinations.

As climate change, ranging from global warming to Microdust issues, is exerting an even greater impact on our life today, KB Financial Group is developing a range of green financial instruments.



Included in the eco-friendly product portfolio provided by KB Kookmin Bank are the 'KB Clean Sky' package which consists of installment savings and trust to help resolve microdust issues, 'environmentally-responsible investment fund offerings' that invest in companies with solid ESG performance to pursue long-term profits, 'KB Green Growth Loans' that benefit green growth companies through prime rates while donating a portion of the profits to green growth associations, green loan products such as energy use rationalization funds and environmental industry promotion funds, and 'Preferential Loans for PV Power Plant Businesses' eligible for green power generators.

KB Kookmin Card's Green Card allows consumers who purchase eco-friendly products to accumulate eco-money points as a way to pursue green finance. KB Life Insurance developed the Environmental Love Hospitalization Plan (non-participating term insurance) that covers hospitalization caused by diseases stemming from the environment. KB Insurance included special provisions that offer discounts on the use of public transportation, low mileage and the consumption of green automobile parts. KB Asset Management delivers diverse funds that support the growth of the domestic and international renewable energy industry to expand group-wide green business investments while practicing eco-friendly management by launching sustainable finance products, taking the lead in improving corporate competitiveness and fulfilling social responsibility.

KB Kookmin Bank established a sustainable finance management system to strengthen its support for eco-friendly and socially-responsible business. Not only does this system comply with the 'Sustainability Bond Guideline' developed by the International Capital Market Association, but also is recognized for its excellence as demonstrated by the evaluation report prepared by the world-renowned ESG financial consulting firm 'Sustainalytics'. KB Kookmin Bank became the first-ever Korean commercial bank to issue sustainability bonds in October 2018, and then successfully priced a sustainability subordinated bond offering in February 2019.

This issuance garnered much attention from investors and overseas media outlets as the bank became Asia's first to offer such sustainability subordinated bonds. Their proceeds were used to finance qualified investment projects and extend loans designed to assist socially-vulnerable groups and create jobs for these individuals, develop renewable energy, and support the environmental improvement business.

Elevating our reputation as a corporate leader through strategic response to international sustainability management assessments

KB Financial Group was included in the 'DJSI World Index', the global-level index among the Dow Jones Sustainability Index family, for four consecutive years in recognition of its strong commitment to fulfilling ESG responsibility. The DJSI is globally accepted for its credibility in evaluating corporate sustainability management performance, and the

index family consists of DJSI World as the highest level index, DJSI Asia Pacific, DJSI Korea, and others.

Furthermore, we obtained 'leadership A-' in the 'Climate Change 2019' published by the Carbon Disclosure Project (CDP) known for its credibility in the environmental sector. Through sustained commitment to gender equality, we became the first Korean business to be listed on the Bloomberg Gender-Equality Index for two consecutive years for our efforts in building a corporate culture that promotes gender equality through female leadership and talent development.

In Korea, we were granted an overall A+ in the '2019 ESG Evaluation by the Korea Corporate Governance Service', which shows that our top-notch performance in sustainability management is widely acknowledged both internally and externally.

Publishing the 2018 KB Financial Group Sustainability Report

KB Financial Group ensures efficient communication on its sustainability management capabilities through the disclosure of key material issues and management data. KB Financial Group publishes sustainability reports by reflecting the outcomes of surveys conducted on internal/external stakeholders concerning wide-ranging sustainability management issues as well as those material issues identified through the materiality test.

Notably, the 2018 KB Financial Group Sustainability Report illustrated material issues on customers, innovation, environment, social responsibility, and employees, its sustainability management system spanning governance, business ethics, integrated risk management, and human rights management, and its sustainability management achievements in relation to customers, local communities, environment, employees and economy. In so doing, we disclose our performance in the areas of management, environment, safety, and society to strengthen our communication with investors, shareholders, customers and other stakeholders and earn their trust.

DJSI World Index

**Listed for
4 Consecutive Years**

Gained global top-level recognition in risk management, customer relationship management, inclusive finance, and anti-financial crime policy



No.1

Adopting the Stewardship Code to enhance our corporate value and investor benefits

KB Financial Group adopted the Stewardship Code as part of its fiduciary duty policy for the six major subsidiaries of KB Kookmin Bank, KB Securities, KB Insurance, KB Life Insurance, KB Asset Management, and KB Investment. This allows us to reflect non-financial ESG components as well as financial ones in measuring corporate value in order to strengthen our role as a fiduciary in inducing the growth of our investees and increasing mid to long-term returns on customer assets. Furthermore, we developed our conflicts of interest policy to prevent the occurrence of such conflicts in fulfilling our fiduciary duty while implementing internal control regulations and compliance manuals to uphold the principle that investor interests take precedence over the interests of KB Financial Group, its shareholders and employees and that the mutual interests of investors should be equally addressed. In faithfully performing our fiduciary duty as a shareholder, we make our voices heard in business conduct and facilitate the maximization of shareholder interests while ensuring the robust operation of market surveillance mechanisms. In so doing, we help change corporate governance for the better and increase corporate value, ultimately advancing the rights and interests of our customers.

ESG Strategy Directions in 2020

Pursuing ESG-driven innovative growth for sustainable finance

KB Financial Group aims to extend the application of its ESG factors in its products and services to drive sustainable finance. To continue our endeavors to promote innovative growth in the ESG sector, we will focus on the following initiatives: 1) expand ESG-based products, including green renewable energy investment instruments, 2) Pursue inclusive finance aimed at protecting financially underserved groups and providing them with stable financial services, 3) integrate advanced ESG factors to examination of loans and investments.

Advancing our climate change strategy for the environment

We will advance our climate change strategy to address continuously emerging environmental issues. We intend to take the lead in creating green finance ecosystem: 1) we will control carbon emissions by setting reduction targets, systematically managing data and monitoring reduction outcomes 2) we will manage environmental risk by identifying climate change-induced risk factors and opportunities and communicating with internal/external stakeholders 3) we will form partnerships to proactively respond to climate change.

Internalizing responsible management for better society

We continue to fulfill our social responsibility and create value by embedding responsible management into our day-to-day business operations. We plan to expand ESG-aligned social contribution programs to create social impact and to advance the business capabilities of SMEs, suppliers, innovators, and startups to ensure shared growth and co-prosperity with them. KB also makes a concerted effort to improve employee welfare, ensure safe working environment, and respect diversity, thereby implementing inclusivity and social responsibility.

Asia's First
USD 450 million

KB Kookmin Bank placing Asia's first USD 450 million foreign currency-denominated subordinated sustainability bonds (Feb. 2019)



K Innovative Finance Council

KB Financial Group establishing the 'K Innovative Finance Council' to support the innovative growth of startups, venture capitals and SMEs (Apr. 2019)



Korea Corporate Governance Service(KCGS)

Rated A+

Rated overall grade A+ in ESG assessments and named Most Excellent in Corporate Governance for 2 consecutive years by the Korea Corporate Governance Services in 2019

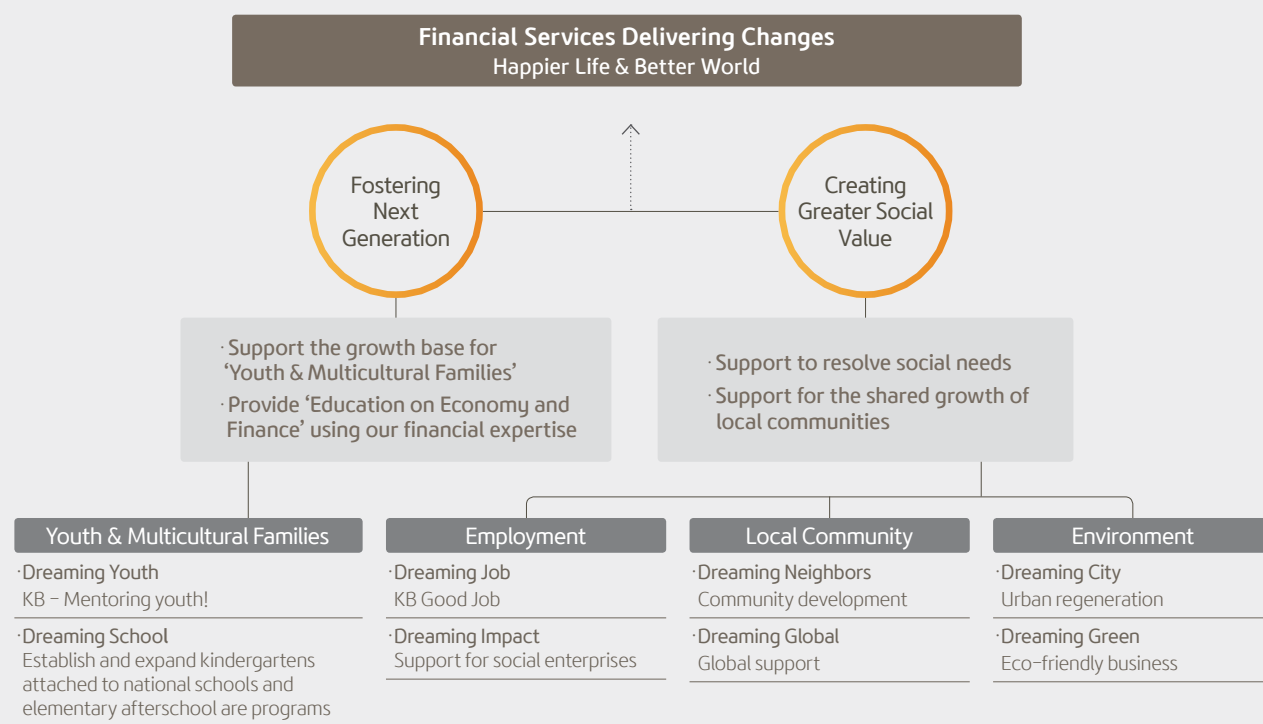


Social Contribution

With the mission of “Financial Services Delivering Changes-Happier Life & Better World”, KB Financial Group undertakes wide-ranging social contribution initiatives to fulfill its social responsibility and become a sustainable financial institution that grows hand-in-hand with society. Any and all social contribution initiatives of KB Financial Group are founded upon the CSR system illustrated below, and respective subsidiaries implement strategic social contribution programs on the basis of group-wide core business areas.

KB Financial Group's CSR System

KB Financial Group set the overarching directions of its CSR initiatives as 'Fostering future generations' and 'Creating greater social value', and these initiatives are focused on the areas of 'youth & multicultural family', 'employment', 'local community' and 'environment' in alignment with UN's Sustainable Development Goals(SDGs).



Fostering Future Generations

Supporting the growth base for youths and multicultural families

Since the establishment of the holding company in 2008, KB Financial Group has consistently launched social contribution programs to lay the basis for children and teens to grow into healthy members of society, and is taking the lead to support multicultural groups to bring inclusiveness and diversity to our society.

We signed a business agreement with the Ministry of Education in 2018 to help 'fill the void of care', a chronic and challenging social issue,

as one of our key focus areas in fostering future generations. Under this agreement, we will provide a total of KRW 75 billion by 2022 to establish and expand elementary afterschool care spaces and national kindergartens situated next to elementary school. Our assistance allowed numerous students to receive care services, and this is expected to bring positive ripple effects, from the early reinstatement of parents whose career was discontinued due to childcare burdens to the creation of new jobs at afterschool care facilities. As of last year, we helped create 976 afterschool care classrooms at 639 schools, and we will increase the number of these classrooms to 2,500 by 2022 to benefit more than 50,000 children.



We provide a range of educational programs to bring hope to future generations so that they can pursue their dreams. With ‘mentoring’ as the key agenda, KB Kookmin Bank is implementing a systemic CSR business portfolio: ‘Mentoring for Learning’ targets teens from low-income or multicultural families who often lack learning opportunities to provide one-on-two mentoring, English learning, and scholarships; ‘Mentoring for Career Path’ offers diverse career experience programs to help these teens make a suitable career choice; ‘Mentoring for Digital Future’ aims to nurture creative talent desired by the 4th Industrial Revolution era. KB Securities and KB Insurance help improve the learning and residential environment for children and teens from low-income families while KB Kookmin Card provides arts, music and sports educational programs to children with disabilities to help them stand on their own feet.

KB Financial Group offers continued support for ‘Korean learning’ as it constitutes an essential component in helping multicultural individuals adapt to Korean society, and assists them in obtaining the qualifications required for employment and receiving vocational training. Notably, our ‘KB Rainbow Love Camp’ and ‘Multicultural Understanding Classroom’ have been established as one of KB Financial Group’s unique programs that allow these children to expand their horizons and increase mutual understanding and exchange. We also care for North Korean adolescent refugees by supporting their school facilities and offering education to help them gain personal identity, which will surely contribute to their becoming a healthy member of our society.

Our social contribution initiatives also include ‘economic & financial education’ that leverages our competency as a financial institution. Since the establishment of the ‘KB Foundation’ as a non-profit foundation, we have provided wide-ranging economic and financial education programs over the past decade to make these programs a major part of our social contribution activities and to present new directions for economic and financial education through different programs and teaching methods that cater to changing social needs. The foundation created a group of professional instructors for economic and financial education to visit elementary/middle/high schools, military units, and big supermarkets to offer education

Support for Afterschool Care Services

KRW 30 billion

Support the construction and expansion of national kindergartens situated next to elementary school as well as elementary afterschool care classrooms (a total of KRW 75 billion to be provided by 2022)



**976 classrooms created
at 639 schools in total**

Bring positive rippling effects by helping parents who experienced career discontinuation to return to work and by creating new jobs opportunities

and operate itinerant learning sessions and economic education camps. ‘Liiv School’ opened as an experience-based learning center in Suncheon, Jeollanam-do and has been under year-round operation, and the contents for social networks were created through collaboration with undergraduate students to deliver customized economic and financial education to future generations. As of last year, KB Financial Group’s economic and financial education benefited more than 172,000 people.

Creating Greater Social Value

Supporting the resolution of social needs and shared growth with local communities

KB Financial Group makes use of the inherent characteristics of respective business areas based on its wide-ranging business portfolio that include banking, securities, and insurance with an aim to create greater social value.

We formed a social investment fund with K-Growth to create a social financial ecosystem that nurtures social enterprises and promotes their self-reliance. Valued at KRW 100 billion, this fund invests in social enterprises capable of creating a positive impact in the areas of society and environment in compliance with the UN SDGs. These investments are made in social ventures that generate meaningful social impact as well as certified social enterprises to pursue both

Investment in KB Social Investment Funds

KRW 10 billion
in 10 companies

Operate social venture funds to pursue both social benefits and financial profits



"KB Good Job" hosted
on 16 occasions with cumulative
317,100 visitors

Serve as a venue for job matching by linking outstanding SMEs with job seekers



social and financial outcomes. As of 2019, the 'KB Social Investment Fund' invested in 10 enterprises and its investments amounted to KRW 10 billion. In August 2018, KB Investment which manages the venture capital business of KB Financial Group also created the 'KB Social Impact Fund' worth KRW 15 billion in conjunction with the Korea Fund of Funds to help promote social enterprises.

Our 'KB Good Job' program has been under operation since 2011 to help create high-quality jobs. The KB Good Job website contains a variety of employment information as well as consulting information regarding CV and interview preparation to offer substantial assistance to young job seekers. As of the end of 2019, nearly 59,000 cases of employment information were made available through KB Good Job. The annual 'KB Good Job Fair' has been hosted to bring together profitable small and medium sized businesses and job seekers: it has been held 16 occasions over the years, the cumulative number of visitors amounted to 317,100, and 10,800 cases of job placement have been recorded to make it the largest job fair supervised by a private business in Korea. In particular, businesses who hire during the job fair period and retain employment for a designated period of time are provided with grants to encourage their recruitment and guarantee stable employment. 'KB Good Job Academy' and 'KB Good Job School' are also operated to improve job seekers' employment

capabilities and help resolve unemployment issues.

As recently emerging environmental issues require our concerted efforts among governments, people and businesses, KB Financial Group is taking the lead in fulfilling its social responsibility through varying eco-friendly social contribution programs. The 'KB Kookmin Bank Forest' was created in Mongolia, where yellow dust and microdust originate from, to lower microdust levels while air purifiers were installed at local children's centers as microdust poses higher risks to children. Educational books were also published in line with this initiative and environmental education was provided to teens to help them develop a sense of stewardship towards the environment. Furthermore, eco-friendly financial instruments are developed to engage customers in our social contribution initiatives. We've become the first in the financial industry to release the 'KB Clean Sky Financial Package' to encourage consumers to voluntarily help in resolving microdust issues: donations raised through its proceeds go to create forests in urban areas and provide eco-friendly condensing boilers to welfare facilities. In so doing, we conserve the environment for our future generations and create a sustainable society.

KB Financial Group also endeavors on diverse fronts to pursue shared growth with the global community. KB Kookmin Bank offers health care services to immigrant workers living in Korea and helps Cambodian children suffering from heart disease pay for their surgery, and since 2008, 527 undergraduates have joined its global volunteer group 'RaonAtti' to volunteer in less-developed countries. KB Securities initiated the Rainbow Classroom program to create a quality learning environment for teens in underdeveloped countries, and KB Insurance launched 'Lighting Children' as a green energy sharing campaign to encourage its employees to assemble photovoltaic lanterns and donate them to countries suffering energy shortages to help local children enjoy better living conditions. KB Daehan Specialized Bank, KB Kookmin Card's Cambodian subsidiary, signed a business agreement with the local social enterprise 'SmartCraft' to use its upcycling products as promotional gifts given to customers worth USD 10,000, taking a continued journey for shared growth with the international community.



Major Social Contribution Initiatives by Subsidiary

● KB Kookmin Bank

KB Kookmin Bank's wide-ranging social contribution initiatives aims to encourage the healthy growth of teens and nurture future talent. Its leading social contribution program named 'KB-Mentoring youth!' consists of mentoring and support projects in the three areas of Learning, Career Path, and Digital Future: Mentoring for Learning provides learning support for teens from low-income/multicultural families who often lack educational opportunities; Mentoring for Career Path assists teens in attending diverse career experience programs; Mentoring for Digital Future supports coding education and other software education programs.

In the five key areas of 'Dreaming Youth, Green, Global, Neighbor, and Culture', a wide range of programs are implemented by offering economic and financial education, launching environment-linked products, and providing health care support for immigrant workers.

● KB Securities

Under the slogan 'Wholehearted, Warm KB Securities', KB Securities undertakes varying social contribution programs in the areas of 'organizational culture of sharing and participation', 'youth & multicultural family' and 'community-friendly social contribution'. As its leading social-giving program, the 'Rainbow Classroom' aims to create a favorable learning environment for underprivileged youths by renovating learning spaces, creating a library, and donating books. Since 2009, this program has benefited 12 schools in Korea and three schools overseas, and opened the 15th Rainbow Classroom at the Saemsotneun Children Center in Seoguipo City, Jeju Island, in 2019. Included in other social contribution activities are the 'Hands-On' programs designed to donate homemade items, ranging from 'KB facial masks' and 'filial piety carnation flowers' given to seniors living alone to 'soap of life' donated to children and families in impoverished countries.

● KB Insurance

With the vision of "Becoming a company delivering hope to the public", KB Insurance continues to practice sharing-focused management. Driven by the three core strategies of "intensive support for children", "community-friendly social contribution" and "organizational culture of sharing and participation", KB Insurance operates volunteer groups and improves residential conditions for children and teens, among other diverse social-giving programs. Notably, KB Insurance's 190 volunteer groups composed of employees and sales representatives proactively lent their helping hand to reach nearly 16,000 hours in volunteer hours in 2019.

● KB Kookmin Card

KB Kookmin Card practices the spirit of sharing in the three areas of youth, multi-cultural family, and public interest. In the youth education sector, KB Kookmin Card provides economic and financial education every year to nearly 10,000 elementary/middle/high school students to help them develop reasonable consumption habits. The 'Fine Arts & Physical Education Program for Children with Disability' has been under operation to sponsor a total of 241 teens with disabilities, including 91 in arts and 150 in sports. KB Kookmin Card

Employee Volunteer Hours

16,000 hours

KB Insurance operates 190 volunteer teams that consist of employees and sales agents to undertake a range of campaigns and social-giving programs across local communities.



Educational Sponsorship Program for Teens with Disabilities

241 teens

KB Kookmin Card supports teens with disabilities including 91 teens in arts and 150 teens in sports to provide a systemic educational opportunity.



also sends gift sets that consist of a backpack, school supplies, and an encouraging letter to children from low-income families who will be first graders that year, benefiting nearly 10,200 children over the years.

In the global sector, KB Kookmin Card offers Korean language education to children from multicultural families and North Korean refugees who face difficulties in learning and adapting to Korean society. Each year, 160 children receive personalized education from Korean language teachers for six hours per week. In addition, KB Kookmin Card employees have made Love T-shirts and donated them to children overseas since 2017, and its labor and management have jointly launched overseas volunteer activities since 2019 to extend classrooms and donate necessary equipment.

In the public interest sector, KB Kookmin Card has operated the 'Employee Love-Sharing Blood Donation' campaign biannually since 2014 to donate nearly 1,100 blood donor cards raised through the event to help children with leukemia. The company also initiated social-giving programs designed to bridge the social divide in 2019, ranging from turning non-regular workers into fulltime employees and improving working conditions to creating jobs for youth and supporting employment stability for low-income workers.



KB Life Insurance offers scholarships to children whose parents work in the social welfare sector and its employees donate their blood, sign an organ donation pledge, tend to the upkeep of parks, and participate in environmental cleanups. KB Real Estate Trust offers learning guidance to children, provides vocational training and rehabilitation assistance to people with disabilities, and supports orphaned infants and toddlers. The company has helped improve the environment at the Seoul Forest since 2019 by rooting out noxious plants and clean up the environment.

KB Savings Bank has regularly sponsored and volunteered at the 'Home of St. Paul Hasang', a soup kitchen for the underprivileged, for the past seven years while supporting the livelihood of the less-fortunate in local communities and cleaning up the areas in the vicinity of its branches in order to pursue co-prosperity with local communities. KB Investment has volunteered at nursing homes every year since 2006 and is donating kimchi to multicultural families and seniors living alone. KB Data Systems visits senior welfare centers to help serve meals while making financial donations to youth residence facilities and holding just-for-fun soccer matches with teens living in these facilities. KB Credit Information offers meal services at soup kitchens, hands-on volunteering, blood donation cards, and environmental cleanups near its head office and other worksites.

Employee Love-Sharing Blood Donation

1,100+

KB Kookmin Card donated nearly 1,100 blood donor cards to help children with leukemia via 'Employee Love-Sharing Blood Donation' campaign since 2014.

All KB Financial Group subsidiaries are engaged in a wide array of social contribution programs. KB Asset Management visits senior welfare centers to help distribute meals and tidy up the facility, and designated each last Wednesday of the month as 'Day of Social Contribution' to undertake hands-on volunteering. KB Capital donates various items for underprivileged youths and has made financial donations to people who have been displaced.



Management's Discussion & Analysis

In 2019, the Korean economy slowed down due to global economic uncertainties and the continued shrinkage in domestic economic activities. In the face of these challenging business conditions, KB Financial Group strengthened its future growth driver and digital competitiveness to pave the way for its sustained growth into Asia's leading global financial group. We pursued stability and balance in asset growth to reinforce our earnings fundamental while relentlessly improving the credit portfolio with our proved conservative risk management.

As to business results in 2019, KB Financial Group's total assets rose by KRW 38.9 trillion from the previous year to KRW 518.5 trillion, which is attributable to the solid asset growth mostly focused on prime household and SME loans. Net interest income increased mostly led by quality loan growth and our endeavors to defend margins. Non-interest income also increased contributed to improvement performance in trusts and IB businesses as well as securities, F/X and derivatives. The Group's net income posted KRW 3,311.8 billion, increased by KRW 250.6 billion from the previous year. In asset quality, the group NPL ratio fell by 0.11%p from the previous year to 0.48%. This is mainly due to our continued commitment to improving credit quality of loan portfolio by increasing portion of prime quality assets while reducing potential non-performing loans and continuing preemptive and conservative risk management. Under Basel III, group BIS ratio and CET 1 ratio are to mark 14.48% and 13.59% respectively. The capital adequacy ratios of the Group and other subsidiaries have remained stable above the regulatory standards set by financial supervisors.

Key Financial Indicators

	(% , %p)		
	2019	2018	YoY
ROA	0.66	0.66	-
ROE	8.93	8.82	0.11
Basic EPS (KRW)	8,451	7,721	730
NIM (Bank+Card)	1.94	1.99	(0.05)
NIM (Bank)	1.67	1.71	(0.04)
Cost-Income Ratio (CIR)	54.9	54.5	0.4
Credit Cost Ratio (CCR)	0.20	0.21	(0.01)
NPL Ratio	0.48	0.59	(0.11)
NPL Coverage Ratio	149.2	139.4	9.7
BIS Ratio	14.48	14.60	(0.12)
CET 1 Ratio	13.59	13.97	(0.38)

Asset Growth

As of the end of 2019, KB Financial Group's total assets reached to KRW 518.5 trillion, rose by KRW 38.9 trillion, 8.1% from the previous year mainly in loans and financial investments. This is primarily attributable to loans in won growth driven by retail unsecured loans and prime SME loan, by KRW 11.6 trillion over the previous year. In addition, financial investments grew by KRW 10.1 trillion from the previous year as a result of the expanded securities business at the group-level in response to the continued low interest rates. KB Financial Group's total assets including AUM posted KRW 789.6 trillion, up KRW 57.8 trillion, 7.9% from the previous year. The Group's AUM increased by KRW 18.3 trillion from the previous year driven by KB Kookmin Bank's trust and AUM of KB Securities as well as AUM of KB Asset Management.

Group Financial Position

(KRW in trillions, %)

	2019	2018	YTD
Assets	518.5	479.6	8.1
Cash & Due from Financial Institutions	20.8	20.3	2.5
FVTPL ¹⁾ Assets	53.5	51.0	4.9
Financial Investments	71.8	61.7	16.4
Loans	339.7	319.2	6.4
Property & Equipment	7.9	6.4	23.4
Other Assets	24.8	21.0	18.1
Liabilities	479.4	443.9	8.0
FVTPL ¹⁾ Liabilities	15.4	15.3	0.7
Deposits	305.6	276.8	10.4
Debts	37.8	33.0	14.5
Debentures	50.9	53.3	(4.5)
Other Liabilities	69.7	65.5	6.4
Shareholder's Equity	39.1	35.7	9.5
Share Capital	2.1	2.1	-
Hybrid Securities	0.4	-	N.A.
Capital Surplus	17.1	17.1	-
Accumulated Other Comprehensive Income	0.3	0.2	50.0
Retained Earnings	19.7	17.3	13.9
Treasury Shares	(1.1)	(1.0)	N.A.
Non-Controlling Interests	0.6	0.0	N.A.
Group Total Assets ²⁾	789.6	731.8	7.9
AUM ³⁾	271.0	252.7	7.2

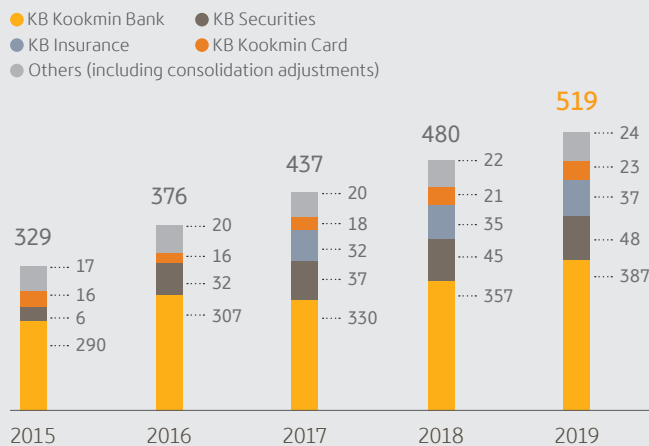
1) Fair Value Through Profit or Loss

2) Based on simple arithmetic sum of each subsidiary's total assets on the financial statement for group reporting and AUM

3) Including the Bank's trust asset not subject to group reporting

Group Total Assets Trends

(KRW in trillions)



* Subsidiary figures are based on the consolidated financial statements of respective subsidiaries

KB Kookmin Bank's total assets increased by KRW 30.5 trillion from the previous year to KRW 387.4 trillion. Its loans in won grew by KRW 11.2 trillion over the previous year to KRW 269.0 trillion: a KRW 6.6 trillion growth was posted in household loans, mainly in unsecured loans and Jeonse loans, while a 4.3% increase was recorded in corporate loans with a focus on prime SME loans due to the eased market competition in the second half of 2019 and flexibility in credit policy execution.

KB Kookmin Bank Loans in Won

(KRW in trillions, %)

	2019	2018	YTD
Household	147.9	141.3	4.7
Mortgage	77.2	69.9	10.4
General	70.7	71.4	(1.0)
Corporate	121.1	116.1	4.3
SME	103.3	98.0	5.4
[SOHO]	69.2	65.6	5.5
Large Corp. etc.	17.8	18.1	(1.7)
Total	269.0	257.4	4.5

Profitability

In 2019, KB Financial Group's net income amounted to KRW 3,311.8 billion, up by 8.2% from the previous year mainly due to robust increase in interest income in the banking and card business as well as solid growth in non-interest income, including fee and commission income from trust and IB Business, and profit from securities, FX, and derivatives.

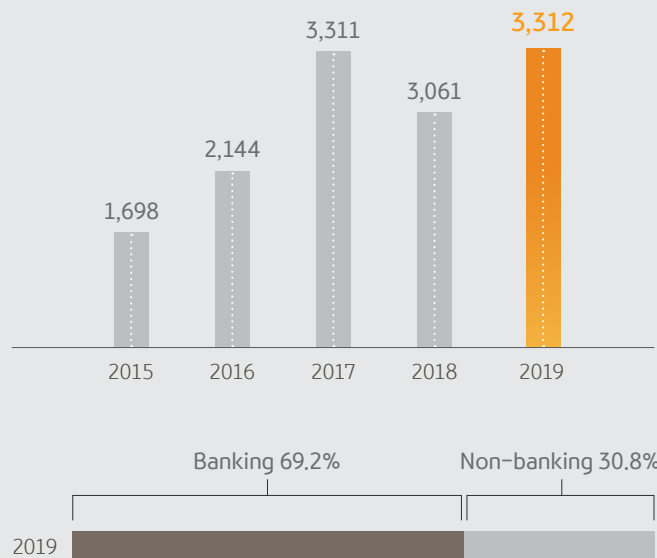
Group Profitability Overview

(KRW in billions, %)

	2019	2018	YoY
Net Interest Income	9,196.8	8,904.9	3.3
Net Fee & Commission Income	2,355.0	2,243.4	5.0
Other Operating Profit	(119.9)	(288.6)	N.A.
Gross Operating Income	11,431.9	10,859.7	5.3
G&A Expenses	6,271.0	5,918.5	6.0
Provision for Credit Losses	670.3	673.7	(0.5)
Net Operating Profit	4,490.6	4,267.5	5.2
Net Non-Operating Profit	43.3	34.1	27.0
Profit for the Period	3,313.2	3,061.9	8.2
Profit attributable to controlling interests	3,311.8	3,061.2	8.2

Group Net Income Trends

(KRW in billions)



KB Financial Group's net interest income amounted to KRW 9,196.8 billion, up by 3.3% from the previous year. This is attributed to increases in average loan balances mostly backed by the balanced growth of prime retail unsecured loans and prime SME and SOHO loans as well as to the increased contribution from the interest income generated by its card business. In 2019, net interest margin(NIM) of the group and bank stood at 1.94% and 1.67% respectively: bank NIM inched down only by 4bp from the previous year despite key rate cuts and intensifying market competition.

KB Financial Group's net fee and commission income rose by 5.0% from the previous year to KRW 2,355.0 billion as trust income of the bank and group IB business increased in spite of the significant reductions posted in securities brokerage commissions amid the sluggish stock market. Other operating profit improved by KRW 168.7 billion from the previous year mostly due to a increase in gains on valuation of bonds resulted from declining market interest rates and improvement on profits from sales & trading in the securities business, while insurance-related profits fell due to the worsening loss ratios of auto insurance and long-term insurance plans.

G&A expenses recorded a 6.0% YoY growth to KRW 6,271.0 billion: ERP costs occurred in Kookmin Bank and KB Insurance, and digitalization costs - amortizing expenses and computing work expenses - related to the digitalization initiative undertaken at the group level were recognized. In 2019, the Group cost-income ratio(CIR) remained almost unchanged from the previous year at 54.9% in line with ERP costs and increasing digitalization costs. However, on a recurring basis disregarding ERP and digitalization costs etc., CIR recorded to 50.9% presenting continued improvements in cost efficiency in line with visible cost savings from ERP and group-wide cost control efforts. As digitalization costs are forecast to increase for the time being to respond to digitalization, open banking and other changes affecting the financial landscape, KB Financial Group will continue to tighten the level of cost control by revisiting every costs groupwide on a zero base except investment for future growth such as digitalization.

Provision for credit losses fell by 0.5% YoY to KRW 670.3 billion: while the amount of loans increased, KB Financial Group pursued qualitative growth with a focus on high-quality assets as well as preemptive risk management, which also contributed to maintaining a low credit cost ratio of 0.20%.

By subsidiary, KB Kookmin Bank's profit for the year in 2019 reached KRW 2,439.1 billion, up by KRW 179.9 billion from the previous year, as its net interest income and net fee and commission income posted solid growth. Its net interest income rose by KRW 263.1 billion from the previous year to KRW 6,363.8 billion thanks to the sustained high-quality growth in assets. Its net fee and commission income inched up to KRW 1,133.3 billion mainly backed by growth in commission from trust and IB business in spite of the stock market remaining sluggish. Improvement in profit from securities, F/X, and derivatives drove its other operating income up by KRW 192.1 billion from the previous year, and gross operating income increased by KRW 465.1 billion YoY to KRW 7,319.1 billion. G&A expenses grew by KRW 120.4 billion from the previous year to KRW 3,887.4 billion mainly due to increasing digitalization costs such as amortization costs, resulting from the introduction of next-generation IT systems and other digitalization endeavors. Provision for credit losses rose by KRW 9.6 billion only to KRW 103.5 billion driven by the bank's preemptive and conservative risk management to manage credit quality in spite of its growing asset size. Since growing uncertainties, including COVID 19, could result in deterioration of asset quality especially for subprime borrowers, KB Kookmin Bank will closely monitor relevant indicators and reinforce its risk management, taking a conservative stance on asset quality management.

KB Kookmin Bank Profitability Overview

(KRW in billions)

	2019	2018	YoY
Net Interest Income	6,363.8	6,100.7	4.3
Net Fee and Commission Income	1,133.3	1,122.7	0.9
Other Operating Profit	(178.0)	(370.1)	N.A
Gross Operating Income	7,319.1	6,854.0	6.8
G&A Expenses	3,887.4	3,767.0	3.2
Provision for Credit Losses	103.5	93.9	10.3
Net Operating Profit	3,328.1	2,992.5	11.2
Net Non-Operating Profit	(9.6)	93.9	N.A
Profit for the Period	2,439.1	2,259.2	8.0

In 2019, KB Securities' net income for the period increased by KRW 79.1 billion from the previous year to KRW 257.9 billion: declining market interest rates contributed to increasing its gain on valuation of bonds and stabilizing its ELS and other derivatives performance, which showed augmented results last year, led to improve its sales & trading income, while the promissory note issuance business launched last year resulted in performance improvement in the IB businesses.

In 2019, KB Insurance's net income fell by KRW 28.0 billion from the previous year to KRW 234.3 billion due to the deteriorating loss ratios witnessed mainly in auto and long-term insurance across the industry and the increasing operational expenses caused by intensifying competition over new contract.

In 2019, KB Kookmin Card's profit for the period amounted to KRW 316.5 billion, up by KRW 29.9 billion from the previous year, which is attributable to increases in interest income generated by growing card transaction amounts, steadfast endeavors to improve cost efficiency, and expanding financial assets including installment financing and lease business.

Net Income by Subsidiaries

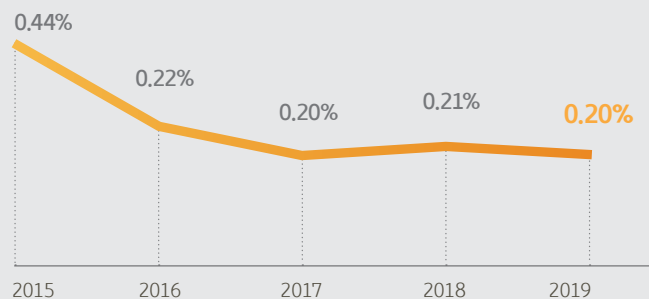
(KRW in billions, %)

	2019	2018	YoY
Group Net Income	3,311.8	3,061.2	8.2
Kookmin Bank	2,439.1	2,259.2	8.0
KB Securities	257.9	178.8	44.2
KB Insurance	234.3	262.3	(10.7)
KB Kookmin Card	316.5	286.6	10.4
KB Asset Management	48.9	39.6	23.5
KB Capital	117.0	111.9	4.6
KB Life Insurance	16.0	14.8	8.1
KB Real Estate Trust	61.7	47.0	31.3
KB Savings Bank	16.3	11.0	48.2
KB Investment	11.3	14.5	(22.1)
KB Data Systems	4.7	2.9	62.1
KB Credit Information	(0.3)	0.2	N.A.

Asset Quality

In 2019, KB Financial Group's provision for credit losses amounted to KRW 670.3 billion, which fell slightly from the previous year due to quality growth generated mainly in high-quality assets and its preemptive risk management in the face of the economic downturn. Group credit cost ratio also remained at a low level of 0.20%.

Group Credit Cost Ratio(CCR)



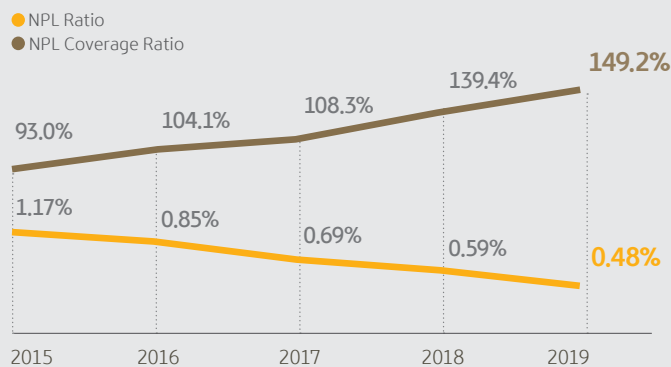
KB Financial Group's non-performing loan(NPL) ratio improved by 0.11%p from the previous year to 0.48% as sustained endeavors were made for conservative risk management at the group level as demonstrated by growth focused on prime quality loans. Its NPL coverage ratio increased by 9.8%p from the previous year to remain stable at 149.2%: new NPL formation decreased with its improved loan portfolio and its strengthened post-loan management led to the decrease in NPLs.

Group Asset Quality

(KRW in billions, %)

	2019	2018	YTD
Total Loans for NPL Classification	339,688.4	321,040.1	5.8
Precautionary	2,552.7	2,514.7	1.5
Substandard	655.9	679.1	(3.4)
Doubtful	679.2	862.1	(21.2)
Estimated Loss	311.7	368.7	(15.5)
Substandard & Below Loans(NPL)	1,646.8	1,909.9	(13.8)
NPL Ratio	0.48%	0.59%	(0.11%p)
Loan Loss Reserves	2,456.3	2,662.7	(7.8)
NPL Coverage Ratio	149.2%	139.4%	9.8%p

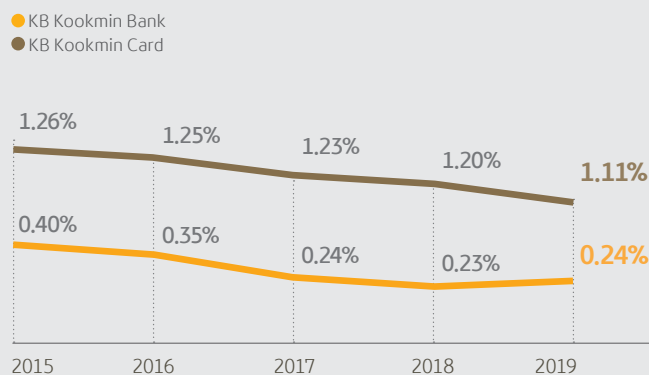
Group NPL & NPL Coverage Ratio



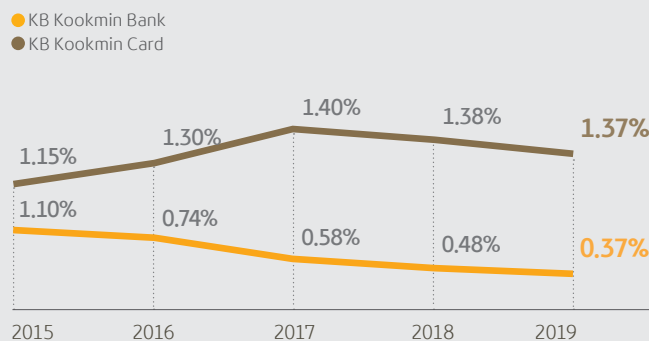
KB Kookmin Bank's delinquency ratio remains at a low level of 0.24%, which is attributed to its endeavors to reduce potential NPLs and to proactively manage asset quality in so doing. Its NPL ratio improved by 0.11%p from the previous year to 0.37%: the bank strove to improve its credit quality of corporate loan portfolio by increasing the portion of prime rating loans and by pursuing preemptive risk management and proactive sales and write-offs of NPLs. Its NPL coverage ratio rose by 7.9%p from the previous year to 130.2%, which is at the highest level in the banking industry, and this is attributed to reductions in NPLs and its conservative approach to provisioning. KB Kookmin Bank's credit cost remained at the significantly low level of 0.04%, based on its endeavor for quality growth and the reversal of provisions.

KB Kookmin Card focused on conservative credit quality management and strengthened preemptive risk management in the face of mounting concerns over worsening asset quality as a result of the economic slowdown. This drove down its delinquency ratio by 0.09%p from the previous year to 1.11%, and its NPL ratio remains stable.

Delinquency Ratio



NPL Ratio



Capital Adequacy

KB Financial Group's BIS and CET 1 ratios recorded to 14.48% and 13.59%, down by 0.12%p and 0.38%p from the previous year respectively. While this attributed to increases in risk-weighted assets in line with its growing asset, the group still maintains its strong capital position at the highest level in the Korean financial industry. Considering growing uncertainties and tightening regulations for capital management of financial institutions, KB Financial Group will strategically respond to the environment utilizing issuance of hybrid securities and other contingent convertible bonds while maintaining solid capital buffer mainly consisting of common shares.

KB Kookmin Bank's BIS and CET 1 ratios improved by 0.33%p and 0.04%p from the previous year to 15.85% and 14.37% respectively thanks to increasing retained earnings and the placement of contingent capital while RWA increased as a result of loan growth.

Group BIS Ratio

(KRW in billions, %)

	2019	2018	YTD
BIS Capital	36,995	34,476	7.3
Tier 1 Capital	35,426	32,994	7.4
CET 1 Capital	34,710	32,994	5.2
Tier 2 Capital	1,569	1,482	5.9
Risk-Weighted Assets	255,549	236,099	8.2
BIS Ratio	14.48%	14.60%	(0.12%p)
Tier 1 Ratio	13.86%	13.97%	(0.11%p)
CET 1 Ratio	13.59%	13.97%	(0.38%p)

* In accordance with Basel III

KB Kookmin Bank BIS Ratio

(%)

	2019	2018	YTD
BIS Ratio	15.85	15.52	0.33%p
Tier 1 Ratio	14.68	14.33	0.35%p
CET 1 Ratio	14.37	14.33	0.04%p

* In accordance with Basel III

OPERATION REVIEW

KB Financial Group continues to place the highest priority on customer value and is committed to leading the industry not only as evidenced by its financial figures but also in all other areas of its business.



KB FINANCIAL
GROUP

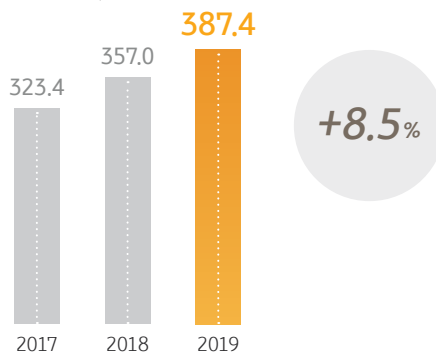
KB Kookmin Bank	054
KB Securities	060
KB Insurance	062
KB Kookmin Card	064
KB Asset Management	066
KB Capital	067
KB Life Insurance	068
KB Real Estate Trust	069
KB Savings Bank	070
KB Investment	071
KB Data Systems	072
KB Credit Information	073

KB Kookmin Bank

As of the end of December 2019, KB Kookmin Bank reached 31.5 million customers and established the highest level of branch and mobile/internet banking network in the industry. With KB Star Banking serving nearly 15.5 million users, we are setting the trend of digital finance on the strength of our mobile platforms including Liiv and Liiv Talk Talk. As the first to launch Liiv M –the service that converging finance and telecommunication– in the banking industry, we deliver innovative financial services to provide customers with differentiated financial products and services.

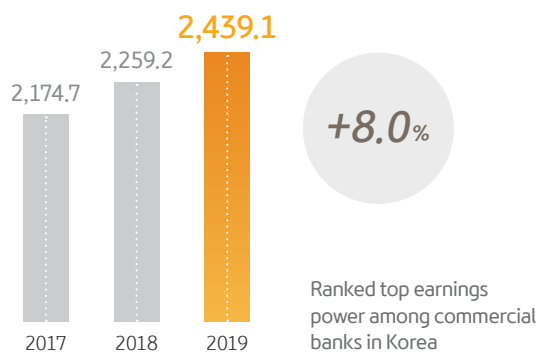
Total Assets

(KRW in trillions)



Net Profit

(KRW in billions)



NCSI

No.1

Customer Satisfaction

KB Kookmin Bank ranked first in the National Customer Satisfaction Index for 13 consecutive years, for the first time in the banking industry.



Retail Banking

In 2019, the retail banking market experienced increasing fluctuations in demographics and social trends in line with accelerating aging, an increasing prevalence of single households, an emerging demand for corporate social responsibility, growing interest in nation-wide environmental protection and eco-friendliness, and demands for a work-life balance and productivity gains spurred on by the 52-hour workweek policy. Wide-ranging changes were also witnessed across the regulatory landscape, including the revision of the Banking Act to approve the additional establishment of internet-only banks, tightening regulations on household loans and consumer protection, strengthened support to facilitate fintech(financial regulatory sandbox), and data deregulation.

Innovative Customer Centric Systems and Processes

In response to shifting demographics and customer transactions and needs, KB Kookmin Bank created new customer-centric indicators and developed a monitoring system to solidify the tailor-made customer management system while improving its customer management process for effective customer management. In addition, the 'KB Star Dream Service' was launched to further provide customized contents for respective VIP customer segments.

We also launched new specialty products to reflect changing demographics and social trends, including the 'KB Clean Sky Installment Deposit'(Mar. 2019) to strengthen our image as a socially responsible company that cares for the environment, '280 Days for My Baby Installment Deposit'(Jun. 2019) to target expecting mothers, and 'KB X BTS Installment Deposit'(Oct. 2019) developed in collaboration with the global idol band BTS, following its first version unveiled in 2018. Notably, the 'KB X BTS Installment Deposit' posted nearly 68,000 in number of accounts and KRW 25 billion in balance in just two months since its launching.

Given the prolonged low growth and low interest rates and the intensifying competition spurred by the entry of fintech businesses into the financial industry, KB Kookmin Bank will effectively respond to demographic shifts, governmental financial policies, and the changing regulatory landscape by promoting data-based segmented customer management and the more sophisticated identification of potential VIP customers, developing products that set the social trends, and expanding digital innovation as well as non-face-to-face channel products and services.

Strengthening Group-wide One-Firm WM Collaboration

We continued to broaden the coverage of multi-service WM branches to generate greater One-Firm synergy between banking and securities subsidiaries, and opened PB centers(WM multi-service branches) within the business districts where main corporate clients are located to invigorate our corporate asset management business. A dedicated team for securities firms was set up and the pilot operation was initiated on a multi-service branch model that adopted the proximate arrangement of WM and corporate banking counters.

In addition, the existing collaboration system was improved to advance corporate finance-WM collaboration. Such as the 'P-PB System' was launched to provide specialized 'total asset management solutions' to corporate customers, and the 'RM-VM One Team System' was initiated in retail branches to improve working-level sales execution and generate collaborative outcomes in serving corporate clients.

Meanwhile, we launched the 'KB Family UP Advisory Service' brand and initiated its operation. Wealth management consulting was provided to those with professional careers as well as major corporate customers and their employees, and our WM advisory business improved its competitiveness by expanding the support of itinerant consulting, lectures and seminars for corporate customers maintaining outstanding business relationships with us. Also, we continuously worked to diversify our real estate investment advisory business and to generate profits by taking actions such as implementing the 'Rebalancing & Value Added' service for real estate assets and operating the 'Real Estate Emergency Committee' to respond to government policies.

In 2020, we plan to facilitate our wealth management operations by developing a new WM business model to innovate our WM channels by customer segment and providing 'seminars' and 'professional counseling' to diverse customers. We will also expand the range of our distinguished advisory service by providing systematic support services for land compensation process, 'legal risk assessment' services for SMEs and CEOs and 'specialized tax' services for overseas Koreans.

Corporate Banking

In the face of economic downturn and other sustained challenges in the business landscape, we pursued qualitative growth with a focus on high-quality assets to continue with sustainable growth, and endeavored to secure solid growth engines by advancing into the global IB market and developing IB services.

To sum up some of our major achievements, we topped the Bloomberg League Table's Syndicated loan arrangement category for four consecutive years to maintain our No. 1 market leadership position while successfully arranging the Seoul IFC Mall refinancing worth KRW 2.3 trillion and the KRW 2.0 trillion Sin Ansan double track railway private investment project. We also broadened the coverage of our global business through wide-ranging overseas deals including the refinancing of the U.S.-based Lackawanna Center.

The utility of blind funds was improved and deal sourcing was strengthened in aircraft financing and other key business areas to secure a stable profit base while institutional improvements were made from multiple angles to establish a globally recognized infrastructure, including the improvement of the double counting system to handle global collaboration deals.

Fully Advancing into the Global IB Market

In 2019, we completed our regional hub network across Hong Kong, London and New York. These regional hubs will help us expand our business lineups in advanced markets based on our partnership

with local financial institutions and serve as the main pillar of our IB operations to strengthen our group-wide IB competitiveness. Furthermore, we will build new growth drivers in the global market to pave the way to ultimately emerge as a global IB player.

In 2020, we will fully advance into the global markets on the strength of our Hong Kong, London, and New York regional hubs and do our utmost to lay the basis for KB Financial Group to leap forward onto the global stage. This will be done by creating a team dedicated to the exploration of new markets and establishing the 'Hub & Spoke' operational system with Hong Kong, New York, and London serving as the 'Hub' and nearby regions as the 'Spokes'. In preparation for the growing market uncertainties, we will continue to improve our asset portfolio to pursue qualitative growth with a focus on riskless assets and elevate capital efficiency while transforming ourselves into a global IB player to secure future growth momentum over the long haul.

SME Banking

Leading Financial Support for SMEs

KB Kookmin Bank strengthened support for productive finance and fully responded to relevant governmental policies to posted an increase of KRW 5.2 trillion in SME loans in 2019 to become the first commercial bank to reach KRW 100 trillion in SME loan balances and is currently maintaining its No. 1 leadership position in market shares. Notably, the ratio of prime rating loans extended to healthy SMEs rose by 2.7%p YoY from 74.7% at the end of 2018 to 77.4%, which in turn allowed us to record the lowest delinquency rate of 0.55% among commercial banks.

Leading Support for Innovative Finance

Our credit supply continues to expand, with KRW 12.5 trillion newly provided for technology finance as a way to facilitate innovative financing. Also, our non-financial services are increasing their support for SMEs and self-employed businesses as demonstrated in 3,860 cases of job placement arranged through the 'KB Good Job' and 1,674 cases of consulting assistance provided through the 'KB SoHo Consulting Center'.

Number of KB Kookmin Bank's Customers

31.5 million



KB Kookmin Bank has the largest customer base in the domestic banking industry.

Pursuing the Digitalization of Corporate Financing

We accelerate the digitalization of our corporate finance operations to proactively respond to the rapidly-changing business environment. Our 'KB bridge' app recommends optimal governmental policy funds to corporate customers based on their specific needs so that they can be swiftly provided with the necessary funds, and the 'Corporate Financing ACE' was developed exclusively for our corporate finance staff to help them reduce their workload and focus more of their time on corporate customer marketing. We also created the 'KB Corporate Customer Preferential Support System' to upgrade our corporate customer management and reward provision system. While 2020 is expected to suffer increasing external volatility and the protracted economic downturn, we will continue to attract prime customers to further step ahead of the competition as the dominant player with the largest market share.

Global Operation

Over the years, we have advanced into the digital banking, micro finance and other diverse business areas in Cambodia, Laos, Myanmar, and Vietnam to better understand and accumulate experience with these markets. In January 2020, we signed a stock purchase agreement (SPA) to acquire a 70% stake in PRASAC Microfinance, Cambodia's largest Microfinance Deposit-taking Institution (MDI) while opening new local branches under Myanmar's MFI and our Cambodian subsidiary as well as KB Kookmin Bank branches in Hanoi, Vietnam and Gurugram, India, further broadening our global network. Included in other tangible outcomes from our global operations is Liiv KB Cambodia which posted a consistent growth in number of members with its strengthened service competitiveness as the nation's global digital banking platform.

In 2020, we plan to follow the Two-Track strategy both in Southeast Asia and other advanced markets to continuously expand our global presence. We will pursue non-organic growth through M&A and equity investment, and leverage digital banking in connection with our offline channel strategy to improve the accessibility of our retail service for retail and SME customers in emerging Asian economies with high growth potentials. To tap into mature financial markets with stable financial systems in place, we will expand our branch and subsidiary network in key regional hubs and use this network to secure our profit base with a focus on CIB and capital market businesses.

Expanding Global Presence

In December 2019, we made the decision to acquire a 70% stake in PRASAC Microfinance in Cambodia. With a local network of 117 locations, PRASAC is ranked third among financial institutions in loan market share. KB Kookmin Bank plans to transform PRASAC into a commercial bank to transfer its exceptional retail capabilities and help PRASAC evolve into a leading commercial bank in Cambodia in order to broaden its business presence in Southeast Asia.

Facilitating Global Export Finance

KB Kookmin Bank signed a 'global export finance promotion business agreement' with the Korea Trade Insurance Corporation (K-sure), and became the first commercial bank to launch the debtor finance instrument 'KB Global Export Finance'. Upon making shipments on the part of the exporter, KB Kookmin Bank's overseas branch extends loans to the importer, taking as security the short-term export insurance plan provided by K-sure so that the exporter can receive payments through their domestic account. This allows domestic exporters to turn their export receivables into cash sooner and without recourse while overseas importers can make payments at lower financial costs compared to those provided by local banks. In alignment with the Korean government's top priority initiative of the New Southern Policy, KB Kookmin Bank will proactively deliver financing support through its overseas branch network, in addition to KB Global Export Finance.

KB Kookmin Bank also became the first commercial bank to launch the 'KB Global Payment Usance' service. Concerning imports whose payments are made on an open account basis, the domestic importer is provided with import finance from an overseas financial institution that suggests more competitive interest rates, and then later, they can pay the principle and interests at the time of maturity. This product will surely enable KB Kookmin Bank to reinforce its wire transfer line-ups which account for nearly 70% of the total import payments, and to respond to the international trade finance trend of moving away from letters of credit (LC) to wire transfers.

Furthermore, KB Kookmin Bank signed business agreements with the global e-commerce settlement service providers of WorldFirst and Payoneer, and launched the 'KB Global eCommerce Sellers Benefit Program' for domestic sellers to receive their sales proceeds generated overseas in a more cost-effective and convenient manner. This product is expected to revitalize the operations of SME exporters who often face difficulties in opening a local bank account as a seller conducting business at overseas online market places.

In 2020, KB Kookmin Bank will expand its F/X customer base, including SME importers and exporters, through the marketing programs led by its head office, strengthen its F/X product and service competitiveness through improved non-face-to-face F/X services, and reinforce marketing support to pave the way for the sustained growth of its F/X business.

Trust

KB Kookmin Bank continued to face challenging conditions in the overall trust market due to shrinking investor confidence and declining global stock market indices. In the second half of 2019, derivatives-linked fund (DLF) products linked with offshore interest rates created serious issues to eventually prompt the financial authorities to impose restrictions on high-risk financial instruments and tighten relevant regulations. Even amid such unfavorable business conditions, our proactive customer management, strategic marketing campaigns, and the launching of customized ELT products enabled us to rank first in the industry, with KRW 26.4 trillion in money trust AUM and 19.3% in market

share. We were also able to generate solid profits with KRW 291 billion in annual revenue from trust operations for the year of 2019.

In 2019, a range of specialty products were unveiled to create the trust product line-ups that satisfy customer needs and increase our product competitive edge. These specialty products included the 'KB Clean Sky Trust' designed to contribute to reducing microdust levels, the integrated inheritance-bequeath solution 'KB The Great Heritage Trust' and the 'Family Business Succession Trust' that facilitates asset succession at SMEs. To respond to future trends and reflect current market conditions, our 'Short Strangle ETN Trust' leverages option transfer/selling to address the stock market trend of prices repeating ups and downs within a certain range, the 'KB Mini Gold Bar Trust' addresses preference for risk-free assets and declining benchmark rates, and 'U.S. REITs EFT Trust' invests in U.S.-located commercial real estate.

In 2020, we plan to maintain the similar level of profits of 2019 by continuously increasing the profitability of equity-linked trusts, our key profit-generating product. We will also be pursuing quantitative profit growth through the expanded line-ups of equity-based and alternative investment products, providing a portfolio of products that cater to each specific stage of a customer's life cycle, and delivering specialty products that are in line with the latest trends. In the mid-to-long term, we will upgrade our customer-based asset management system to retain customers and increase their loyalty, and perform stringent reviews on complete sales and post-sales management to reinforce our financial consumer protection system.

Money Trust Depository

KRW
26.4 trillion



KB Kookmin Bank accounted for 19.3% of the total money trust AUM of Korean banks, maintaining the position of consistently having the largest AUM in the industry for several years.

Pension

To solidify its status as a leading bank in the pension market, KB Kookmin Bank strengthens the management of its rate of returns for customers and offers them differentiated specialty products while using its digitally-based total asset management system to support customers with their pension asset management. In 2019, our contribution reserve rose by KRW 3.7 trillion from the previous year to KRW 23.4 trillion to top all the other pension business operators in net reserve increase for two consecutive years. We developed the 'KBot SAM' service that deploys robo advisors to make personalized portfolio recommendations to support our pension asset management, and

improved the entire non-face-to-face pension transaction process, from establishing new accounts to transfers and payments, through the 'One-Stop Online Pension Account Service'.

Our Retirement Pension Asset Management Consulting Center that provides one-on-one pension asset management services recruited more counselors and set up a team dedicated to improving our customers' rate of returns in order to deliver differentiated customer management services, including pension asset portfolio rebalancing. The pension expert program was also created to provide customized asset management services according to different life cycle stages based on comprehensive counseling capabilities in the areas of public pensions, retirement pensions and personal pensions.

The '12 Moments of Happiness' was added to our pension portfolio as an installment payment option for our senior customers to help them generate a stable source of income following retirement. Furthermore, the 'KB Golden Life Specialty Service' was significantly reinforced, and the 'Premium Health Care Service' was launched to deliver diverse health care services, the first of its kind in the banking industry as a way to provide a range of services.

In 2020, the Retirement Pension Asset Management Consulting Center will extend its work scope and recruit more employees to increase customers' rate of returns, and the operation of our pension expert training course will be upgraded to deliver comprehensive and professional pension asset management services.

We will deploy a non-face-to-face channel system 2.0 for our pension fund business. This will provide a virtual user environment that ensures improved and quicker around-the-clock accessibility throughout the year. Our UI/UX will be reconfigured to enable customers to intuitively understand and access all data and processes across non-face-to-face channels, and AI-powered lifecycle asset management solutions will be offered to establish an end-to-end pension asset counseling system spanning from premium payment and asset operation to benefit payment and taxation. We also plan to develop the 'KB One-Senior Platform' to deliver health care services for senior customers and other personalized customer service packages as a way to solidify our status as a professional pension service provider.

Pension Contribution Reserves

KRW
23.4 trillion

Ranked first in net reserve increases among other pension operators for two consecutive years.



Capital Markets

In 2019, even though the global financial markets experienced continuous fluctuations due to the U.S.–China trade dispute and concerns over the global economic slowdown, KB Kookmin Bank successfully issued sustainability bonds in diverse formats based on its outstanding credit ratings (Moody's: Aa3, S&P: A+, Fitch: A), which are the highest among Korea's commercial lenders, as well as on its exceptional business performances.

KB Kookmin Bank flexibly conducted business to respond to increasing volatility in interest rates while expanding the investment asset size to eventually set a new record in operational performance over the past decade. We have strengthened our flow business basis and expanded synergy-based transactions by intensive collaboration with our sales channels and subsidiaries. To broaden our overseas business, the London capital markets desk initiated to build up its trading position actively in 2019 and we have dispatched expert employees to establish Indian and Vietnamese desks.

In February 2019, we issued 10-year subordinated sustainability bonds with a nominal amount of USD 450 million, which drew investors' attention as the first foreign currency-denominated subordinated bonds since the merger of the former Kookmin Bank and H&CB in 2001 and as the first such bonds in sustainability bond format in Korea. This successful issuance, with spread of 187.5bps over the 10-year U.S. Treasury, ended up building nearly USD 1.7 billion of orders from a total of 110 institutional investors.

In July, we also raised USD 500 million of Tier 1 subordinated bond which is Basel III compliant as well as Korea's first foreign currency-denominated subordinated sustainability bond. The issuance attracted orders in the amount of USD 2.7 billion, 5.4 times greater than the issued amount, from a total of 128 global investors.

By issuing sustainability bonds in 2019, KB Kookmin Bank was able to secure new funding sources as well as to diversify investor spectrum which include socially responsible investors. Going forward, we will continue to issue ESG-related bonds, along with covered bonds and subordinated bonds to diversify our funding structure.

In 2020, we plan to preemptively respond to the changes in financial environment and strengthen our human/physical capabilities in the capital markets to consistently promote profit growth even in

the prolonged low-growth, low-interest rate environment. We will expand the size of investment assets and diversify products and strategies to pursue profitability while gradually expanding our global business presence and infrastructure and accelerating digitalization to strengthen our profit base and promote sustainable growth.

Smart Banking

Proactively Responding to the Shifting Digital Finance Landscape

In 2019, the opening of the financial infrastructure, as illustrated by the open banking initiative, and the introduction of the financial regulatory sandbox broke down the barriers that had separated industries and spurred competition and innovation. To turn this rapid change in the financial environment into opportunity, KB Kookmin Bank endeavored to create a convergence-driven ecosystem to collaborate with diverse players. We developed 157 open APIs to easily connect financial services with external platforms, and our cloud-based collaboration platform 'CLAYON' became the industry's first to complete 'cloud service provider safety assessments' to pave the way to deploy financial services in the cloud environment. We also capitalized on the financial regulatory sandbox to launch innovative services that were barely available in the conventional financial environment. The MVNO-based finance-telecommunication hybrid service 'Liiv M' was unveiled to take a bold step into the previously-untapped 'telecommunications' market to broaden the KB financial ecosystem. Going forward, we will focus on the development of new innovative products and services through telecommunication-data convergence to move ahead of the competition and build distinctive competitiveness.

Strengthening Digital Platform Competitiveness

On the service front, we launched the AI-enabled counseling chatbot service to provide easy and convenient 24/7 counseling services, and developed the 'KB Mobile Certificate' to allow customers to easily process their transactions through biometric certification, simple passwords, and pattern certification without a physical security medium in order to deliver new customer experience and improve user convenience.

We also continued to reorganize our digital platforms. The 'Open Banking' service, which enables customers to register their accounts at other banks for account checks and transfers, was adapted to Star Banking, internet banking, Liiv, and Liiv Talk Talk, and KB my money was upgraded to address the shifting data industry landscape and strengthen our competitive edge as an asset manager. Our Liiv Talk Talk and Liiv platforms were equipped with scanning apps and additional financial product offerings to improve the financial expertise and usability of respective platforms.

Infrastructure-wise, our cloud-based collaboration platform CLAYON was leveraged to deliver Liiv M services to set an example in using cloud infrastructure for financial services. Our non-face-to-face log collection system was also upgraded to strengthen the analytics of customer behavior data, creating a financial environment conducive to the development of digital financial services.

Issuance of Subordinated Sustainability Bond

USD
450 million

KB Kookmin Bank issued USD 450 million 10-year subordinated sustainability bond for the first time in Asia.



Delivering MVNO-based Finance-Telecommunication Hybrid Services

KB Kookmin Bank unveiled the industry's first MVNO-based telecommunication service 'Liiv M' to deliver innovative services and products that combine finance with telecommunications in order to create new customer experience and social value. Following the opening of its beta version in November 2019, this service fully opened on December 16, and has since provided services differentiated from the conventional MNVO counterparts by launching first-ever MVNO 5G plans and the membership service to turn monthly unclaimed data credits into Liiv Mate points.

We provide such innovative financial services as the USIM KB Mobile Certificate, the USIM personal information storage service, and the ATM withdrawal control service designed to prevent voice phishing frauds by disallowing the simultaneous use of a phone while making withdrawals in order to improve customer safety and convenience. Meanwhile, we offer 'sharing discounts' to vulnerable individuals and opened the Liiv M Zone within our branch to provide face-to-face counseling support for the digitally-underprivileged in order to strengthen our inclusive finance initiative.

Improving Diverse Functionalities for Greater Customer Convenience

In keeping with our public certificate log-in policy, which is rather complicated due to the inherent features of it being a banking app, we introduced a simpler log-in method that allows customers to use their mobile phone number as their ID, as the log-in was often cited as one of the user pain points. KB Real Estate Liiv ON is available across the PC web, mobile web, and mobile app channels, and customers can log in on any these channels to access the Liiv ON with their personal mobile phone number, which has significantly improved user convenience in regards to the log in process. Concerning data searching, our 'natural language' processing search function was upgraded to allow customers to type in single word segments without word spacing in the integrated search box to minimize the errors that may arise during real estate content research.

Providing Real Estate Data Contents to Customers through Social Network Channels

KB Real Estate Liiv ON leverages KB's real estate price data recognized for its market dominance to directly produce season/issue-specific real estate information and delivers wide-ranging real estate contents across the four leading social network channels of Naver Post, Kakao 1boon, Youtube, and Facebook. Since this service was launched at the end of March 2019, its cumulative views reached 11 million at the end of 2019 which goes to demonstrate the huge interest in and appreciation for the Liiv ON contents granted by numerous customers who are keeping a constant eye on the real estate market.

In 2020, we are working to migrate our service platform into the cloud environment and improve the flexibility of our platform to allow for collaboration with external startup businesses. In so doing, KB Kookmin Bank will embrace a UI/UX that delivers digitally-based easy-to-understand visual contents and maximizes user convenience while swiftly catering to customer needs.

Plans for 2020

In 2020, the full-fledged opening of the financial infrastructure through the expansion of open banking services and the initiation of My Data business will further blur the lines between the financial industry and other industries, increase convergence services among heterogenous industries, and accelerate the 'Financial Nomad' trend with the emergence of customers who constantly shift among financial institutions for greater benefits. KB Kookmin Bank's response to these trends will be to understand customers and deliver positive customer experience and new value in order to advance 'customer-centric digital finance'.

We will analyze log data and gather candid customer feedback when it is time for the platform renovation to integrate such feedback into our service improvement. We will provide personalized and useful information through customer behavior data analytics, identify customers' pain points to resolve any inconvenience they may face, and develop necessary benefits and services even before customers become aware of such needs in order to improve the qualitative competitiveness of our service.

We will also change the way we conduct business to swiftly address customer needs. While expanding our 'ACE(Agile, Centric, Efficient)' experience through Agile units to weave Agile into our corporate DNA, we will also promote collaboration by embracing co-location for our business units and IT operations. We will continue to hire outside experts and ICT staff and strengthen digital training for employees to nurture our digital workforce in order to reinforce our fundamentals for digital finance.

Banking Service

157
open APIs

157 open APIs were developed to facilitate the alignment between financial services and external platforms.

Liiv M

The financial industry's first-ever MVNO-based finance and telecommunications service was fully launched in December 2019.

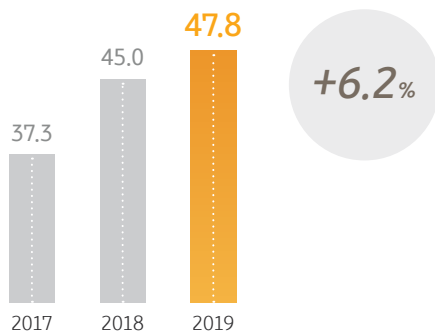


KB Securities

KB Securities has grown into a mega investment firm with more than KRW 4 trillion in equity capital and 118 competitive WM branches nationwide as of the end of 2019. With an unrivaled competitive edge, KB Securities has been ranked No. 1 as an underwriter for corporate bonds and ABS for nine consecutive years. It is also widely known for its best-in-class product line-up and management competitiveness in the S&T business. By establishing a local subsidiary in Vietnam, KB Securities is broadening its global network to evolve into Asia's leading financial firm.

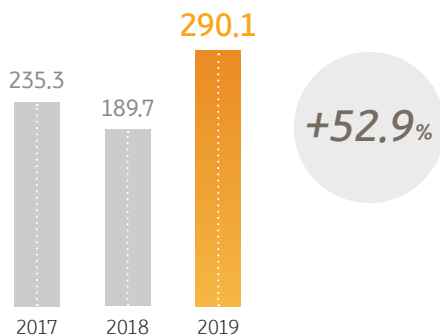
Total Assets

(KRW in trillions)



Net Profit

(KRW in billions)



WM AUM

KRW
28.4 trillion

KB Securities leverages its differentiated asset management capability to expand its AUM in operating WM financial instruments for customers.

+39.2%



Generating synergy with group subsidiaries

KB Securities opened five more multi-service branches in 2019 to expand WM coverage between banking and securities operations, which increased the number of these branches to a total of 70 as of the end of 2019. The continued improvement of joint business models including the KB Kookmin Bank-KB Securities pairing system and the offering of customer-centric tailor-made wealth management services raised our referral-based WM asset size by 9.5% YoY to KRW 7.4 trillion as of the end of 2019.

In IB business, our referral-based CIB revenue reached nearly KRW 113.0 billion and our contribution deals amounted to 62, which was made possible through the strengthened CIB collaboration system which included Partnership RM and Co-RM. Our nine CIB centers nationwide strive to enhance efficiency in serving banking-securities SME customers. As a product factory within KB Financial Group, our S&T Division continuously expands the delivery of wide-ranging products that cater to customer needs. Our increased banking-securities synergy and the resulting operational expansion enabled us to post nearly KRW 4.8 trillion in products delivered to banks (KRW 2.9 trillion in derivative-linked securities and KRW 1.9 trillion in bonds).

Strengthening digital competitiveness

KB Securities pursues company-wide digital transformation to improve work efficiency and provide differentiated customer service. This allowed us to create a smart work environment enabled by Robotics Process Automation and chatbots and to reduce nearly 30,000 hours of work on a cumulative annual basis through the Work Diet initiative. In addition, open APIs were leveraged in offering financial services, including account set-ups and account transaction inquiries, to build an open platform ecosystem and form partnerships with external startups and fintech businesses.

Such partnerships continue to expand as we launched a non-face-to-face discretionary investment robo advisor service app through a partnership with a robo advisor company in April 2019 while opening a fund care service in our integrated wealth management service app in October 2019. These endeavors enabled us to reach a total of 190,000 in new accounts opened through non-face-to-face channels as of the end of 2019, which is up by 27% from 2018, and to surpass 350,000 in monthly active users (MAU) by improving user convenience - upgrading MTS UI/UX and adopting the Kakao authentication for the first time in the industry. Furthermore, we became the first in the domestic financial industry to be honored with the 'Digital Transformer Award' by IDC, a globally-renowned IT market research firm.

Exceeding KRW 2 trillion in bills issued through KB able

Since we were granted the short-term financing business license from the Financial Services Commission in May 2019, we posted nearly KRW 2.1 trillion in bills issued as of the end of 2019. We ensure that 50% or more of the funds created as such are invested in corporate financing-related assets. This is done in consideration of

the governmental regulation to invest more than 50% of these into corporate financing assets as well as internal risk management limits. We also intend to gradually increase our investments in innovative SMEs and other venture capital.

Surpassing 100,000 in Global One Market service customers

In January 2019, KB Securities unveiled the Global One Market service to enable customers to trade overseas stocks in six markets including the U.S., Hong Kong, Japan, China and Vietnam in Korean won, free from foreign exchange charges. This service was so popular that there were more than 100,000 users by the end of 2019. KB Securities aims to strengthen its competitive edge in global investment service by delivering such differentiated products and services that assist customers in diversifying their global investment portfolio, which include overseas securities, with greater convenience.

Ranking first in the DCM for nine consecutive years

KB Securities posted 22.4% market share (based on Bloomberg) in Debt Capital Market (DCM) in 2019, proudly topping the DCM league table for nine consecutive years since 2011. In 2019, we also became the first Korean business to underwrite the issuance of ESG bonds and the first in Korea to arrange the issuance of Arirang bonds through the Qualified Institutional Buyers (QIB) system. Furthermore, we became the largest corporate bill underwriter to build a short and long-term corporate financing platform while initiating bill issuance service as a way to offer competitive products to customers. Going forward, we plan to solidify our market leadership by exploring optimal financing options that satisfy the needs of issuers and investors.

Plans for 2020

Uncertainties are forecast to continue for the time being in the real economy both at home and abroad and in the financial market. The competition in the securities sector will only intensify further, especially among big securities firms. This prompts us at KB Securities to strengthen our intrinsic core competitive edge and to identify new growth drivers and expand our global presence in order to secure

a leading position in the securities industry. Furthermore, we will improve the structural efficiency of our entire operations to sharpen our focus on profitability across our business management system.

Our business strategy by business area is as follows: in the WM sector, we will further reinforce our sales competitiveness to become a solid second tier player based on AUM in the WM market. Since building long-term customer relationships is the key to a successful WM business, our sales system will take a customer-centric approach to increase customer returns and prevent any incomplete sales to strengthen their protection. In the S&T business, we will continue to generate profits based on our strengths in bond management while developing best-in-class capabilities in operating overseas bonds, in-house assets and ELS hedging to secure solid profits even amid diverse financial market conditions.

In the IB sector, we will continue to increase profits in those areas where we are already competitive, including DCM, growth investment, real estate and structured assets while elevating our status as an investment bank in corporate financing business – Equity Capital Management, acquisition finance, and bill issuance – and in such new businesses as publicly-traded REITs and Business Development Company (BDC).

In the wholesale business, we will pursue revolutionary change in every aspect, from business processes to sales methods and performance to deliver optimal solutions and services to institutional and corporate customers and to rebuild our reputation in corporate sales operations. Furthermore, we will build business capabilities in the Outsourced Chief Investment Officer (OCIO) business that is emerging as a new financing method among institutions, and broaden our overseas network to drive global business and generate meaningful outcomes, boosting our growth drivers for the future.

Granted Short-term Finance Business License

KRW
2.1 trillion of bills issued

3rd Korea's Securities Company licensed for short-term finance business



DCM Market Share

22.4%

No. 1

Maintain dominant leadership in the DCM league table for nine consecutive years

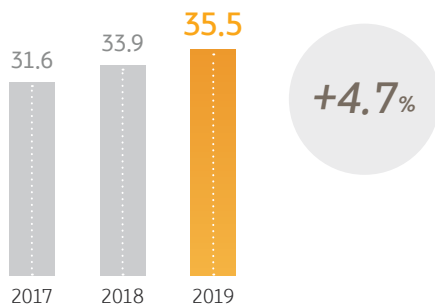


KB Insurance

KB Insurance continued to practice value-driven management to focus more on the Value of New Business(VNB) which is based on embedded profitability rather than external growth. This drove its Embedded Value(EV)-based growth up by 35.1% from the previous year. The company became the first in the industry to operate AI-powered voicebots at the call center and went above and beyond that by initiating a direct chatbot counseling service. Launching on-demand insurance plans targeting part-time delivery workers on two-wheelers, KB Insurance delivers wide-ranging financial products and services on the strength of its top-notch digital capabilities.

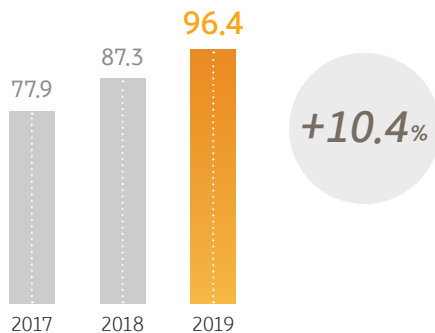
Total Assets

(KRW in trillions)



New purchases of long-term protection plans

(KRW in billions)



Embedded Value(EV)

KRW
6.6 trillion
+35.1%

Focus on sustainable growth through the pursuit of quality-driven management from the long-term perspective.



Creating Synergy at the Group Level

KB Insurance leverages KB Financial Group's wide-ranging business areas to share capabilities among subsidiaries and to collaborate and generate synergistic value. Facilitating synergy across subsidiary planner channels, increasing the use of subsidiary infrastructure, and raising awareness among employees and engaging them in synergy generation will pave the way to produce synergistic outcomes, and this will in turn result in tangible outcomes in 2020 as it has before.

In 2019, KB Insurance encouraged its planners to sell products from other subsidiaries to expand synergy generated through its own planner channel, which raised the number of new cards issued by 24.4% YoY to 16,800 at KB Kookmin Card. This helped KB Insurance surpass KRW 300 million in CMIP-based product sales to more than triple its growth from the previous year. A wide array of synergy activities were also undertaken to promote win-win partnerships with other group subsidiaries, from payment account campaigns and Magic Car loan referral sales to the use of its corporate loan introduction process for bank branches. Furthermore, synergy activity reward programs and 'acquaintance referral campaigns' were operated for subsidiary employees to improve their engagement in synergy generation while subsidiary databases were analyzed to operate digitally-enabled marketing programs in order to broaden the window of marketing opportunities and increase cross-subsidiary customers.

Long-Term Insurance

In 2019, the long-term insurance market experienced continued concerns regarding profitability due to the increasingly fierce competition across the industry to generate new sales from term insurance products, growth in non-reimbursed claims in relation to the Korean government's policy to expand the national health insurance coverage, and increasing loss ratios. Such unfavorable business conditions drove down our long-term insurance profit for the year by 4.2% to KRW 287 billion while raising our loss ratio by 1.1%p YoY to 85.1%. This is mainly attributable to the worsening loss ratio that affected the overall industry primarily in indemnity insurance plans. KB Insurance will endeavor to refine its contract management and tighten its underwriting and claim review process to improve on loss ratios while increasing revenues with a focus on contract year-based maturity products and diversifying the product portfolio to strengthen its overall profit fundamentals.

Auto Insurance

While the 2019 car insurance market generally witnessed degrading loss ratios due to increases in such costs as minimum wage allowances and repair fees, the direct premiums written demonstrated a 5.1% YoY growth to reach KRW 17.5 trillion as auto insurance premium rates rose in the first half of the year. KB Insurance expanded its sales primarily through direct channels, and this raised its new sales from direct premiums by 8.4% YoY to KRW 2,206.5 billion and its market share inched up from the previous year to 12.6%. In the face of rate increases, our car insurance loss ratio rose by 3.7%p YoY to 92.0% in line with the cumulative effects caused by costs increases in minimum wage allowances and repair fees. Going forward, we aim to reinforce our underwriting competency, secure fair and reasonable prices, and improve our claim efficiency to continuously control our loss ratio.

General Insurance

In 2019, the general insurance market grew by 5.5% YoY to KRW 6.2 trillion based on the direct premiums written. The Korean market increased by 4.7% YoY to KRW 5.7 trillion and the overseas market by 14.4% YoY to KRW 517.3 billion. Our sales based on the direct premiums written increased by 5.4% YoY to KRW 981.7 billion, and our prompt response to the governmental regulation to make liability insurance mandatory in more areas allowed us to rank top in elevator liability insurance and data privacy liability insurance sales. As our loss ratio rose by 4.6%p YoY to reach 75.6%, the ESS(Energy Storage System) fire that occurred in Korea along with other factors set us back considerably. We plan to manage our loss ratio through the proactive risk management of large-size contracts and improve our portfolio with a focus on high-quality properties.

Asset Management

Our AUM grew by 6.1% YoY to KRW 29 trillion as of the end of 2019, with our investment income increasing by KRW 175 billion YoY to KRW 959 billion and our return on investment 3.46%. We follow the barbell asset management strategy to pursue profitability while managing asset/liability duration. In line with the adoption of K-ICS and other tightening capital adequacy regulations, our new investments are focused on profitable real estate and SOC-related assets and swaps are utilized to improve our returns on asset management. This will surely enable us to expand our asset duration through the purchase of long-term bonds, relieve the burden of required capital with the decreasing ratio of risk assets, and minimize decreases in returns caused by a longer asset duration. Furthermore, investment limits are set in advance by asset type to manage the profitability and stability of assets under management while rigorous risk management is practiced including asset-specific limit management to secure stable returns.

Risk Management

KB Insurance manages its capital efficiency and profitability through performing capital allocations based on internal capital by business area in order to systematically support the development of a risk-based performance culture. Periodical monitoring is conducted to ensure that the company-wide risk appetite remains at an appropriate level against available capital. Quarterly Risk Management Committee meetings are held to make decisions on major risk-related issues while monthly Risk Management Council meetings are hosted to discuss the current status and necessary improvements to be made on major issues by business area including general insurance, long-term insurance, and car insurance.

We systematically and independently performed Own Risk and Solvency Assessments(ORSA) to earn exceptional scores in all of the eight sectors and be chosen as one of the best practices under the ORSA operational status reviews conducted by the Financial Supervisory Service last June on the insurance industry.

Commitment to Greater Customer Convenience

KB Insurance leads the industry through a differentiated customer experience enabled by digital innovation. As the most distinguished insurer in the field of insurtech, we became the first in the industry in 2018 to unveil the 'easy premiums claim service', and moved on to

launch an integrated tailor-made mobile app and initiate 'You Self Claim' as a self-directed insurance payment system in 2019 to leverage our digital competitive edge to improve customer convenience. Going forward, we will create a digital ecosystem with startups and ICT businesses to offer differentiated services in order to solidify our status as an insurance provider that grows hand-in-hand with customers in the digital financial environment.

Plans for 2020

In line with increasing loss ratios across the industry as a whole and overall intensifying competition regarding high-risk products, the domestic insurance market is forecast to experience abrupt changes in 2020 including but not limited to growing financial risks caused by shifting external conditions(interest rates and FX) and an accelerated digitalization of the financial industry. In response, KB Insurance will continue to focus on customers and values in business conduct and on the following strategic priorities by business area.

In long-term insurance, we will improve our product structure to move away from low-profit products, tighten loss ratio management through contract management, and expand business growth mainly on such strategic revenue-generating products as health insurance packages and auto insurance in order to build a stable profit base. Furthermore, we will upgrade the entire product-underwriting-claim value chain to improve on our mortality profit and other claim efficiency indicators while migrating to digitally-based customer-centric product/business processes to enhance work efficiency and increase profitability.

We aim to secure price fairness in auto insurance by strengthening our underwriting capability while adjusting premium rates by customer and property and to pursue phased-in premium increases. We will launch new on-demand products, respond to the aggregator market, and reinforce collaboration with platform and fintech businesses to improve customer convenience and build a differentiated competitive edge.

In general insurance, we will focus on our key channel - corporate sales channel - to increase sales from profitable and high-quality property/liability insurance products, and also use varying channels spanning planners, agencies, and direct channels to broaden our stable profit base. This will go hand-in-hand with developing new products to target new markets and platform business and strengthening cross sales with other subsidiaries to bolster our sales base.

Smart App Award Korea 2019

No.1

Won the 'Grand Prize in the financial category', granted to the best app in the entire financial industry

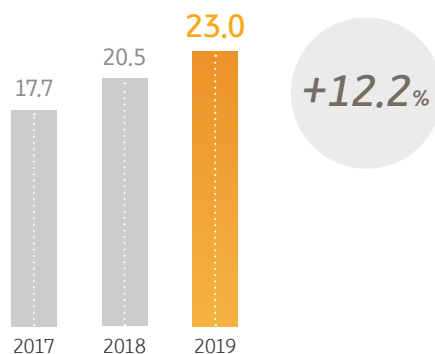


KB Kookmin Card

KB Kookmin Card provides a broad range of financial services, including credit card and check card services and installment financing. Notably, the company has been ranked first in the industry in check card transaction amounts for nine consecutive years. To secure future growth drivers, KB Kookmin Card is expanding its market position in the auto installment and lease financing and mid-range interest rate loan sectors while accelerating its global business operations to tap into new sources of profit from multiple angles. As a tech-fin business enabled by big data and digital technology, KB Kookmin Card will set the trend of the future payment market, and focus on digital and data business to develop new payment systems and continuously strengthen data analytics and application.

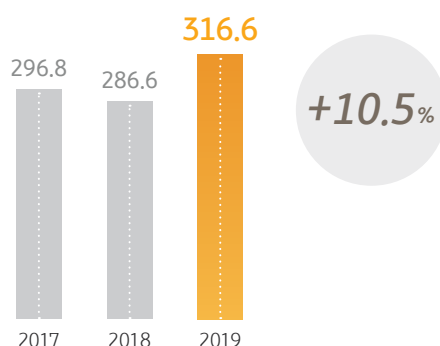
Total Assets

(KRW in trillions)



Net Income

(KRW in billions)



Launching 'KB Kookmin Deun Deun Livelihood Loan 2' as a new mid-range interest rate loan offering

Following 'KB Kookmin Mid-range Interest Rate Loan' launched in 2018, KB Kookmin Card also unveiled 'KB Kookmin Deun Deun Livelihood Loan 2' in 2019 that offers mid-range interest rates to its credit card holders in an aim to help low-income individuals ease their interest rate burden and keep pace with the Korean government's inclusive finance policy initiative. This new loan product was designed to bear 11.0% or less average annual interest rates and under 14.5% in maximum annual interest rates and to qualify 70% or more of those customers with credit grades ranging from 4 to 10 in accordance with mid-range loan requirements imposed on card businesses. This product will be available for KB Kookmin Card credit card holders with mid-level credit grades who are chosen based on separate criteria. Launching this new product, KB Kookmin Card is expected to significantly help customers reduce their interest rate burden through its differentiated risk management capability and big data analytics, and will assist low-income groups with wide-ranging financial services to proactively respond to the government's inclusive finance policy.

Assigned 'A-' rating by Fitch for three consecutive years

We were assigned 'A-' long-term credit ratings by Fitch for three consecutive years, and 'A2' by Moody's in June 2019. This makes us the highest-rated specialized credit finance business in Korea, and this can be attributed to our continued efforts towards diversification to generate stable results amid decreasing merchant fees and other challenging business conditions and to our contribution to group-level synergy generation as a key subsidiary of KB Financial Group based on our stable growth potential and profitability.

Initiating connected car pilot service through Hi-pass

Through our partnership with 'Owin', a connected car solution provider, we launched a connected car pilot service enabled by Hi-pass digital electronic cards. As part of the 'financial regulatory testbed' initiative led by the Korean Financial Services Commission for financial institutions to be commissioned the right to use new financial services developed by startups and innovators to conduct pilot operations, this service allows users to register their car ID granted through the digital electronic Hi-pass card as well as user/vehicle/payment card information on 'Owin Pick', a connected car service mobile application. It then allows users to receive onboard assistance in placing location-based orders and making automatic payments through Bluetooth Low Energy. We plan to operate this pilot service and continue with follow-up work for its full-fledged release.

Signing the SPA to acquire PT. Financia Multi Finance of Indonesia

In November 2019, we signed a share purchase agreement with 'PT Financia Multi Finance', an Indonesian specialized credit finance business offering installment financing for automobiles, motorbikes and consumer goods. Multi finance companies are capable of selling local currency-related loan products – installment finance, lease, factoring, and housing mortgages – and conducting credit card business. Our plan

is to acquire its 80% stake at USD 81.3 million (nearly KRW 9.5 billion) owned by PEFs, and officially transform the company into our second overseas subsidiary in the 2nd half of 2020 following approval by the financial authorities and post-merger integration. We aim to assist PT Finansia Multi Finance in evolving into a specialized credit finance business with products and services ranging from consumer goods installment finance to credit card operations: its installment finance business will be diversified through the continued transfer of our product development, risk management and digital core capabilities, and its card operation will be initiated including card processing agency business.

Becoming the 1st card company to receive the Presidential Award for exceptional labor relations

Kookmin Card became the first-ever card company to be honored with the Presidential Award at the 'Labor-Management Culture Awards 2019' in recognition of its contribution to establishing exemplary labor relations and a win-win labor-management culture.

Supervised by the Ministry of Employment and Labor and the Korea Labor Development Foundation, the awards serves to reward businesses and organizations for practicing a win-win labor culture, and awardees are determined through documentary/on-site reviews and case study presentations out of the businesses granted 'Labor-Management Culture Top Performer' certificates. Once awarded, these businesses become eligible for wide-ranging administrative/financial benefits including the exemption from regular work supervision for three years.

While KB Kookmin Card, following its establishment in 2011, suffered conflicts as labor-management confrontations on major issues resulted in repetitive labor dispute arbitration procedures executed by the National Labor Relations Commission, it has been positively evaluated in recent years for developing win-win labor relations through a range of mutual communication programs and for endeavoring to practice an advanced labor-management culture.

Notably, proactive steps have been taken to improve negotiation practices, from setting reasonable rules between labor and management and sharing negotiation agendas in advance to honoring simple promises, sharing review materials and hosting regular working-level workshops. The sum of such endeavors has led to the creation of outstanding labor relations.

The joint labor-management activity program 'Harmony Created Together by KB Kookmin Card Labor and Management' also allowed us to facilitate communication and to join hands in attending labor-related academic training and diverse social contribution programs, which highlighted our efforts to strengthen mutual cooperation and earned us high scores accordingly.

Plans for 2020

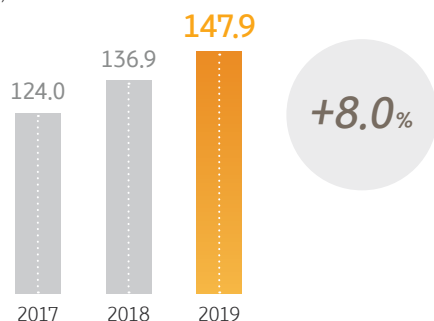
While the growth of the card market turns sluggish due to worsening economic conditions and withering consumer confidence, we are encountering new competitive threats including the rapid emergence of fintech companies. As we recognize all such changes in the business landscape as a turning point to take a renewed step forward, we will follow the below three directions in actively conducting all our business initiatives.

First, we will take a back to 'basics' approach that focuses on our customers. We will perform detailed analyses of all our processes that occur in the customer use of our products and services and utilize their outcomes to continuously deliver innovative customer services.

Second, we will set ourselves apart from the competition with our top-notch digital capabilities. To keep pace with the ICT evolution, we will continue to embrace new technologies while taking a fresh perspective in identifying market and consumer trends and leading the industry.

Third, we will continuously expand the scope of our new business. Leveraging the existing card business base and data as well as wide-ranging assets, we will broaden our new business in Korea and abroad and diversify our profit base.

Card Transaction Volume
(KRW in trillions)



Labor-Management Culture Awards 2019

The Presidential Award

Establish win-win labor relations and practice an advanced labor-management culture through mutual communication program

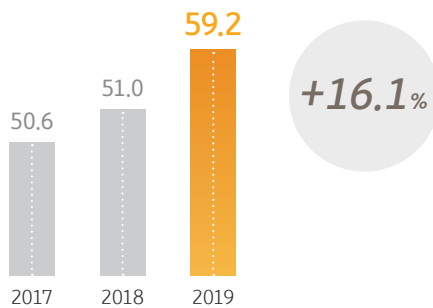


KB Asset Management

As of the end of 2019, KB Asset Management's total assets rose by 21.9% YoY to KRW 310.0 billion, and its net profit increased by 23.5% to KRW 48.9 billion. With AUM growing by 16.1% from the previous year to KRW 59.2 trillion, KB Asset Management continued with its growth journey in 2019.

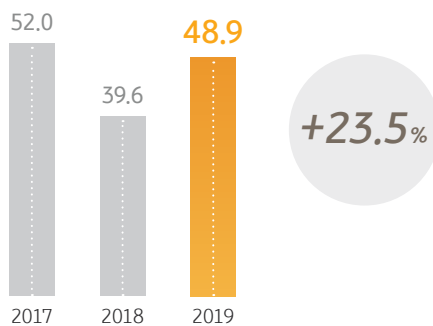
AUM

(KRW in trillions)



Net Profit

(KRW in billions)



Alternative Investments

KRW **13.0** trillion
+23.8%



Strengthening overseas investment competency

Following the creation of a subsidiary in Shanghai, China, in August 2018, we opened a representative office in Vietnam in September 2019 to steadily expand our global presence and our overseas portfolio. Such endeavors resulted in noteworthy investment outcomes mainly in China and Vietnam in 2019: our Chinese equity funds reached KRW 1.6 trillion in AUM and our internal management size rose by 20% YoY to KRW 770.0 billion as of the end of 2019. In Vietnam, we became the first in the industry to launch a Vietnamese index fund in April 2019, and have since continued to grow our business with KRW 150.3 billion in AUM and nearly KRW 50 billion in the size of internal management of these funds as of the end of 2019.

Expanding alternative investment areas and increasing the share of overseas investments

Our alternative investment operation is growing rapidly, posting a 23.8% YoY growth to KRW 13.0 trillion as of the end of 2019. Notably, our cumulative investments in photovoltaics(PV), wind farm, and other renewable energy sources amounted to KRW 1.5 trillion which enabled us to rank first in the industry. With our expertise in operating domestic infrastructure funds, we are also diversifying our investment destinations into overseas real estate and renewable energy. We made KRW 220 billion-worth GIF(Global Infrastructure Fund) commitments in May 2019 and increased our overseas infrastructure investments – energy infra projects in North America, PV generation in Spain, fund of funds in public affordable housing in the U.S., and mezzanine blind funds in Europe – to eventually raise the ratio of overseas investments out of the total alternative investments from nearly 19% at the end of 2018 to 28% at the end of 2019.

Broadening the Korean equity ETF line-up

As of the end of 2019, our ETF net asset value amounted to KRW 3.0 trillion, up by 16% from the previous year due to the expanding product line-up and a fund inflow mainly into new ETFs. In 2019, 12 new ETF offerings were listed to scale up our product line-up to 73 in total.

Plans for 2020

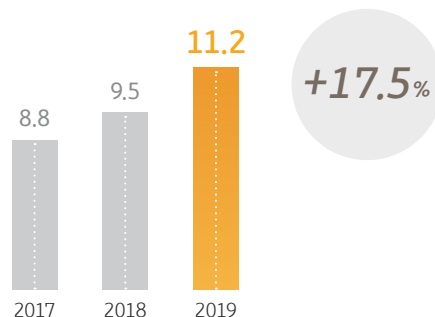
In 2020, we plan to boost our marketing campaign on the existing equity funds and pension funds as a way to facilitate the public offering fund market while addressing shifting market conditions swiftly and flexibly by reinforcing our product line-up with a focus on overseas asset allocation funds. Furthermore, we will continue to closely collaborate with global fund managers to further develop our management competency and continue with our innovative digital strategy to reinforce our quant-based management capabilities and focus on non-face-to-face channel marketing to keep pace with technological changes in the 4th Industrial Revolution era.

In alternative investments, we aim to diversify our investment assets and the countries in which we provide them to, and expand our overseas infrastructure business to offer institutional investors varying profit-generation opportunities. Furthermore, we will proactively explore new products in the areas of domestic infrastructure and real estate to cater to the needs of individual investors.

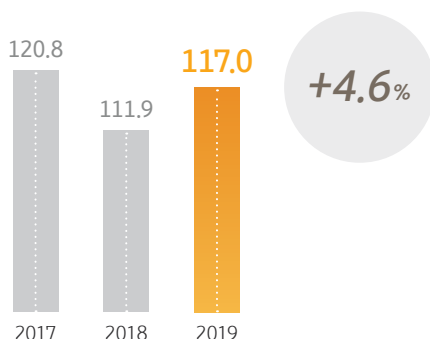
KB Capital

KB Capital's total assets rose by 17.5% YoY to KRW 11.2 trillion as of the end of 2019, and the company leverages its diversified business portfolio to maintain robust growth. In 2019, its net income increased by 4.6% YoY to KRW 117.0 billion, and KB Capital has remained above KRW 100 billion in net income for the recent three years in a row.

Total Assets
 (KRW in trillions)



Net Income
 (KRW in billions)



KB Cha Cha Cha

No.1

Industry's No. 1 preowned car trading platform to surpass 120,000 mark in number of preowned cars registered for sale within 3 years of launching



Reaping success in diversifying the business portfolio

KB Capital further strengthened its competitive edge in auto financing and expanded its retail/corporate financing to diversify the business portfolio, which allowed the company to reduce the ratio of auto financing by 8.5%p while raising the ratio of retail and corporate financing by 3.7%p and 4.7%p respectively from the previous year. In corporate financing, we bolstered the competitive edge of our core business areas with a focus on stability and profitability by increasing prime corporate loans and expanding investment financing.

Advancing the digital business model

Unveiling KB Cha Cha Cha 3.0 KB Capital launched 'KB Cha Cha Cha 3.0', an upgraded version of its preowned car trading platform, in November 2019. This platform has been highly successful with over 120,000 cars registered for sale in less than three years since its debut. The 3.0 version is equipped with AI-enabled price estimation system and a personalized car recommendation function, along with the integrated auto financing limit check service provided by KB Financial Group.

Expanding the adoption of RPA across branches to improve business efficiency We introduced Robotics Process Automation(RPA) for the back office work of our business branches to reduce more than 3,000 working hours per month, and our company-wide adoption of RPA in 2020 is expected to increase this number to nearly 70,000 hours on an annual basis.

Securing mid to long-term growth drivers through strategic partnership and global business expansion

KB Capital has secured the unrivaled position in the imported car market with a 25.8% market share as of the end of 2019. Its partnerships with Kolon Group, Deutsch Group and other diverse businesses will further solidify its status both in the imported and pre-owned car financing sectors. In addition, KB KOLAO Leasing, our Laos subsidiary initiated in March 2017, has continued to grow to rise to 3rd place based on asset size among 29 lease businesses in the country. In February 2019, we signed a stock purchase agreement with Sunindo Parama Finance in Indonesia, and with final approval granted by the local financial authorities in December of that same year, the company is set to initiate operation in the first half of 2020.

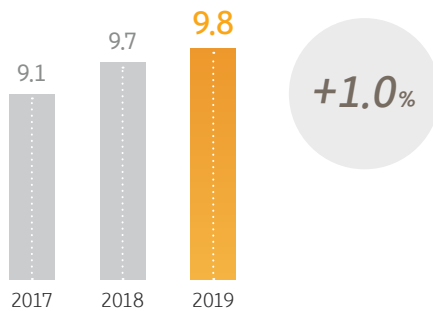
Plans for 2020

In 2020, we will strengthen our competitiveness in global and digital operations as well as in non-face-to-face channels while embracing RPA at the company-wide level to promote Smart Work in order to improve productivity and advance sustainability management.

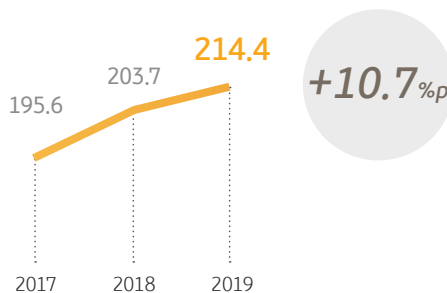
KB Life Insurance

KB Life Insurance reached KRW 1,182 billion in premium income, up by 1.8% from 2018, and its net income also rose by 7.7% from the previous year to KRW 16.0 billion. As its Value of New Business(VNB) amounted to KRW 32.8 billion and total assets KRW 9.8 trillion, the company is well on track for continued growth.

Total Assets (KRW in trillions)



RBC (%)



Value of New Business(VNB)

KRW
32.8 billion

Posted 32.8 billion of Value of New Business through the sustained sales of protection and variable products



Building a CPC-based integrated marketing system

We developed 'Customer-Product and Channel(CPC)' based strategic direction to place our customers interests at our first priority while leveraging our customer segment analysis platform to perform wide-ranging analysis. As part of our digital marketing programs designed to secure future financial customers, online customer touchpoints were broadened by creating social network marketing channels. We also executed influencer marketing to target the millennial population.

Responding to changes in the regulatory environment

With the continued implementation of the IFRS17 system development project, a stable infrastructure and a management decision-making support system were established while our RBC level has remained above the set target through the sustained duration extension of the assets before the adoption of the Korean Insurance Capital Standard (K-ICS). Furthermore, we make use of varying methods to promote internal modeling-based risk management and assist value-driven product development through the reflection of the new K-ICS and risk factor segmentation and improvement.

Driving digital transformation

Our Smart Work Place initiative allowed us to create a mobile work environment, and we endeavored tirelessly to bring innovation to our value chain by establishing a data analysis system based on the DB targeting model, leveraging Robotics Process Automation to improve work processes, and developing a Smart UW System. Building a collaborative ecosystem with fintech businesses, we are also broadening our ecosystem.

Plans for 2020

As a business in the life insurance market, we witness continued concerns over the profitability and growth potential of the insurance industry itself due to low growth, low interest rates and other unfavorable business conditions. Furthermore, the spread of high tech-based digital platforms is imposing numerous changes upon the overall financial industry. The insurance industry is also challenged with the introduction of IFRS17 and K-ICS, the tightening business regulations put in place to protect customers, and systemic and regulatory changes concerning business expenses and solicitation commissions. All these prompted KB Life Insurance to establish the following strategic steps.

First, our growth will be driven by our customers. We will rigorously analyze the data we collect regarding our customers and markets to constantly deliver products that truly meet the needs of our customers, and we will solidify our brand image as an insurer who truly puts customers first. Second, we will proactively respond to market and system changes to pursue quality and value-driven growth while fortifying our corporate value by improving management efficiency from the long-term perspective. Third, we will seek digitally-driven innovation to strengthen the user experience and optimize our value chain and data analytics system. This will undoubtedly expand our presence within the digital ecosystem as a business that wholeheartedly values customers.

KB Real Estate Trust

KB Real Estate Trust became the first in the industry to launch completion guarantee management land trust products, and is currently broadening its real estate development portfolio into urban regeneration, REITs and other diverse areas to diversify its operational basis. The sum of such endeavors allowed the company to post KRW 61.7 billion in net income in 2019, up by 31.3% from the previous year, setting a new record in its corporate history.

Increasing New Orders Awarded on High-Quality Properties and Thorough Risk

We perform stringent location analyses and feasibility reviews to focus on profitable project undertakings as a way to secure a stable profit base. Notably in the trust business, we endeavor to increase orders awarded for completion guarantee management land trust projects that are executed on an advanced business structure as well as profitable leveraged land trust projects. Our profit base is also being diversified through low-risk collateral trusts and other non-land trust offerings.

In the reconstruction business, we tender for profitable reconstruction projects and host promotional presentations to proactively conduct business, and are adopting diverse business models such as project agency and small-scale reconstruction in addition to the conventional project operation model to rebalance our business portfolio.

As far as the REITs business goes, the 'REITs Business Division' was created in 2019 to improve the competitiveness of our REITs operations, and our investments were diversified into retail properties and logistics centers to generate greater business outcomes.

In the risk management sector, periodic monitoring is performed on preemptive response processes developed in preparation for emergencies and on product-specific limit runout rates while phase-based progress reviews are made on major parts of the projects being implemented to manage risks preemptively.

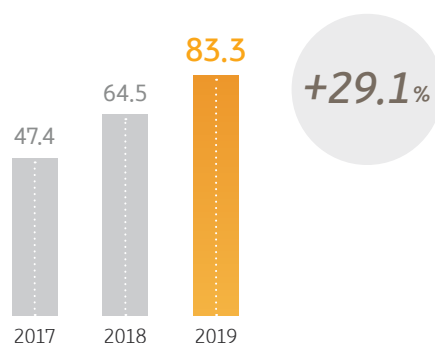
Plans for 2020

It is expected that the year 2020 will witness a deepening economic slowdown and continued downturn in the real estate market in Korea while the entry of new trust firms will further intensify competition in the real estate trust market. As such, KB Real Estate Trust will practice risk management based on product-specific risk factors and take swift and company-wide actions to address the pending issues of respective projects so as to solidify its proactive risk management system and push forward with digitalization to maximize business efficiency.

In the reconstruction business, we will ensure we obtain governmental official designation as either a project operator or a project agent on the projects we are currently working on, and increase our orders granted by respective business execution models in order to improve our performance. In the REITs business, we will diversify our investment portfolio and upgrade investment operations while diversifying the profit portfolio by participating in public biddings and launching wide-ranging property-based REITs products. Furthermore, we will advance our REITs operations to increase the value of REITs assets and maximize our operational outcomes through successful asset sales.

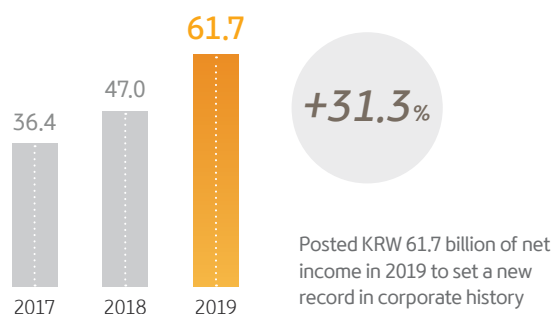
Operating Income

(KRW in billions)



Net Income

(KRW in billions)



AUM

KRW
28.3 trillion

Ranked top-level of AUM in the industry with 12.3% of market share



KB Savings Bank

In 2019, KB Savings Bank posted KRW 16.3 billion in net income and 1.8% of NPL ratio to demonstrate continued stable performance. In April 2019, the bank became the first-ever in the financial industry to adopt non-FIDO authentication, and launched a mobile banking app equipped with the mobile certificate functionality as a way to pursue digital innovation.

NPL Ratio

1.8%

Posted 1.8%, significantly lower than the industry average to make remarkable progress in asset quality management



Generating Synergy through Collaboration with Subsidiaries

Inclusive finance products (KB Kind Loan, Sunshine Loan, and Saitdol 2) along with mortgage loans provided in alignment with KB Savings Bank's loan products are available at KB Kookmin Bank locations, and the subsidiary-linked loans posted a 125% YoY growth as a result of strengthened synergy with group subsidiaries through the promotion of subsidiary-aligned loans.

Achievements from Upgraded Digital Financing

The KB Savings Bank's mobile banking app is the first in the financial industry to deliver the 'voice service' enabled by non-FIDO authentication and the 'mobile certificate' function that uses QR codes to ascertain the authenticity of certificates. Our innovative mobile banking improved the UI/UX for greater customer convenience and increased the speed of log-ins and screen transition times to the highest-possible level in the industry. With the goal of creating a user-centric financial platform, we elevated security performance based on our philosophy of 'Secure, Simple, and Speedy', adopted a simple certification technique to increase service accessibility and utility, and achieved the highest-possible transaction speed in the financial industry through the rearrangement of security solutions and the improvement of transaction modes.

In 2020, we plan to leverage digital transformation to unveil our mobile banking services powered by a number of new technologies. We also aim to deliver even greater benefits to the working class by providing digital finance services for those who find it difficult to visit our brick

and mortar branches. This allows for easy and convenient access to these financial services by reducing business costs which will keep our loan interest rates low and deposit interest rates high.

New Products and Most-Popular Products & Services

We offer wide-ranging financial products that cater to customer needs, from our flagship mid-range interest rate loan 'KB Kind Loan' to the Korea Inclusive Finance Agency's 'Sunshine Loan' and the Seoul Guarantee Insurance Company's 'Saitdol 2'. In so doing, we not only help the working class build their assets but also serve as an intermediary in enabling low-credit customers, who are otherwise unable to get approved for loans at commercial banks, to benefit from the regulated financial system.

In May 2019, we launched the gamification product 'KB Honey Savings' to expand the territory of our business. This daily installment savings product comes with a 100-day maturity and offers up to 55,000 Liiv Mate points in addition to a 2.2% annual base rate. The Liiv Mate points are accumulated when the account holder plays the 'Cham Cham Cham' game following a daily automatic transfer, recommends this product to others, or opens his/her account. This product was named based on the idea generated through Gig, a voluntary idea suggestion meeting attended by KB Savings Bank employees, and we plan to launch diverse digital products that allow customers to experience saving money through such an amusing platform.

*Gig: The term originates in jazz music and is the name of KB Savings Bank's in-house employee meeting organized voluntarily to meet specific purposes.

Becoming the First in the Industry to Achieve the ISO37001 Anti-Bribery Management Certification

We became the first in the industry to achieve the ISO37001 international anti-bribery management certification in 2018, and have since maintained our certification through annual assessments in 2019. Our strong commitment and endeavors to establish and implement a practical and detailed anti-bribery management system were highly recognized, which include but are not limited to thorough financial policy compliance, mandatory integrity training, strengthened disciplinary standards, the proactive identification and improvement of anti-bribery risk factors at the department level, and internal evaluations and management reviews led by anti-bribery compliance managers. This represents a best practice on anti-bribery management in the savings bank industry, and we are strengthening our anti-bribery and integrity promotion activities.

Plans for 2020

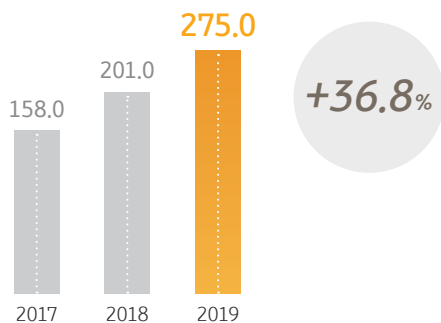
KB Savings Bank will become a 'Clean Bank' through preemptive risk management and an industry-leading digital bank through the offering of differentiated digital customer experiences. To realize this vision, we will 1) deliver mobile banking services that offer the greatest-possible benefits and convenience to customers, 2) efficiently reallocate our human resources through process automation to pursue cost efficiency and productivity gains, 3) rebuild our credit rating model to broaden the credit spectrum of our mid-range interest rate loan portfolio, and 4) advance our IT infrastructure to ensure long-term growth.

KB Investment

In 2019, KB Investment launched KRW 220.0 billion-worth large venture funds as well as new venture funds valued at KRW 275.0 billion in total, which raised its investments by 36.8% from the previous year. Its venture fund AUM surpassed the KRW 1 trillion mark, and the company formed subsidiary collaboration funds worth KRW 220 billion as a way to invest in the global market.

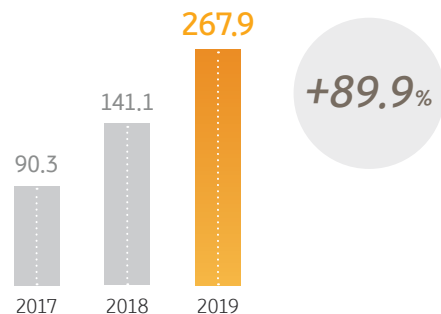
New Venture Funds Raised

(KRW in billions)



Venture Investment

(KRW in billions)



KB Global Platform Fund

KRW
220.0 billion

Raised the collaboration fund with KB Kookmin Bank and five other subsidiaries to invest in the global market



Fund Creation and New Investment Reinforcement Strategy

Driven by the Korean government's venture business promotion policy, annual venture investments in the venture investment market surged by 25% from 2018 to reach nearly KRW 4.2 trillion in 2019, setting a new record in the venture investments made. With newly-formed venture capitals amounting to KRW 4.1 trillion, both fund creation and new investment witnessed rapid growth.

The number of new venture capital increased by 16 year on year and a record-high number of venture funds was created this year, competition has intensified in organizing funds and identifying deals. These circumstances prompted KB Investment to strengthen its collaboration with group subsidiaries in creating large-size venture funds while reinforcing investment in and promotion of new growth industries and overseas investment destinations.

Large-size Funds and Subsidiary Collaboration Funds In May 2019, KB Investment launched a KRW 220.0 billion large-scale KB Global Platform Fund in conjunction with KB Kookmin Bank, KB Securities, KB Insurance, KB Capital, and KB Kookmin Card, and made investments in the global market based on the funds raised.

PEFs and Specialty Venture Funds KB Investment created the 'KB CAPE No.1' fund with KRW 19.3 billion in total commitments in cooperation with CAPE Investment & Securities to invest KRW 18.8 billion in 'TNK Factory's redeemable convertible preferred stocks. In addition, We created the KB Culture & Global Digital Contents Fund valued at KRW 40 billion to invest in domestic/overseas cultural digital content businesses. In addition, the KRW 15 billion KB Social Impact Investment Fund was launched to invest in social enterprises.

Nurturing New Growth Industries and Making Overseas Investments We increased our investments in new growth industries: our ICT service investment posted a whopping 270% increase from KRW 37.1 billion in 2018 to KRW 137.1 billion in 2019, and our investment in the bio and health care sectors also surged by 114% from KRW 29.7 billion in 2018 to KRW 63.7 billion in 2019. Meanwhile, our Seed and Series A investments rose by 49% from KRW 47.2 billion in 2018 to KRW 70.1 billion in 2019, and our overseas investments skyrocketed by 489% from KRW 16.0 billion in 2018 to KRW 94.2 billion in 2019.

In 2019, KB Investment's fund assets under management, including PEFs, increased by KRW 294 billion from the previous year to reach KRW 1,303 billion, and its investments also set a new record high at KRW 267.9 billion.

Plans for 2020

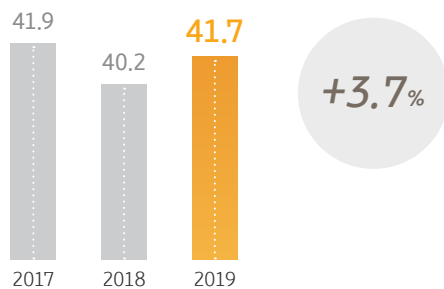
KB Investment will continue with its mid to long-term growth strategy to nurture talented employees and strengthen its investment capacity with an aim to move beyond being a top-tier venture capital business into the Most Influential Venture Capital within three years. We will also further broaden our global presence to establish a balanced investment portfolio and lay the basis for mid to long-term growth.

KB Data Systems

KB Data Systems reached KRW 41.7 billion in total assets, up by 3.7% from the previous year, and net income posted KRW 4.7 billion, up by 62.1% from the previous year, while sales posted a 20.3% YoY growth to KRW 158.1 billion in line with increasing group-level IT investments. KB Data Systems is also supporting KB Financial Group's IT and digital innovation strategy, spanning from cloud and AI to blockchain.

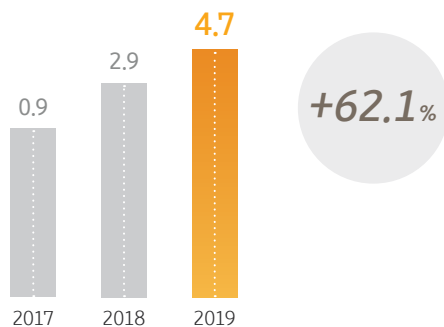
Total Assets

(KRW in billions)



Net Income

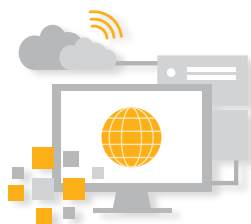
(KRW in billions)



IT system development

Supported the successful deployment of a next-generation IT system

Completed the development of KB Kookmin Card's next-generation system and the redevelopment of the banking call center system under the The K Project



Reaping success in building a next-generation system for group subsidiaries

In 2019, we successfully completed the development of a next-generation card system, and redeveloped the call center system under the KB Kookmin Bank's "The K" Project. Furthermore, our professional developers took an active role in the information system and data hub businesses. As intensifying competition against internet-only banks and fintech businesses led to the growth of non-face-to-face channels and new IT-related business, KB Data Systems proactively joined the IT businesses conducted in digitally-driven core areas on the group level to assist KB Financial Group's digital strategy and accelerate its digitalization.

Generating synergy through joint group-level IT system development

We developed IT systems that could be shared among group subsidiaries, including integrated internal controls for financial reporting and an integrated certificate platform while operating a joint group-wide IT system from WiseNet(group portal system) and open APIs to help improve the IT efficiency of KB Financial Group. In business operations, KB Insurance's IT system operation was transferred to KB Data Systems to enable us to secure expertise in serving the IT operational service needs of the group and to extend the scope of these services into other subsidiaries in the savings bank and capital sectors. In line with the increasing demand for group-level operational business and SI development, our workforce expanded from 413 to 484 employees on a YoY basis, and the widened scope of our operational service support for insurance, card, capital and other non-banking subsidiaries demonstrates our commitment to providing balanced IT services at the group level.

Creating Digital IT Business Unit and internalizing digital competency

In 2019, Digital IT Business Unit was created to help us serve as a digital and IT hub within KB Financial Group and support its wide-ranging digital-related IT services. We participated in developing the strategy to assist the group's savings bank business in migrating to digital banking, and adopted DevOps-based agile development methodology(CI/CD) in supporting the cloud-driven hybrid financing(CLAYON) business, thereby internalizing digital capabilities and broadening the width of our IT service offerings.

Plans for 2020

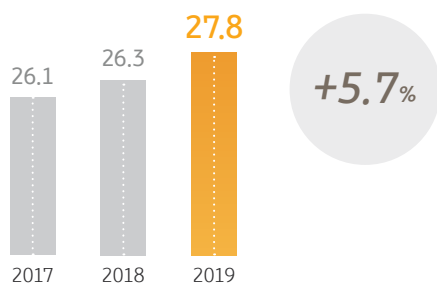
In response to KB Kookmin Bank's "The K" Project and KB Financial Group's digital innovation, KB Data Systems will recruit top performers and invest these top-notch human resources in a timely manner to assist the successful completion of the group's next-generation system development. In hybrid financing, we will strengthen collaboration on major group-level businesses – particularly Cloud platform business and life-style financing(Liiv) business – to help generate synergy in the IT sector while securing and internalizing exceptional digital capabilities to grow into a provider of IT services that truly satisfies customer needs.

KB Credit Information

In 2019, KB Credit Information posted an approximately 8.8% growth in sales to KRW 38.3 billion, and its total assets rose by nearly 6% to KRW 27.8 billion. While financial institutions strengthened their asset quality this year to negatively impact the amount of debts managed by credit information businesses, this also helped to maintain a low level of delinquency ratio and non-performing loans on the part of financial institutions from the long-term view point, contributing to managing asset quality at the group level.

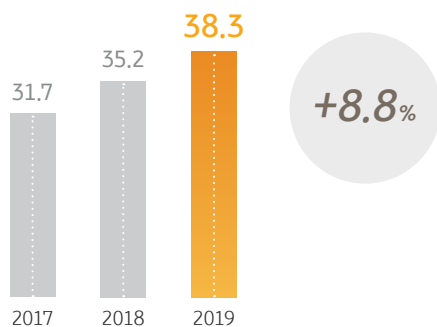
Total Assets

(KRW in billions)



Sales

(KRW in billions)



KB Financial Group debts collected in 2019

KRW
322.2 billion

Manage nearly KRW 5 trillion worth NPLs from KB Financial Group subsidiaries and post KRW 322.2 billion in annual debt collection



Improving the Efficiency and Competitiveness of Debt Collection

KB Credit Information proactively recruited top-performing debt collectors in the areas of banking and card debts, operated an adequate performance management system, and strengthened its management system by type of debt in order to maximize group-level debt collection and recovery, and these multi-pronged endeavors allowed us to significantly increase the efficiency and competitiveness of our debt collection business. In 2019, we posted relatively robust performance in the face of worsening business conditions with our debt collection sales and group-level debt recovery reaching KRW nearly 28.2 billion and KRW 322.2 billion respectively. We also continuously extended our group-level business areas by supporting KB Kookmin Card's credit recovery business, accepting KB Capital's delinquent debts, and increasing the commission of bank debts.

By type of debt, the amount of delinquent debts we retrieved was KRW 154.1 billion at KB Kookmin Bank, KRW 159.7 billion at KB Kookmin Card, and KRW 8.9 billion at KB Insurance, KB Capital, and KB Savings Bank, which allowed us to remain above KRW 320 billion in annual debt collection just as we had last year.

As outstanding debt collectors are the key to our debt collection business, one of our top priorities for 2019 was to recruit these top-performing individuals. A total of 75 professional debt collectors were hired in the bank and card debt areas. The majority of these collectors outperformed their colleagues which served to affirm our expectation that their services will play a pivotal role for KB Credit Information in building a stronger competitive edge.

In lease investigation, our sales reached nearly KRW 9.5 billion, and we did our best to advance into diverse businesses derived from these investigations by continuing to accept title search work from KB Insurance and preparing a bid at the Korea Asset Management Corporation.

Plans for 2020

In 2020, the economic slowdown is forecast to continue due to external/internal uncertainties and debtors' moral hazard is also expected to aggravate in line with governmental support for the underprivileged, which prompted KB Credit Information to further reinforce its competitive edge as a debt collector in order to improve group-wide asset quality as its top priority. Our management system will be bolstered by type of debt and group-level debt collection will be maximized while proactive responses will be made to address declining debt volume. Meanwhile, we continue to explore new sources of revenue – KB Insurance, KB Capital, KB Savings Bank, and a business derived from lease investigations. We intend to strengthen our business competency through an advanced IT system and improve our organizational productivity through appropriate organizational and workforce operations while continuously tightening the management of delinquent customers in Korea in line with financial consumer protection regulations.

Financial Section

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)



To the Board of Directors and Shareholders of KB Financial Group Inc.

Opinion

We have audited the accompanying consolidated financial statements of KB Financial Group Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected Credit Losses on Loans Measured at Amortized Cost

Why it is determined to be a key audit matter :

The impairment guidance under Korean IFRS 1109 Financial Instruments requires determination of significant increases in credit risk and measurement of expected credit losses using forward-looking information and others. Accordingly, the Group developed a new measurement model utilizing various types of information, which requires a higher level of management's interpretation and judgment.

The Group measures expected credit losses on loans measured at amortized cost, on an individual or collective basis. The identification of loans that are deteriorating and the assessment of the present value of expected future cash flows in determining expected credit losses are inherently uncertain, involving various assumptions and judgment. In measuring expected losses on a collective basis, a wide range of complex inputs and assumptions are used. Given the extent of judgment involved, we considered expected credit losses to be a key audit matter.

Loans measured at amortized cost subject to individual or collective assessment are ₩ 342,092,076 million, with loan loss allowances of ₩ 2,408,016 million, as of December 31, 2019(See Note 4-2, 10, 11). In addition, unused commitments and guarantees are ₩ 163,972,499 million, with related provisions of ₩ 291,970 million as of December 31, 2019(See Note 4-2, 23, 40). Significantly affected subsidiaries are Kookmin Bank and KB Kookmin Card.

How our audit addressed the key audit matter :

(1) Assessment of expected credit losses on an individual basis

We obtained an understanding and evaluated the processes and controls relating to the assessment of expected credit losses on an individual basis. In particular, we focused our effort on the assumptions used in estimating future cash flows. We evaluated whether management's estimation was reasonable and we assessed the key assumptions in the cash flow projection including growth rate of entities subject to individual assessment and valuation of collateral. As part of these procedures, we assessed whether sales growth rate, operating income ratio, and assumptions on investment activities were consistent with historical performance and current market conditions. Furthermore, we assessed the appropriateness of collateral valuation by conducting our own research on recent property prices and engaged independent appraisal specialists in assessing reasonableness of appraisal reports, models and methodologies used by management.

(2) Assessment of expected credit losses on a collective basis

We obtained an understanding and evaluated the processes and controls relating to management's calculation of expected credit losses on a collective basis in accordance with impairment requirements under Korean IFRS 1109 Financial Instruments. As explained in Note 2, management assesses credit ratings to recognize lifetime expected credit losses on loans with significant increase in credit risk and impaired loans. Other than these cases, management recognizes twelve-months of expected credit losses. To calculate all expected credit losses, management has applied forward-looking information, probability of default, loss given default, and other assumptions estimated through its internal procedures and controls implemented for various assumptions.

We assessed the design and operating effectiveness of controls relating to credit ratings that reasonably reflect both qualitative and quantitative information. Our testing over the accuracy and reliability of the information included agreeing qualitative and quantitative information with relevant evidence.

We reviewed the appropriateness of management policies and procedures to determine significant increases in credit risk, and tested reasonableness of expected credit loss model applied by each of the three stages(Stage 1, 2 and 3) depending on how significantly credit risk was increased.

Our audit involved risk specialists to statistically analyze the correlation between forward-looking information and probability of default or loss given default. We assessed the appropriateness of methodologies for adjusting the probability of default and loss given default to reflect forward-looking information on estimation of expected credit losses. We further tested the reasonableness and mathematical accuracy of the information through recalculation and inspection of supporting data.

We reviewed the methodologies used by management to verify that probability of default and loss given default were calibrated using sufficient and reasonable historical data. We determined that the default and loss data used were appropriately gathered and applied in accordance with internal control procedures. In addition, we assessed reasonableness and accuracy of probability of default and loss given default through procedures including recalculation, and evaluated management's default and loss data.

2. Valuation of Over-The-Counter Derivatives

Why it is determined to be a key audit matter :

Fair value of large portion of over-the-counter derivatives in the consolidated financial statements is calculated through the use of an internally developed valuation system. Judgment is required in estimating the fair value of these derivatives held by KB Securities in determining appropriate models, assumptions and inputs. Given the extent of judgment involved in valuing these over-the-counter derivatives, we considered this to be a key audit matter. Over-the-counter derivatives of KB securities subject to fair value measurement amount to ₩ 14,444,557 million as of December 31, 2019, including financial liabilities designated as at fair value through profit or loss related to structured securities and financial assets at fair value through profit or loss(See Note 6).

How our audit addressed the key audit matter :

We obtained an understanding and evaluated processes and controls in relation to fair value measurement. Our focus was particularly on the accuracy of underlying transaction data used and mathematical calculation in accordance with management's internal valuation methodologies.

We assessed design and tested operating effectiveness of controls over accuracy and completeness of key inputs such as underlying transaction data (notional amount, interest rate, maturity etc.) used in management's determination of estimated fair value. We tested transaction data used in the valuation by examining supporting evidence including contracts and trade confirmations.

We also evaluated the design and tested the operating effectiveness of controls over periodic verification of management's internal valuation system to ensure the valuation methodologies configured in the system were operating as intended. We involved our derivative valuation specialist to independently estimate fair values utilizing independent valuation models and variables to see if management's valuation is outside our ranges.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeob Yu, Certified Public Accountant.

The image shows the signature of Samil PricewaterhouseCoopers in a cursive, handwritten style.

Samil PricewaterhouseCoopers

Seoul, Korea

March 5, 2020

This report is effective as of March 5, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

December 31, 2019 and 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2019	2018
Assets			
Cash and due from financial institutions	4,6,7,8,39	₩ 20,837,878	₩ 20,274,490
Financial assets at fair value through profit or loss	4,6,8,12	53,549,086	50,987,847
Derivative financial assets	4,6,9	3,190,673	2,025,962
Loans at amortized cost	4,6,10,11	339,684,059	319,201,603
Financial investments	4,6,8,12	71,782,606	61,665,094
Investments in associates and joint ventures	13	598,240	504,932
Property and equipment	14	5,067,377	4,272,127
Investment property	14	2,827,988	2,119,811
Intangible assets	15	2,737,813	2,755,783
Net defined benefit assets	24	946	-
Current income tax assets		19,095	10,004
Deferred income tax assets	16,33	3,597	4,158
Assets held for sale	17	23,151	16,952
Other assets	4,6,18	18,215,608	15,749,535
Total assets		₩ 518,538,117	₩ 479,588,298
Liabilities			
Financial liabilities at fair value through profit or loss	4,6,19	₩ 15,368,153	₩ 15,326,859
Derivative financial liabilities	4,6,9	3,007,341	2,901,247
Deposits	4,6,20	305,592,771	276,770,449
Debts	4,6,21	37,818,860	33,004,834
Debentures	4,6,22	50,935,583	53,278,697
Provisions	23	527,929	525,859
Net defined benefit liabilities	24	253,989	262,213
Current income tax liabilities		432,431	698,634
Deferred income tax liabilities	16,33	777,793	492,534
Insurance contract liabilities	37	34,966,683	33,412,949
Other liabilities	4,6,25	29,737,259	27,200,996
Total liabilities		479,418,792	443,875,271
Equity			
Share capital	26	2,090,558	2,090,558
Hybrid securities	26	399,205	-
Capital surplus	26	17,122,777	17,121,660
Accumulated other comprehensive income	26,35	348,021	177,806
Retained earnings	26	19,709,545	17,282,441
Treasury shares	26	(1,136,188)	(968,549)
Equity attributable to shareholders of the Parent Company	26	38,533,918	35,703,916
Non-controlling interests		585,407	9,111
Total equity		39,119,325	35,713,027
Total liabilities and equity		₩ 518,538,117	₩ 479,588,298

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated Statements of Comprehensive Income

December 31, 2019 and 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won, except per share amounts)

	Notes	2019	2018
Interest income		₩ 14,639,187	₩ 13,734,569
Interest income from financial instruments at fair value			
through other comprehensive income and amortized cost		13,935,124	12,986,209
Interest income from financial instruments at fair value through profit or loss		704,063	748,360
Interest expense		(5,442,400)	(4,829,641)
Net interest income	5,27	9,196,787	8,904,928
Fee and commission income		3,879,247	3,717,720
Fee and commission expense		(1,524,243)	(1,474,344)
Net fee and commission income	5,28	2,355,004	2,243,376
Insurance income		12,317,182	11,975,070
Insurance expense		(12,017,670)	(11,484,954)
Net Insurance income	5,37	299,512	490,116
Net gains on financial instruments at fair value			
through profit or loss before applying overlay approach		912,187	350,490
Net gains/(losses) on overlay adjustments		(268,315)	813
Net gains on financial assets/liabilities at fair value through profit or loss	5,29	643,872	351,303
Net other operating expenses	5,30	(1,063,324)	(1,130,036)
General and administrative expenses	5,31	(6,271,017)	(5,918,512)
Operating profit before provision for credit losses	5	5,160,834	4,941,175
Provision for credit losses	5,7,11,12,18,23	(670,185)	(673,694)
Net operating income		4,490,649	4,267,481
Share of profit of associates and joint ventures	13	16,451	24,260
Net other non-operating income	32	26,886	9,791
Net non-operating income		43,337	34,051
Profit before income tax		4,533,986	4,301,532
Income tax expense	33	(1,220,787)	(1,239,586)
Profit for the year	5	3,313,199	3,061,946
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	24	(55,827)	(138,016)
Share of other comprehensive income of associates and joint ventures		(105)	(74)
Revaluation losses on equity instruments at fair value through other comprehensive income		(17,329)	(31,169)
Fair value changes on financial liabilities designated at fair value due to own credit risk		(11,372)	1,484
		(84,633)	(167,775)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		37,861	48,820
Net gains on debt instruments at fair value through other comprehensive income		35,490	119,182

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won, except per share amounts)

	Notes	2019	2018
Shares of other comprehensive income of associates and joint ventures		7,800	(3,659)
Cash flow hedges		(33,182)	(9,038)
Losses on hedges of a net investment in a foreign operation		(8,900)	(27,134)
Other comprehensive income arising from separate account		3,364	28,709
Net gains on overlay adjustment	37	194,223	413
		236,656	157,293
Other comprehensive income for the year, net of tax		152,023	(10,482)
Total comprehensive income for the year		₩ 3,465,222	₩ 3,051,464
Profit attributable to:	5		
Shareholders of the Parent Company		₩ 3,311,828	₩ 3,061,191
Non-controlling interests		1,371	755
		₩ 3,313,199	₩ 3,061,946
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		₩ 3,463,567	₩ 3,050,805
Non-controlling interests		1,655	659
		₩ 3,465,222	₩ 3,051,464
Earnings per share	36		
Basic earnings per share		₩ 8,451	₩ 7,721
Diluted earnings per share		8,389	7,676

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to shareholders of the Parent Company							Non-controlling Interests	Total Equity
	Share Capital	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares			
Balance at January 1, 2018	₩ 2,090,558	₩ -	₩ 17,122,228	₩ 537,668	₩ 15,044,204	₩ (755,973)	₩ 6,144	₩ 34,044,829	
The effect of changing of accounting policy	-	-	-	(349,476)	(71,724)	-	-	(421,200)	
Balance after reflecting the effect of accounting policy	2,090,558	-	17,122,228	188,192	14,972,480	(755,973)	6,144	33,623,629	
Comprehensive income									
Profit for the year	-	-	-	-	3,061,191	-	755	3,061,946	
Remeasurements of net defined benefit liabilities	-	-	-	(138,016)	-	-	-	(138,016)	
Exchange differences on translating foreign operations	-	-	-	48,916	-	-	(96)	48,820	
Net gains on financial instruments at fair value through other comprehensive income	-	-	-	88,013	15,498	-	-	103,511	
Shares of other comprehensive income of associates and joint ventures	-	-	-	(3,733)	-	-	-	(3,733)	
Cash flow hedges	-	-	-	(9,038)	-	-	-	(9,038)	
Losses on hedges of a net investment in a foreign operation	-	-	-	(27,134)	-	-	-	(27,134)	
Other comprehensive income arising from separate account	-	-	-	28,709	-	-	-	28,709	
Fair value changes on financial liabilities designated at fair value due to own credit risk	-	-	-	1,484	-	-	-	1,484	
Net gains on overlay adjustment	-	-	-	413	-	-	-	413	
Total comprehensive income/(loss) for the year	-	-	-	(10,386)	3,076,689	-	659	3,066,962	
Transactions with shareholders									
Annual dividends paid to shareholders of the Parent Company	-	-	-	-	(766,728)	-	-	(766,728)	
Acquisition of treasury shares	-	-	-	-	-	(212,576)	-	(212,576)	
Non-controlling interests changes in business combination	-	-	-	-	-	-	2,238	2,238	
Others	-	-	(568)	-	-	-	70	(498)	
Total transactions with shareholders	-	-	(568)	-	(766,728)	(212,576)	2,308	(977,564)	
Balance at December 31, 2018	₩ 2,090,558	₩ -	₩ 17,121,660	₩ 177,806	₩ 17,282,441	₩ (968,549)	₩ 9,111	₩ 35,713,027	

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to shareholders of the Parent Company							Non-controlling Interests	Total Equity
	Share Capital	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares			
Balance at January 1, 2019	₩ 2,090,558	₩ -	₩ 17,121,660	₩ 177,806	₩ 17,282,441	₩ (968,549)	₩ 9,111	₩ 35,713,027	
Comprehensive income									
Profit for the year	-	-	-	-	3,311,828	-	1,371	3,313,199	
Remeasurements of net defined benefit liabilities	-	-	-	(55,827)	-	-	-	(55,827)	
Exchange differences on translating foreign operations	-	-	-	37,577	-	-	284	37,861	
Net gains on financial instruments at fair value through other comprehensive income	-	-	-	36,637	(18,475)	-	-	18,162	
Shares of other comprehensive income of associates and joint ventures	-	-	-	7,695	-	-	-	7,695	
Cash flow hedges	-	-	-	(33,182)	-	-	-	(33,182)	
Losses on hedges of a net investment in a foreign operation	-	-	-	(8,900)	-	-	-	(8,900)	
Other comprehensive income arising from separate account	-	-	-	3,364	-	-	-	3,364	
Fair value changes on financial liabilities designated at fair value due to own credit risk	-	-	-	(11,372)	-	-	-	(11,372)	
Net gains on overlay adjustment	-	-	-	194,223	-	-	-	194,223	
Total comprehensive income for the year	-	-	-	170,215	3,293,353	-	1,655	3,465,223	
Transactions with shareholders									
Annual dividends paid to shareholders of the Parent Company	-	-	-	-	(759,736)	-	-	(759,736)	
Issuance of hybrid securities	-	399,205	-	-	-	-	574,580	973,785	
Dividends on hybrid securities	-	-	-	-	(6,513)	-	-	(6,513)	
Acquisition and retirement of treasury shares	-	-	-	-	(100,000)	(167,639)	-	(267,639)	
Others	-	-	1,117	-	-	-	61	1,178	
Total transactions with shareholders	-	399,205	1,117	-	(866,249)	(167,639)	574,641	(58,925)	
Balance at December 31, 2019	₩ 2,090,558	₩ 399,205	₩ 17,122,777	₩ 348,021	₩ 19,709,545	₩ (1,136,188)	₩ 585,407	₩ 39,119,325	

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	2019		2018	
Cash flows from operating activities				
Profit for the year	₩	3,313,199	₩	3,061,946
Adjustment for non-cash items				
Net gain on financial assets/liabilities at fair value through profit or loss		(438,567)		(104,755)
Net gain on derivative financial instruments for hedging purposes		(3,835)		186,029
Adjustment of fair value of derivative financial instruments		282		410
Provision for credit loss		670,185		673,694
Net gain on financial investments		(206,192)		(99,253)
Share of profit of associates and joint ventures		(16,451)		(24,260)
Depreciation and amortization expense		784,431		409,481
Depreciation and amortization expense on VOBA		192,459		214,153
Other net gains on property and equipment/intangible assets		(33,238)		(138,553)
Share-based payments		49,418		10,930
Policy reserve appropriation		1,546,271		1,608,175
Post-employment benefits		231,913		220,215
Net interest expense		313,550		277,152
Net gain on foreign currency translation		(74,488)		(142,586)
Net other expense		390,074		207,025
		3,405,812		3,297,857
Changes in operating assets and liabilities				
Financial asset at fair value through profit or loss		(916,415)		(8,446,927)
Derivative financial instruments		(644,342)		151,297
Loans at fair value through other comprehensive income		15,536		(40,413)
Loans at amortized cost		(21,681,258)		(31,334,606)
Current income tax assets		(9,091)		(3,668)
Deferred income tax assets		803		(557)
Other assets		(3,668,385)		(2,292,160)
Financial liabilities at fair value through profit or loss		(77,231)		3,690,005
Deposits		28,480,993		20,679,844
Tax liabilities for current period		(266,204)		264,765
Deferred income tax liabilities		235,209		115,208
Other liabilities		1,212,080		1,899,791
		2,681,695		(15,317,421)
Net cash inflow (outflow) from operating activities		9,400,706		(8,957,618)

KB Financial Group Inc. and Subsidiaries		(in millions of Korean won)	
	2019	2018	
Cash flows from investing activities			
Net cash flows from derivative financial instruments for hedging purposes	(206,680)	42,305	
Disposal of financial asset at fair value through profit or loss	11,364,615	9,582,940	
Acquisition of financial asset at fair value through profit or loss	(12,359,886)	(8,707,420)	
Disposal of financial investments	69,489,132	60,773,660	
Acquisition of financial investments	(79,083,472)	(64,729,380)	
Disposal in investments in associates and joint ventures	26,185	34,717	
Acquisition of investments in associates and joint ventures	(92,200)	(187,077)	
Disposal of property and equipment	12,786	2,272	
Acquisition of property and equipment	(608,736)	(452,270)	
Disposal of investment property	94,207	140,969	
Acquisition of investment property	(806,088)	(1,288,125)	
Disposal of intangible assets	14,694	10,706	
Acquisition of intangible assets	(333,557)	(126,163)	
Net cash flows from the change in subsidiaries	91,592	188,140	
Others	62,984	234,440	
Net cash outflow from investing activities	(12,334,424)	(4,480,286)	
Cash flows from financing activities			
Net cash flows from derivative financial instruments for hedging purposes	(28,631)	15,044	
Net increase in debts	5,027,313	4,216,014	
Increase in debentures	93,655,747	143,603,589	
Decrease in debentures	(96,145,669)	(135,180,630)	
Increase (decrease) in other payables from trust accounts	(68,648)	267,077	
Dividends paid	(759,736)	(766,728)	
Dividends paid on hybrid securities	(6,513)	-	
Acquisition of treasury shares	(274,317)	(224,700)	
Issuance of hybrid securities	399,205	-	
Increase or decrease of non-controlling interest	574,580	-	
Principal elements of lease payments	(229,750)	-	
Others	134,027	(185,894)	
Net cash inflow from financing activities	2,277,608	11,743,772	
Effect of exchange rate changes on cash and cash equivalents	137,019	(67,950)	
Net decrease in cash and cash equivalents	(519,091)	(1,762,082)	
Cash and cash equivalents at the beginning of the year	6,642,816	8,404,898	
Cash and cash equivalents at the end of the year	₩ 6,123,725	₩ 6,642,816	

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

1. The Parent Company

KB Financial Group Inc. (the "Parent Company") was incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea. KB Financial Group Inc. and its subsidiaries (the "Group") derive substantially all of their revenue and income from providing a broad range of banking and related financial services to consumers and corporations primarily in Korea and in selected international markets. The Parent Company's principal business includes ownership and management of subsidiaries and associated companies that are engaged in financial services or activities. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Group established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015. Also, the Group included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed the name to KB Securities Co., Ltd. in January 2017. KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017.

The Parent Company's share capital as of December 31, 2019, is ₩ 2,090,558 million. The Parent Company has been listed on the Korea Exchange ("KRX") since October 10, 2008, and on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized in its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of Korean IFRS

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language ("Hangeul") in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.4.

The Group recognized an amount of services to customers as expenses in previous consolidated Statements of Comprehensive Income but recognized as the reduction of revenue in accordance with Korean IFRS 1115 Revenue from Contracts with Customers. Accordingly, certain accounts reported in the consolidated statement of comprehensive income for the year ended December 31, 2018 have been reclassified to facilitate the comparison with the consolidated statement of comprehensive income for the year ended December 31, 2019. The reclassification of the accounts does not have any effect on the net asset value or profit for the period of the Group as reported in the year ended December 31, 2018.

2.1.1 New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

-Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 Leases, the new standard, replaces Korean IFRS 1017 Leases. Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 Lease, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as

permitted under the specific transitional provisions in the standard and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 45.

– Amendments to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

– Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

– Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the financial statements.

– Enactment of Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The enactment clarifies the accounting for uncertainties in income taxes in the event that the decision of taxation authorities or courts can change tax treatment. The enactment presents calculating methods of disclosure amount based on the possibility of future recognition of the income tax treatment and requires disclosure of the uncertainty of the amount. The enactment does not have a significant impact on the financial statements.

– Amendments to Korean IFRS 1109 *Financial Instruments*, and 1107 *Financial Instruments: Disclosure*

These amendments provide exceptions applying hedge accounting even though interest rate benchmark reform gives rise to uncertainties. In the hedging relationship, an entity shall assume that the interest rate benchmark on which the hedge cash flows are based is not altered as a result of interest rate benchmark reform when determining whether a forecast transaction is highly probable and prospectively assessing hedging effectiveness. For a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. The application of this exception is ceased either when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedge item, or when the hedging relationship that the hedge item is part of is discontinued. These amendments will be effective for annual periods beginning on or after January 1, 2020. However, the Group early adopted the amendments as it is permitted. The significant benchmark interest rate indicator for the hedge relationship is LIBOR, and the hedge accounting in Note 9 directly affected by these amendments.

– Annual Improvements to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

– Annual Improvements to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

– Annual Improvements to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

– Annual Improvements to Korean IFRS 1023 *Borrowing Cost*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

2.1.2 New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations that have been published but are not mandatory for the reporting period commencing January 1, 2019 and have not been early adopted by the Group are set out below.

– Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

– Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

– IFRS Interpretation Committee's agenda decisions – *Lease Term*

On December 16, 2019, the IFRS Interpretations Committee announced an interpretation of the "lease term and useful life of leasehold improvements". This interpretation deals with how to determine the lease term of a cancellable lease or a renewable lease and whether the useful life of non-removable leasehold improvements is limited by the relevant lease term. According to this interpretation, the Group should identify factors to consider the broader economic penalty, reflect identified factors to accounting policies, and calculate lease term again based on accounting policy.

However, due to the large number of lease contracts held by the Group and varying terms of the contract, the Group determined that sufficient time would be required to set up items to be included in the review of extensive economic penalty and to establish procedures for collecting and analyzing necessary information. Therefore, the effect of the changes in accounting policy for the lease term is not reflected in the consolidated financial statements for the current reporting period.

If the accounting policy for the lease term is changed in the annual periods beginning on or after January 1, 2020, the amount of the related right-of-use assets and lease liabilities may increase, and the consolidated financial statements may need to be retroactively restated to reflect this effect.

2.2 Measurement Basis

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified.

2.3 Functional and Presentation Currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

2.4 Critical Accounting Estimates

The preparation of consolidated financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses). Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment at the reporting date are different from the actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only. Alternatively if the change in accounting estimate affects both the period of change and future periods, that change is recognized in the profit or loss of all those periods.

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the consolidated financial statements are as follows:

2.4.1 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of Investment and Collaborative Cooperation (Recirculation of Corporate Income), the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2018. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

2.4.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.

As described in the significant accounting policies in Note 3.3, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

2.4.3 Provisions for credit losses

The Group tests impairment and recognizes allowances for losses on financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables through impairment testing and recognizes provisions for guarantees, and unused loan commitments. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 24).

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations to test whether goodwill has suffered any impairment (Note 15).

3. Significant Accounting Policies

The significant accounting policies and calculation methods applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented, except for the impact of changes due to enactment of new standards, amendments and interpretations disclosed in Note 2.1 and the following paragraph.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the subsidiary's accounting policies conform to those of the Group when the subsidiary's financial statements are used by the Group in preparing the consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners exercising their entitlement. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be reclassified as profit or loss, or retained earnings, on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Group. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

3.1.2 Associates and joint ventures

Associates are entities over which the Group has significant influence in the financial and operating policy decisions. Generally, if the Group holds 20% to 50% of the voting power of the investee, it is presumed that the Group has significant influence, it is presumed that the Group has significant influence.

Joint ventures are investments in which the Group jointly controls over economic activities pursuant to contractual arrangement. Decisions on financial and operating policies require unanimous consent of the parties sharing control.

Under the equity method, investments in associates and joint ventures are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee and changes in the investee's equity after the date of acquisition. The Group's share of the profit or loss of the investee is recognized in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Profit and loss resulting from 'upstream' and 'downstream' transactions between the Group and associates are eliminated to the extent at the Group's interest in associates. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

If associates and joint ventures uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the entity in applying the equity method.

If the Group's share of losses of associates and joint ventures equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as 'non-operating income (expense)' in the statement of comprehensive income.

3.1.3 Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power to the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the practical ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

3.1.4 Trusts and funds

The Group provides management services for trust assets, collective investment and other funds. These trusts and funds are not consolidated in the Group's consolidated financial statements, except for trusts and funds over which the Group has control.

3.1.5 Intra-group transactions

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.2 Foreign Currency

3.2.1 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss in the period in which they arise, except for exchange differences arising on net investments in a foreign operation and financial liability designated as a hedge of the net investment. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are also recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are also recognized in profit or loss.

3.2.2 Foreign operations

The financial performance and financial position of all foreign operations, whose functional currencies differ from the Group's presentation currency, are translated into the Group's presentation currency using the following procedures.

Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, unless the functional currency of the foreign operation is in hyper-inflationary economy. Income and expenses in the statement of comprehensive income presented are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group redistributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

3.2.3 Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency difference arising on the item which in substance is considered to form part of the net investment in the foreign operation, are recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the investment.

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial recognition

The Group recognizes a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Group classifies financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost. The Group classifies financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the consolidated financial statements.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.3.2 Subsequent measurement

After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition:

- minus the principal repayments
- plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount
- or any reduction (directly or through the use of an allowance account) due to impairment or uncollectibility

Fair value

Fair values, which the Group primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.3.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Group derecognizes a financial asset or a financial liability when, and only when:

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Group has not retained control. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Group writes off financial assets in its entirety or to a portion thereof when the principal and interest on the principal amount outstanding are determined to be no longer recoverable. In general, the Group considers write-off if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. The write-off decision is made in accordance with internal regulations and may require approval from external institution, if necessary. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. Recovered amounts of financial assets previously written-off are recognized at profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

3.3.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.4 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading, financial assets designated by the Group as at fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets at fair value through profit or loss.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in the statement of comprehensive income.

3.5.2 Financial assets at fair value through other comprehensive income

The Group classifies below financial assets as financial assets at fair value through other comprehensive income:

- debt instruments that are a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or;
- equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

3.5.3 Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3.6 Expected Credit Loss of Financial Assets (Debt Instruments)

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Group uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. 30 days past due presumption is applicable for all consolidated subsidiaries, and other standards are selectively applied considering applicability of each subsidiary with its specific indicators. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Group determines whether the credit risk has increased significantly since initial recognition using the following information.

- more than 30 days past due;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition;
- decline in ratings below certain level in the early warning system;
- debt restructuring (except for impaired financial assets); and
- credit delinquency information on Korea Federation of Banks, and etc.

Under simplified approach, the Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. In assessing credit impairment, the Group uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Group generally deems one or more of the following items credit-impaired:

- no less than 90 days past due;
- legal proceedings related to collection;
- a borrower that has received a warning from the Korea Federation of Banks;
- corporate borrowers that are rated C or D;
- refinancing; and
- debt restructuring.

3.6.1 Forward-looking information

The Group uses forward-looking information, when it determines whether the credit risk has increased significantly and measures the expected credit losses.

The Group assumes the risk components have a certain correlation with the economic cycle, and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses.

The correlation between the major macroeconomic variables and the credit risk is as follows:

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)
Change of call rate compared to the last year (%p)	(+)
Household loan change rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by management of the Group for its business plan taking into account reliable external agency's forecasts and others. The forward-looking information is generated by KB Research under the Parent Company with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Group determines the macroeconomic variables to be used in forecasting future condition of the economy, taking into account the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

3.6.2 Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

Individual assessment of impairment

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies 'probability of default'(PD) on a group of assets and 'loss given default'(LGD) by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

3.6.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates and currency exchange, amongst others. These derivative financial instruments are presented as derivative financial instruments within the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) and the risk of changes in cash flow (cash flow hedge). The Group designates non-derivatives as hedging instruments to hedge the risk of foreign exchange of a net investment in a foreign operation (hedge of net investment).

At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3.7.1 Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from a change in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.2 Fair value hedges

If derivatives qualify for a fair value hedge, the change in fair value of the hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses. If hedged items are equity instruments and designated to present the change in fair value of the hedging instrument in other comprehensive income, recognized hedge ineffectiveness are presented in other comprehensive income. Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is fully amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

3.7.3 Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in gain or loss (other operating income or expense). The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the year in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that had been recognized in other comprehensive income are immediately reclassified to profit or loss.

3.7.4 Hedge of net investment

If derivatives and non-derivatives qualify for a net investment hedge, the effective portion of changes in fair value of hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation in accordance with Korean IFRS 1109 *Financial Instruments*.

3.7.5 Embedded derivatives

If a hybrid contract contains a host that is not an asset, an embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. Gains or losses arising from a change in the fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.6 Day one gain and loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of the financial instrument, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the difference is deferred and not recognized in profit or loss, and is amortized by using the straight-line method over the life of the financial instrument. If the fair value of the financial instrument is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income and expenses.

3.8 Property and Equipment

3.8.1 Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.8.2 Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful lives
Buildings and structures	Straight-line	20~40 years
Leasehold improvements	Declining-balance/ Straight-line	4~5 years
Equipment and vehicles	Declining-balance/ Straight-line	3~15 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.9 Investment Properties

3.9.1 Recognition and measurement

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

3.9.2 Depreciation

Land is not depreciated, whereas other investment properties are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The depreciable amount of an asset is determined after deducting its residual value.

The depreciation method and estimated useful lives of the assets are as follows:

Investment properties	Depreciation method	Estimated useful lives
Buildings	Straight-line	20~40 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3.10 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for goodwill and membership rights, are amortized using the straight-line method or double declining balance method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful lives
Industrial property rights	Straight-line	20~40 years
Software	Straight-line	3 ~ 5 years
VOBA	Declining-balance	60 years
Others	Straight-line	1 ~ 13 years

The amortization period and the amortization method for intangible assets with a definite useful life are reviewed at each financial year end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Group carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to definite useful life is accounted for as a change in an accounting estimate.

3.10.1 Value of business acquired (VOBA)

The Group recorded value of business acquired (VOBA) as intangible assets, which are the differences between the fair value of insurance liabilities and book value calculated based on the accounting policy of the acquired company. VOBA is an estimated present value of future cash flow of long-term insurance contracts at the acquisition date. VOBA is amortized over the above estimated useful life using declining balance method, and the depreciation is recognized as insurance expense.

3.10.2 Goodwill

Recognition and measurement

Goodwill arisen from business combinations before January 1, 2010, is stated at its carrying amount which was recognized under the Group's previous accounting policy, prior to the transition to Korean IFRS.

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of the aggregate of the consideration transferred, fair value of non-controlling interest and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss.

For each business combination, the Group decides whether the non-controlling interest in the acquiree is initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

Additional acquisitions of non-controlling interest

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

Subsequent measurement

Goodwill is not amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates.

3.10.3 Subsequent expenditure

Subsequent expenditure is capitalized only when it enhances values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

3.11 Impairment of Non-financial Assets

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (i) goodwill acquired in a business combination, (ii) intangible assets with an indefinite useful life and (iii) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill arising from in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.12 Non-current Assets Held for Sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell which is measured in accordance with the applicable Korean IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gains are recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

3.13 Financial Liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.13.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

In relation to securities lending or borrowing transactions, the Group records transaction using memo value when it borrows securities from Korea Securities Depository etc. The borrowed securities are treated as financial liabilities at fair value through profit and loss when the Group sells them. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized as profit and loss.

In addition, for the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, the Group presents this change in other comprehensive income, and does not recycle this to profit or loss, subsequently. When this treatment creates or enlarges an accounting mismatch, the Group recognizes this change as profit or loss for the current period.

3.13.2 Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include Deposits, Debts, Debentures and others. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost, and its interest expense is recognized, using the effective interest method.

In case an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowing. The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.14 Insurance Contracts

KB Life Insurance Co., Ltd., and KB Insurance Co., Ltd., the subsidiaries of the Group, issue insurance contracts.

Insurance contracts are defined as "a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder". A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of Korean IFRS 1109, Financial Instruments to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to Korean IFRS 1104, Insurance Contracts. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the statement of financial position, and as other operating income (expenses) in the statement of comprehensive income, respectively.

3.14.1 Insurance premiums

The Group recognizes collected premiums as revenue on the due date of collection of premiums from insurance contracts and the collected premium which is not earned at the end of the reporting period is recognized as unearned premium.

3.14.2 Insurance liabilities

The Group recognizes a liability for future claims, refunds, policyholders' dividends and related expenses as follows:

Premium reserve

Premium reserve refers to an amount based on the net premium method for payment of future claims with respect to events covered by insurance policies which have not yet occurred as of the reporting period. It is calculated as the greater of the amount using standard interest rate and standard loss ratio defined by Financial Supervisory Services and the amount using the actual underlying data that have been used in premium calculation.

Reserve for outstanding claims

Reserve for outstanding claims refers to the amount not yet paid, out of an amount to be paid or expected to be paid with respect to the insured events which have arisen as of the end of each fiscal year.

Unearned premium reserve

The premiums that are due before the end of the reporting period but applicable to the next period are included.

Policyholders' dividends reserve

Policyholders' dividends reserve including an interest rate guarantee reserve, a mortality dividend reserve and an interest rate difference dividend reserve is recognized for the purpose of provisioning for policyholders' dividends in the future in accordance with statutes or insurance terms and conditions.

3.14.3 Liability adequacy test

The Group assesses at each reporting period whether its insurance liabilities are adequate, using current estimates of all future contractual cash flows and related cash flow such as claims handling cost, as well as cash flows resulting from embedded options and guarantees under its insurance contracts in accordance with Korean IFRS 1104. If the assessment shows that the carrying amount of its insurance liabilities is insufficient in light of the estimated future cash flows, additional reserve is recognized for the deficient amount. Future cash flows from long-term insurance are discounted at a future rate of return on operating assets, whereas future cash flows from general insurance are not discounted to present value. For liability adequacy tests of premium and unearned premium reserves, the Group considers all cash flow factors such as future insurance premium, deferred acquisition costs, operating expenses and operating premiums. In relation to the reserve for outstanding claims, the Group elects to use a model that best reflects the trend of paid claims among several statistical methods to perform the adequacy test.

3.14.4 Deferred acquisition costs

Acquisition cost is deferred in an amount actually spent for an insurance contract and equally amortized over the premium payment period or the period in which acquisition costs are charged for the relevant insurance contract. Acquisition costs are amortized over the shorter of seven years or premium payment period; if there is any unamortized acquisition costs remaining as of the date of surrender or lapse, such remainder shall be amortized in the period in which the contract is surrendered or lapsed.

3.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit cards and unused credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, probability of default, and loss given default.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

If the Group has an onerous contract, the present obligation under the contract is recognized and measured as provisions.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the minimum net cost to exit from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

3.16 Financial Guarantee Contracts

A financial guarantee contract requires the issuer (the Group) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value as other liabilities, and are amortized over the contractual term. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with Korean IFRS 1109, Financial Instruments or
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IFRS 1115, Revenue from Contracts with Customers.

3.17 Equity Instruments Issued by the Group

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.17.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock option are deducted from the equity, net of any tax effects.

3.17.2 Hybrid Securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Group classifies hybrid securities as an equity if the Group has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments. As a result, hybrid securities issued by subsidiaries are classified as non-controlling interests, dividends are recognized in the consolidated statement of comprehensive income as profit attributable to non-controlling interests.

3.17.3 Treasury shares

If the Group acquires its own equity instruments, these are accounted for as treasury shares and are deducted directly from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments. If an entity within the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3.17.4 Compound financial instruments

A compound financial instrument is classified as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. The liability component of the compound financial instrument is measured at fair value of the similar liability without conversion option at initial recognition and subsequently measured at amortized cost using effective interest rate method until it is extinguished by conversion or matured. Equity component is initially measured at fair value of compound financial instrument in entirety less fair value of liability component net of tax effect and it is not remeasured subsequently.

3.18 Revenue Recognition

The Group recognizes revenues in accordance with the following revenue recognition standard:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.18.1 Interest income and expense

Interest income of financial assets at amortized cost and financial assets at fair value through other comprehensive income, and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid (main components of effective interest rates only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned arising from debt investments at fair value through profit or loss is also classified as interest income in the statement of comprehensive income.

3.18.2 Fee and commission income

The Group recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

Fees that are an integral part of the effective interest of a financial instrument

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

Fees earned as services are provided

Such fees are recognized as revenue as the services are provided. Fees which can be earned through the certain periods, including account servicing fees, investment management fees, and etc. are recognized when the related services are provided.

Fees that are earned on the execution of a significant act

Such fees are recognized as revenue when the significant act has been completed.

Commission on the allotment of shares to a client is recognized as revenue when the shares have been allotted and placement fees for arranging a loan between a borrower and an investor is recognized as revenue when the loan has been arranged.

A syndication fee received by the Group that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognized as revenue when the syndication has been completed.

3.18.3 Net gains/losses on financial instruments at fair value through profit or loss

Net gains/losses on financial instruments at fair value through profit or loss include profit or loss (changes in fair value, dividends, and gain/loss from foreign currency translation) from following financial instruments:

- Gain or loss from financial instruments at fair value through profit or loss
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the condition of hedge accounting

3.18.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as relevant items on statements of profit or loss and other comprehensive income in accordance with the classification of equity instruments.

3.19 Employee Compensation and Benefits

3.19.1 Post-employment benefits: *defined contribution plans*

The contributions are recognized as employee benefit expense when they are due.

3.19.2 Post-employment benefits: *defined benefit plans*

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income.

When the total of the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the reporting period.

3.19.3 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Group has a present legal or constructive obligation to make such payments as a result of past events rendered by employees and a reliable estimate of the obligation can be made.

3.19.4 Share-based payment

The Group has provided its directors and employees with stock grant, and mileage stock programs. When stock grant options are exercised, the Group can either select to distribute newly issued shares or treasury shares or compensate in cash based on the share price. When mileage stock options are exercised, the Group pays the amount equivalent to KB Financial Group's share price in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group determines that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the Group accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions.

For mileage stock option, the Group accounts for the transaction in accordance with cash-settled share-based payment transactions, which are recognized as accrued expenses at the time of vesting.

The Group measures the services acquired and the liability incurred at fair value, and the fair value is recognized as expense and accrued expenses over the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the reporting period.

3.19.5 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group shall recognize a liability and expense for termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits over 12 months after the reporting period are discounted to present value.

3.20 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense for the period, except to the extent that the tax arises from (a) a transaction or an event which is recognized, in the same or a different period outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

3.20.1 Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit (loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period, but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group offsets current income tax assets and current income tax liabilities if, and only if, the Group (a) has a legally enforceable right to offset the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20.2 Deferred income tax

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities for which the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities when the Group has a legally enforceable right to offset current income tax assets against current income tax liabilities; and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.20.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to additional assessments. The Group recognizes its uncertain tax positions in the consolidated financial statements based on the guidance in Korean IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, interest and penalties related to income tax are recognized in accordance with Korean IFRS 1037.

3.21 Earnings per Share

The Group calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Parent Company and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bonds and share options.

3.22 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 45.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as a lessor as a result of adopting the new leasing standard.

At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group has assessed whether the contract is, or contains, a lease in accordance with the standard. However, the Group did not reassess all contracts as the Group elected to apply the practical expedient not to apply the standard to contracts that were not previously identified as containing a lease. On the basis of the date of initial application, the Group assesses whether the contract is, or contains, a lease.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

However, short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and lease of low-value assets (For example, underlying leased asset under \$ 5,000) are permitted to elect exceptional conditions.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

Related to sale and leaseback, an entity (seller-lessee) is required to applying IFRS 1115 'Revenue from Contracts with Customers' to determine whether the transfer of an asset is accounted for as a sale of that asset. However, the Group has not reassessed sale and leaseback transactions entered into before the date of initial application.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. But the Group is evaluating its application in accordance with the IFRIC's decision about "lease term and useful life of leasehold Improvements"

3.23 Operating Segments

Operating segments are components of the Group where separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Segment information includes items which are directly attributable and reasonably allocated to the segment.

3.24 Overlay Approach

The Group applies the overlay approach in accordance with Korean IFRS 1104, and financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying Korean IFRS 1109 but would not have been measured at fair value through profit or loss in its entirety applying Korean IFRS 1039.
- It is not held in respect of an activity that is unconnected with contracts within the scope of Korean IFRS 1104.

The Group reclassifies between profit or loss and other comprehensive income, and the amount reclassified is equal to the difference between:

- The amount reported in profit or loss for the designated financial assets applying Korean IFRS 1109.
- The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied Korean IFRS 1039.

The Group is permitted to apply this approach either at initial recognition or it may subsequently designate financial assets that newly meet criterion of not being held in respect of activity unconnected with insurance contract, they having previously not met that criterion.

The Group continues to apply the overlay approach to a designated financial asset until that financial asset is derecognized. However, the Group de-designates a financial asset when the financial asset no longer meets the criterion. In this case, the Group reclassifies from accumulated other comprehensive income to profit or loss as a reclassification adjustment any balance relating to that financial asset.

At the beginning of any annual period, the Group may stop applying the overlay approach to all designated financial assets, and shall not subsequently apply the overlay approach, if it stops using this approach because it is no longer an insurer.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

The financial risks that the Group is exposed to are credit risk, market risk, liquidity risk, operational risk and others.

The Group's risk management system focuses on increasing transparency, developing the risk management environment, preventing transmission of risk to other related subsidiaries, and the preemptive response to risk due to rapid changes in the financial environment to support the Group's long-term strategy and business decisions efficiently. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Group's key risks. These risks are measured and managed in Economic Capital or VaR (Value at Risk) using a statistical method.

4.1.2 Risk management organization

Risk Management Committee

The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Group's target risk appetite. The Committee approves significant risk matters and reviews the level of risks that the Group is exposed to and the appropriateness of the Group's risk management operations as an ultimate decision-making authority.

Risk Management Council

The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committee, and discusses the detailed issues relating to the Group's risk management.

Risk Management Division

The Risk Management Division is responsible for monitoring and managing the Group's economic capital limit and managing detailed policies, procedures and working processes relating to the Group's risk management.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of possible losses in an asset portfolio in the event of a counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

The Group uses definition of default as defined and applied in the calculation of Capital Adequacy Ratio (Basel III) in accordance with the new Basel Accord.

4.2.2 Credit risk management

The Group measures expected losses and economic capital on assets that are subject to credit risk management whether on- or off-balance sheet items and uses expected losses and economic capital as a management indicator. The Group manages credit risk by allocating credit risk economic capital limits.

In addition, the Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent an excessive risk concentration to each industry and borrower.

The Group has organized a credit risk management team that focuses on credit risk management in accordance with the Group's credit risk management policy. Especially, the loan analysis department of Kookmin Bank, one of the subsidiaries, is responsible for loan policy, loan limit, loan review, credit management, restructuring and subsequent event management, independently of operating department. On the other hand, risk management group of Kookmin Bank is responsible for planning risk management policy, applying limits of credit lines, measuring the credit risk economic capital, adjusting credit limits, reviewing credit and verifying credit evaluation models.

4.2.3 Maximum exposure to credit risk

The Group's maximum exposures of financial instruments, excluding equity securities, to credit risk without consideration of collateral values as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Financial assets		
Due from financial institutions at amortized cost ¹	₩ 18,142,960	₩ 17,216,288
Financial assets at fair value through profit or loss		
Due from financial institutions	216,367	381,719
Securities	50,721,526	48,285,482
Loans	427,545	954,176
Financial instruments indexed to the price of gold	79,805	78,808
Derivatives	3,190,673	2,025,962
Loans at amortized cost ¹	339,684,059	319,201,603
Financial investments		
Securities measured at fair value through other comprehensive income	43,556,848	35,243,634
Securities at amortized cost ¹	25,346,555	23,661,522
Loans measured at fair value through other comprehensive income	375,098	389,822
Other financial assets ¹	9,147,059	8,133,556
	490,888,495	455,572,572
Off-balance sheet items		
Acceptances and guarantees contracts	8,327,494	7,277,136
Financial guarantee contracts	3,847,390	3,626,532
Commitments	151,797,615	138,590,372
	163,972,499	149,494,040
	₩ 654,860,994	₩ 605,066,612

¹ Due from financial institutions, loans and securities measured at amortized cost and other financial assets are net of allowance.

4.2.4 Credit risk of loans

The Group maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Group assesses expected credit loss on financial asset at amortized cost and financial asset at fair value through other comprehensive income other than financial asset at fair value through profit or loss and recognizes loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Group assesses the expected credit losses for loans categorized in financial assets at amortized cost, and presents it with the name of account 'allowance for loan losses' netting from the related carrying amounts. For the expected credit losses for loans categorized in financial assets at fair value through other comprehensive income, the Group presents it in other comprehensive income.

Loans as of December 31, 2019 and 2018 are classified as follows:

(In millions of Korean won)

	2019							
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses		Total	
			Non-impaired	Impaired				
Loans at amortized cost¹								
Corporate								
Grade 1	₩	83,839,707	₩	2,621,898	₩	1,000	₩	86,462,605
Grade 2		58,057,809		4,683,445		7,052		62,748,306
Grade 3		2,650,199		2,187,662		4,194		4,842,055
Grade 4		518,108		900,386		4,605		1,423,099
Grade 5		16,648		355,893		805,938		1,178,479
		145,082,471		10,749,284		822,789		156,654,544
Retail								
Grade 1		146,265,744		3,611,001		8,155		149,884,900
Grade 2		7,081,846		4,433,832		29,304		11,544,982
Grade 3		2,080,690		1,541,647		11,366		3,633,703
Grade 4		185,081		387,811		9,722		582,614
Grade 5		10,180		587,448		545,295		1,142,923
		155,623,541		10,561,739		603,842		166,789,122
Credit card								
Grade 1		8,390,177		96,052		-		8,486,229
Grade 2		5,695,069		719,065		-		6,414,134
Grade 3		1,558,999		1,161,396		-		2,720,395
Grade 4		26,404		390,941		-		417,345
Grade 5		350		135,630		474,327		610,307
		15,670,999		2,503,084		474,327		18,648,410
		316,377,011		23,814,107		1,900,958		342,092,076
Loans at fair value through other comprehensive income								
Corporate								
Grade1		241,524		-		-		241,524
Grade2		133,574		-		-		133,574
Grade3		-		-		-		-
Grade4		-		-		-		-
Grade5		-		-		-		-
		375,098		-		-		375,098
		375,098		-		-		375,098
	₩	316,752,109	₩	23,814,107	₩	1,900,958	₩	342,467,174

¹ Before netting of allowance.

(In millions of Korean won)

	2018						Total			
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses					
			Non-impaired	Impaired						
Loans at amortized cost¹										
Corporate										
Grade 1	₩	75,785,147	₩	2,144,175	₩	1,638	₩	-	₩	77,930,960
Grade 2		55,292,251		4,227,041		2,016		-		59,521,308
Grade 3		2,957,463		1,757,607		6,579		-		4,721,649
Grade 4		484,248		965,094		68,271		-		1,517,613
Grade 5		244,593		378,588		1,063,646		-		1,686,827
		134,763,702		9,472,505		1,142,150		-		145,378,357
Retail										
Grade 1		133,946,705		4,411,122		9,180		-		138,367,007
Grade 2		7,819,152		7,497,880		17,767		-		15,334,799
Grade 3		1,718,104		1,559,980		6,694		-		3,284,778
Grade 4		706,797		421,800		13,318		-		1,141,915
Grade 5		14,110		447,064		489,196		-		950,370
		144,204,868		14,337,846		536,155		-		159,078,869
Credit card										
Grade 1		8,411,723		176,312		-		-		8,588,035
Grade 2		4,449,617		587,254		-		-		5,036,871
Grade 3		1,460,344		1,228,087		-		-		2,688,431
Grade 4		6,004		467,012		-		-		473,016
Grade 5		112		148,149		419,444		-		567,705
		14,327,800		2,606,814		419,444		-		17,354,058
		293,296,370		26,417,165		2,097,749		-		321,811,284
Loans at fair value through other comprehensive income										
Corporate										
Grade1		189,501		25,731		-		-		215,232
Grade2		128,712		45,878		-		-		174,590
Grade3		-		-		-		-		-
Grade4		-		-		-		-		-
Grade5		-		-		-		-		-
		318,213		71,609		-		-		389,822
		318,213		71,609		-		-		389,822
	₩	293,614,583	₩	26,488,774	₩	2,097,749	₩	-	₩	322,201,106

¹ Before netting of allowance.

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

	Range of Probability of Default (%)	Retail	Corporate
Grade 1	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Grade 2	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Grade 3	5.0 ~ 15.0	9 ~ 10 grade	BB- ~ B
Grade 4	15.0 ~ 30.0	11 grade	B- ~ CCC
Grade 5	30.0 ~	12 grade or under	CC or under

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses			Total		
			Non-impaired		Impaired			
Guarantees	₩	70,183,658	₩	3,839,736	₩	179,825	₩	74,203,219
Deposits and savings		4,478,032		118,221		8,034		4,604,287
Property and equipment		10,014,552		582,109		55,410		10,652,071
Real estate		155,769,901		10,839,595		417,815		167,027,311
	₩	240,446,143	₩	15,379,661	₩	661,084	₩	256,486,888

(In millions of Korean won)

	2018							
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses			Total		
			Non-impaired		Impaired			
Guarantees	₩	60,473,663	₩	5,871,980	₩	151,180	₩	66,496,823
Deposits and savings		4,200,448		77,024		6,485		4,283,957
Property and equipment		8,644,719		616,318		54,492		9,315,529
Real estate		147,682,808		12,828,076		442,287		160,953,171
	₩	221,001,638	₩	19,393,398	₩	654,444	₩	241,049,480

4.2.5 Credit quality of securities

Financial assets at fair value through profit or loss and financial investments excluding equity securities that are exposed to credit risk as of December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019							
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses	Total		
			Non-impaired	Impaired				
Securities at amortized cost¹								
Grade 1	₩	25,147,636	₩	-	₩	-	₩	25,147,636
Grade 2		157,881		-		-		157,881
Grade 3		42,710		-		-		42,710
Grade 4		-		-		-		-
Grade 5		-		-		-		-
		25,348,227		-		-		25,348,227
Securities measured at fair value through other comprehensive income								
Grade1		40,206,856		-		-		40,206,856
Grade2		3,337,327		-		-		3,337,327
Grade3		12,665		-		-		12,665
Grade4		-		-		-		-
Grade5		-		-		-		-
		43,556,848		-		-		43,556,848
	₩	68,905,075	₩	-	₩	-	₩	68,905,075

(In millions of Korean won)

	2018									
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses				Financial instruments not applying expected credit losses	Total		
			Non-impaired		Impaired					
Securities at amortized cost¹										
Grade 1	₩	23,524,120	₩	-	₩	-	₩	-	₩	23,524,120
Grade 2		120,546		-		-		-		120,546
Grade 3		18,572		-		-		-		18,572
Grade 4		-		-		-		-		-
Grade 5		-		-		-		-		-
		23,663,238		-		-		-		23,663,238
Securities measured at fair value through other comprehensive income										
Grade1		32,498,155		-		-		-		32,498,155
Grade2		2,740,053		-		-		-		2,740,053
Grade3		-		-		-		-		-
Grade4		2,510		-		-		-		2,510
Grade5		-		-		2,916		-		2,916
		35,240,718		-		2,916		-		35,243,634
	₩	58,903,956	₩	-	₩	2,916	₩	-	₩	58,906,872

¹ Before netting of allowance.

The credit qualities of securities, excluding equity securities according to the credit ratings by external rating agencies as of December 31, 2019 and 2018, are as follows:

Credit quality	Domestic				Foreign		
	KIS	NICE P&I	KAP	FnPricing Inc.	S&P	Fitch-IBCA	Moody's
Grade 1	AA0 to AAA	AA0 to AAA	AA0 to AAA	AA0 to AAA	A- to AAA	A- to AAA	A3 to Aaa
Grade 2	A- to AA-	A- to AA-	A- to AA-	A- to AA-	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Grade 3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BB to BB+	BB to BB+	Ba2 to Ba1
Grade 4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	B+ to BB-	B+ to BB-	B1 to Ba3
Grade 5	BB- or under	BB- or under	BB- or under	BB- or under	B or under	B or under	B2 or under

Credit qualities of debt securities denominated in Korean won are based on the lowest credit rating by the domestic credit rating agencies, and those denominated in foreign currencies are based on the lowest credit rating by the foreign credit rating agencies.

4.2.6 Credit risk of due from financial institutions

The credit quality of due from financial institutions as of December 31, 2019 and 2018, is classified as follows:

(In millions of Korean won)

	2019									
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses				Financial instruments not applying expected credit losses	Total		
			Non-impaired		Impaired					
Due from financial institutions at amortized cost¹										
Grade1	₩	17,292,966		-		-		₩	17,292,966	
Grade2		149,927		-		-			149,927	
Grade3		677,249		-		-			677,249	
Grade4		-		-		-			-	
Grade5		13,991		13,179		360			27,530	
	₩	18,134,133	₩	13,179	₩	360	₩	-	₩	18,147,672

(In millions of Korean won)

	2018							
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses			Financial instruments not applying expected credit losses		Total
			Non-impaired	Impaired				
Due from financial institutions at amortized cost¹								
Grade1	₩	16,374,868	₩	-	₩	-	₩	16,374,868
Grade2		213,903		-		-		213,903
Grade3		608,314		-		-		608,314
Grade4		19,531		-		-		19,531
Grade5		1,691		-		-		1,691
	₩	17,218,307	₩	-	₩	-	₩	17,218,307

¹ Before netting of allowance.

The credit qualities of due from financial institutions according to the credit ratings by external rating agencies as of December 31, 2019 is same as the credit qualities of securities, excluding equity securities.

4.2.7 Credit risk mitigation of derivatives

The quantification of the extent to which derivatives and other credit enhancements mitigate credit risk as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Deposits, savings, securities, etc.	₩	802,170	₩	460,670
	₩	802,170	₩	460,670

4.2.8 Credit risk concentration analysis

Details of the Group's loans by jurisdiction as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 166,310,457	₩ 149,149,657	₩ 18,642,111	₩ 334,102,225	97.44	₩ (2,363,332)	₩ 331,738,893
Europe	-	1,118,429	-	1,118,429	0.33	(4,181)	1,114,248
China	-	3,135,501	358	3,135,859	0.91	(20,654)	3,115,205
Japan	101	647,956	81	648,138	0.19	(576)	647,562
United States	-	2,333,269	-	2,333,269	0.68	(9,205)	2,324,064
Others	478,564	1,072,375	5,860	1,556,799	0.45	(10,069)	1,546,730
	₩ 166,789,122	₩ 157,457,187	₩ 18,648,410	₩ 342,894,719	100.00	₩ (2,408,017)	₩ 340,486,702

(In millions of Korean won)

	2018						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 158,760,865	₩ 141,864,644	₩ 17,346,224	₩ 317,971,733	98.40	₩ (2,574,236)	₩ 315,397,497
Europe	-	649,281	-	649,281	0.20	(512)	648,769
China	-	2,259,202	807	2,260,009	0.70	(20,570)	2,239,439
Japan	106	354,181	60	354,347	0.11	(1,900)	352,447
United States	-	997,321	6,967	1,004,288	0.31	(5,706)	998,582
Others	317,898	597,726	-	915,624	0.28	(6,757)	998,582
	₩ 159,078,869	₩ 146,722,355	₩ 17,354,058	₩ 323,155,282	100.00	₩ (2,609,681)	₩ 320,545,601

¹ The above is the Group's loans at fair value through profit and loss, other comprehensive income or amortized cost.

Details of the Group's corporate loans by industry as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 16,405,404	10.42	₩ (14,819)	₩ 16,390,585
Manufacturing	43,265,607	27.48	(394,428)	42,871,179
Service	65,277,701	41.46	(195,205)	65,082,496
Wholesale & Retail	18,593,540	11.81	(99,051)	18,494,489
Construction	3,679,798	2.34	(194,737)	3,485,061
Public sector	1,250,909	0.79	(2,084)	1,248,825
Others	8,984,228	5.70	(56,662)	8,927,566
	₩ 157,457,187	100.00	₩ (956,986)	₩ 156,500,201

(In millions of Korean won)

	2018			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 14,193,442	9.67	₩ (45,473)	₩ 14,147,969
Manufacturing	42,672,986	29.08	(449,406)	42,223,580
Service	61,467,174	41.89	(270,846)	61,196,328
Wholesale & Retail	16,739,852	11.41	(102,197)	16,637,655
Construction	3,282,508	2.24	(291,211)	2,991,297
Public sector	873,281	0.60	(3,301)	869,980
Others	7,493,112	5.11	(93,409)	7,399,703
	₩ 146,722,355	100.00	₩ (1,255,843)	₩ 145,466,512

Types of the Group's retail and credit card loans as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Loans	%	Allowances	Carrying amount
Housing	₩ 78,102,637	42.12	₩ (34,395)	₩ 78,068,242
General	88,686,485	47.83	(676,927)	88,009,558
Credit card	18,648,410	10.05	(739,709)	17,908,701
	₩ 185,437,532	100.00	₩ (1,451,031)	₩ 183,986,501

(In millions of Korean won)

	2018			
	Loans	%	Allowances	Carrying amount
Housing	₩ 70,916,004	40.19	₩ (29,369)	₩ 70,886,635
General	88,162,865	49.97	(613,528)	87,549,337
Credit card	17,354,058	9.84	(710,941)	16,643,117
	₩ 176,432,927	100.00	₩ (1,353,838)	₩ 175,079,089

Credit risk concentration of due from financial institutions, securities, excluding equity securities and derivative financial instruments

Details of the Group's credit risk concentration of due from financial institutions, securities, excluding equity securities, and derivative financial instruments as of December 31, 2019, are as follows:

(In millions of Korean won)

	2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Banking and insurance	₩ 18,147,672	100.00	₩ (4,712)	₩ 18,142,960
	18,147,672	100.00	(4,712)	18,142,960
Due from financial institutions at fair value through profit or loss				
Banking and insurance	216,367	100.00	-	216,367
	216,367	100.00	-	216,367
Securities measured at fair value through profit or loss				
Government and government funded institutions	11,937,703	23.53	-	11,937,703
Banking and insurance	32,475,354	64.03	-	32,475,354
Others	6,308,469	12.44	-	6,308,469
	50,721,526	100.00	-	50,721,526
Derivatives				
Government and government funded institutions	7,330	0.23	-	7,330
Banking and insurance	3,003,371	94.13	-	3,003,371
Others	179,972	5.64	-	179,972
	3,190,673	100.00	-	3,190,673
Securities measured at fair value through other comprehensive income				
Government and government funded institutions	16,744,232	38.44	-	16,744,232
Banking and insurance	21,439,272	49.22	-	21,439,272
Others	5,373,344	12.34	-	5,373,344
	43,556,848	100.00	-	43,556,848
Securities at amortized cost				
Government and government funded institutions	11,115,435	43.86	(37)	11,115,398
Banking and insurance	12,279,883	48.44	(1,349)	12,278,534
Others	1,952,909	7.70	(286)	1,952,623
	25,348,227	100.00	(1,672)	25,346,555
	₩ 141,181,313		₩ (6,384)	₩ 141,174,929

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Banking and insurance	₩ 17,218,307	100.00	₩ (2,019)	₩ 17,216,288
	17,218,307	100.00	(2,019)	17,216,288
Due from financial institutions at fair value through profit or loss				
Banking and insurance	381,719	100.00	-	381,719
	381,719	100.00	-	381,719
Securities measured at fair value through profit or loss				
Government and government funded institutions	14,354,157	29.73	-	14,354,157
Banking and insurance	27,273,372	56.48	-	27,273,372
Others	6,657,953	13.79	-	6,657,953
	48,285,482	100.00	-	48,285,482
Derivatives				
Government and government funded institutions	39,290	1.94	-	39,290
Banking and insurance	1,849,078	91.27	-	1,849,078
Others	137,594	6.79	-	137,594
	2,025,962	100.00	-	2,025,962

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Securities measured at fair value through other comprehensive income				
Government and government funded institutions	9,504,156	26.97	-	9,504,156
Banking and insurance	21,210,983	60.18	-	21,210,983
Others	4,528,495	12.85	-	4,528,495
	35,243,634	100.00	-	35,243,634
Securities at amortized cost				
Government and government funded institutions	10,321,667	43.62	(25)	10,321,642
Banking and insurance	11,424,418	48.28	(1,399)	11,423,019
Others	1,917,153	8.10	(292)	1,916,861
	23,663,238	100.00	(1,716)	23,661,522
	₩ 126,818,342		₩ (3,735)	₩ 126,814,607

Credit risk concentrations of due from financial institutions, securities, excluding equity securities and derivative financial instruments by country

Details of the Group's credit risk concentration of due from financial institutions, securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2019, is as follows:

(In millions of Korean won)

	2019			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 13,864,687	76.40	₩ (555)	₩ 13,864,132
United States	1,318,582	7.27	(1)	1,318,581
Others	2,964,403	16.33	(4,156)	2,960,247
	18,147,672	100.00	(4,712)	18,142,960
Due from financial institutions at fair value through profit or loss				
Korea	216,367	100.00	-	216,367
	216,367	100.00	-	216,367
Securities measured at fair value through profit or loss				
Korea	46,413,061	91.51	-	46,413,061
United States	1,939,330	3.82	-	1,939,330
Others	2,369,135	4.67	-	2,369,135
	50,721,526	100.00	-	50,721,526
Derivatives				
Korea	1,440,349	45.14	-	1,440,349
United States	529,956	16.61	-	529,956
France	358,951	11.25	-	358,951
Others	861,417	27.00	-	861,417
	3,190,673	100.00	-	3,190,673
Securities measured at fair value through other comprehensive income				
Korea	40,948,853	94.01	-	40,948,853
United States	687,243	1.58	-	687,243
Others	1,920,752	4.41	-	1,920,752
	43,556,848	100.00	-	43,556,848
Securities at amortized cost				
Korea	22,591,541	89.12	(1,034)	22,590,507
United States	1,312,941	5.18	(217)	1,312,724
Others	1,443,745	5.70	(421)	1,443,324
	25,348,227	100.00	(1,672)	25,346,555
	₩ 141,181,313		₩ (6,384)	₩ 141,174,929

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 13,497,329	78.39	₩ (338)	₩ 13,496,991
United States	826,660	4.80	(16)	826,644
Others	2,894,318	16.81	(1,665)	2,892,653
	17,218,307	100.00	(2,019)	17,216,288
Due from financial institutions at fair value through profit or loss				
Korea	381,719	100.00	-	381,719
	381,719	100.00	-	381,719
Securities measured at fair value through profit or loss				
Korea	43,697,736	90.50	-	43,697,736
United States	1,813,902	3.76	-	1,813,902
Others	2,773,844	5.74	-	2,773,844
	48,285,482	100.00	-	48,285,482
Derivatives				
Korea	1,024,392	50.56	-	1,024,392
United States	316,482	15.62	-	316,482
France	237,080	11.70	-	237,080
Singapore	109,101	5.39	-	109,101
Japan	97,351	4.81	-	97,351
Others	241,556	11.92	-	241,556
	2,025,962	100.00	-	2,025,962
Securities measured at fair value through other comprehensive income				
Korea	33,156,041	94.08	-	33,156,041
United States	1,100,199	3.12	-	1,100,199
Others	987,394	2.80	-	987,394
	35,243,634	100.00	-	35,243,634
Securities at amortized cost				
Korea	21,175,749	89.49	(1,136)	21,174,613
United States	1,252,426	5.29	(216)	1,252,210
Others	1,235,063	5.22	(364)	1,234,699
	23,663,238	100.00	(1,716)	23,661,522
	₩ 126,818,342		₩ (3,735)	₩ 126,814,607

Due from financial institutions, financial assets at fair value through profit or loss and derivatives that are linked to gold price are mostly relevant to financial and insurance industry with high credit ratings.

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Group becomes insolvent due to uncertain liquidity caused by unexpected cash outflows, or a risk of borrowing high interest debts or disposal of liquid and other assets at a substantial discount. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other financing, and off-balance sheet items related to cash flow of currency derivative instruments and others.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the financial statements that are based on the present value of expected cash flows in some cases. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

4.3.2. Liquidity risk management and indicator

The liquidity risk is managed by risk management policy and liquidity risk management guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Group.

The Group computes and manages cumulative liquidity gap and liquidity rate subject to all transactions that affect cash flow in Korean won and foreign currencies and off-balance sheet transactions in relation to the liquidity. The Group regularly reports to the Risk Planning Council and Risk Management Committee.

4.3.3. Analysis of remaining contractual maturity of financial assets and liabilities

Cash flows disclosed below are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the consolidated financial statements that are based on the present value of expected cash flows. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	December 31, 2019						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 5,323,332	₩ 1,038,805	₩ 286,091	₩ 822,123	₩ 18,628	₩ -	₩ 7,488,979
Financial assets at fair value through profit or loss	52,488,545	446,069	273,144	187,821	236,130	1,011,289	54,642,998
Derivatives held for trading ²	3,008,598	-	-	-	-	-	3,008,598
Derivatives held for fair value hedging ³	-	4,892	20,216	37,441	41,401	66,176	170,126
Loans at amortized cost	2,908,095	33,042,040	32,668,128	125,125,270	94,802,566	96,757,198	385,303,297
Financial investments ⁴							
Financial assets measured at fair value through other comprehensive income	2,101,605	526,465	1,403,884	6,761,533	33,604,010	4,506,581	48,904,078
Securities at amortized cost	-	1,002,164	2,080,834	5,700,500	7,366,945	15,888,344	32,038,787
Other financial assets	71,528	6,578,005	179,790	1,373,850	40,243	35,927	8,279,343
	₩ 65,901,703	₩ 42,638,440	₩ 36,912,087	₩ 140,008,538	₩ 136,109,923	₩ 118,265,515	₩ 539,836,206

(In millions of Korean won)

	December 31, 2019						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss ²	₩ 2,663,327	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss ²	12,704,826	-	-	-	-	-	12,704,826
Derivatives held for trading ²	2,842,950	-	-	-	-	-	2,842,950
Derivatives held for fair value hedging ³	-	14,764	15,588	1,652	20,044	129	52,177
Deposits ⁵	141,821,986	17,180,492	27,300,542	110,410,809	10,804,440	2,354,504	309,872,773
Debts	7,074,508	12,341,516	3,057,980	8,994,817	4,950,294	1,763,234	38,182,349
Debentures	22,285	2,652,730	3,812,476	11,062,873	32,477,672	3,515,716	53,543,752
Lease liabilities	256	19,304	35,730	137,419	318,781	66,032	577,522
Other financial liabilities	114,320	17,663,385	187,976	212,059	693,921	119,637	18,991,298
	₩ 167,244,458	₩ 49,872,191	₩ 34,410,292	₩ 130,819,629	₩ 49,265,152	₩ 7,819,252	₩ 439,430,974
Off- balance sheet items							
Commitments ⁶	₩ 151,797,615	-	-	-	-	-	₩ 151,797,615
Financial guarantee contract ⁷	3,847,390	-	-	-	-	-	3,847,390
	₩ 155,645,005	-	-	-	-	-	₩ 155,645,005

¹ The amounts of ₩ 13,394,627 million, which is restricted due from the financial institutions as of December 31, 2019, is excluded.

² Financial liabilities measured or designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are classified as 'on demand' category.

³ Cash flows of derivative instruments held for hedging are shown at net cash flow by remaining contractual maturity.

⁴ The equity securities designated as financial assets measured at fair value through other comprehensive income are included under the 'On demand' category as they can be disposed without difficulty. However, the equity securities restricted from disposal are included on the category that the releasing date of restriction is belonged to.

⁵ Deposits that are contractually repayable on demand or on short notice are classified under the 'on demand' category.

⁶ Commitments are included under the 'On demand' category because payments will be made upon request.

⁷ The financial guarantee contracts are included under the 'On demand' category as payments will be made upon request.

(In millions of Korean won)

	December 31, 2018						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 5,636,123	₩ 1,481,598	₩ 242,353	₩ 538,579	₩ 81,646	₩ -	₩ 7,980,299
Financial assets at fair value through profit or loss	50,139,812	672,326	162,459	254,632	215,436	1,113,694	52,558,359
Derivatives held for trading ²	1,915,532	-	-	-	-	-	1,915,532
Derivatives held for fair value hedging ³	-	4,344	1,724	17,948	21,367	40,830	86,213
Loans at amortized cost	3,180,412	27,520,126	32,374,297	116,479,553	84,600,284	102,789,366	366,944,038
Financial investments ⁴							
Financial assets measured at fair value through other comprehensive income	2,117,560	1,812,270	2,694,083	11,210,903	18,626,405	2,728,392	39,189,613
Securities at amortized cost	-	1,245,353	1,483,667	4,412,816	8,932,468	14,380,433	30,454,737
Other financial assets	89,890	5,454,381	160,182	1,488,164	53,425	37,841	7,283,883
	₩ 63,079,329	₩ 38,190,398	₩ 37,118,765	₩ 134,402,595	₩ 112,531,031	₩ 121,090,556	₩ 506,412,674

(In millions of Korean won)

	December 31, 2018						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial liabilities							
Financial liabilities at fair value through profit or loss ²	₩ 2,823,820	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss ²	12,503,039	-	-	-	-	-	12,503,039
Derivatives held for trading ²	2,724,994	-	-	-	-	-	2,724,994
Derivatives held for fair value hedging ³	-	(2,403)	(8,231)	(37,851)	13,831	31	(34,623)
Deposits ⁵	126,781,682	16,852,129	28,053,517	95,568,339	11,284,243	2,608,630	281,148,540
Debts	5,909,297	10,355,022	3,975,372	7,205,116	4,714,743	1,249,785	33,409,335
Debentures	30,160	1,699,165	5,875,093	13,471,021	32,474,579	2,489,146	56,039,164
Other financial liabilities	91,381	15,943,018	170,851	275,135	581,537	65,721	17,127,643
	₩ 150,864,373	₩ 44,846,931	₩ 38,066,602	₩ 116,481,760	₩ 49,068,933	₩ 6,413,313	₩ 405,741,912
Off- balance sheet items							
Commitments ⁶	₩ 138,590,372	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 138,590,372
Financial guarantee contract ⁷	3,626,532	-	-	-	-	-	3,626,532
	₩ 142,216,904	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 142,216,904

¹ The amounts of ₩ 12,394,461 million, which is restricted due from the financial institutions as of December 31, 2018, is excluded.

² Financial liabilities measured or designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are classified as 'on demand' category.

³ Cash flows of derivative instruments held for hedging are shown at net cash flow by remaining contractual maturity.

⁴ The equity securities designated as financial assets measured at fair value through other comprehensive income are included under the 'On demand' category as they can be disposed without difficulty. However, the equity securities restricted from disposal are included on the category that the releasing date of restriction is belonged to.

⁵ Deposits that are contractually repayable on demand or on short notice are classified under the 'on demand' category.

⁶ Commitments are included under the 'On demand' category because payments will be made upon request.

⁷ The financial guarantee contracts are included under the 'On demand' category as payments will be made upon request.

The contractual cash flows of derivatives held for cash flow hedging as of September 30, 2019 and December 31, 2018, are as follows:

(In millions of Korean won)

	2019					
	Up to 1 month	1-3months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net-settled derivatives	₩ (639)	₩ (1,831)	₩ (5,021)	₩ (10,602)	₩ 1,084	₩ (17,009)
Cash flow to be received of gross-settled derivatives	14,119	200,170	657,909	1,888,772	-	2,760,970
Cash flow to be paid of gross-settled derivatives	(18,171)	(199,141)	(671,375)	(1,955,650)	-	(2,844,337)

(In millions of Korean won)

	2018					
	Up to 1 month	1-3months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net-settled derivatives	₩ (172)	₩ 1,999	₩ 2,743	₩ 1,949	₩ (66)	₩ 6,453
Cash flow to be received of gross-settled derivatives	47,526	129,826	286,219	2,116,253	-	2,579,824
Cash flow to be paid of gross-settled derivatives	(50,281)	(137,834)	(286,165)	(2,151,808)	-	(2,626,088)

4.4 Market Risk

4.4.1 Concept

Market risk represents possible losses which arise from changes in market factors including interest rate, stock price, foreign exchange rate and other market factors that affect the fair value or future cash flows of financial instruments including securities and derivatives amongst others. The most significant risk associated with trading positions interest rate risks, currency risks and also, stock price risks. In addition, the Group is exposed to interest rate risks associated with non-trading positions. The Group classifies exposures to market risk into either trading or non-trading positions. The Group measures and manages market risk separately for each subsidiary.

4.4.2 Risk management

The Group sets internal capital limits for market risk and interest rate risk and monitors the risks to manage the risk of trading and non-trading positions. The Group maintains risk management systems and procedures including trading policies and procedures, and market risk management guidelines for trading positions, and interest rate risk management guidelines for non-trading positions in order to manage market risk efficiently. The procedures mentioned are implemented with approval from the Risk Management Committee and Risk Management Council.

Kookmin Bank, one of the subsidiaries, establishes market risk management policy, sets position limits, loss limits and VaR limits of each business group and approves newly developed instruments through its Risk Management Council. The Market Risk Management Committee, which is chaired by the Chief Risk Officer (CRO), is the decision maker and sets position limits, loss limits, VaR limits, sensitivity limits and scenario loss limits for each division, at the level of each individual business department.

The ALCO of Kookmin Bank determines the operational standards of interest and commission, the details of the establishment and prosecution of the Asset Liability Management (ALM) policies and enacts and amends relevant guidelines. The Risk Management Committee and Risk Management Council monitor the establishment and enforcement of ALM risk management policies, and enact and amend ALM risk management guidelines. The interest rate risk limit is set based on the future assets/liabilities position and interest rate volatility estimation reflects the annual work plan. The ALM Department and Risk Management Department measures and monitors the interest risk status and limits on a regular basis. The status and limits of interest rate risks including interest gap, duration gap and interest rate VaR (Value at Risk), are reported to the ALCO and Risk Management Council on a monthly basis and to the Risk Management Committee on a quarterly basis. To ensure adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the risk management procedures and tasks conducted by the ALM Department. Also, the Risk Management Department independently reports related information to the management.

4.4.3 Trading Position

Definition of a trading position

Trading positions subject to market risk management are defined under the Trading Policy and Guideline, and the basic requirements are as follows:

- The trading position is not restricted for sale, is measured daily at fair value, and its significant inherent risks are able to be hedged in the market.
- The criteria for classification as a trading position are clearly defined in the Trading Policy and Guideline, and separately managed by the trading department.
- The trading position is operated in accordance with the documented trading strategy and managed through position limits.
- The operating department or professional dealers have an authority to enforce a deal on the trading position within predetermined limits without pre-approval.
- The trading position is reported periodically to management for the purpose of the Group's risk management

Observation method on market risk arising from trading positions

Subsidiaries of the Group calculate VaR to measure the market risk by using market risk management systems on the entire trading portfolio. Generally, the Group manages market risk on the trading portfolio. In addition, the Group controls and manages the risk of derivative trading based on the regulations and guidelines formulated by the Financial Supervisory Service.

VaR (Value at Risk)

i. VaR (Value at Risk)

Kookmin Bank, one of the subsidiaries, uses the value-at-risk methodology to measure the market risk of trading positions. Kookmin Bank uses the 10-day VaR, which estimates the maximum amount of loss that could occur in ten days under an historical simulation model which is considered to be a full valuation method. The distributions of portfolio's value changes are estimated based on the data over the previous 250 business days, and ten-day VaR is calculated by subtracting net present market value from the value measured at a 99% confident level of portfolio's value distribution results.

VaR is a commonly used market risk measurement technique. However, the method has some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movements are, however, not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses may vary depending on the assumptions made at the time of the calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

A subsidiary which holds trading positions uses an internal model (VaR) to measure general risk, and a standard method to measure each individual risk. When the internal model is not permitted for certain market risk, the Group uses the standard method. Therefore, the market risk VaR may not reflect the market risk of each individual risk and some specific positions. And also, non-banking subsidiaries use the same standard method applied to measure regulatory capital for improvement of market risk VaR management utility (improvement of relation with regulatory capital).

ii. Back-Testing

Back-testing is conducted on a daily basis to validate the adequacy of the market risk model. In back-testing, the Group compares both the actual and hypothetical profit and loss with the VaR calculations.

iii. Stress Testing

Stress testing is carried out to analyze the impact of abnormal market situations on the trading and available-for-sale portfolio. It reflects changes in interest rates, stock prices, foreign exchange rates, implied volatilities of derivatives and other risk factors that have significant influence on the value of the portfolio. The Group uses historical scenarios and hypothetical scenarios for the analysis of abnormal market situations. Stress testing is performed at least once every year.

VaR at a 99% confidence level of interest rate, stock price and foreign exchange rate risk for trading positions with a ten-day holding period by a subsidiary as of December 31, 2019 and 2018, are as follows:

Kookmin Bank

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 11,190	₩ 1,725	₩ 20,467	₩ 16,628
Stock price risk	3,434	2,402	4,310	3,914
Foreign exchange rate risk	15,760	11,416	20,704	13,081
Deduction of diversification effect				(13,246)
Total VaR	₩ 17,545	₩ 13,641	₩ 24,849	₩ 20,377

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 12,513	₩ 6,044	₩ 18,684	₩ 7,074
Stock price risk	2,995	1,253	4,831	3,348
Foreign exchange rate risk	9,443	5,033	16,453	16,453
Deduction of diversification effect				(11,939)
Total VaR	₩ 16,221	₩ 11,653	₩ 23,078	₩ 14,936

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR or the non-banking subsidiaries as of December 31, 2019 and 2018, are as follows:

Kookmin Bank

(In millions of Korean won)

	2019		2018	
	₩		₩	
Interest rate risk	83,731		112,153	
Stock price risk	1,954		19,756	
Foreign exchange rate risk	1,850		1,339	
	₩ 87,535		₩ 133,248	

KB Securities Co., Ltd.

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 520,681	₩ 460,539	₩ 563,991	₩ 563,991
Stock price risk	248,183	217,149	282,584	270,443
Foreign exchange rate risk	15,785	7,578	23,674	21,418
Commodity risk	3	1	20	1
	₩ 784,652	₩ 685,267	₩ 870,269	₩ 855,853

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 456,847	₩ 366,027	₩ 537,126	₩ 510,618
Stock price risk	293,623	236,329	335,900	261,341
Foreign exchange rate risk	5,923	2,383	12,613	3,692
Commodity risk	5	1	22	1
	₩ 756,398	₩ 604,740	₩ 885,661	₩ 775,652

KB Insurance Co., Ltd.

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 3,418	₩ 2,201	₩ 4,904	₩ 3,252
Stock price risk	23,293	16,153	27,550	26,140
	₩ 26,711	₩ 18,354	₩ 32,454	₩ 29,392

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 43,431	₩ 34,202	₩ 48,456	₩ 45,180
Stock price risk	11,074	8,484	15,053	14,769
	₩ 54,505	₩ 42,686	₩ 63,509	₩ 59,949

KB Life Insurance Co., Ltd.

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 2,650	₩ 1,295	₩ 3,597	₩ 2,038
	₩ 2,650	₩ 1,295	₩ 3,597	₩ 2,038

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 1,264	₩ 968	₩ 1,544	₩ 1,134
	₩ 1,264	₩ 968	₩ 1,544	₩ 1,134

KB Investment Co., Ltd.

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Foreign exchange rate risk	₩ 7,452	₩ 4,072	₩ 10,480	₩ 9,988
	₩ 7,452	₩ 4,072	₩ 10,480	₩ 9,988

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Stock price risk	₩ 23	₩ -	₩ 56	₩ -
Foreign exchange rate risk	2,064	1,776	3,033	3,033
	₩ 2,087	₩ 1,776	₩ 3,089	₩ 3,033

KB Asset Management Co., Ltd.

(In millions of Korean won)

	2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 417	₩ 202	₩ 1,238	₩ 509
Stock price risk	3,456	1,965	6,248	6,248
Foreign exchange rate risk	825	362	1,427	362
	₩ 4,698	₩ 2,529	₩ 8,913	₩ 7,119

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 777	₩ 21	₩ 1,886	₩ 1,043
Stock price risk	1,658	-	1,952	1,839
Foreign exchange rate risk	782	627	1,125	837
	₩ 3,217	₩ 648	₩ 4,963	₩ 3,719

Details of risk factors

i. Interest rate risk

Trading position interest rate risk usually arises from debt securities denominated in Korean won. The Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. The Group manages interest rate risk on trading positions using market value-based tools such as VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

ii. Stock price risk

Stock price risk only arises from trading securities denominated in Korean won as the Group does not have any trading exposure to shares denominated in foreign currencies. The trading securities portfolio in Korean won are composed of exchange-traded stocks and derivative instruments linked to stock with strict limits on diversification.

iii. Foreign exchange rate risk

Foreign exchange rate risk arises from holding assets and liabilities denominated in foreign currency and foreign currency derivatives. Net foreign currency exposure mostly occurs from the foreign assets and liabilities which are denominated in US dollars and Chinese Yuan. The Group sets both loss limits and net foreign currency exposure limits and manages comprehensive net foreign exchange exposures which consider both trading and non-trading portfolios.

4.4.4 Non-trading position**Definition of non-trading position**

Managed interest rate risk in non-trading position includes on- or off-balance sheet assets, liabilities and derivatives that are sensitive to interest rate, except trading position for market risk. The interest rate sensitive assets and liabilities are interest-bearing assets and liabilities that create interest income and expenses.

Observation method on market risk arising from non-trading position

As a qualitative methodology, interest rate risk arises from a change in equity and earnings caused by fluctuation in value of interest rate sensitive assets and liabilities, and these risks are measured with change in Economic Value of Equity (Δ EVE) or interest rate VaR and change in Net Interest Income (Δ NI). In addition, as a quantitative methodology, average and longest maturity of interest rate revision for non-maturity deposits are monitored by the Group.

Interest rate risk levels

i. Subsidiary Kookmin Bank

Kookmin Bank calculates Δ EVE by applying six types of rate shock and crisis scenarios, and Δ NI by applying parallel rise and decline impact scenarios. The results as at December 31, 2019 are as follows:

	(In millions of Korean won)	
	2019	
	Changes in the Economic Value of Equity	Changes in Net Interest Income
Scenario 1 (Parallel rise)	483,207	152,013
Scenario 2 (Parallel decline)	31,718	9,717
Scenario 3 (Short-term decline, long-term rise)	257,756	-
Scenario 4 (Short-term rise, long-term decline)	411,237	-
Scenario 5 (Short-term rise)	378,380	-
Scenario 6 (Short-term decline)	492,047	-
Maximum of Scenarios 1-6	492,047	152,013
Basic capital	27,609,684	-

(*) As of the end of December 2019, interest rate risk was calculated by different method from the previous disclosure due to the revision of the Detailed Supervisory Regulations on Banking Business.

The results of previous method as at December 31, 2018 are as follows:

	(In millions of Korean won)	
	2018	
Interest Rate VaR		168,282

ii. Non-bank Subsidiaries

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.9% confidence level. The measurement results of risk as of December 31, 2019 and 2018, are as follows:

	2019		2018	
KB Securities Co., Ltd.	₩	20,605	₩	23,004
KB Insurance Co., Ltd.		345,292		270,507
KB Kookmin Card Co., Ltd.		49,878		27,894
KB Life Insurance Co., Ltd.		56,214		47,089
KB Savings Bank Co., Ltd.		6,510		8,760
KB Capital Co., Ltd.		33,038		19,852

4.4.5 Financial Instruments in Foreign Currencies

Details of financial instruments presented in foreign currencies translated into Korean won as of December 31, 2019 and 2018, are as follows:

	December 31, 2019						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial assets							
Cash and due from financial institutions	₩ 2,581,674	₩ 354,484	₩ 377,651	₩ 128,600	₩ 1,207,769	₩ 840,250	₩ 5,490,428
Financial assets at fair value through profit or loss	6,275,426	43,124	610,820	23,034	6,131	149,188	7,107,723
Derivatives held for trading	244,010	22,729	25,226	698	6,786	48,396	347,845
Derivatives held for hedging	83,610	-	-	-	-	-	83,610
Loans at amortized cost	14,478,537	484,087	795,285	178,628	1,205,297	991,445	18,133,279
Financial assets measured at fair value through other comprehensive income	4,643,921	21,267	71,078	-	282,390	39,186	5,057,842
Financial assets at amortized cost	2,380,000	-	304,484	-	97,845	101,958	2,884,287
Other financial assets	1,619,738	230,542	313,363	18,237	186,607	195,691	2,564,178
	₩ 32,306,916	₩ 1,156,233	₩ 2,497,907	₩ 349,197	₩ 2,992,825	₩ 2,366,114	₩ 41,669,192
Financial liabilities							
Financial liabilities designated at fair value through profit or loss	₩ 2,754,602	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,754,602
Derivatives held for trading	351,394	39,050	36,018	-	7,806	67,809	502,077
Derivatives held for hedging	35,538	-	-	-	-	-	35,538
Deposits	12,266,565	766,720	791,638	45,892	1,477,097	560,939	15,908,851
Debts	9,399,828	125,096	419,155	408,918	15,092	247,943	10,616,032
Debentures	5,007,285	-	-	-	-	338,225	5,345,510
Other financial liabilities	2,556,502	60,029	101,289	22,531	190,841	254,876	3,186,068
	₩ 32,371,714	₩ 990,895	₩ 1,348,100	₩ 477,341	₩ 1,690,836	₩ 1,469,792	₩ 38,348,678
Off-balance sheet items	₩ 18,702,327	₩ 32,694	₩ 176,756	₩ -	₩ 252,369	₩ 257,881	₩ 19,422,027

(In millions of Korean won)

	December 31, 2018							Total
	USD	JPY	EUR	GBP	CNY	Others		
Financial assets								
Cash and due from financial institutions	₩ 1,950,546	₩ 417,682	₩ 594,103	₩ 120,795	₩ 1,145,607	₩ 679,759	₩ 4,908,492	
Financial assets at fair value through profit or loss	6,025,782	87,764	432,047	18,481	8,585	73,759	6,646,418	
Derivatives held for trading	163,064	2,947	31,370	308	4,643	18,349	220,681	
Derivatives held for hedging	32,996	-	-	-	-	-	32,996	
Loans at amortized cost	12,372,434	354,111	807,019	45,335	990,705	515,051	15,084,655	
Financial assets measured at fair value through other comprehensive income	3,925,922	36,538	32,842	-	125,571	4,261	4,125,134	
Financial assets at amortized cost	2,257,057	-	287,732	-	38,802	27,554	2,611,145	
Other financial assets	1,528,235	300,116	24,511	28,080	275,578	234,086	2,390,606	
	₩ 28,256,036	₩ 1,199,158	₩ 2,209,624	₩ 212,999	₩ 2,589,491	₩ 1,552,819	₩ 36,020,127	
Financial liabilities								
Financial liabilities designated at fair value through profit or loss	₩ 2,319,369	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,319,369	
Derivatives held for trading	313,303	39,311	143,836	90	4,062	168,339	668,941	
Derivatives held for hedging	88,367	-	-	-	-	-	88,367	
Deposits	9,294,189	629,083	592,495	48,418	1,267,102	468,615	12,299,902	
Debts	9,427,662	90,778	286,123	220,150	11,393	65,412	10,101,518	
Debentures	4,405,842	-	31,979	-	-	266,935	4,704,756	
Other financial liabilities	959,797	105,798	136,053	3,659	284,498	159,649	1,649,454	
	26,808,529	864,970	1,190,486	272,317	1,567,055	1,128,950	31,832,307	
Off-balance sheet items	₩ 15,211,436	₩ 32,619	₩ 1,262	₩ -	₩ 270,018	₩ 228,238	₩ 15,743,573	

4.5 Operational Risk

4.5.1 Concept

The Group defines operational risk broadly to include all financial and non-financial risks that may arise from operating activities and could cause a negative effect on capital.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements but also to promote a risk management culture, strengthen internal controls, innovate processes and provide timely feedback to management and employees. In addition, Kookmin Bank established Business Continuity Plans (BCP) to ensure critical business functions can be maintained, or restored, in the event of material disruptions arising from internal or external events. It has constructed replacement facilities as well as has carried out exercise drills for head office and IT departments to test its BCPs.

4.6 Capital Adequacy

The Group complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank of International Settlements in June 2011 and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 8.0%(2018: 7.125%), a minimum Tier 1 ratio of :9.5%(2018: 8.625%) and a minimum Total Regulatory Capital of 11.5%(2018:10.625%) as of December 31, 2019.

The Group's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.
- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than five years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Group. The Group calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Group assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and internal capital (amount of capital enough to cover all significant risks under target credit rate set by the Group). The Group monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Internal Capital is the amount of capital to prevent the inability of payment due to unexpected loss in the future. The Group measures, allocates and monitors internal capital by risk type and subsidiaries.

The Risk Management Council of the Group determines the Group's risk appetite and allocates internal capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated internal capital. The Risk Management Department of the Group monitors the limit on internal capital and reports the results to management and the Risk Management Council. The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the internal capital is expected to exceed the limits due to new business or business expansion.

Details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Equity Capital:	₩ 36,995,181	₩ 34,476,172
Tier 1 Capital	35,426,114	32,993,826
Common Equity Tier 1 Capital	34,709,873	32,993,826
Additional Tier 1 Capital	716,241	-
Tier 2 Capital	1,569,067	1,482,346
Risk-weighted assets:	255,549,020	236,099,017
Equity Capital (%):	14.48	14.60
Tier 1 Capital (%)	13.86	13.97
Common Equity Tier 1 Capital (%)	13.58	13.97

5. Segment Information

5.1 Overall Segment Information and Business Segments

The Group classifies reporting segments based on the nature of the products and services provided, the type of customer, and the Group's management organization.

Banking Business	Corporate Banking	Loans, deposit products and other related financial services to large, small and medium-sized enterprises and SOHO(small office home office)s.
	Retail Banking	Loans, deposit products and other related financial services to individuals and households.
	Other Banking Services	Trading activities in securities and derivatives, funding and other supporting activities.
Securities Business		Investment banking, brokerage services and other supporting activities.
Non-life Insurance Business		The activities within this segment include property insurance and other supporting activities.
Credit Card Business		The activities within this segment include credit sale, cash service, card loan and other supporting activities.
Life Insurance Business		Life insurance and other supporting activities.

Financial information by business segment as of and for the year ended December 31, 2019, is as follows:

(In millions of Korean won)

	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating revenues from external customers	₩ 2,375,800	₩ 2,979,503	₩ 1,591,323	₩ 6,946,626	₩ 1,113,200	₩ 1,185,600	₩ 1,470,910	₩ 107,404	₩ 608,111	₩ -	₩ 11,431,851
Intra-segment operating revenues(expenses)	204,476	-	167,966	372,442	(18,795)	(54,160)	(209,874)	(22,742)	124,857	(191,728)	-
	₩2,580,276	₩2,979,503	₩1,759,289	₩7,319,068	₩ 1,094,405	₩ 1,131,440	₩ 1,261,036	₩ 84,662	₩ 732,968	₩ (191,728)	₩ 11,431,851
Net interest income	2,844,880	3,148,061	370,846	6,363,787	529,888	616,378	1,230,288	159,248	296,512	686	9,196,787
Interest income	4,642,555	4,872,937	1,264,456	10,779,948	852,153	617,617	1,581,178	159,463	687,823	(38,995)	14,639,187
Interest expense	(1,797,675)	(1,724,876)	(893,610)	(4,416,161)	(322,265)	(1,239)	(350,890)	(215)	(391,311)	39,681	(5,442,400)
Net fee and commission income (expenses)	349,393	471,869	312,034	1,133,296	580,435	(152,597)	261,829	(16,792)	541,343	7,490	2,355,004
Fee and commission income	459,879	577,845	445,638	1,483,362	683,600	11,095	1,406,273	239	617,622	(322,944)	3,879,247
Fee and commission expense	(110,486)	(105,976)	(133,604)	(350,066)	(103,165)	(163,692)	(1,144,444)	(17,031)	(76,279)	330,434	(1,524,243)
Net insurance income (expenses)	-	-	-	-	-	415,112	15,748	(122,295)	-	(9,053)	299,512
Insurance income	-	-	-	-	-	11,375,543	28,874	942,662	-	(29,897)	12,317,182
Insurance expenses	-	-	-	-	-	(10,960,431)	(13,126)	(1,064,957)	-	20,844	(12,017,670)
Net gains (losses) on financial instruments at fair value through profit or loss	(2,526)	-	425,150	422,624	(103,815)	265,187	371	66,773	137,680	(144,948)	643,872
Net other operating income (expense)	(611,471)	(640,427)	651,259	(600,639)	87,897	(12,640)	(247,200)	(2,272)	(242,567)	(45,903)	(1,063,324)
General and administrative expenses	(1,241,721)	(1,982,375)	(663,323)	(3,887,419)	(757,276)	(843,800)	(441,921)	(66,514)	(373,919)	99,832	(6,271,017)
Operating profit before Provision for credit losses	1,338,555	997,128	1,095,966	3,431,649	337,129	287,640	819,115	18,148	359,049	(91,896)	5,160,834
Provision (reversal) for credit losses	125,919	(235,995)	6,546	(103,530)	(14,366)	12,959	(439,765)	3,084	(128,331)	(236)	(670,185)
Net operating income	1,464,474	761,133	1,102,512	3,328,119	322,763	300,599	379,350	21,232	230,718	(92,132)	4,490,649
Share of profit of associates and joint ventures	-	-	29,240	29,240	(103)	(21)	1,106	-	7,201	(20,972)	16,451
Net other non-operating income (expense)	(262)	-	(38,625)	(38,887)	30,518	26,490	3,362	(30)	34,644	(29,211)	26,886
Segment profits before income tax	1,464,212	761,133	1,093,127	3,318,472	353,178	327,068	383,818	21,202	272,563	(142,315)	4,533,986
Income tax expense	(404,426)	(209,311)	(265,656)	(879,393)	(95,271)	(92,381)	(67,262)	(5,238)	(90,366)	9,124	(1,220,787)
Profit for the year	1,059,786	551,822	827,471	2,439,079	257,907	234,687	316,556	15,964	182,197	(133,191)	3,313,199
Profit attributable to shareholders of the Parent Company	1,059,786	551,822	827,471	2,439,079	257,893	234,326	316,545	15,964	179,783	(131,762)	3,311,828
Profit attributable to non-controlling interests	-	-	-	-	14	361	11	-	2,414	(1,429)	1,371
Total assets ¹	139,496,393	147,468,173	100,460,472	387,425,038	47,816,512	36,552,368	22,990,115	9,801,904	42,140,936	(28,188,756)	518,538,117
Total liabilities ¹	142,063,122	161,834,984	54,522,699	358,420,805	43,131,858	32,689,460	18,925,195	9,186,567	18,675,585	(1,610,678)	479,418,792

¹ Assets and liabilities of the reporting segments are amounts before intra-segment transaction adjustment.

Financial information by business segment for the year ended December 31, 2018, is as follows:

	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating revenues from external customers	₩ 2,318,812	₩ 2,989,240	₩ 1,271,117	₩ 6,579,169	₩ 997,898	₩ 1,183,394	₩ 1,524,695	₩ 113,238	₩ 461,293	₩ -	₩ 10,859,687
Intra-segment operating revenues(expenses)	94,910	-	179,300	274,210	(17,541)	(20,529)	(219,680)	(26,809)	167,789	(157,440)	-
	₩ 2,413,722	₩ 2,989,240	₩ 1,450,417	₩ 6,853,379	₩ 980,357	₩ 1,162,865	₩ 1,305,015	₩ 86,429	₩ 629,082	₩ (157,440)	₩ 10,859,687
Net interest income	2,753,928	2,960,598	386,196	6,100,722	542,206	616,173	1,168,284	185,094	291,415	1,034	8,904,928
Interest income	4,267,675	4,547,615	1,204,598	10,019,888	819,462	616,483	1,474,376	185,109	644,975	(25,724)	13,734,569
Interest expense	(1,513,747)	(1,587,017)	(818,402)	(3,919,166)	(277,256)	(310)	(306,092)	(15)	(353,560)	26,758	(4,829,641)
Net fee and commission income (expenses)	287,978	490,447	344,323	1,122,748	625,729	(147,041)	264,651	(13,163)	385,930	4,522	2,243,376
Fee and commission income	381,481	583,213	458,097	1,422,791	734,287	3,238	683,198	214	443,455	(312,701)	2,974,482
Fee and commission expense	(93,503)	(92,766)	(113,774)	(300,043)	(108,558)	(150,279)	(418,547)	(13,377)	(57,525)	317,223	(731,106)
Net insurance income (expenses)	-	-	-	-	-	611,277	18,386	(139,400)	1	(148)	490,116
Insurance income	-	-	-	-	-	10,847,323	32,271	1,132,155	-	(36,679)	11,975,070
Insurance expenses	-	-	-	-	-	(10,236,046)	(13,885)	(1,271,555)	1	36,531	(11,484,954)
Net gains (losses) on financial instruments at fair value through profit or loss	13,933	-	312,462	326,395	(222,014)	180,808	3,866	62,779	89,059	(89,590)	351,303
Net other operating income (expense)	(642,117)	(461,805)	407,436	(696,486)	34,436	(98,352)	(150,172)	(8,881)	(137,323)	(73,258)	(1,130,036)
General and administrative expenses	(1,091,556)	(1,970,409)	(705,030)	(3,766,995)	(735,227)	(789,443)	(404,927)	(63,406)	(308,559)	150,045	(5,918,512)
Operating profit before Provision for credit losses	1,322,166	1,018,831	745,387	3,086,384	245,130	373,422	900,088	23,023	320,523	(7,395)	4,941,175
Provision (reversal) for credit losses	77,224	(179,229)	8,089	(93,916)	(9,993)	(14,392)	(431,032)	(464)	(124,215)	318	(673,694)
Net operating income	1,399,390	839,602	753,476	2,992,468	235,137	359,030	469,056	22,559	196,308	(7,077)	4,267,481
Share of profit of associates and joint ventures	-	-	49,698	49,698	175	(16)	202	-	3,104	(28,903)	24,260
Net other non-operating income (expense)	(65)	-	44,237	44,172	13,770	8,085	(33,062)	(1,402)	16,465	(38,237)	9,791
Segment profits before income tax	1,399,325	839,602	847,411	3,086,338	249,082	367,099	436,196	21,157	215,877	(74,217)	4,301,532
Income tax expense	(386,764)	(230,891)	(209,485)	(827,140)	(70,222)	(104,667)	(149,623)	(6,332)	(88,372)	6,770	(1,239,586)
Profit for the year	1,012,561	608,711	637,926	2,259,198	178,860	262,432	286,573	14,825	127,505	(67,447)	3,061,946
Profit attributable to shareholders of the Parent Company	1,012,561	608,711	637,926	2,259,198	178,850	262,267	286,599	14,825	126,021	(66,569)	3,061,191
Profit attributable to non-controlling interests	-	-	-	-	10	165	(26)	-	1,484	(878)	755
Total assets ¹	131,303,734	140,814,393	84,841,131	356,959,258	45,086,292	34,785,551	20,528,951	9,680,379	40,399,287	(27,851,420)	479,588,298
Total liabilities ¹	123,880,329	152,173,062	54,238,001	330,291,392	40,613,424	31,289,705	16,570,282	9,128,148	17,441,868	(1,459,548)	443,875,271

¹ Assets and liabilities of the reporting segments are amounts before intra-segment transaction adjustment.

5.2 Services and Geographical Segments

5.2.1 Services information

Operating revenues from external customers for each service for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Banking service	₩	6,946,626	₩	6,579,169
Securities service		1,113,200		997,898
Non-life Insurance service		1,185,600		1,183,394
Credit card service		1,470,910		1,524,695
Life insurance service		107,404		113,238
Other service		608,111		461,293
	₩	11,431,851	₩	10,859,687

5.2.2 Geographical information

Geographical operating revenues from external customers for the years ended December 31, 2019 and 2018, and major non-current assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets
Domestic	₩ 11,142,264	₩ 9,515,220	₩ 10,666,586	₩ 8,114,196
United States	72,945	386,724	46,391	370,252
New Zealand	6,946	3,516	6,213	72
China	109,574	15,119	94,996	5,454
Cambodia	19,534	7,162	11,062	3,733
United Kingdom	10,037	85,634	8,119	537
Others	70,551	551,039	26,320	584,466
Intra-group adjustment	-	68,764	-	69,011
	₩ 11,431,851	₩ 10,633,178	₩ 10,859,687	₩ 9,147,721

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 20,837,878	₩ 20,835,235
Financial assets at fair value through profit or loss	53,549,086	53,549,086
Due from financial institutions	216,367	216,367
Debt securities	50,721,526	50,721,526
Equity securities	2,103,843	2,103,843
Loans	427,545	427,545
Others	79,805	79,805
Derivatives held for trading	3,008,598	3,008,598
Derivatives held for hedging	182,075	182,075
Loans at amortized cost	339,684,059	340,836,884
Securities at amortized cost	25,346,555	26,570,494
Financial assets measured at fair value through other comprehensive income	46,436,051	46,436,051
Debt securities	43,556,848	43,556,848
Equity securities	2,504,105	2,504,105
Loans	375,098	375,098
Others	9,147,059	9,147,059
	₩ 498,191,361	₩ 500,565,482

(In millions of Korean won)

	2019	
	Carrying amount	Fair value
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,663,327	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss	12,704,826	12,704,826
Derivatives held for trading	2,842,950	2,842,950
Derivatives held for hedging	164,391	164,391
Deposits	305,592,771	306,048,291
Debts	37,818,860	37,808,944
Debentures	50,935,583	51,558,748
Other financial liabilities	22,629,587	22,629,587
	₩ 435,352,295	₩ 436,421,064

(In millions of Korean won)

	2018	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 20,274,490	₩ 20,271,261
Financial assets at fair value through profit or loss	50,987,847	50,987,847
Due from financial institutions	381,719	381,719
Debt securities	48,285,482	48,285,482
Equity securities	1,287,662	1,287,662
Loans	954,176	954,176
Others	78,808	78,808
Derivatives held for trading	1,915,532	1,915,532
Derivatives held for hedging	110,430	110,430
Loans at amortized cost	319,201,603	320,003,844
Financial assets measured at fair value through other comprehensive income	38,003,572	38,003,572
Debt securities	35,243,634	35,243,634
Equity securities	2,370,116	2,370,116
Loans	389,822	389,822
Securities at amortized cost	23,661,522	24,159,137
Others	8,133,556	8,133,556
	₩ 462,288,552	₩ 463,585,179
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss	12,503,039	12,503,039
Derivatives held for trading	2,724,994	2,724,994
Derivatives held for hedging	176,253	176,253
Deposits	276,770,449	277,423,194
Debts	33,004,834	33,028,205
Debentures	53,278,697	53,771,564
Other financial liabilities	19,828,307	19,833,885
	₩ 401,110,393	₩ 402,284,954

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants. For each class of financial assets and financial liabilities, the Group discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

Methods of determining fair value for financial instruments are as follows:

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model (Discounted Cash Flow Model).
Investment securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of external professional valuation institution where quoted prices are not available. The institutions use one or more of the following valuation techniques including DCF Model, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Loans at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate.
Derivatives and Financial instruments at fair value through profit or loss	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method, the Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Closed Form and Tree Model or valuation results from independent external professional valuation institution.
Deposits	Carrying amount of demand deposits is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Debts	Carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other debts is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.
Debentures	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined. However, fair value of finance lease liabilities is measured using a DCF model.

6.1.2 Fair value hierarchy

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statement of financial position are appropriate. However, the fair values of the financial instruments recognized in the statement of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Group classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

When the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Fair value hierarchy of financial assets and liabilities measured at fair value in the statements of financial position

The fair value hierarchy of financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss	₩ 11,177,716	₩ 31,476,070	₩ 10,895,300	₩ 53,549,086
Due from financial institutions	-	165,242	51,125	216,367
Debt securities	9,853,733	30,735,027	10,132,766	50,721,526
Equity securities	1,244,178	336,389	523,276	2,103,843
Loans	-	239,412	188,133	427,545
Others	79,805	-	-	79,805
Derivatives held for trading	72,983	2,398,831	536,784	3,008,598
Derivatives held for hedging	-	182,075	-	182,075
Financial assets measured at fair value through other comprehensive income	15,188,993	29,764,660	1,482,398	46,436,051
Debt securities	14,236,566	29,320,282	-	43,556,848
Equity securities	952,427	69,280	1,482,398	2,504,105
Loans	-	375,098	-	375,098
	₩ 26,439,692	₩ 63,821,636	₩ 12,914,482	₩ 103,175,810
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 2,663,327	₩ -	₩ -	₩ 2,663,327
Financial liabilities designated at fair value through profit or loss	492	1,482,302	11,222,032	12,704,826
Derivatives held for trading	157,634	2,458,498	226,818	2,842,950
Derivatives held for hedging	-	164,391	-	164,391
	₩ 2,821,453	₩ 4,105,191	₩ 11,448,850	₩ 18,375,494

(*) Valuation target amount of the KB Securities Co., Ltd.'s over-the-counter (OTC) derivatives consist of ₩ 2,459,478 million of financial assets at fair value through profit or loss—debt instruments, ₩ 11,222,032 million of financial liabilities at fair value through profit or loss, ₩ 536,714 of derivative financial assets and ₩ 226,333 of derivative financial liabilities.

(In millions of Korean won)

	2018			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss	₩ 12,128,933	₩ 31,132,108	₩ 7,726,806	₩ 50,987,847
Due from financial institutions	-	332,976	48,743	381,719
Debt securities	11,312,317	29,879,850	7,093,315	48,285,482
Equity securities	737,808	178,309	371,545	1,287,662
Loans	-	740,973	213,203	954,176
Others	78,808	-	-	78,808
Derivatives held for trading	67,436	1,737,033	111,063	1,915,532
Derivatives held for hedging	-	110,430	-	110,430
Financial assets measured at fair value through other comprehensive income	10,514,315	26,156,539	1,332,718	38,003,572
Debt securities	9,542,948	25,700,686	-	35,243,634
Equity securities	971,367	66,031	1,332,718	2,370,116
Loans	-	389,822	-	389,822
	₩ 22,710,684	₩ 59,136,110	₩ 9,170,587	₩ 91,017,381
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ -	₩ -	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss	126	1,629,530	10,873,383	12,503,039
Derivatives held for trading	479,264	1,834,536	411,194	2,724,994
Derivatives held for hedging	-	176,253	-	176,253
	₩ 3,303,210	₩ 3,640,319	₩ 11,284,577	₩ 18,228,106

Valuation techniques and the inputs used in the fair value measurement classified as Level 2

Financial assets and liabilities measured at fair value classified as Level 2 in the statements of financial position as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss	₩ 31,476,070		
Due from financial institutions	165,242	DCF Model, One factor Hull-White Model,	Discount rate, Volatility and others
Debt securities	30,735,027	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Interest rate, Underlying asset price, Correlation coefficient, Discount rate, Volatility and others
Equity securities	336,389	DCF Model	Interest rate, Discount rate and others
Loans	239,412	DCF Model	Interest rate, Discount rate and others
Derivatives held for trading	2,398,831	DCF Model, FDM, Closed Form, Option Model, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Underlying asset Index, Discount rate, Volatility, Correlation coefficient, Interest rate, PD, Credit Spread, Foreign exchange rate, Stock price, Dividend rate and others
Derivatives held for hedging	182,075	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and Others
Financial assets measured at fair value through other comprehensive income	29,764,660		
Debt securities	29,320,282	DCF Model, Option model, Market value approach	Discount rate, Underlying asset Index, Volatility, and others
Equity securities	69,280	DCF Model, Black-Scholes Model	Discount rate, Underlying asset Index, Volatility, and others
Loans	375,098	DCF Model, Option Model	Discount rate, Underlying asset Index, Volatility, and others
	₩ 63,821,636		
Financial liabilities			
Financial liabilities at fair value through profit or loss	₩ 1,482,302	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of Underlying asset, interest rate, Discount rate, Dividend rate, Volatility and others
Derivatives held for trading	2,458,498	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Sholes Model, Hull and White Model, Option Model and others	Discount rate, Underlying asset Index, Volatility, Correlation coefficient, Interest rate, Stock price, Foreign exchange rate, Dividend rate, PD, Credit Spread, and others
Derivatives held for hedging	164,391	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others
	₩ 4,105,191		

(In millions of Korean won)

	2018		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss	₩ 31,132,108		
Due from financial institutions	332,976	One factor Hull-White Model, DCF Model	Discount rate, Volatility and others
Debt securities	29,879,850	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Interest rate, Underlying asset price, Discount rate, Volatility and others
Equity securities	178,309	DCF Model	Interest rate, Discount rate and others
Loans	740,973	DCF Model	Interest rate, Discount rate and others
Derivatives held for trading	1,737,033	DCF Model, FDM, Closed Form, Option Model, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Underlying asset Index, Discount rate, Volatility, Foreign exchange rate, Stock price, Dividend rate and others
Derivatives held for hedging	110,430	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and Others
Financial assets measured at fair value through other comprehensive income	26,156,539		
Debt securities	25,700,686	DCF Model, Option model, Market value approach	Discount rate, Underlying asset Index, Volatility, and others
Equity securities	66,031	DCF Model, Black-Scholes Model	Discount rate, Underlying asset Index, Volatility, and others
Loans	389,822	DCF Model	Discount rate
	₩ 59,136,110		
Financial liabilities			
Financial liabilities at fair value through profit or loss	1,629,530	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of Underlying asset, Discount rate, Dividend rate, Volatility
Derivatives held for trading	1,834,536	DCF Model, Closed Form, FDM and others	Discount rate, Price of Underlying asset, Volatility, Foreign exchange rate, Credit Spread, Stock price and others
Derivatives held for hedging	176,253	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others
	₩ 3,640,319		

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and due from financial institutions ¹	₩ 3,015,104	₩ 13,812,640	₩ 4,007,491	₩ 20,835,235
Loans at amortized cost	-	372,988	340,463,896	340,836,884
Securities at amortized cost	9,587,770	16,979,656	3,068	26,570,494
Other financial assets ²	-	-	9,147,059	9,147,059
	₩ 12,602,874	₩ 31,165,284	₩ 353,621,514	₩ 397,389,672
Financial liabilities				
Deposits ¹	₩ -	₩ 142,021,800	₩ 164,026,491	₩ 306,048,291
Debts ³	-	1,469,263	36,339,681	37,808,944
Debentures	-	46,969,992	4,588,756	51,558,748
Other financial liabilities ²	-	-	22,629,587	22,629,587
	₩ -	₩ 190,461,055	₩ 227,584,515	₩ 418,045,570

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair values.

² Other financial assets included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2019.

³ Debts of ₩ 4,685 million included in Level 2 is the carrying amounts which are reasonable approximation of fair values as of December 31, 2019.

(In millions of Korean won)

	2018			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and due from financial institutions ¹	₩ 3,338,863	₩ 14,632,352	₩ 2,300,046	₩ 20,271,261
Loans at amortized cost	-	493,773	319,510,071	320,003,844
Securities at amortized cost	8,629,708	15,529,429	-	24,159,137
Other financial assets ²	-	-	8,133,556	8,133,556
	₩ 11,968,571	₩ 30,655,554	₩ 329,943,673	₩ 372,567,798
Financial liabilities				
Deposits ¹	₩ -	₩ 127,265,703	₩ 150,157,491	₩ 277,423,194
Debts ³	-	1,114,900	31,913,305	33,028,205
Debentures	-	48,680,196	5,091,368	53,771,564
Other financial liabilities ²	-	-	19,833,885	19,833,885
	₩ -	₩ 177,060,799	₩ 206,996,049	₩ 384,056,848

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair values.

² Other financial assets of ₩ 8,133,556 million included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2018.

³ Debts of ₩ 38,403 million included in Level 2 is the carrying amounts which are reasonable approximation of fair values as of December 31, 2018.

⁴ Other financial liabilities of ₩ 19,250,252 million included in Level 3 is the carrying amounts which are reasonable approximations of fair values as of December 31, 2018.

Valuation techniques and the inputs used in the fair value measurement

Financial assets and liabilities whose carrying amount is a reasonable approximation of fair value are not subject to disclose valuation techniques and inputs.

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Loans at amortized cost	₩ 372,988	DCF Model	Discount rate
Securities at amortized cost	16,979,656	DCF Model, Monte Carlo Simulation	Discount rate, Interest rate
Financial liabilities			
Debts	1,464,578	DCF Model	Discount rate
Debentures	46,969,992	DCF Model	Discount rate

(In millions of Korean won)

	2018		
	Fair value	Valuation techniques	Inputs
Financial assets			
Loans at amortized cost	₩ 493,773	DCF Model	Discount rate
Securities at amortized cost	15,529,429	DCF Model	Discount rate
Financial liabilities			
Debts	1,076,497	DCF Model	Discount rate
Debentures	48,680,196	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 3 as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Fair value	Valuation techniques	Inputs
Financial assets			
Cash and due from financial institutions	₩4,007,491	DCF Model	Credit spread, Other spread, Interest rates
Loans at amortized cost	340,463,896	DCF Model	Credit spread, Other spread, Early termination ratio, Interest rates
Securities at amortized cost	3,068	DCF Model	Interest rates
	₩ 344,474,455		
Financial liabilities			
Deposits	₩164,026,491	DCF Model	Other spread, Interest rates, Early termination ratio
Debts	36,339,681	DCF Model	Other spread, Interest rates
Debentures	4,588,756	DCF Model	Other spread, Interest rates
	₩ 204,954,928		

(In millions of Korean won)

	2018		
	Fair value	Valuation techniques	Inputs
Financial assets			
Cash and due from financial institutions	₩ 2,300,046	DCF Model	Credit spread, Other spread, Interest rates
Loans at amortized cost	319,510,071	DCF Model	Credit spread, Other spread, Early termination ratio, Interest rates
	₩ 321,810,117		
Financial liabilities			
Deposits	₩ 150,157,491	DCF Model	Other spread, Interest rates, Early termination ratio
Debts	31,913,305	DCF Model	Other spread, Interest rates
Debentures	5,091,368	DCF Model	Other spread, Interest rates
Other Financial liabilities	583,633	DCF Model	Other spread, Interest rates
	₩ 187,745,797		

6.2 Level 3 of the Fair Value Hierarchy Disclosure

6.2.1 Valuation policy and process for fair value measurement categorized within Level 3

The Group uses external, independent and qualified third-party valuation service in addition to internal valuation models to determine the fair value of the Group's assets at the end of every reporting period.

Where a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

6.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable in market

Details of changes in Level 3 of the fair value hierarchy for year ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Financial assets at fair value through profit or loss			Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives financial instruments	
	Cash and due from financial institutions at fair value through profit or loss	Securities measured at fair value through profit or loss	Loans at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for fair value hedging	
Beginning	₩ 48,743	₩ 7,464,860	₩ 213,203	₩ 1,332,718	₩ (10,873,383)	₩ (300,131)	₩ -	
Total gains or losses								
- Profit or loss	1,207	(66,208)	10,412	-	(1,285,157)	851,453	-	
- Other comprehensive income	1,175	111,826	-	55,993	(25,538)	-	-	
Purchases	-	4,544,254	154,005	95,359	-	-	-	
Sales	-	(2,139,174)	(189,487)	(1,672)	-	(163,856)	-	
Issues	-	-	-	-	(12,416,402)	(59,202)	-	
Settlements	-	-	-	-	13,378,448	(1,316)	-	
Transfers into Level 3 ¹	-	851,457	-	-	-	(16,982)	-	
Transfers out of Level 3 ¹	-	(110,973)	-	-	-	-	-	
Ending	₩ 51,125	₩ 10,656,042	₩ 188,133	₩ 1,482,398	₩ (11,222,032)	₩ 309,966	₩ -	

¹ The changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

(In millions of Korean won)

	2018							
	Financial assets at fair value through profit or loss			Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives financial instruments	
	Cash and due from financial institutions at fair value through profit or loss	Securities measured at fair value through profit or loss	Loans at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for fair value hedging	
Beginning ²	₩ 48,243	₩ 6,106,716	₩ 133,309	₩ 1,187,217	₩ (8,687,892)	₩ 96,354	₩ 705	
Total gains or losses								
- Profit or loss	537	178,569	4,367	-	27,583	(247,194)	(116)	
- Other comprehensive income	(37)	60,624	-	142,415	(8,597)	-	-	
Purchases	-	3,011,701	184,655	83,566	-	7,706	-	
Sales	-	(1,855,118)	(109,128)	(80,480)	-	(90,270)	-	
Issues	-	-	-	-	(11,090,504)	(76,519)	-	
Settlements	-	-	-	-	8,886,027	12,803	(589)	
Transfers into Level 3 ¹	-	2,103	-	-	-	(3,011)	-	
Transfers out of Level 3 ¹	-	(39,735)	-	-	-	-	-	
Ending	₩ 48,743	₩ 7,464,860	₩ 213,203	₩ 1,332,718	₩ (10,873,383)	₩ (300,131)	₩ -	

¹ The changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

² Restated based on Korean IFRS 1109.

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Net income (loss) from financial investments at fair value through profit or loss	Other operating loss	Net interest income
Total gains or losses included in profit or loss for the year	₩ (489,703)	₩ 1,388	₩ 22
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	(37,668)	1,331	-

(In millions of Korean won)

	2018		
	Net income (loss) from financial investments at fair value through profit or loss	Other operating loss	Net interest income
Total gains or losses included in profit or loss for the year	₩ (36,466)	₩ (405)	₩ 617
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	144,674	(289)	43

6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	December 31, 2019				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Cash and due from financial institutions	₩ 51,125	Option Model	Volatility of the underlying asset	11.43~34.39	The higher the volatility, the higher the fair value fluctuation
			Correlation	-4.84	The higher the correlation, the higher the fair value fluctuation
Debt securities	10,132,766	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull-White Model, Black-Scholes Model, Option Model, Tree Model, Net Asset Value, Income approach, Market approach and others	Growth rate	-1.00~1.00	The higher the growth rate, the higher the fair value
			Volatility of underlying assets	1.00~48.00	The higher the volatility, the higher the fair value change
			Discount rate	0.75~17.37	The lower the discount rate, the higher the fair value
			Recovery rate	-1.00~1.00	The higher the recovery rate, the higher the fair value
			Correlation between underlying asset	3.11~95.67	The higher the correlation coefficient, the higher the fair value change.
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
			Volatility of real estate price	-1.00~1.00	The higher the price of real estate, the higher the fair value

(In millions of Korean won)

	December 31, 2019				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Equity securities	523,276	Income approach, Market approach, Asset value approach, DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Usage of past transactions, Binomial Model and others	Growth rate	0.00~2.20	The higher the growth rate, the higher the fair value
			Discount rate	2.00~22.00	The lower the discount rate, the higher the fair value
			Liquidation value	-1.00~1.00	The higher the liquidation value, the higher the fair value
			Volatility	11.90	The higher the volatility, the higher the fair value fluctuation
Loans	188,133	Binomial Model, DCF Model	Volatility of the stock price	12.91~48.28	The higher the volatility, the higher the fair value fluctuation
			Discount rate	10.81	The lower the discount rate, the higher the fair value
Derivatives held for trading					
Stock and index	416,486	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Binomial Model	Volatility of the underlying asset	9.75~52.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	4.00~77.00	The higher the correlation, the higher the fair value fluctuation
Currency, interest rate and others	120,298	DCF Model, Hull-White Model	Volatility	2.00~58.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-49.00~90.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Financial assets measured at fair value through other comprehensive income					
Equity securities	1,482,398	Adjusted discount rate method, IMV Model, DCF Model, Comparable Company Analysis, Dividend discount model, Option Model, Net asset value method, Market approach, One Factor Hull-White Model and others	Growth rate	0.00~2.20	The higher the growth rate, the higher the fair value
			Discount rate	3.04~16.37	The lower the discount rate, the higher the fair value
			Volatility	20.97~34.87	The higher the volatility, the higher the fair value fluctuation
	₩ 12,914,482				
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩11,222,032	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Volatility of the underlying asset	1.00~58.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-49.00~90.00	The higher the absolute value of correlation, the higher the fair value fluctuation

(In millions of Korean won)

	December 31, 2019				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Stock and index	54,341	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility	12.00~52.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	9.00~77.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Others	172,477	Monte Carlo Simulation, Hull and White Model, DCF Model, Closed form formula	Volatility	2.00~58.00	The higher the volatility, the higher the fair value fluctuation
			Volatility of the stock price	16.28	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.52	The higher the volatility, the higher the fair value fluctuation
			Discount rate	1.94~2.00	The lower the discount rate, the higher the fair value
			Correlation between underlying asset	19.00~90.00	The higher the absolute value of correlation, the higher the fair value fluctuation
	₩11,448,850				

(In millions of Korean won)

	December 31, 2018				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Cash and due from financial institutions	₩ 48,743	Option Model	Volatility of the underlying asset	11.25~31.28	The higher the volatility, the higher the fair value fluctuation
			Correlation	8.79	The higher the correlation, the higher the fair value fluctuation
Debt securities	7,093,315	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull-White Model, Black-Scholes Model, Option Model, Tree Model, Net Asset Value, Income approach, Market approach and others	Growth rate	0.29~2.20	The higher the growth rate, the higher the fair value
			Volatility of the underlying asset	11.25~41.00	The higher the sale price, the higher the fair value
			Volatility of real estate price	-1.00~1.00	The higher the price of real estate, the higher the fair value
			Discount rate	1.19~11.30	The lower the discount rate, the higher the fair value
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Correlation between underlying asset	18.16~88.46	The higher the absolute value of correlation, the higher the fair value fluctuation

(In millions of Korean won)

December 31, 2018					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Equity securities	371,545	Income approach, Market approach, Asset value approach, DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Usage of past transactions, Tree Model and others	Growth rate	0~2.20	The higher the growth rate, the higher the fair value
			Discount rate	1.19~21.96	The lower the discount rate, the higher the fair value
			Liquidation value	-1.00~1.00	The higher the liquidation value, the higher the fair value
			Volatility	11.25~39.94	The higher the volatility, the higher the fair value fluctuation
			Correlation	77.62~79.78	The higher the correlation, the higher the fair value fluctuation
			Recovery rate	40	The higher the recovery rate, the higher the fair value
Loans	213,203	Tree Model	Volatility of the stock price	13.11~49.28	The higher the volatility, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	50,824	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility of the underlying asset	14,00~50,00	The higher the correlation, the higher the fair value fluctuation
			Correlation between underlying asset	8.74~68.77	The higher the correlation, the higher the fair value fluctuation
Currency, interest rate and others	60,239	DCF Model, Hull and White Model, Monte Carlo Simulation, Tree Model	Loss given default	100.00	The higher the loss given default, the lower the fair value
			Volatility	1.00~36.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-46.89~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation
Financial assets measured at fair value through other comprehensive income					
Equity securities	1,332,718	Adjusted discount rate method, IMV Model, DCF Model, Comparable Company Analysis, Dividend discount model, Option Model, Net asset value method, Market approach, One Factor Hull-White Model and others	Growth rate	0~2.20	The higher the growth rate, the higher the fair value
			Discount rate	7.05~16.30	The lower the discount rate, the higher the fair value
			Volatility	17.62~25.14	The higher the volatility, the higher the fair value fluctuation
	W 9,170,587				
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	10,873,383	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Volatility of the underlying asset	1.00~115.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-49.00~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation

(In millions of Korean won)

December 31, 2018					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Derivatives held for trading					
Stock and index	240,817	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility	2.00~54.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	4.27~70.17	The higher the absolute value of correlation, the higher the fair value fluctuation
Others	170,377	Monte Carlo Simulation, Hull and White Model, DCF Model, Closed form formula	Volatility	1.00~115.00	The higher the volatility, the higher the fair value fluctuation
			Volatility of the stock price	20.85	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.69	The higher the volatility, the higher the fair value fluctuation
			Discount rate	2.19~2.26	The higher the discount rate, the lower the fair value
			Correlation between underlying asset	-49.00~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation
	₩ 11,284,577				

Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable Level 3 financial instruments subject to sensitivity analysis are (i) equity-related derivatives, currency-related derivatives and interest rate related derivatives whose fair value changes are recognized in profit or loss, (ii) financial liabilities designated at fair value through profit or loss, and (iii) due from financial institutions, debt securities, equity securities and loan receivables whose fair value changes are recognized in profit or loss or other comprehensive income. If overlay approach is applied in accordance with Korean IFRS 1104, changes in fair value of financial assets at fair value through profit or loss are recognized as other comprehensive income.

The results of the sensitivity analysis from changes in inputs are as follows:

(In millions of Korean won)

	2019			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹				
Due from financial institutions	₩ 3	₩ (3)	₩ 2	₩ (2)
Debt securities ⁴	30,771	(27,062)	2,341	(2,276)
Equity securities ³	24,456	(10,251)	1,110	(824)
Loans	6,362	(4,344)	-	-
Derivatives held for trading ²	25,830	(29,317)	-	-
Financial assets measured at fair value through other comprehensive income				
Equity securities ³	-	-	214,268	(110,687)
	₩ 87,422	₩ (70,977)	₩ 217,721	₩ (113,789)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹				
Derivatives held for trading ²	₩ 49,730	₩ (44,136)	₩ -	₩ -
	14,638	(13,572)	-	-
	₩ 64,368	₩ (57,708)	₩ -	₩ -

¹ For financial instruments at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such as volatility of the underlying asset or correlation between underlying asset by $\pm 10\%$.

² For Derivatives financial instruments, the changes in fair value are calculated by shifting principal unobservable input parameters: such as, price of underlying asset, volatility of stock price, interest rate by $\pm 10\%$ and the loss given default ratio, discount rate by $\pm 1\%$

³ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters: such as, correlation between growth rate (0~2.2%) and discount rate.

⁴ Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estates, the changes in fair value are calculated by shifting correlation between discount rate (-1~1%) and volatilities of real estate price (-1~1%).

(In millions of Korean won)

	2018			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹				
Due from financial institutions	₩ 4	₩ (2)	₩ 32	₩ (47)
Debt securities ⁴	20,261	(17,885)	2,183	(2,097)
Equity securities ³	14,241	(10,162)	848	(656)
Loans	129	(46)	-	-
Derivatives held for trading ²	27,639	(26,155)	-	-
Financial assets measured at fair value through other comprehensive income				
Equity securities ³	-	-	162,563	(86,094)
	₩ 62,274	₩ (54,250)	₩ 165,626	₩ (88,894)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹				
Derivatives held for trading ²	₩ 146,135	₩ (157,361)	₩ -	₩ -
	₩ 112,827	(105,875)	-	-
	₩ 258,962	₩ (263,236)	₩ -	₩ -

¹ For financial instruments at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such as volatility of the underlying asset or correlation between underlying asset by $\pm 10\%$.

² For Derivatives financial instruments, the changes in fair value are calculated by shifting principal unobservable input parameters: such as, price of underlying asset, volatility of stock price, interest rate by $\pm 10\%$ and the loss given default ratio, discount rate by $\pm 1\%$

³ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters: such as, correlation between growth rate (0~2.2%) and discount rate, or liquidation value (-1~1%) and discount rate.

⁴ Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estates, the changes in fair value are calculated by shifting correlation between discount rate (-1~1%) and volatilities of real estate price (-1~1%).

6.2.4 Day one gain or loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is deferred and not recognized in profit or loss, and is amortized by using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

The aggregate difference yet to be recognized in profit or loss at the beginning and end of the year and a reconciliation of changes in the balance of this difference for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	₩		₩	
Balance at the beginning of the year	₩	62,155	₩	22,814
New transactions and others		168,225		131,504
Changes during the year		(184,613)		(92,163)
Balance at the end of the year	₩	45,767	₩	62,155

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. The measurement methodology by categories of financial instruments is addressed at Note 3.

The carrying amounts of financial assets and liabilities by category as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2019					
	Financial instruments at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	₩ -	₩ -	₩ -	₩ 20,837,878	₩ -	₩20,837,878
Financial assets at fair value through profit or loss	53,549,086	-	-	-	-	53,549,086
Derivatives	3,008,598	-	-	-	182,075	3,190,673
Loans at amortized cost	-	-	-	339,684,059	-	339,684,059
Financial investments	-	43,931,946	2,504,105	25,346,555	-	71,782,606
Other financial assets	-	-	-	9,147,059	-	9,147,059
	₩56,557,684	₩43,931,946	₩2,504,105	₩395,015,551	₩182,075	₩498,191,361

(In millions of Korean won)

	2019				
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 2,663,327	₩ 12,704,826	₩ -	₩ -	₩ 15,368,153
Derivatives	2,842,950	-	-	164,391	3,007,341
Deposits	-	-	305,592,771	-	305,592,771
Debts	-	-	37,818,860	-	37,818,860
Debentures	-	-	50,935,583	-	50,935,583
Other financial liabilities	-	-	22,629,587	-	22,629,587
	₩ 5,506,277	₩ 12,704,826	₩ 416,976,801	₩ 164,391	₩ 435,352,295

(In millions of Korean won)

	2018					
	Financial instruments at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial assets						
Cash and due from financial institutions	₩ -	₩ -	₩ -	₩ 20,274,490	₩ -	₩ 20,274,490
Financial assets at fair value through profit or loss	50,987,847	-	-	-	-	50,987,847
Derivatives	1,915,532	-	-	-	110,430	2,025,962
Loans at amortized cost	-	-	-	319,201,603	-	319,201,603
Financial investments	-	35,633,456	2,370,116	23,661,522	-	61,665,094
Other financial assets	-	-	-	8,133,556	-	8,133,556
	₩ 52,903,379	₩ 35,633,456	₩ 2,370,116	₩ 371,271,171	₩ 110,430	₩ 462,288,552

(In millions of Korean won)

	2018				
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ 12,503,039	₩ -	₩ -	₩ 15,326,859
Derivatives	2,724,994	-	-	176,253	2,901,247
Deposits	-	-	276,770,449	-	276,770,449
Debts	-	-	33,004,834	-	33,004,834
Debentures	-	-	53,278,697	-	53,278,697
Other financial liabilities	-	-	19,828,307	-	19,828,307
	₩ 5,548,814	₩ 12,503,039	₩ 382,882,287	₩ 176,253	₩ 401,110,393

6.4 Transfer of Financial Assets

Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets that are derecognized in their entirety to SPEs (special purpose entity), while the maximum exposure to loss (carrying amount) from its continuing involvement in the derecognized financial assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in the statement of financial position	Fair value of continuing involvement
Discovery ABS Second Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	₩ 5,596	₩ 5,596
FK1411 Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	5,428	5,428
AP 3B ABS Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	3,205	3,205
AP 4D ABS Ltd. ¹	Subordinated debt	Financial assets at fair value through profit or loss	6,175	6,175
			₩ 20,404	₩ 20,404

(In millions of Korean won)

	2018			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in the statement of financial position	Fair value of continuing involvement
Discovery ABS Second Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	₩ 6,205	₩ 6,205
FK1411 Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	8,883	8,883
AP 3B ABS Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	5,512	5,512
AP 4D ABS Ltd. ¹	Subordinated debt	Financial assets at fair value through profit or loss	13,494	13,494
			₩ 34,094	₩ 34,094

¹ Other than above, additionally recovered portion in excess of the consideration paid attributable to adjustments based on the agreement with the National Happiness Fund for non-performing loans amounts to ₩ 13,731 million as at December 31, 2018.

Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The senior debentures and related securitized assets as of December 31, 2019, are as follows:

(In millions of Korean won)

	2019							
	Carrying amount of underlying assets		Fair value of underlying assets		Carrying amount of senior debentures		Fair value of senior debentures	
KB Kookmin Card Third Securitization Co., Ltd. ¹	₩	601,659	₩	592,358	₩	351,207	₩	342,204
KB Kookmin Card Fourth Securitization Co., Ltd. ¹		560,903		552,216		347,387		340,820
KB Kookmin Card Fifth Securitization Co., Ltd. ¹		542,861		534,630		299,795		304,835
KB Kookmin Card Sixth Securitization Co., Ltd. ¹		795,884		784,080		461,909		469,600
	₩	2,501,307	₩	2,463,284	₩	1,460,298	₩	1,457,459

¹ The Group has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the solvency margin ratio (minimum rate: 104.5%) of the beneficiary interest in the trust. To avoid such early redemption, the Group entrusts accounts and deposits in addition to the previously entrusted card accounts.

The Group transferred held in the previous year the beneficiary certificates to Yuanta Securities at ₩ 74,853 million and entered into a total return swap contract. If the fair value of the transferred asset changes, the risk is attributed to the company in accordance with the contract.

Securities under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to repurchase agreements and securities lending transactions on the statements of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. A financial asset is sold under a repurchase agreement to repurchase the same asset at a fixed price, or loaned under a securities lending agreement to be returned as the same asset. Thus, the Group retains substantially all the risks and rewards of ownership of the financial asset. The amounts of transferred assets and related liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements ¹	₩ 9,292,858	₩ 8,884,847
Loaned securities		
Government bond	2,259,096	-
Stock	25,725	-
	₩ 11,577,679	₩ 8,884,847

(In millions of Korean won)

	2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements ¹	₩ 9,176,947	₩ 8,784,896
Loaned securities		
Government bond	1,160,362	-
Stock	58,171	-
	₩ 10,395,480	₩ 8,784,896

¹ The bond sold under repurchase agreements amounts to ₩ 4,126,274 million and ₩ 3,162,000 million as of December 31, 2019 and 2018, respectively.

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar arrangements with the Group's derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's reverse repurchase, securities and others. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic uncollected receivables balances and domestic accrued liabilities balances are shown in its net settlement balance in the consolidated statement of financial position.

Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2019 and 2018, are as follows:

	2019					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 3,043,757	₩ -	₩ 3,043,757	₩ (2,122,160)	₩ (288,040)	₩ 815,632
Derivatives held for hedging	182,075	-	182,075			
Payable spot exchange	3,051,390	-	3,051,390	(3,050,116)	-	1,274
Repurchase agreements	6,507,646	-	6,507,646	(6,507,046)	-	600
Domestic exchange settlement credits	31,344,009	(30,794,160)	549,849	-	-	549,849
Other financial instruments	1,043,320	(1,022,977)	20,343	(2,492)	-	17,851
	₩ 45,172,197	₩ (31,817,137)	₩ 13,355,060	₩ (11,681,814)	₩ (288,040)	₩ 1,385,206

	2018					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 1,893,335	₩ -	₩ 1,893,335	₩ (1,511,752)	₩ (5,101)	₩ 486,912
Derivatives held for hedging	110,430	-	110,430			
Payable spot exchange	2,222,164	-	2,222,164	(2,213,967)	-	8,197
Repurchase agreements	3,411,700	-	3,411,700	(3,332,700)	-	79,000
Domestic exchange settlement credits	27,723,990	(26,992,637)	731,353	-	-	731,353
Other financial instruments	1,157,569	(1,103,015)	54,554	(3,932)	-	50,622
	₩ 36,519,188	₩ (28,095,652)	₩ 8,423,536	₩ (7,062,351)	₩ (5,101)	₩ 1,356,084

Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2019 and 2018, are as follows:

	2019					
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 2,936,638	₩ -	₩ 2,936,638	₩ (2,182,243)	₩ (92,565)	₩ 826,221
Derivatives held for hedging	164,391	-	164,391		-	
Payable spot exchange	3,050,982	-	3,050,982	(3,034,679)	-	16,303
Repurchase agreements ¹	13,011,121	-	13,011,121	(13,000,321)	-	10,800
Securities borrowing agreements	2,583,092	-	2,583,092	(2,583,092)	-	-
Domestic exchange settlement credits	32,867,423	(30,794,160)	2,073,263	(2,073,263)	-	-
Other financial instruments	1,156,345	(1,022,977)	133,368	(2,492)	-	130,876
	₩ 55,769,992	₩ (31,817,137)	₩ 23,952,855	₩ (22,876,090)	₩ (92,565)	₩ 984,200

(In millions of Korean won)

	2018					
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral	
Derivatives held for trading and derivatives linked securities	₩ 2,557,169	₩ -	₩ 2,557,169	₩ (1,965,456)	₩ (47,746)	₩ 720,220
Derivatives held for hedging	176,253	-	176,253			
Payable spot exchange	2,219,980	-	2,219,980	(2,208,302)	-	11,678
Repurchase agreements ¹	11,946,896	-	11,946,896	(11,862,096)	-	84,800
Securities borrowing agreements	2,745,906	-	2,745,906	(2,745,906)	-	-
Domestic exchange settlement credits	28,672,551	(26,992,637)	1,679,914	(1,679,914)	-	-
Other financial instruments	1,151,697	(1,103,015)	48,682	(3,932)	-	44,750
	₩ 49,470,452	₩ (28,095,652)	₩ 21,374,800	₩ (20,465,606)	₩ (47,746)	₩ 861,448

¹ Includes repurchase agreements sold to customers.

7. Due from Financial Institutions at Amortized Cost

Details of due from financial institutions as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate(%)	2019	2018
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	-	₩ 8,117,840	₩ 8,723,761
	Due from banking institutions	KEB Hana Bank and others	0.00~2.75	4,641,714	3,245,841
	Due from others	Korea Securities Finance Corporation and others	0.00~1.23	654,981	1,132,908
				13,414,535	13,102,510
Due from financial institutions in foreign currencies	Due from banking institutions	Bank of Korea and others	0.00~0.50	2,351,929	1,734,660
	Time deposits	INDUSTRIAL BANK CHANGSHA BR. and others	0.00~7.80	1,053,776	1,001,600
	Due from others	Morgan Stanley Bank International and others	0.00~8.00	1,327,432	1,379,537
				4,733,137	4,115,797
				₩ 18,147,672	₩ 17,218,307

¹ Before netting of allowance.

Restricted cash from financial institutions as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		Financial Institutions	December 31, 2019	December 31, 2018	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 8,117,840	₩ 8,723,761	Bank of Korea Act
	Due from banking institutions	NH Investment Securities and others	3,027,963	1,348,099	Net settlement and others
	Due from others	Korea Securities Finance Corporation and others	555,294	655,194	Derivatives margin account and others
			₩ 11,701,097	₩ 10,727,054	
Due from financial institutions in foreign currencies	Due from banking institutions	Bank of Korea and others	490,071	375,130	Bank of Korea Act and others
	Time deposits	ICBC NEW YORK and others	31,443	30,538	Bank Act of the State of New York and others
	Due from others	Morgan Stanley Bank International and others	1,150,355	1,214,905	Derivatives margin account and others
			1,671,869	1,620,573	
			₩ 13,372,966	₩ 12,347,627	

¹ Before netting of allowance.

Changes in the allowances for due from financial institutions losses

Changes in the allowances for due from financial institutions losses for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	2019			
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		
		Non-impaired	Impaired	
Beginning	₩ 2,019	₩ -	₩ -	-
Transfer between stages				
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Impairment	-	-	-	-
Disposal	-	-	-	-
Provision for loan losses	1,116	1,210		360
Others (change of currency ratio, etc.)	29	(22)		-
Ending	₩ 3,164	₩ 1,188	₩ -	360

(In millions of Korean won)

	2018			
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		
		Non-impaired	Impaired	
Beginning ¹	₩ 1,797	₩ -	₩ -	-
Transfer between stages				
Transfer to 12-month expected credit losses	-	-	-	-
Transfer to lifetime expected credit losses	-	-	-	-
Impairment	-	-	-	-
Disposal	-	-	-	-
Provision for loan losses	221	-		-
Others (change of currency ratio, etc.)	1	-		-
Ending	₩ 2,019	₩ -	₩ -	-

¹ Restated based on Korean IFRS 1109.

8. Assets Pledged as Collateral

Details of assets pledged as collateral as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	2019	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 3,752,497	Borrowings from Bank and others
Financial assets measured at fair value through profit or loss	Korea Securities Depository and others	7,561,287	Repurchase agreements
	Korea Securities Depository and others	7,745,154	Securities borrowing transactions
	Samsung Futures Inc. and others	1,090,495	Derivatives transactions
		₩ 16,396,936	

(In millions of Korean won)

Assets pledged	Pledgee	2019	
		Carrying amount	Reason of pledge
Financial assets measured at fair value through other comprehensive income	Korea Securities Depository and others	1,139,852	Repurchase agreements
	Korea Securities Depository and others	1,168,515	Securities borrowing transactions
	Bank of Korea	1,212,021	Borrowings from Bank of Korea
	Bank of Korea	653,825	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	167,600	Derivatives transactions
		4,341,813	
Securities at amortized cost	Korea Securities Depository and others	581,268	Repurchase agreements
	Bank of Korea	1,767,559	Borrowings from Bank of Korea
	Bank of Korea	3,077,151	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	247,301	Derivatives transactions
	Others	494,785	Others
		6,168,064	
Mortgage loans	Others	6,487,022	Covered bond
Real estate	NATIXIS REAL ESTATE CAPITAL LLC and others	1,665,368	Borrowings from bank and others
		₩ 38,811,700	

(In millions of Korean won)

Assets pledged	Pledgee	2018	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 1,884,068	Borrowings from Bank and others
Financial assets measured at fair value through profit or loss	Korea Securities Depository and others	7,676,111	Repurchase agreements
	Korea Securities Depository and others	9,303,600	Securities borrowing transactions
	Samsung Futures Inc. and others	1,503,088	Derivatives transactions
		18,482,799	
Financial assets measured at fair value through other comprehensive income	Korea Securities Depository and others	1,258,694	Repurchase agreements
	Korea Securities Depository and others	1,001,259	Securities borrowing transactions
	Bank of Korea	49,948	Borrowings from Bank of Korea
	Bank of Korea	479,784	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	395,221	Derivatives transactions
		3,184,906	
Securities at amortized cost	Korea Securities Depository and others	276,688	Repurchase agreements
	Bank of Korea	1,911,160	Borrowings from Bank of Korea
	Bank of Korea	1,474,529	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	162,184	Derivatives transactions
	Others	350,292	Others
		4,174,853	
Mortgage loans	Others	4,060,863	Covered bond
Real estate	NATIXIS REAL ESTATE CAPITAL LLC and others	801,944	Borrowings from bank and others
		₩ 32,589,433	

The Group provides ₩ 7,320,220 million and ₩ 6,472,993 million of its borrowing securities and securities held as collateral with Korea Securities Finance Corporation and others as of December 31, 2019 and 2018.

The fair values of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 6,726,632	₩ -	₩ 6,726,632

(In millions of Korean won)

	2018		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 3,547,179	₩ -	₩ 3,547,179

9. Derivative Financial Instruments and Hedge Accounting

The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. The Group also engages in derivative trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Group's own assets and liabilities. In addition, the Group engages in proprietary trading of derivatives within the Group's regulated open position limits.

The Group provides and trades a range of derivatives products, including:

- Interest rate swaps, relating to interest rate risks in Korean won
- Cross-currency swaps, forwards and options relating to foreign exchange rate risks,
- Stock price index options linked with the KOSPI index.

In particular, the Group applies fair value hedge accounting using cross currency swaps, interest rate swaps and others to hedge the risk of changes in fair values due to the changes in interest rates and foreign exchange rates of structured debts in Korean won, financial debentures in foreign currencies, structured deposits in Korean won, and structured deposits in foreign currencies. In addition, the Group applies net investment hedge accounting by designating financial debentures in foreign currencies as hedging instruments to hedge foreign exchange risks on net investments in foreign operations.

Details of derivative financial instruments held for trading as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			2018		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate						
Forwards	₩ 570,000	₩ 206	₩ 84,126	₩ 570,000	₩ -	₩ 55,056
Futures ¹	2,951,770	698	235	4,269,407	1,124	3,852
Swaps	270,091,778	512,145	557,511	219,558,592	421,591	471,915
Options	17,521,156	267,697	379,262	16,937,362	159,218	276,392
	291,134,704	780,746	1,021,134	241,335,361	581,933	807,215
Currency						
Forwards	87,373,417	942,632	750,380	74,189,998	622,745	548,127
Futures ¹	107,793	-	349	602,805	37	240
Swaps	46,501,399	606,464	610,275	36,073,995	470,499	452,390
Options	2,789,562	5,438	14,346	2,449,469	6,071	13,602
	136,772,171	1,554,534	1,375,350	113,316,267	1,099,352	1,014,359
Stock and index						
Futures ¹	1,646,785	22,451	20,704	1,155,861	4,902	10,820
Swaps	6,773,467	448,803	86,100	8,190,648	82,803	321,135
Options	5,559,865	99,013	176,141	5,442,775	70,740	464,226
	13,980,117	570,267	282,945	14,789,284	158,445	796,181
Credit						
Swaps	4,433,960	19,178	13,659	4,300,208	32,711	25,047
	4,433,960	19,178	13,659	4,300,208	32,711	25,047
Commodity						
Futures ¹	3,281	68	3	5,807	150	128
Swaps	105,658	2,948	474	140,382	2,202	3,199
	108,939	3,016	477	146,189	2,352	3,327
Other	3,160,013	80,857	149,385	2,361,827	40,739	78,865
	₩ 449,589,904	₩ 3,008,598	₩ 2,842,950	₩ 376,249,136	₩ 1,915,532	₩ 2,724,994

¹ Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.

Average price or rate of the nominal cash flow for each type of hedge accounting as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						Total
	1 year	2 year	3 year	4 year	5 year	More than 5 years	
Fair value hedges							
The nominal of the hedging instrument	2,649,272	1,807,950	897,562	309,882	466,053	1,414,570	7,545,289
Average rate (%)	2.29	2.70	2.29	3.16	2.50	3.92	2.91
Average price (USD/KRW)	1,149.90	1,138.82	1,094.35	-	-	-	1,146.84
Average price (EUR/KRW)	1,319.66	1,346.38	-	-	-	-	1,327.68
Average price (AUD/KRW)	803.71	-	-	-	-	-	803.71
Cash flow hedge							
The nominal of the hedging instrument	2,450,918	1,199,124	1,764,991	529,202	120,000	150,000	6,214,235
Average rate (%)	2.64	2.56	2.66	2.79	2.00	1.67	2.59
Average price (USD/KRW)	1,129.58	1,111.66	1,153.15	1,095.73	-	-	1,132.99
Average price (EUR/KRW)	1,305.22	1,306.76	1,312.75	-	-	-	1,306.91
Average price (AUD/KRW)	-	837	-	-	-	-	837
Average price (SGD/KRW)	815.80	831.49	-	-	-	-	823.54
Hedge of net investments in a foreign operations							
The nominal of the hedging instrument	248,233	-	27,336	-	-	-	275,569
Average price (USD/KRW)	1,151.49	-	-	-	-	-	1,151.49
Average price (GBP/KRW)	-	-	1,465.26	-	-	-	1,465.26

(In millions of Korean won)

	2018						Total
	1 year	2 year	3 year	4 year	5 year	More than 5 years	
Fair value hedges							
The nominal of the hedging instrument	1,371,901	728,308	1,372,040	567,030	195,392	1,308,602	5,543,273
Average rate (%)	2.21	2.26	2.65	2.23	3.25	3.66	2.80
Average price (USD/KRW)	1,094.95	-	1,063.84	-	-	-	1,094.53
Average price (EUR/KRW)	1,319.66	1,331.65	-	-	-	-	1,322.81
Average price (AUD/KRW)	-	-	-	-	-	-	-
Cash flow hedge							
The nominal of the hedging instrument	2,641,861	1,403,129	902,911	919,258	525,629	50,000	6,442,788
Average rate (%)	2.70	2.94	2.36	2.70	2.79	2.53	2.73
Average price (USD/KRW)	1,103.25	1,129.90	1,110.49	1,087.84	1,095.73	-	1,111.63
Average price (EUR/KRW)	-	1,305.59	1,306.76	1,312.75	-	-	1,306.99
Average price (AUD/KRW)	-	-	837.00	-	-	-	837.00
Average price (SGD/KRW)	-	815.80	831.49	-	-	-	823.54
Hedge of net investments in a foreign operations							
The nominal of the hedging instrument	528,025	2,942	-	-	-	-	530,967
Average price (USD/KRW)	1,120.33	-	-	-	-	-	1,120.33
Average price (EUR/KRW)	1,348.19	1,295.40	-	-	-	-	1,335.88

Fair Value Hedge

Details of derivative instruments designated as fair value hedge as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019					
		Carrying amount		Accumulated adjusted amount		Changes in the fair value	
		Assets	Liabilities	Assets	Liabilities		
Hedge accounting							
Interest rate	Debt securities in KRW	₩ 549,526	₩ -	₩ 5,485	₩ -	₩ 5,502	
	Debt securities in foreign currencies	1,670,838	-	19,243	-	25,540	
	Deposits in foreign currencies	-	780,491	-	(18,391)	(62,439)	
	Debts in KRW	-	351,070	-	21,070	(1,818)	
	Debts in foreign currencies	-	2,067,556	-	41,406	(65,480)	
		2,220,364	3,199,117	24,728	44,085	(98,695)	
Currency	Debt securities in foreign currencies	2,339,239	-	24,181	-	61,133	
		2,339,239	-	24,181	-	61,133	
		₩ 4,559,603	₩ 3,199,117	₩ 48,909	₩ 44,085	₩ (37,562)	

(In millions of Korean won)

		2018					
		Carrying amount		Accumulated adjusted amount		Changes in the fair value	
		Assets	Liabilities	Assets	Liabilities		
Hedge accounting							
Interest rate	Debt securities in KRW	₩ 465,213	₩ -	₩ 1,214	₩ -	₩ 6,001	
	Debt securities in foreign currencies	702,727	-	(9,790)	-	(1,233)	
	Deposits in foreign currencies	-	805,215	-	(89,265)	38,232	
	Debts in KRW	-	349,252	-	19,252	(2,308)	
	Debts in foreign currencies	-	1,429,457	-	(24,073)	(1,868)	
		1,167,940	2,583,924	(8,576)	(94,086)	38,824	
Currency	Debt securities in foreign currencies	1,845,253	-	(75,255)	-	86,209	
		1,845,253	-	(75,255)	-	86,209	
		₩ 3,013,193	₩ 2,583,924	₩ (83,831)	₩ (94,086)	₩ 125,033	

Details of derivative instruments designated as fair value hedge as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019			
		National amount	Assets	Liabilities	Changes in the fair value ¹
Interest rate	Swaps	₩ 5,326,500	₩ 129,085	₩ 29,676	₩ 101,448
	Currency				
Forwards		2,218,789	22,503	27,862	(74,372)
		₩ 7,545,289	₩ 151,588	₩ 57,538	₩ 27,076

(In millions of Korean won)

		2018			
		National amount	Assets	Liabilities	Changes in the fair value
Interest rate	Swaps	₩ 3,845,555	₩ 58,933	₩ 88,017	₩ (37,638)
	Currency				
Forwards		1,697,718	5,923	32,565	(106,903)
		₩ 5,543,273	₩ 64,856	₩ 120,582	₩ (144,541)

Details of hedge ineffectiveness recognized in profit or loss from derivatives for the year ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Hedge ineffectiveness recognized in profit or loss			
	2019		2018	
From hedge accounting				
Interest rate	₩	2,753	₩	1,186
Currency rate		(13,239)		(20,694)
	₩	(10,486)	₩	(19,508)

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Gains (losses) on hedging instruments	₩	34,070	₩
Gains (losses) on the hedged items attributable to the hedged risk		(44,655)		135,556
	₩	(10,585)	₩	(24,860)

Cash Flow Hedge

Details of hedged item in cash flow hedge as of December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019			
	Changes in fair value		Other comprehensive income for cash flow hedge	
Hedge accounting				
Interest rate risk	₩	25,671	₩	15,670
Foreign currency change risk		42,357		(11,663)
	₩	68,028	₩	(27,333)

(In millions of Korean won)

	2018			
	Changes in fair value		Other comprehensive income for cash flow hedge	
Hedge accounting				
Interest rate risk	₩	5,971	₩	4,686
Foreign currency change risk		18,650		1,163
	₩	24,621	₩	5,849

Details of derivative instruments designated as cash flow hedge as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	National amount		Assets		Liabilities		Changes in the fair value	
Interest rate								
Swaps	₩	3,600,334	₩	3,698	₩	28,484	₩	(25,997)
Currency								
Swaps		2,613,901		23,382		73,067		(38,534)
	₩	6,214,235	₩	27,080	₩	101,551	₩	(64,531)

(In millions of Korean won)

	2018							
	National amount		Assets		Liabilities	Changes in the fair value		
Interest rate								
Swaps	₩	4,142,336	₩	17,891	₩	12,766	₩	(6,364)
Currency								
Swaps		2,300,452		22,759		40,493		(16,658)
	₩	6,442,788	₩	40,650	₩	53,259	₩	(23,022)

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Gains (losses) on hedging instruments	₩	(64,531)	₩	(23,022)
Gains (losses) on effectiveness (amount recognized in other comprehensive income)		(65,323)		(24,672)
Gains (losses) on ineffectiveness (amount recognized in profit or loss)	₩	792	₩	1,650

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Amount recognized in other comprehensive income	₩	(65,323)	₩	(24,672)
Amount reclassified from equity to profit or loss		21,604		15,234
Tax effect		10,537		400
Amount recognized in other comprehensive income net of tax	₩	(33,182)	₩	(9,038)

Hedge on Net Investments in Foreign Operations

Details of hedged item in hedge on foreign operation net investments hedge as of December 31, 2018, are as follows:

(In millions of Korean won)

	2019			Other comprehensive income for hedge on net investment in a foreign operation
	Changes in fair value			
Hedge accounting				
Currency(foreign currency change risk)	₩	13,410	₩	(41,992)

(In millions of Korean won)

	2018			Other comprehensive income for hedge on net investment in a foreign operation
	Changes in fair value			
Hedge accounting				
Currency(foreign currency change risk)	₩	25,198	₩	(33,092)

Details of financial instruments designated as hedging instrument in hedge on net investments in foreign operations as of December 31, 2019 and 2018, is as follows:

(In millions of Korean won)

	2019							
	National amount		Assets		Liabilities		Changes in the fair value	
Currency								
Forwards	₩	275,569	₩	3,407	₩	5,302	₩	(10,330)
Financial debentures in foreign currencies		97,255		-		97,255		(3,080)
	₩	372,824	₩	3,407	₩	102,557	₩	(13,410)

(In millions of Korean won)

	2018							
	National amount		Assets		Liabilities		Changes in the fair value	
Currency								
Forwards	₩	530,967	₩	4,924	₩	2,412	₩	(21,877)
Financial debentures in foreign currencies		89,448		-		89,109		(3,321)
	₩	620,415	₩	4,924	₩	91,521	₩	(25,198)

The fair value of non-derivative financial instruments designated as hedging instruments as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Financial debentures in foreign currencies	₩	97,737	₩

Gain or loss from hedging instruments in hedge of net investments in foreign operations and hedged items attributable to the hedged risk for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Gains (losses) on hedging instruments	₩	(13,410)	₩
Effective portion of gains (losses) on hedge on net investment in a foreign operation (amount recognized in other comprehensive income)		(13,410)		(25,096)
Ineffective portion of gain on hedge on net investment in a foreign operation (amount recognized in profit or loss)		-		-

The effective portion of gains (losses) on hedging instruments recognized in other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Amount recognized in other comprehensive income	₩	(13,410)	₩
Amount of other comprehensive income reclassified to profit or loss		1,316		(12,330)
Tax effect		3,194		10,292
Amount recognized in other comprehensive income, net of tax	₩	(8,900)	₩	(27,134)

10. Loans at Amortized Cost

Details of loans as of December 31, 2019 and 2018, are as follows:

	2019		2018	
Loans at amortized cost	₩	341,363,805	₩	321,058,158
Deferred loan origination fees and costs		728,270		753,126
Less: Allowances for loan losses		(2,408,016)		(2,609,681)
Carrying amount	₩	339,684,059	₩	319,201,603

(In millions of Korean won)

Details of loans for other banks as of December 31, 2019 and 2018, are as follows:

	2019		2018	
Loans at amortized cost	₩	4,011,246	₩	3,484,210
Less: Allowances for loan losses		(432)		(620)
Carrying amount	₩	4,010,814	₩	3,483,590

(In millions of Korean won)

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2019 and 2018, are as follows:

	2019			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 159,232,495	₩ 130,383,260	₩ -	₩ 289,615,755
Loans in foreign currencies	433,399	8,125,029	-	8,558,428
Domestic import usance bills	-	2,617,862	-	2,617,862
Off-shore funding loans	-	1,387,798	-	1,387,798
Call loans	-	610,001	-	610,001
Bills bought in Korean won	-	2,843	-	2,843
Bills bought in foreign currencies	-	2,158,877	-	2,158,877
Guarantee payments under payment guarantee	36	3,312	-	3,348
Credit card receivables in Korean won	-	-	18,642,111	18,642,111
Credit card receivables in foreign currencies	-	-	6,299	6,299
Reverse repurchase agreements	-	6,149,458	-	6,149,458
Privately placed bonds	-	971,414	-	971,414
Factored receivables	117	167	-	284
Lease receivables	1,385,617	194,576	-	1,580,193
Loans for installment credit	5,737,458	38,700	-	5,776,158
	166,789,122	152,643,297	18,648,410	338,080,829
Proportion (%)	49.33	45.15	5.52	100
Less: Allowances	(711,322)	(956,554)	(739,708)	(2,407,584)
	₩ 166,077,800	₩ 151,686,743	₩ 17,908,702	₩ 335,673,245

(In millions of Korean won)

(In millions of Korean won)

	2018				
	Retail	Corporate	Credit card	Total	
Loans in Korean won	₩ 152,523,852	₩ 124,334,950	₩ -	₩ 276,858,802	
Loans in foreign currencies	259,015	4,711,234	-	4,970,249	
Domestic import usance bills	-	2,817,174	-	2,817,174	
Off-shore funding loans	-	844,954	-	844,954	
Call loans	-	1,473,397	-	1,473,397	
Bills bought in Korean won	-	3,057	-	3,057	
Bills bought in foreign currencies	-	3,427,368	-	3,427,368	
Guarantee payments under payment guarantee	46	4,104	-	4,150	
Credit card receivables in Korean won	-	-	17,346,224	17,346,224	
Credit card receivables in foreign currencies	-	-	7,834	7,834	
Reverse repurchase agreements	-	3,341,700	-	3,341,700	
Privately placed bonds	-	823,178	-	823,178	
Factored receivables	446	5,939	-	6,385	
Lease receivables	1,712,597	81,985	-	1,794,582	
Loans for installment credit	4,582,913	25,107	-	4,608,020	
	159,078,869	141,894,147	17,354,058	318,327,074	
Proportion (%)	49.97	44.57	5.46	100.00	
Less: Allowances	(642,897)	(1,255,223)	(710,941)	(2,609,061)	
	₩ 158,435,972	₩ 140,638,924	₩ 16,643,117	₩ 315,718,013	

The changes in deferred loan origination fees and costs for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning	Increase	Decrease	Others	Ending
Deferred loan origination costs					
Loans in Korean won	₩ 664,237	₩ 387,420	₩ (406,352)	₩ -	₩ 645,305
Other origination costs	119,780	56,030	(79,432)	-	96,378
	784,017	443,450	(485,784)	-	741,683
Deferred loan origination fees					
Loans in Korean won	9,055	7,238	(7,693)	-	8,600
Other origination fees	21,836	3,415	(20,439)	1	4,813
	30,891	10,653	(28,132)	1	13,413
	₩ 753,126	₩ 432,797	₩ (457,652)	₩ (1)	₩ 728,270

(In millions of Korean won)

	2018				
	Beginning	Increase	Decrease	Others	Ending
Deferred loan origination costs					
Loans in Korean won	₩ 632,680	₩ 417,719	₩ (386,162)	₩ -	₩ 664,237
Other origination costs	126,265	77,464	(83,950)	1	119,780
	758,945	495,183	(470,112)	1	784,017
Deferred loan origination fees					
Loans in Korean won	11,561	6,832	(9,338)	-	9,055
Other origination fees	27,568	9,927	(15,660)	1	21,836
	39,129	16,759	(24,998)	1	30,891
	₩ 719,816	₩ 478,424	₩ (445,114)	₩ -	₩ 753,126

11. Allowances for Loan Losses

Changes in the allowances for loan losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019								
	Retails			Corporates			Credit cards		
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses	
		Nonimpaired	Impaired		Nonimpaired	Impaired		Nonimpaired	Impaired
Beginning	₩ 237,440	₩ 215,743	₩ 189,714	₩ 214,312	₩ 318,656	₩ 722,875	₩ 180,467	₩ 290,025	₩ 240,449
Transfer between stages									
Transfer to 12-month expected credit losses	168,460	(167,957)	(503)	59,848	(46,312)	(13,536)	51,542	(50,627)	(915)
Transfer to lifetime expected credit losses	(144,590)	160,509	(15,919)	(53,696)	141,398	(87,702)	(23,537)	24,529	(992)
Impairment	(1,619)	(54,736)	56,355	(2,250)	(36,656)	38,906	(2,388)	(14,377)	16,765
Write-offs	(2)	24	(443,034)	-	2	(239,319)	-	-	(506,255)
Disposal	(486)	(70)	(782)	-	-	(8,909)	-	-	-
Provision (reversal) for loan losses ^{1,2}	19,152	71,231	424,758	(3,540)	(89,234)	80,216	3,567	16,633	524,652
Others (change of currency ratio, etc.)	25	161	(2,552)	395	2,456	(40,924)	-	-	(9,830)
Ending	₩ 278,380	₩ 224,905	₩ 208,037	₩ 215,069	₩ 290,310	₩ 451,607	₩ 209,651	₩ 266,183	₩ 263,874

¹ Provision for credit losses in the statement of comprehensive income also include provision (reversal) for due from financial institutions (Note 7.3), and provision (reversal) for securities (Note 12.5), provision for unused commitments and guarantees (Note 23.2), provision (reversal) for financial guarantees contracts (Note 23.3), and provision (reversal) for other financial assets (Note 18.2).

² Included ₩ 390,041 million of recover from write-offs

(In millions of Korean won)

	2018								
	Retails			Corporates			Credit cards		
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses _s	
		Nonimpaired	Impaired		Nonimpaired	Impaired		Nonimpaired	Impaired
Beginning ²	₩ 249,226	₩ 196,387	₩ 186,766	₩ 208,354	₩ 275,722	₩ 865,063	₩ 154,076	₩ 260,162	₩ 213,181
Transfer between stages									
Transfer to 12-month expected credit losses	106,143	(105,597)	(546)	38,360	(36,402)	(1,958)	45,824	(44,706)	(1,118)
Transfer to lifetime expected credit losses (non-impaired)	(99,242)	115,493	(16,251)	(36,518)	47,001	(10,483)	(23,345)	24,438	(1,093)
Transfer to lifetime expected credit losses (impaired)	(2,107)	(49,241)	51,348	(2,746)	(31,157)	33,903	(2,007)	(11,804)	13,811
Write-offs	-	(2)	(380,698)	-	(6)	(233,314)	-	-	(465,415)
Disposal	(1,707)	(1,795)	(1,661)	(72)	-	(14,172)	-	-	(47)
Provision (reversal) for loan losses ^{1,3}	(15,533)	60,180	350,578	7,927	62,901	58,515	5,919	61,935	488,975
Business combination	172	-	-	22	-	-	-	-	-
Others (change of currency ratio, etc.)	488	318	178	(1,015)	597	25,321	-	-	(7,845)
Ending	₩ 237,440	₩ 215,743	₩ 189,714	₩ 214,312	₩ 318,656	₩ 722,875	₩ 180,467	₩ 290,025	₩ 240,449

¹ Provision for credit losses in the statement of comprehensive income also includes provision (reversal) for due from financial institutions (Note 7.3), and provision (reversal) for securities (Note 12.5), provision for unused commitments and guarantees (Note 23.2), provision (reversal) for financial guarantees contracts (Note 23.3), and provision (reversal) for other financial assets (Note 18.2).

² Prepared in accordance with Korean IFRS 1109.

³ Included ₩ 428,890 million of recover from write-offs

The Group manages the written-off loans that their extinctive prescription did not occur, and that are not collected; the balance of those are respectively ₩ 11,264,785 million and ₩ 12,067,272 million as of December 31, 2019 and 2018.

Changes in the book value of loans at amortized cost for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	12-month expected credit losses		Lifetime expected credit losses			
			Non-impaired		Impaired	
Beginning	₩	293,296,370	₩	26,417,165	₩	2,097,749
Transfer between stages						
Transfer to 12-month expected credit losses		54,530,173		(54,412,664)		(117,509)
Transfer to lifetime expected credit losses		(57,514,696)		58,078,679		(563,983)
Transfer to lifetime expected credit losses (impaired)		(564,375)		(1,792,641)		2,357,016
Write-offs		(2)		26		(1,188,608)
Disposal		(889,880)		(18,163)		(188,080)
Net increase(decrease)						
(Execution, repayment and others)		27,519,419		(4,458,294)		(495,627)
Ending	₩	316,377,009	₩	23,814,108	₩	1,900,958

(In millions of Korean won)

	2018					
	12-month expected credit losses		Lifetime expected credit losses			
			Non-impaired		Impaired	
Beginning	₩	262,092,823	₩	27,216,234	₩	2,270,094
Transfer between stages						
Transfer to 12-month expected credit losses		8,399,033		(8,322,782)		(76,251)
Transfer to lifetime expected credit losses		(11,867,144)		11,938,263		(71,119)
Transfer to lifetime expected credit losses (impaired)		(780,095)		(901,109)		1,681,204
Write-offs		-		(8)		(1,079,427)
Disposal		(490,070)		(10,557)		(192,415)
Net increase(decrease)						
(Execution, repayment and others)		35,941,823		(3,502,876)		(434,337)
Ending	₩	293,296,370	₩	26,417,165	₩	2,097,749

12. Financial Assets at Fair Value through Profit or Loss and Financial Investments

Details of financial assets at fair value through profit or loss and financial investments as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss		
Debt securities:		
Government and public bonds	₩ 6,569,472	₩ 7,922,936
Financial bonds	16,360,495	14,978,408
Corporate bonds	3,218,480	4,101,066
Asset-backed securities	124,898	84,382
Beneficiary certificates	12,375,326	10,252,377
Derivatives linked securities	3,623,648	3,516,626
Other debt securities	8,449,207	7,429,687
Equity securities:		
Stocks	1,716,149	1,094,441
Other equity securities	387,694	193,221
Loans:		
Private placed corporate bonds	265,499	823,071
Other loans	162,046	131,105
Due from financial institutions:		
Other due from financial institutions	216,367	381,719
Others	79,805	78,808
	53,549,086	50,987,847
Financial Investments		
Financial assets measured at fair value through other comprehensive income		
Debt securities:		
Government and public bonds	9,501,642	3,475,214
Financial bonds	20,913,361	20,107,719
Corporate bonds	12,289,820	10,540,985
Asset-backed securities	832,160	1,100,041
Other debt securities	19,865	19,675
Equity securities:		
Stocks	2,377,994	2,262,379
Equity investments	41,042	38,584
Other equity securities	85,069	69,153
Loans:		
Private placed corporate bonds	375,098	389,822
	46,436,051	38,003,572
Financial assets at amortized cost		
Debt securities:		
Government and public bonds	5,395,720	5,090,051
Financial bonds	8,157,428	6,847,055
Corporate bonds	7,536,805	6,943,332
Asset-backed securities	4,258,274	4,782,800
Allowance	(1,672)	(1,716)
	25,346,555	23,661,522
	₩ 71,782,606	₩ 61,665,094

Dividend incomes from the equity securities measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019	
	From the financial asset derecognized	From the remaining financial asset
Equity securities at fair value through other comprehensive income	₩ -	₩ 26,121
Stocks		
Listed	-	25,599
Non-listed	-	95
Equity investments	-	2,953
Other equity securities	₩ -	₩ 54,768

(In millions of Korean won)

	2018	
	From the financial asset derecognized	From the remaining financial asset
Equity securities at fair value through other comprehensive income	₩ -	₩ 22,173
Stocks		
Listed	-	25,121
Non-listed	-	2,256
Equity investments	2,508	1,798
Other equity securities	₩ 2,508	₩ 51,348

The derecognized equity securities, measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019	
	Disposal price	Accumulated OCI as of disposal date
Equity securities at fair value through other comprehensive income	₩ 18,342	₩ (25,652)
Stocks		
Listed	1,671	169
Non-listed	-	-
Other equity securities	₩ 20,013	₩ (25,483)

(In millions of Korean won)

	2018	
	Disposal price	Accumulated OCI as of disposal date
Equity securities at fair value through other comprehensive income	₩ 26,877	₩ 18,330
Stocks		
Listed	480	480
Non-listed	80,000	2,567
Other equity securities	₩ 107,357	₩ 21,377

Provision(reversal) for the allowance of financial investments for the year periods ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Impairment losses	Reversal of impairment	Total
Securities measured at fair value through other comprehensive income	₩ 1,537	₩ 1,144	₩ 393
Loans measured at fair value through other comprehensive income	170	982	(812)
Securities at amortized cost	216	280	(64)
	₩ 1,923	₩ 2,406	₩ (483)

(In millions of Korean won)

	2018		
	Impairment losses	Reversal of impairment	Total
Securities measured at fair value through other comprehensive income	₩ 860	₩ 873	₩ (13)
Loans measured at fair value through other comprehensive income	963	826	137
Securities at amortized cost	296	282	14
	₩ 2,119	₩ 1,981	₩ 138

Changes in the allowances for debt securities for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

	2019		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	₩ 5,657	₩ 192	₩ 322
Transfer between stages			
Transfer to 12-month expected credit losses	437	(188)	(249)
Transfer to lifetime expected credit losses	(669)	669	-
Disposal	(329)	-	-
Provision (reversal) for loan losses	219	(702)	-
Others (change of currency ratio, etc.)	55	29	(73)
Ending	₩ 5,370	₩ -	₩ -

(In millions of Korean won)

	2018		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning ¹	₩ 4,937	₩ 482	₩ 720
Transfer between stages			
Transfer to 12-month expected credit losses	125	(125)	-
Transfer to lifetime expected credit losses	-	-	-
Impairment	-	-	-
Disposal	(170)	-	-
Provision (reversal) for loan losses	716	(180)	(398)
Others (change of currency ratio, etc.)	49	16	-
Ending	₩ 5,657	₩ 192	₩ 322

¹ Prepared in accordance with Korean IFRS 1109.

13. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					Industry	Location
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount			
Associates							
KB Pre IPO Secondary Venture Fund 1st ¹	15.19	₩ 1,137	₩ 1,705	₩ 1,705		Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	138,013	136,168		Investment finance	Korea
KB-KDBC New Technology Business investment Fund ¹⁰	66.66	20,000	18,988	18,988		Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	19,839	19,839		Investment finance	Korea
PT Bank Bukopin TBK ^{16, 17}	22.00	116,422	115,321	121,381		Banking and foreign exchange transaction	Indonesia
Dae-A Leisure Co., Ltd. ⁸	49.36	-	1,613	578		Earth works	Korea
Doosung Metal Co., Ltd. ⁸	26.52	-	(62)	-		Manufacture of metal products	Korea
RAND Bio Science Co., Ltd. ¹	14.92	2,000	1,037	-		Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ¹	12.61	105,214	101,391	101,391		Investment finance	Korea
Aju Good Technology Venture Fund Acts Co., Ltd. ¹²	38.46	19,998	23,016	23,016		Investment finance	Korea
	7.14	500	(119)	-		Manufacture of optical lens and elements	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	17,736	12,725		Installment loan	Korea
Wise Asset Management Co., Ltd. ⁹	33.00	-	-	-		Asset management	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(14,746)	-		Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁸	42.88	-	(433)	-		Wholesale of primary metal	Korea
Kendae Co., Ltd. ⁸	41.01	-	(252)	98		Screen printing	Korea
Dongjo Co., Ltd. ⁸	29.29	-	806	115		Wholesale of agricultural and forestry machinery and equipment	Korea
Dpaps Co., Ltd. ⁸	38.62	-	-	-		Wholesale of paper products	Korea
Big Dipper Co., Ltd.	29.33	440	10	125		Big data consulting	Korea
Shinla Construction Co., Ltd. ⁸	20.24	-	(551)	-		Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁸	26.24	-	16	258		Manufacture of underwears and sleepwears	Korea
A-PRO Co., Ltd. ¹	15.19	1,500	2,565	2,790		Manufacture of electric power storage system	Korea
MJT&I Co., Ltd. ⁸	22.89	-	(613)	116		Wholesale of other goods	Korea
Jaeyang Industry Co., Ltd. ⁸	20.86	-	(552)	-		Manufacture of luggage and other protective cases	Korea
Jungdo Co., Ltd. ⁸	25.53	-	1,492	-		Office, commercial and institutional building construction	Korea
Jinseung Tech Co., Ltd. ⁸	30.04	-	(194)	-		Manufacture of other general-purpose machinery n.e.c.	Korea
Terra Co., Ltd. ⁸	24.06	-	2	-		Manufacture of hand-operated kitchen appliances and metal ware	Korea
Paycoms Co., Ltd. ¹¹	11.70	800	17	45		System software publishing	Korea
Food Factory Co., Ltd. ¹³	22.22	1,000	398	1,000		Farm product distribution industry	Korea

(In millions of Korean won)

	2019					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Korea NM Tech Co., Ltd. ⁸	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
KB IGen Private Equity Fund No.1 ¹	0.03	-	-	-	Investment finance	Korea
KB No.17 Special Purpose Acquisition Company ^{1,4}	0.02	1	1	1	SPAC	Korea
KB No.18 Special Purpose Acquisition Company ^{1,5}	0.02	2	3	3	SPAC	Korea
KB No.19 Special Purpose Acquisition Company ^{1,6}	0.01	1	2	2	SPAC	Korea
KB No.20 Special Purpose Acquisition Company ^{1,7}	0.02	1	1	1	SPAC	Korea
KBSP Private Equity Fund IV ^{1,10}	14.95	6,100	5,904	5,904	Investment finance	Korea
KB Private Equity Fund III ¹	15.69	8,000	7,754	7,754	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	5,991	5,991	Credit information	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No.2	25.00	12,970	13,616	13,616	Investment finance	Korea
Keystone-Hyundai Securities No.1 Private Equity Fund ¹	4.49	1,908	1,625	1,625	Investment finance	Korea
KB Social Impact Fund	30.00	1,500	1,465	1,465	Investment finance	Korea
KB-Solidus Global Healthcare Fund	43.33	42,697	45,021	45,718	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	7,500	6,847	6,847	Investment finance	Korea
GH Real Estate I LP	42.00	17,678	19,042	19,042	Asset management	Guernsey
KBTS Technology Venture Private Equity Fund ¹⁰	56.00	19,824	19,731	19,731	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ¹⁰	42.55	21,250	20,504	19,752	Investment finance	Korea
KB-SJ Tourism Venture Fund ^{1,10}	18.52	3,000	2,761	2,761	Investment finance	Korea
UNION Media Commerce Fund	28.99	1,000	961	961	Investment finance	Korea
KB-Stonebridge Secondary Private Equity Fund ¹	14.56	5,215	4,944	4,944	Investment finance	Korea
KB SPOTT Renewable Private Equity Fund I	37.69	1,667	1,295	1,295	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund	44.29	450	417	417	Investment finance	Korea
CHONG IL MACHINE & TOOLS CO.,LTD. ⁸	21.71	-	(126)	-	Machinery and equipment wholesale	Korea
IMT TECHNOLOGY CO.,LTD. ⁸	25.29	-	22	3	Computer Peripherals Distribution	Korea
IWON ALLOY CO.,LTD. ⁸	23.31	-	394	-	Manufacture of smelting, refining and alloys	Korea
CARLIFE CO.,LTD. ⁸	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea
COMPUTERLIFE CO.,LTD. ⁸	45.71	-	(260)	69	Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC. ⁸	20.40	-	(248)	-	Multi Media, Manufacture of Multi Media Equipment	Korea
JO YANG INDUSTRIAL CO., LTD. ⁸	23.14	-	75	-	Manufacture of Special Glass	Korea
IL-KWANG ELECTRONIC MATERIALS CO.,LTD. ⁸	29.06	-	(398)	-	Electronic parts	Korea
SO-MYUNG RECYCLING CO.,LTD. ⁸	20.23	-	184	-	Non-ferrous metals	Korea
IDTECK CO., LTD. ⁸	32.80	-	(103)	-	Other wireless communication equipment manufacturing	Korea
Seyoon Development Company. ⁸	26.95	-	2	-	Civil facilities construction	Korea
PIP System CO., LTD ⁸	20.72	-	27	-	Print equipment	Korea
		₩ 577,113	₩ 584,374	₩ 598,240		

(In millions of Korean won)

	2018					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates						
KB Pre IPO Secondary Venture Fund 1st ¹	15.19	₩ 1,454	₩ 1,649	₩ 1,649	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	136,208	134,362	Investment finance	Korea
KB-KDBC New Technology Business Investment Fund ¹⁰	66.66	15,000	14,594	14,594	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,252	19,839	Investment finance	Korea
PT Bank Bukopin TBK ^{16,17}	22.00	116,422	106,484	113,932	Banking and foreign exchange transaction	Indonesia
Sun Surgery Center Inc.	28.00	2,682	2,760	2,715	Hospital	United States of America
Dae-A Leisure Co., Ltd. ⁸	49.36	-	1,613	578	Earth works	Korea
Doosung Metal Co., Ltd. ⁸	26.52	-	(16)	-	Manufacture of metal products	Korea
RAND Bio Science Co., Ltd.	21.91	2,000	185	843	Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ¹	12.61	104,622	108,050	108,050	Investment finance	Korea
Aju Good Technology Venture Fund Acts Co., Ltd. ¹²	38.46	18,038	18,134	18,134	Investment finance	Korea
	7.14	500	(14)	-	Manufacture of optical lens and elements	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	15,257	10,672	Installment loan	Korea
Wise Asset Management Co., Ltd. ⁹	33.00	-	-	-	Asset management	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(16,689)	-	Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁸	42.88	-	(433)	-	Wholesale of primary metal	Korea
Kendae Co., Ltd. ⁸	41.01	-	(252)	98	Screen printing	Korea
Dongjo Co., Ltd. ⁸	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Dpaps Co., Ltd. ⁸	38.62	-	14	-	Wholesale of paper products	Korea
Big Dipper Co., Ltd.	29.33	440	166	280	Big data consulting	Korea
Builton Co., Ltd. ¹⁴	21.96	800	67	304	Software development and supply	Korea
Shinla Construction Co., Ltd. ⁸	20.24	-	(551)	-	Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁸	26.24	-	(57)	185	Manufacture of underwears and sleepwears	Korea
A-PRO Co., Ltd. ¹	13.71	1,500	1,554	1,403	Manufacture of electric power storage system	Korea
MJT&I Co., Ltd. ⁸	22.89	-	(606)	122	Wholesale of other goods	Korea
Jaeyang Industry Co., Ltd. ⁸	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Jungdo Co., Ltd. ⁸	25.53	-	1,492	-	Office, commercial and institutional building construction	Korea
Jinseung Tech Co., Ltd. ⁸	30.04	-	(176)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Terra Co., Ltd. ⁸	24.06	-	2	-	Manufacture of hand-operated kitchen appliances and metal ware	Korea
Paycoms Co., Ltd. ¹¹	11.70	800	71	103	System software publishing	Korea
Food Factory Co., Ltd. ¹⁵	22.22	1,000	206	928	Farm product distribution industry	Korea
Korea NM Tech Co., Ltd. ⁸	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
KB IGen Private Equity Fund No.1 ¹	0.03	-	-	-	Investment finance	Korea

(In millions of Korean won)

	2018					Industry	Location
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount			
KB No.9 Special Purpose Acquisition Company ¹	0.11	24	31	31	SPAC	Korea	
KB No.10 Special Purpose Acquisition Company ^{1,2}	0.19	10	20	20	SPAC	Korea	
KB No.11 Special Purpose Acquisition Company ^{1,3}	0.31	10	19	19	SPAC	Korea	
KB Private Equity FundIII ¹	15.68	8,000	7,830	7,830	Investment finance	Korea	
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	5,941	5,941	Credit information	Korea	
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	364	233	233	Investment finance	Korea	
KoFC POSCO HANHWA KB shared growth Private Equity Fund No.2	25.00	12,970	14,601	14,601	Investment finance	Korea	
Keystone-Hyundai Securities No. 1 Private Equity Fund ¹	5.64	1,842	1,581	1,581	Investment finance	Korea	
POSCO-KB Shipbuilding Fund	31.25	5,000	4,463	4,463	Investment finance	Korea	
GH Real Estate I LP	42.00	17,678	17,252	17,252	Asset management	Guernsey	
KBTS Technology Venture Private Equity Fund ¹⁰	56.00	14,224	13,777	13,777	Investment finance	Korea	
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ¹⁰	42.55	8,000	7,930	7,930	Investment finance	Korea	
KB-SJ Tourism Venture Fund ^{1,10}	18.52	1,500	1,386	1,386	Investment finance	Korea	
UNION Media Commerce Fund	29.00	1,000	962	962	Investment finance	Korea	
CHONG IL MACHINE & TOOLS CO., LTD. ⁸	21.71	-	(107)	-	Machinery and equipment wholesale	Korea	
IMT TECHNOLOGY CO., LTD. ⁸	25.29	-	18	-	Computer Peripherals Distribution	Korea	
IWON ALLOY CO., LTD. ⁸	23.31	-	394	-	Manufacture of smelting, refining and alloys	Korea	
CARLIFE CO., LTD. ⁸	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea	
COMPUTERLIFE CO.,LTD. ⁸	45.71	-	(329)	-	Publishing of magazines and periodicals (publishing industry)	Korea	
SKYDIGITAL INC. ⁸	20.40	-	(142)	-	Multi Media, Manufacture of Multi Media Equipment	Korea	
JO YANG INDUSTRIAL CO., LTD. ⁸	23.14	-	75	-	Manufacture of Special Glass	Korea	
		₩ 493,218	₩ 486,630	₩ 504,932			

¹ As of December 31, 2019 and 2018, the Group is represented on the governing bodies of its associates. Therefore, the Group has a significant influence over the decision-making process relating to their financial and business policies.

² The market value of KB No.10 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2018, amounts to ₩ 20 million.

³ The market value of KB No.11 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2018, amounts to ₩ 21 million.

⁴ The market value of KB No.17 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2019, amounts to ₩ 2 million.

⁵ The market value of KB No.18 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2019, amounts to ₩ 4 million.

⁶ The market value of KB No.19 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2019, amounts to ₩ 2 million.

⁷ The market value of KB No.20 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2019, amounts to ₩ 2 million.

⁸ Reclassified to investments in associates due to termination of rehabilitation procedures.

⁹ Carrying amount of the investment has been recognized as a loss from the date Hyundai Securities Co., Ltd. was included in the consolidation scope.

¹⁰ In order to direct relevant activities, it is necessary to obtain the consent of the two co-operative members; the Group has applied the equity method as the Group cannot control the investee by itself.

¹¹ The ownership of Paycoms Co., Ltd. would be 22.96% and 22.96% as of December 31, 2019 and 2018, respectively, considering the potential voting rights from convertible bond.

¹² The ownership of Acts Co., Ltd. would be 27.22% and 27.22% as of December 31, 2019 and 2018, respectively, considering the potential voting rights from convertible bond.

¹³ The ownership of Food Factory Co., Ltd. would be 30.00% and 30.00% as of December 31, 2019 and 2018, respectively, considering the potential voting rights from convertible bond.

¹⁴ The ownership of Bulton Co., Ltd. would be 26.86% as of December 31, 2018, considering the potential voting rights from convertible bond.

¹⁵ In accordance with Korean IFRS 1028 Investments in Associates and Joint Ventures, application of the equity method is exempted, and the Group designates its investments measured at fair value through profit or loss in Rainist Co., Ltd., RMGP Bio-Pharma Investment Fund, L.P., RMGP Bio-Pharma Investment, L.P., HEYBIT, Inc., Hasys, Stratio, Inc., Honest Fund Co., Ltd., Cellincells Co., Ltd., CY CO., Ltd., ZOYI corporation INC., KOSESEUJITO CO., LTD., Bomapp Inc., KB Cape No.1 Private Equity Fund., Mitoinnate Therapeutics, BNF Corporation Ltd., Fabric Types CO.,LTD.,

¹⁶ The Group has entered into an agreement with PT Bosowa Corporindo, the major shareholder of PT Bank Bukopin TBK. Under this agreement, the Group has a right of first refusal, a tag-along right and a drag-along right. The drag-along right can be exercised for the duration of two years after three years from the acquisition date, subject to the occurrence of certain situations as defined in the agreement.

¹⁷ The fair value of PT Bank Bukopin TBK ordinary share is ₩ 47,709 million and ₩ 53,540 million as of December 31, 2019 and 2018.

Although the Group holds more than 20% of ownership, it has been excluded from associates by limited influence due to the trust agreement on related activities, bankruptcy and rehabilitation procedures.

Summarized financial information on major associates and joint ventures, adjustments to carrying amount of investment in associates and dividends received from the associates are as follows:

(In millions of Korean won)

	2019 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount
Associates and joint ventures							
KB Pre IPO Secondary Venture Fund 1st	₩ 11,237	₩ 20	₩ 8,690	₩ 11,217	₩ 1,705	₩ -	₩ 1,705
KB GwS Private Securities Investment Trust	522,865	741	425,814	522,124	138,013	(1,845)	136,168
KB-KDBC New Technology Business Investment Fund	29,086	603	30,000	28,483	18,988	-	18,988
KB Star office Private real estate Investment Trust No.1	218,611	122,465	95,000	96,146	19,839	-	19,839
PT Bank Bukopin TBK ²	8,148,013	7,623,829	106,536	524,184	115,321	6,060	121,381
RAND Bioscience Co., Ltd.	7,026	74	1,340	6,952	1,037	(1,037)	-
Balhae Infrastructure Company	806,218	1,854	834,695	804,364	101,391	-	101,391
Aju Good Technology Venture Fund Acts Co., Ltd.	60,675	828	52,000	59,847	23,016	-	23,016
SY Auto Capital Co., Ltd.	5,302	6,973	117	(1,671)	(119)	119	-
SY Auto Capital Co., Ltd.	88,611	52,415	20,000	36,196	17,736	(5,011)	12,725
Incheon Bridge Co., Ltd.	609,194	707,563	61,096	(98,369)	(14,746)	14,746	-
Big Dipper Co., Ltd.	370	336	1,500	34	10	115	125
A-PRO Co., Ltd.	47,164	30,281	2,468	16,883	2,565	225	2,790
Paycoms Co., Ltd.	1,763	1,620	855	143	17	28	45
Food Factory Co., Ltd.	5,587	3,797	450	1,790	398	602	1,000
KB IGen Private Equity Fund No. 1	191	8	7,270	183	-	-	-
KB No.17 Special Purpose Acquisition Company	11,857	1,328	546	10,529	1	-	1
KB No.18 Special Purpose Acquisition Company	17,242	2,022	782	15,220	3	-	3
KB No.19 Special Purpose Acquisition Company	9,123	924	430	8,199	2	-	2
KB No.20 Special Purpose Acquisition Company	1,991	1,372	50	619	1	-	1
KBSP Private Equity Fund IV	39,492	2	40,800	39,490	5,904	-	5,904
KB Private Equity Fund III	49,437	4	51,000	49,433	7,754	-	7,754
Korea Credit Bureau Co., Ltd.	96,855	30,289	10,000	66,566	5,991	-	5,991
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	55,524	1,063	51,880	54,461	13,616	-	13,616
Keystone-Hyundai Securities No. 1 Private Equity Fund	187,156	153,842	42,837	33,314	1,625	-	1,625
KB Social Impact Fund	4,885	3	5,000	4,882	1,465	-	1,465
KB-Solidus Global Healthcare Fund	103,896	5	61,800	103,891	45,021	697	45,718
POSCO-KB Shipbuilding Fund	21,916	4	24,000	21,912	6,847	-	6,847
GH Real Estate I LP	45,340	61	42,093	45,279	19,042	-	19,042
KBTS Technology Venture Private Equity Fund	36,445	1,212	35,400	35,233	19,731	-	19,731
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	48,369	185	51,700	48,184	20,504	(752)	19,752
KB-SJ Tourism Venture Fund	14,914	4	16,200	14,910	2,761	-	2,761
UNION Media Commerce Fund	3,318	4	3,450	3,314	961	-	961
KB-Stonebridge Secondary Private Equity Fund	34,450	507	35,805	33,943	4,944	-	4,944
KB SPROTT Renewable Private Equity Fund I	3,686	249	9,640	3,437	1,295	-	1,295
KB-UTC Inno-Tech Venture Fund	1,016	75	1,016	941	417	-	417

(In millions of Korean won)

	2019 ¹				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
Associates and joint ventures					
KB Pre IPO Secondary Venture Fund 1st	₩ 3,225	₩ 2,452	₩ -	₩ 2,452	₩ -
KB GwS Private Securities Investment Trust	42,503	41,524	-	41,524	9,297
KB-KDBC New Technology Business Investment Fund	371	(638)	-	(638)	-
KB Star office Private real estate Investment Trust No.1	14,455	6,004	-	6,004	-
PT Bank Bukopin TBK	721,169	(5,612)	45,780	40,168	-
RAND Bio Science Co., Ltd.	-	(2,928)	-	(2,928)	-
Balhae Infrastructure Company	62,113	(3,153)	-	(3,153)	6,855
Aju Good Technology Venture Fund	9,288	7,734	-	7,734	-
Acts Co., Ltd.	1,542	(507)	-	(507)	-
SY Auto Capital Co., Ltd.	20,394	5,292	(215)	5,077	-
Incheon Bridge Co., Ltd.	107,178	9,127	-	9,127	-
Big Dipper Co., Ltd.	598	(532)	-	(532)	-
A-PRO Co., Ltd.	47,725	7,702	-	7,702	-
Paycoms Co., Ltd.	262	(343)	-	(343)	-
Food Factory Co., Ltd.	6,807	664	-	664	-
KB IGen Private Equity Fund No.1	-	5,851	-	5,851	-
KB No.17 Special Purpose Acquisition Company	-	8	-	8	-
KB No.18 Special Purpose Acquisition Company	-	(3)	-	(3)	-
KB No.19 Special Purpose Acquisition Company	-	(25)	-	(25)	-
KB No.20 Special Purpose Acquisition Company	-	(9)	-	(9)	-
KBSP Private Equity Fund IV	39	(1,304)	-	(1,304)	-
KB Private Equity Fund III	-	(485)	-	(485)	-
Korea Credit Bureau Co., Ltd.	91,200	1,480	-	1,480	135
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	4,077	(3,911)	-	(3,911)	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	18,342	(572)	-	(572)	-
KB Social Impact Fund	8	(118)	-	(118)	-
KB-Solidus Global Healthcare Fund	13,085	8,708	-	8,708	-
POSCO-KB Shipbuilding Fund	1,000	(371)	-	(371)	-
GH Real Estate I LP	5,043	3,698	565	4,263	-
KBTS Technology Venture Private Equity Fund	1,643	632	-	632	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	138	(3,355)	-	(3,355)	-
KB-SJ Tourism Venture Fund	-	(673)	-	(673)	-
UNION Media Commerce Fund	-	(3)	-	(3)	-
KB-Stonebridge Secondary Private Equity Fund	346	(1,856)	-	(1,856)	-
KB SPROTT Renewable Private Equity Fund I	1	(986)	-	(986)	-
KB-UTC Inno-Tech Venture Fund	-	(75)	-	(75)	-

(In millions of Korean won)

	2018 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount
Associates and joint ventures							
KB Pre IPO Secondary Venture Fund 1st	₩ 10,864	₩ 9	₩ 10,120	₩ 10,855	₩ 1,649	₩ -	₩ 1,649
KB GwS Private Securities Investment Trust	516,115	741	425,814	515,374	136,208	(1,846)	134,362
KB-KDBC New Technology Business Investment Fund	22,492	602	22,500	21,890	14,594	-	14,594
KB Star office Private real estate Investment Trust No.1	218,025	121,828	95,000	96,197	20,252	(413)	19,839
PT Bank Bukopin TBK ²	7,195,249	6,711,233	106,536	484,016	106,484	7,448	113,932
Sun Surgery Center Inc	10,468	610	9,428	9,858	2,760	(45)	2,715
RAND Bio Science Co., Ltd.	2,913	2,070	913	843	185	658	843
Balhae Infrastructure Company	859,040	1,843	829,995	857,197	108,050	-	108,050
Aju Good Technology Venture Fund	47,216	66	46,900	47,150	18,134	-	18,134
Acts Co., Ltd.	6,666	6,823	117	(157)	(14)	14	-
SY Auto Capital Co., Ltd.	89,948	58,812	20,000	31,136	15,257	(4,585)	10,672
Incheon Bridge Co., Ltd.	617,560	728,896	61,096	(111,336)	(16,689)	16,689	-
Big Dipper Co., Ltd.	723	157	1,500	566	166	114	280
Builton Co., Ltd.	1,908	1,604	325	304	67	237	304
A-PRO Co., Ltd.	29,438	18,099	1,713	11,339	1,554	(151)	1,403
Paycoms Co., Ltd.	2,126	1,520	855	606	71	32	103
Food Factory Co., Ltd.	4,096	3,168	450	928	206	722	928
KB IGen Private Equity Fund No. 1	148	8	170	140	-	-	-
KB No.9 Special Purpose Acquisition Company	30,288	2,629	1,382	27,659	31	-	31
KB No.10 Special Purpose Acquisition Company	11,960	1,704	521	10,256	20	-	20
KB No.11 Special Purpose Acquisition Company	6,807	742	321	6,065	19	-	19
KB Private Equity FundIII	49,924	5	51,000	49,919	7,830	-	7,830
Korea Credit Bureau Co., Ltd.	88,797	22,788	10,000	66,009	5,941	-	5,941
KoFC KBIC Frontier Champ 2010-5(PEF)	469	3	300	466	233	-	233
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	59,464	1,061	51,880	58,403	14,601	-	14,601
Keystone-Hyundai Securities No. 1 Private Equity Fund	177,024	151,862	34,114	25,162	1,581	-	1,581
POSCO-KB Shipbuilding Fund	14,287	4	16,000	14,283	4,463	-	4,463
GH Real Estate I LP	41,206	190	42,093	41,016	17,252	-	17,252
KBTS Technology Venture Private Equity Fund	24,810	208	25,400	24,602	13,777	-	13,777
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	18,820	181	18,800	18,639	7,930	-	7,930
KB-SJ Tourism Venture Fund	7,484	2	8,100	7,482	1,386	-	1,386
UNION Media Commerce Fund	3,318	-	3,450	3,318	962	-	962

(In millions of Korean won)

	2018 ¹				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
Associates and joint ventures					
KB Pre IPO Secondary Venture Fund 1st	₩ 2,140	₩ 1,404	₩ -	₩ 1,404	₩ -
KBGwS Private Securities Investment Trust	42,502	41,524	-	41,524	8,160
KB-KDBC New Technology Business Investment Fund	39	(568)	-	(568)	-
KB Star office Private real estate Investment Trust No.1	14,092	6,135	-	6,135	1,162
PT Bank Bukopin TPK	148,793	(8,843)	(2,325)	(11,168)	-
Sun Surgery Center Inc.	873	71	342	413	-
RAND Bio Science Co., Ltd.	-	(2,076)	-	(2,076)	-
Balhae Infrastructure Company	61,525	54,241	-	54,241	6,804
Aju Good Technology Venture Fund	2,491	1,356	-	1,356	-
Acts Co., Ltd.	2,472	(628)	-	(628)	-
SY Auto Capital Co., Ltd.	16,525	2,729	(151)	2,578	-
Incheon Bridge Co., Ltd.	94,373	(2,757)	-	(2,757)	-
Big Dipper Co., Ltd.	441	(543)	-	(543)	-
Builton Co., Ltd.	1,867	(287)	-	(287)	-
A-PRO Co., Ltd.	47,926	2,015	-	2,015	-
Paycoms Co., Ltd.	686	(409)	-	(409)	-
Food Factory Co., Ltd.	4,753	412	-	412	-
KB IGen Private Equity Fund No. 1	-	3,693	-	3,693	-
KB No.9 Special Purpose Acquisition Company	-	262	-	262	-
KB No.10 Special Purpose Acquisition Company	-	73	-	73	-
KB No.11 Special Purpose Acquisition Company	-	218	-	218	-
KB Private Equity FundIII	-	(438)	-	(438)	-
Korea Credit Bureau Co., Ltd.	78,018	9,901	-	9,901	112
KoFC KBIC Frontier Champ 2010-5(PEF)	1,460	1,453	-	1,453	999
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	2,401	(12,313)	-	(12,313)	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	15,507	(3,194)	-	(3,194)	-
POSCO-KB Shipbuilding Fund	160	(1,222)	-	(1,222)	-
GH Real Estate I LP	4,293	3,089	(307)	2,782	1,595
KBTS Technology Venture Private Equity Fund	-	(798)	-	(798)	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	20	(161)	-	(161)	-
KB-SJ Tourism Venture Fund	-	(618)	-	(618)	-
UNION Media Commerce Fund	-	(132)	-	(132)	-

¹ The amounts included in the financial statements of the associates and joint ventures are adjusted to reflect adjustments made by the entity, such as, fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

² The amounts of goodwill on PT Bank Bukopin TBK is ₩ 4,528 million and ₩ 4,101 million as of December 31, 2019 and December 31, 2018, respectively.

Changes in investments in associates and joint ventures for the years ended December 31, 2019 and 2018, are as follows

(In millions of Korean won)

	2019							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Impairment loss	Ending
Associates and joint ventures								
KB Pre IPO Secondary Venture Fund 1st	₩ 1,649	₩ -	₩ (317)	₩ -	₩ 373	₩ -	₩ -	₩ 1,705
KB GwS Private Securities Investment Trust	134,362	-	-	(9,297)	11,103	-	-	136,168
KB-KDBC New Technology Business Investment Fund	14,594	5,000	-	-	(606)	-	-	18,988
KB Star office Private real estate Investment Trust No.1	19,839	-	-	-	-	-	-	19,839
PT Bank Bukopin TBK	113,932	-	-	-	(1,236)	10,408	(1,723)	121,381
Sun Surgery Center Inc.	2,715	-	(3,321)	-	396	210	-	-
Dae-A Leisure Co., Ltd.	578	-	-	-	-	-	-	578
RAND Bio Science Co., Ltd.	843	-	-	-	-	-	(843)	-
Balhae Infrastructure Company	108,050	592	-	(6,855)	(396)	-	-	101,391
Aju Good Technology Venture Fund	18,134	1,960	-	-	2,922	-	-	23,016
SY Auto Capital Co., Ltd.	10,672	-	-	-	2,158	(105)	-	12,725
Kendae Co., Ltd.	98	-	-	-	-	-	-	98
Dong Jo Co., Ltd.	115	-	-	-	-	-	-	115
Big Dipper Co., Ltd.	280	-	-	-	(155)	-	-	125
Builton Co., Ltd.	304	403	(839)	-	132	-	-	-
Shinhwa Underwear Co., Ltd.	185	-	-	-	73	-	-	258
A-PRO Co., Ltd.	1,403	-	-	-	1,386	1	-	2,790
MJT&I Co., Ltd.	122	-	-	-	(6)	-	-	116
Paycoms Co., Ltd.	103	-	-	-	(58)	-	-	45
Food Factory Co., Ltd.	928	-	-	-	72	-	-	1,000
KB No.9 Special Purpose Acquisition Company	31	-	(31)	-	-	-	-	-
KB No.10 Special Purpose Acquisition Company	20	-	(20)	-	-	-	-	-
KB No.11 Special Purpose Acquisition Company	19	-	(19)	-	-	-	-	-
KB No.17 Special Purpose Acquisition Company	-	1	-	-	-	-	-	1
KB No.18 Special Purpose Acquisition Company	-	2	-	-	-	1	-	3
KB No.19 Special Purpose Acquisition Company	-	1	-	-	-	1	-	2
KB No.20 Special Purpose Acquisition Company	-	1	-	-	-	-	-	1
KBSP Private Equity Fund IV	-	6,100	-	-	(196)	-	-	5,904
KB Private Equity FundIII	7,830	-	-	-	(76)	-	-	7,754
Korea Credit Bureau Co., Ltd.	5,941	-	-	(135)	185	-	-	5,991
KoFC KBIC Frontier Champ 2010-5(PEF)	233	-	(233)	-	-	-	-	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	14,601	-	-	-	(985)	-	-	13,616
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,581	66	-	-	(26)	4	-	1,625
KB Social Impact Fund	-	1,500	-	-	(35)	-	-	1,465
KB-Solidus Global Healthcare Fund3	-	42,697	-	-	3,021	-	-	45,718
POSCO-KB Shipbuilding Fund	4,463	2,500	-	-	(116)	-	-	6,847
GH Real Estate I LP	17,252	-	-	-	1,553	237	-	19,042

(In millions of Korean won)

	2019							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Impairment loss	Ending
KBTS Technology Venture Private Equity Fund	13,777	7,440	(1,840)	-	269	85	-	19,731
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	7,930	13,250	-	-	(1,428)	-	-	19,752
KB-SJ Tourism Venture Fund	1,386	1,500	-	-	(125)	-	-	2,761
UNION Media Commerce Fund	962	-	-	-	(1)	-	-	961
KB-Stonebridge Secondary Private Equity Fund	-	7,070	(1,855)	-	(271)	-	-	4,944
KB SPROTT Renewable Private Equity Fund No.1	-	1,667	-	-	(372)	-	-	1,295
KB-UTC Inno-Tech Venture Fund	-	450	-	-	(33)	-	-	417
IMT TECHNOLOGY CO., LTD.	-	-	-	-	3	-	-	3
COMPUTERLIFE CO., LTD.,	-	-	-	-	69	-	-	69
	₩ 504,932	₩ 92,200	₩ (8,475)	₩ (16,287)	₩ 17,594	₩ 10,842	₩ (2,566)	₩ 598,240

¹ Gain on disposal of investments in associates and joint ventures for the year ended December 31, 2019 is ₩ 1,423 million.

(In millions of Korean won)

	2018							
	Beginning ¹	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Impairment loss	Ending
Associates and joint ventures								
KB Pre IPO Secondary Venture Fund 1st	₩ 1,551	₩ -	₩ (217)	₩ -	₩ 315	₩ -	₩ -	₩ 1,649
KB GwS Private Securities Investment Trust	131,420	-	-	(8,160)	11,102	-	-	134,362
KB-KDBC New Technology Business Investment Fund	4,972	10,000	-	-	(378)	-	-	14,594
KB Star office Private real estate Investment Trust No.1	19,709	-	-	(1,162)	1,292	-	-	19,839
PT Bank Bukopin TBK	-	116,422	-	-	(1,946)	(544)	-	113,932
Sun Surgery Center Inc.	2,682	-	-	-	33	-	-	2,715
Dae-A Leisure Co., Ltd.	-	-	-	-	3,698	(3,120)	-	578
RAND Bio Science Co., Ltd.	2,000	-	-	-	(1,157)	-	-	843
Balhae Infrastructure Company	105,190	4,645	(1,817)	(6,804)	6,836	-	-	108,050
Bungaejangter Inc. ³	3,484	-	(1,384)	-	-	-	(2,100)	-
Aju Good Technology Venture Fund Acts Co., Ltd. ²	8,230	9,808	-	-	96	-	-	18,134
	500	-	-	-	-	-	(500)	-
SY Auto Capital Co., Ltd.	8,070	-	-	-	2,676	(74)	-	10,672
Kendae Co., Ltd.	127	-	-	-	(29)	-	-	98
Dong Jo Co., Ltd.	-	-	-	-	115	-	-	115
Big Dipper Co., Ltd.	440	-	-	-	(160)	-	-	280
Builton Co., Ltd.	800	-	-	-	(496)	-	-	304
Shinhwa Underwear Co., Ltd.	138	-	-	-	47	-	-	185
A-PRO Co., Ltd.	1,500	-	-	-	(97)	-	-	1,403
MJT&I Co., Ltd.	127	-	-	-	(5)	-	-	122
Inno Lending Co., Ltd.	230	-	(230)	-	-	-	-	-

(In millions of Korean won)

	2018							
	Beginning ¹	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
Terra Co., Ltd.	20	-	-	-	(20)	-	-	-
Paycoms Co., Ltd.	800	-	-	-	(697)	-	-	103
Food Factory Co., Ltd.	1,000	-	-	-	(72)	-	-	928
KB IGen Private Equity Fund No. 1	3	-	(4)	-	1	-	-	-
KB No.8 Special Purpose Acquisition Company	20	-	(20)	-	-	-	-	-
KB No.9 Special Purpose Acquisition Company	31	-	-	-	-	-	-	31
KB No.10 Special Purpose Acquisition Company	20	-	-	-	-	-	-	20
KB No.11 Special Purpose Acquisition Company	19	-	-	-	1	(1)	-	19
KB Private Equity FundIII	7,899	-	-	-	(69)	-	-	7,830
Korea Credit Bureau Co., Ltd.	5,056	-	-	(112)	997	-	-	5,941
KoFC KBIC Frontier Champ 2010-5(PEF)	7,120	-	(6,121)	(999)	233	-	-	233
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	17,713	-	-	-	(1,873)	(1,239)	-	14,601
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,761	-	-	-	(180)	-	-	1,581
POSCO-KB Shipbuilding Fund	2,345	2,500	-	-	(382)	-	-	4,463
Hyundai-Tongyang Agrifood Private Equity Fund	543	-	(74)	(469)	-	-	-	-
GH Real Estate I LP	-	17,678	-	(1,595)	1,298	(129)	-	17,252
KBTS Technology Venture Private Equity Fund	-	14,224	-	-	(447)	-	-	13,777
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	-	8,000	-	-	(70)	-	-	7,930
KB-SJ Tourism Venture Fund	-	1,500	-	-	(114)	-	-	1,386
CUBE Growth Fund No.2	-	1,300	(1,300)	-	-	-	-	-
UNION Media Commerce Fund	-	1,000	-	-	(38)	-	-	962
	₩ 335,520	₩ 187,077	₩ (11,167)	₩ (19,301)	₩ 20,510	₩ (5,107)	₩ (2,600)	₩ 504,932

¹ Prepared in accordance with Korean IFRS 1109² Recognized ₩ 500 million loss in relation to impaired capital.³ The amount of reclassification as financial assets is ₩ 2,100 million.⁴ Gain on disposal of investments in associates and joint ventures for the year ended December 31, 2018 is ₩ 4,250 million.

Accumulated unrecognized share of losses in investments in associates and joint ventures due to discontinuation of applying the equity method for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Unrecognized loss	Accumulated unrecognized loss	Unrecognized loss	Accumulated unrecognized loss
Doosung Metal Co., Ltd	₩ 46	₩ 65	₩ (4)	₩ 19
Incheon Bridge Co., Ltd.	(1,943)	14,746	487	16,689
Jungdong Steel Co., Ltd.	-	489	-	489
Dpaps Co., Ltd.	14	339	141	325
Shinla Construction Co., Ltd.	-	183	-	183
Jaeyang Industry Co., Ltd.	-	30	30	30
Terra Co., Ltd.	-	14	14	14
Jungdo Co., Ltd.	-	161	161	161
Jinseung Tech Co., Ltd.	18	21	3	3
Korea NM Tech Co., Ltd.	-	28	28	28
CHONG IL MACHINE & TOOLS CO.,LTD.	19	19	-	-
SKYDIGITAL INC	106	106	-	-

14. Property and Equipment, and Investment Properties

Details of property and equipment as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,431,812	₩ -	₩ (1,018)	₩ 2,430,794
Buildings	2,265,929	(757,147)	(5,859)	1,502,923
Leasehold improvements	865,531	(749,407)	-	116,124
Equipment and vehicles	1,867,739	(1,487,386)	-	380,353
Construction in progress	86,303	-	-	86,303
Right-of-use assets	854,327	(302,269)	(1,178)	550,880
	₩ 8,371,641	₩ (3,296,209)	₩ (8,055)	₩ 5,067,377

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,433,059	₩ -	₩ (1,018)	₩ 2,432,041
Buildings	2,043,459	(707,389)	(5,859)	1,330,211
Leasehold improvements	878,078	(750,442)	-	127,636
Equipment and vehicles	1,729,223	(1,448,599)	-	280,624
Construction in progress	88,618	-	-	88,618
Right-of-use assets	44,429	(31,432)	-	12,997
	₩ 7,216,866	₩ (2,937,862)	₩ (6,877)	₩ 4,272,127

The changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩2,432,041	₩ 7,334	₩ (3,957)	₩ (4,907)	₩ -	₩ -	₩ 283	₩ 2,430,794
Buildings	1,330,211	10,908	220,535	(9,964)	(55,669)	-	6,902	1,502,923
Leasehold improvement ⁵	122,309	13,398	58,645	(358)	(77,948)	-	58	116,124
Equipment and vehicles	280,624	283,896	(4)	(526)	(183,900)	-	263	380,353
Construction in progress	88,618	293,204	(288,136)	-	-	-	(7,383)	86,303
Right-of-use assets ⁵	589,188	379,934	19	(153,034)	(281,404)	-	16,177	550,880
	₩4,842,991	₩ 988,674	₩ (12,898)	₩ (168,769)	₩ 598,921	₩ -	₩ 16,300	₩ 5,067,377

(In millions of Korean won)

	2018							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩ 2,474,354	₩ 247	₩ (41,888)	₩ (691)	₩ -	₩ -	₩ 19	₩ 2,432,041
Buildings	1,371,153	3,738	9,683	(4,528)	(51,881)	-	2,046	1,330,211
Leasehold improvement	89,729	28,922	70,221	(633)	(71,931)	-	11,328	127,636
Equipment and vehicles	243,205	182,868	242	(1,026)	(144,791)	121	5	280,624
Construction in progress	14,808	236,495	(161,330)	-	-	644	(1,999)	88,618
Finance lease assets	8,448	9,640	-	-	(5,091)	-	-	12,997
	₩4,201,697	₩ 461,910	₩ (123,072)	₩ (6,878)	₩ (273,694)	₩ 765	₩ 11,399	₩ 4,272,127

¹ Including transfers with investment property and assets held for sale.

² Including depreciation cost and others amounting to ₩ 111 million and ₩ 128 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2019 and 2018, respectively.

³ Beginning balances of leasehold improvement and right-of-use assets are based on Korean IFRS 1116.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019					
	Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending	
₩	(6,877)	₩ -	₩ -	₩ -	₩ -	₩ (6,877)	
	-	(1,178)	-	-	-	(1,178)	
₩	(6,877)	₩ (1,178)	₩ -	₩ -	₩ -	₩ (8,055)	

(In millions of Korean won)

		2018					
	Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending	
₩	(6,877)	-	-	-	-	₩ (6,877)	

Details of investment property as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	
Land	₩ 1,537,240	₩ -	₩ -	₩ 1,537,240	
Buildings	1,463,736	(172,988)	-	1,290,748	
	₩ 3,000,976	₩ (172,988)	₩ -	₩ 2,827,988	

(In millions of Korean won)

		2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount	
Land	₩ 972,562	₩ -	₩ -	₩ 972,562	
Buildings	1,295,668	(148,419)	-	1,147,249	
	₩ 2,268,230	₩ (148,419)	₩ -	₩ 2,119,811	

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2019, are as follows:

(In millions of Korean won)

		2019		
	Fair value	Valuation technique	Inputs	
Land and buildings	₩ 33,594	Cost Approach Method	- Price per square meter - Replacement cost	
	1,000,227	Market comparison method	- Price per square meter - Prospective rental market growth rate	
	1,602,772	Cash flow approach	- Period of vacancy - Rental rate - Discount rate and others - Discount rate	
	396,133	Income approach	- Capitalization rate - Vacancy rate	

As of December 31, 2019 and 2018, fair values of the investment properties amount to ₩ 3,032,726 million and ₩ 2,287,012 million, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2019 and 2018, amounts to ₩ 129,944 million and ₩ 87,513 million, respectively.

The changes in investment property for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Beginning	Acquisition	Transfers	Disposal	Depreciation	Others	Ending
Land	₩ 972,562	₩ 580,255	₩ (3,374)	₩ (13,318)	₩ -	₩ 1,115	₩ 1,537,240
Buildings	1,147,249	225,833	(8,861)	(50,780)	(36,877)	14,184	1,290,748
	₩ 2,119,811	₩ 806,088	₩ (12,235)	₩ (64,098)	₩ (36,877)	₩ 15,299	₩ 2,827,988

(In millions of Korean won)

	2018						
	Beginning	Acquisition	Transfers	Disposal	Depreciation	Others	Ending
Land	₩ 251,496	₩ 714,454	₩ 66,086	₩ (57,384)	₩ -	₩ (2,090)	₩ 972,562
Buildings	596,985	573,671	44,622	(50,872)	(26,092)	8,935	1,147,249
	₩ 848,481	₩ 1,288,125	₩ 110,708	₩ (108,256)	₩ (26,092)	₩ 6,845	₩ 2,119,811

15. Intangible Assets

Details of intangible assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Other	Carrying amount
Goodwill	₩ 346,314	₩ -	₩ (70,517)	₩ (56)	₩ 275,741
Other intangible assets	4,420,371	(1,926,647)	(31,652)	-	2,462,072
	₩ 4,766,685	₩ (1,926,647)	₩ (102,169)	₩ (56)	₩ 2,737,813

(In millions of Korean won)

	2018				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Other	Carrying amount
Goodwill	₩ 346,314	₩ -	₩ (70,517)	₩ (577)	₩ 275,220
Other intangible assets	4,140,355	(1,614,775)	(45,017)	-	2,480,563
	₩ 4,486,669	₩ (1,614,775)	₩ (115,534)	₩ (577)	₩ 2,755,783

Details of goodwill as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	-	1,202	-
KB Securities Co., Ltd. ¹	70,265	58,889	70,265	58,889
KB Capital Co., Ltd.	79,609	79,609	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
KB Securities Vietnam Joint Stock Company ²	13,092	12,987	13,092	12,520
KB Daehan Specialized Bank PLC.	1,515	1,564	1,515	1,510
	₩ 346,314	₩ 275,741	₩ 346,314	₩ 275,220

¹ The amount occurred from formerly known as KB Investment & Securities Co., Ltd.

² Changed corporate name from MARITIME SECURITIES INCORPORATION.

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

Beginning		2019		Ending	
Beginning		Impairment	Others	Ending	
₩	(70,517)	₩	-	₩	(70,517)

(In millions of Korean won)

Beginning		2018		Ending	
Beginning		Impairment	Others	Ending	
₩	(70,517)	₩	-	₩	(70,517)

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2019 are as follows:

(In millions of Korean won)

	2019							
	Housing & Commercial Bank				KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.	KB Securities Vietnam Joint Stock Company ²	KB DAEHAN SPECIALIZED BANK PLC.	Total
	Retail Banking	Corporate Banking	KB Securities Co., Ltd. ¹	KB Capital Co., Ltd.				
Carrying amounts	₩ 49,315	₩ 15,973	₩ 58,889	₩ 79,609	₩ 57,404	₩ 12,987	₩ 1,564	₩ 275,741
Recoverable amount exceeded carrying amount	3,424,398	3,142,439	663,842	1,713,855	481,609	9,077	11,772	9,446,992
Discount rate (%)	13.02	13.09	17.25	11.54	8.29	19.95	19.55	
Permanent growth rate (%)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	

¹ The amount occurred from formerly known as KB Investment&Securities Co., Ltd.

² Changed corporate name from MARITIME SECURITIES INCORPORATION.

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized the amount of ₩ 65,288 million related to goodwill acquired in the merger of Housing & Commercial Bank. Of those respective amounts, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the Retail Banking and Corporate Banking, respectively. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% for all other cash-generating units. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Details of intangible assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 5,802	₩ (2,930)	₩ (19)	₩ 2,853
Software	1,428,655	(1,055,136)	-	373,519
Other intangible assets	555,424	(257,274)	(31,633)	266,517
Value of Business Acquired (VOBA)	2,395,290	(585,805)	-	1,809,485
Right-of-use assets	35,200	(25,502)	-	9,698
	₩ 4,420,371	₩ (1,926,647)	₩ (31,652)	₩ 2,462,072

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 9,248	₩ (2,661)	₩ (2,090)	₩ 4,497
Software	1,169,549	(965,044)	-	204,505
Other intangible assets	515,041	(223,503)	(42,927)	248,611
Value of Business Acquired (VOBA)	2,395,291	(393,346)	-	2,001,945
Finance leases assets	51,226	(30,221)	-	21,005
	₩ 4,140,355	₩ (1,614,775)	₩ (45,017)	₩ 2,480,563

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Beginning	Acquisition & Transfer	Disposal	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 4,497	₩ 174	₩ (1,160)	₩ (658)	₩ -	₩ -	₩ 2,853
Software	204,505	274,583	-	(105,228)	-	(341)	373,519
Other intangible assets ²	248,611	59,776	(13,534)	(33,590)	-	5,254	266,517
Value of Business Acquired (VOBA)	2,001,945	-	-	(192,460)	-	-	1,809,485
Right-of-use assets	21,063	1,010	-	(9,893)	-	(2,482)	9,698
	₩ 2,480,621	₩ 335,543	₩ (14,694)	₩ (341,829)	₩ -	₩ 2,431	₩ 2,462,072

(In millions of Korean won)

	2018						
	Beginning	Acquisition & Transfer	Disposal	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 7,098	₩ 1,329	₩ (1,200)	₩ (639)	₩ -	₩ (2,091)	₩ 4,497
Software	177,566	103,398	(6)	(76,280)	17	(190)	204,505
Other intangible assets ²	247,479	36,014	(10,290)	(24,388)	-	(204)	248,611
Value of Business Acquired (VOBA)	2,216,098	-	-	(214,153)	-	-	2,001,945
Finance leases assets	21,369	8,024	-	(8,388)	-	-	21,005
	₩ 2,669,610	₩ 148,765	₩ (11,496)	₩ (323,848)	₩ 17	₩ (2,485)	₩ 2,480,563

¹ Including ₩ 193,085 million and ₩ 214,735 million recorded in insurance expenses and other operating expenses and others in the statements of comprehensive income for the years ended December 31, 2019 and 2018.

² Impairment loss for membership right of other intangible asset with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount, and reversal of impairment loss was recognized when its recoverable amount is higher than its carrying amount.

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (45,017)	₩ (1,578)	₩ 6,859	₩ 8,084	₩ (31,652)

(In millions of Korean won)

	2018				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (43,074)	₩ (5,846)	₩ 3,475	₩ 428	₩ (45,017)

16. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Assets	Liabilities	Net amount
Other provisions	₩ 115,500	₩ -	₩ 115,500
Allowances for loan losses	451	(3,266)	(2,815)
Impairment losses on property and equipment	4,396	(1,952)	2,444
Share-based payments	18,002	-	18,002
Provisions for guarantees	20,959	-	20,959
Losses (gains) from valuation on derivative financial instruments	51,160	(158,604)	(107,444)
Present value discount	8,244	(4,201)	4,043
Losses (gains) from fair value hedged item	12,123	-	12,123
Accrued interest	-	(110,359)	(110,359)
Deferred loan origination fees and costs	531	(199,000)	(198,469)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains from revaluation	549	(329,331)	(328,782)
Investments in subsidiaries and others	35,306	(105,470)	(70,164)
Losses (gains) on valuation of security investment	39,949	(265,934)	(225,985)
Defined benefit liabilities	557,423	-	557,423
Accrued expenses	249,999	-	249,999
Retirement insurance expense	-	(489,602)	(489,602)
Adjustments to the prepaid contributions	-	(22,897)	(22,897)
Derivative-linked securities	131,259	(34,635)	96,624
Others	469,336	(762,429)	(293,093)
	1,715,187	(2,489,383)	(774,196)
Offsetting of deferred income tax assets and liabilities	(1,711,590)	1,711,590	-
	₩ 3,597	₩ (777,793)	₩ (774,196)

(In millions of Korean won)

	2018		
	Assets	Liabilities	Net amount
Other provisions	₩ 109,721	₩ -	₩ 109,721
Allowances for loan losses	3,327	(65)	3,262
Impairment losses on property and equipment	6,030	(2,032)	3,998
Share-based payments	17,655	-	17,655
Provisions for guarantees	20,298	-	20,298
Losses (gains) from valuation on derivative financial instruments	138,401	(13,485)	124,916
Present value discount	6,763	(2,380)	4,383
Losses (gains) from fair value hedged item	-	(25,873)	(25,873)
Accrued interest	-	(113,152)	(113,152)

(In millions of Korean won)

	2018		
	Assets	Liabilities	Net amount
Deferred loan origination fees and costs	506	(194,848)	(194,342)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains from revaluation	648	(330,548)	(329,900)
Investments in subsidiaries and others	33,589	(78,586)	(44,997)
Losses (gains) on valuation of security investment	76,558	(181,638)	(105,080)
Defined benefit liabilities	494,572	-	494,572
Accrued expenses	272,190	-	272,190
Retirement insurance expense	17,559	(444,244)	(426,685)
Adjustments to the prepaid contributions	-	(19,033)	(19,033)
Derivative-linked securities	3,762	(74,765)	(71,003)
Others	360,754	(568,357)	(207,603)
	1,562,333	(2,050,709)	(488,376)
Offsetting of deferred income tax assets and liabilities	(1,558,175)	1,558,175	-
	₩ 4,158	₩ (492,534)	₩ (488,376)

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 67,645 million associated with investments in subsidiaries and others as of December 31, 2019, because it is not probable that the temporary differences will be reversed in the foreseeable future.

No deferred income tax assets have been recognized for deductible temporary differences of ₩ 125,158 million with others, as of December 31, 2019, due to the uncertainty that these will be realized in the future.

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 68,836 million associated with investment in subsidiaries and associates as of December 31, 2019, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

No deferred income tax liabilities have been recognized as of December 31, 2019, for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

The changes in cumulative temporary differences for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Losses(gains) from fair value hedged item	-	-	44,085	44,085
Other provisions	411,903	411,747	424,227	424,383
Allowances for loan losses	12,481	16,160	5,697	2,018
Impairment losses on property and equipment	21,927	21,402	15,460	15,985
Deferred loan origination fees and costs	1,841	1,841	1,930	1,930
Share-based payments	60,071	52,475	55,496	63,092
Provisions for guarantees	73,809	73,809	76,214	76,214
Gains(losses) from valuation on derivative financial instruments	503,277	503,277	186,035	186,035
Present value discount	24,593	24,347	29,732	29,978
Investments in subsidiaries and others	184,870	47,217	47,727	185,380
Gains on valuation of security investment	269,731	264,318	130,823	136,236
Defined benefit liabilities	1,977,430	200,827	384,616	2,161,219
Accrued expenses	993,906	994,326	912,019	911,599
Derivative linked securities	13,679	13,679	477,307	477,307
Others	1,289,322	600,007	978,968	1,668,283
	5,838,840	3,225,432	3,770,336	6,383,744

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Unrecognized deferred income tax assets:				
Other provisions	3,416			4,788
Investments in subsidiaries and others	73,764			67,645
Others	120,704			125,158
	5,640,956			6,186,153
Tax rate (%)	27.5			27.5
Total deferred income tax assets from deductible temporary differences	1,562,333			1,715,187
Taxable temporary differences				
Losses(gains) from fair value hedged item	(94,085)	(94,085)	-	-
Accrued interest	(411,487)	(362,627)	(352,477)	(401,337)
Allowances for loan losses	(238)	(238)	(11,877)	(11,877)
Impairment losses on property and equipment	(4,457)	(212)	82	(4,163)
Deferred loan origination fees and costs	(727,528)	(727,528)	(752,178)	(752,178)
Advanced depreciation provision	(6,192)	-	-	(6,192)
Gains(losses) from valuation on derivative financial instruments	(49,036)	(49,036)	(576,743)	(576,743)
Present value discount	(8,656)	(8,656)	(15,278)	(15,278)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,201,992)	(52,470)	(48,044)	(1,197,566)
Investments in subsidiaries and others	(316,346)	(19,421)	(122,130)	(419,055)
Gains on valuation of security investment	(601,496)	(594,206)	(899,500)	(906,790)
Retirement insurance expense	(1,611,475)	(153,528)	(317,793)	(1,775,740)
Adjustments to the prepaid contributions	(69,212)	(69,212)	(83,262)	(83,262)
Derivative linked securities	(271,873)	(271,873)	(125,947)	(125,947)
Others	(2,097,416)	(2,916,575)	(3,612,265)	(2,793,106)
	(7,536,777)	(5,319,667)	(6,917,412)	(9,134,522)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(62,367)			(68,836)
Others	(588)			(1,247)
	(7,408,534)			(8,999,151)
Tax rate (%)	27.5			27.5
Total deferred income tax assets from deductible temporary differences	(2,050,709)			(2,489,383)

(In millions of Korean won)

	2018			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Other provisions	441,088	440,865	411,680	411,903
Allowances for loan losses	546,506	542,139	8,114	12,481
Impairment losses on property and equipment	20,415	19,678	21,190	21,927
Deferred loan origination fees and costs	1,207	1,207	1,841	1,841
Interest on equity index-linked deposits	155	155	-	-
Share-based payments	84,502	74,429	49,998	60,071
Provisions for guarantees	98,294	98,294	73,809	73,809
Gains(losses) from valuation on derivative financial instruments	23,162	23,162	503,277	503,277
Present value discount	104,117	104,116	24,592	24,593
Loss on SPE repurchase	80,204	80,204	-	-
Investments in subsidiaries and others	137,591	26,748	74,027	184,870
Gains on valuation of security investment	415,392	412,284	266,623	269,731
Defined benefit liabilities	1,682,234	211,994	507,190	1,977,430
Accrued expenses	706,535	706,535	993,906	993,906
Derivative linked securities	101,789	101,789	13,679	13,679
Others	1,189,756	517,189	616,755	1,289,322
	5,632,947	3,360,788	3,566,681	5,838,840

(In millions of Korean won)

	2018			
	Beginning	Decrease	Increase	Ending
Unrecognized deferred income tax assets:				
Other provisions	2,879			3,416
Loss on SPE repurchase	80,204			-
Investments in subsidiaries and others	55,546			73,764
Others	112,030			120,704
	5,382,288			5,640,956
Tax rate (%)	27.5			27.5
Total deferred income tax assets from deductible temporary differences	1,487,039			1,562,333
Taxable temporary differences				
Losses(gains) from fair value hedged item	(57,083)	(57,083)	(94,085)	(94,085)
Accrued interest	(405,542)	(364,518)	(370,463)	(411,487)
Allowances for loan losses	-	-	(238)	(238)
Impairment losses on property and equipment	(1,481)	-	(2,976)	(4,457)
Deferred loan origination fees and costs	(668,657)	(668,657)	(727,528)	(727,528)
Advanced depreciation provision	(6,192)	-	-	(6,192)
Gains(losses) from valuation on derivative financial instruments	(38,051)	(38,051)	(49,036)	(49,036)
Present value discount	(11,948)	(11,948)	(8,656)	(8,656)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,275,641)	(124,407)	(50,758)	(1,201,992)
Investments in subsidiaries and others	(387,733)	(146,234)	(74,847)	(316,346)
Gains on valuation of security investment	(800,041)	(799,187)	(600,642)	(601,496)
Retirement insurance expense	(1,342,012)	(136,444)	(405,907)	(1,611,475)
Adjustments to the prepaid contributions	(59,040)	(59,040)	(69,212)	(69,212)
Derivative linked securities	(20,650)	(20,650)	(271,873)	(271,873)
Others	(1,695,063)	(1,261,852)	(1,664,205)	(2,097,416)
	(6,834,422)	(3,688,071)	(4,390,426)	(7,536,777)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(17,205)			(62,367)
Others	(906)			(588)
	(6,751,023)			(7,408,534)
Tax rate (%)	27.5			27.5
Total deferred income tax assets from deductible temporary differences	(1,861,070)			(2,050,709)

¹ Prepared in accordance with Korean IFRS 1109.

17. Assets Held for Sale

Details of assets held for sale as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 14,542	₩ (1,530)	₩ 13,012	₩ 14,374
Buildings held for sale	11,391	(1,252)	10,139	12,396
	₩ 25,933	₩ (2,782)	₩ 23,151	₩ 26,770

(In millions of Korean won)

	2018			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 16,048	₩ (3,442)	₩ 12,606	₩ 16,552
Buildings held for sale	9,054	(4,708)	4,346	4,403
	₩ 25,102	₩ (8,150)	₩ 16,952	₩ 20,955

¹ Acquisition cost of buildings held for sale is net of accumulated depreciation.

The valuation technique and input variables that are used to measure the fair value of assets held for sale as of December 31, 2019 are as follows:

(In millions of Korean won)

	2019				
	Fair value	Valuation technique ¹	Unobservable input ²	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Land and buildings	₩ 26,770	Market comparison approach model	Adjustment index	0.44 ~ 1.40	Fair value increases as the adjustment index rises.

¹ The Group adjusted the appraisal value by the adjustment ratio in the event the public sale is unsuccessful.

² Adjustment index is calculated using the real estate index or the producer price index, or land price volatility.

The fair values of assets held for sale were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

The changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019				
Beginning		Provision	Reversal	Others	Ending	
₩	(8,150)	₩ (333)	₩ -	₩ 5,701	₩	(2,782)

(In millions of Korean won)

		2018				
Beginning		Provision	Reversal	Others	Ending	
₩	(12,801)	₩ (5,281)	₩ 286	₩ 9,646	₩	(8,150)

As of December 31, 2019, assets held for sale consist of four real estates of closed offices, which were committed to sell by the management, but not yet sold as of December 31, 2019. Negotiation with buyers is in process for the one asset and the remaining three assets are also being actively marketed.

18. Other Assets

Details of other assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Other financial assets				
Other receivables	₩	5,792,814	₩	4,708,910
Accrued income		1,659,182		1,724,328
Guarantee deposits		1,146,000		1,182,686
Domestic exchange settlement debits		531,356		504,899
Others		129,039		125,380
Allowances		(104,629)		(106,275)
Present value discount		(6,703)		(6,372)
		9,147,059		8,133,556
Other non-financial assets				
Other receivables		1,294		4,965
Prepaid expenses		198,893		205,394
Guarantee deposits		4,084		4,529
Insurance assets		1,662,016		1,362,877
Separate account assets		5,052,804		4,715,414
Others		2,173,693		1,347,580
Allowances		(24,235)		(24,780)
		9,068,549		7,615,979
	₩	18,215,608	₩	15,749,535

Changes in allowances on other assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 106,275	₩ 24,780	₩ 131,055
Written-off	(5,883)	(152)	(6,035)
Provision (reversal)	9,885	(393)	9,492
Others	(5,648)	-	(5,648)
Ending	₩ 104,629	₩ 24,235	₩ 128,864

(In millions of Korean won)

	2018		
	Other financial assets	Other non-financial assets	Total
Beginning ¹	₩ 109,899	₩ 32,018	₩ 141,917
Written-off	(38,184)	(1,863)	(40,047)
Provision (reversal)	32,495	(5,375)	27,120
Others	2,065	-	2,065
Ending	₩ 106,275	₩ 24,780	₩ 131,055

¹ Prepared in accordance with Korean IFRS 1109.

19. Financial Liabilities at Fair Value through Profit or Loss

Details of financial liabilities at fair value through profit or loss, and financial liabilities designated at fair value through profit or loss as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Financial liabilities held for trading		
Securities sold	₩ 2,583,092	₩ 2,745,906
Other	80,235	77,914
	₩ 2,663,327	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss		
Derivative-linked securities	12,704,826	12,503,039
Total financial liabilities at fair value through profit or loss	₩ 15,368,153	₩ 15,326,859

The difference between the carrying amount and contractual cash flow amount of financial liabilities designated at fair value through profit or loss as of December 31, 2019 and 2018 is as follows:

(In millions of Korean won)

	2019	2018
Contractual cash flow amount	₩ 12,515,734	₩ 12,329,525
Carrying amount	12,704,826	12,503,039
Difference	₩ (189,092)	₩ (173,514)

20. Deposits

Details of deposits as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)			
	2019		2018	
Demand deposits				
Demand deposits in Korean won	₩	127,790,349	₩	115,602,691
Demand deposits in foreign currencies		8,550,068		6,887,280
		136,340,417		122,489,971
Time deposits				
Time deposits in Korean won		157,653,603		145,336,136
		157,653,603		145,336,136
Time deposits in foreign currencies		7,377,173		5,501,887
Fair value adjustments on valuation of fair value hedged items		(18,391)		(89,264)
		7,358,782		5,412,623
		165,012,385		150,748,759
Certificates of deposits		4,239,969		3,531,719
Total deposits	₩	305,592,771	₩	276,770,449

21. Debts

Details of debts as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)			
	2019		2018	
Borrowings	₩	24,370,567	₩	19,969,328
Repurchase agreements and others		13,015,506		11,954,491
Call money		432,787		1,081,015
	₩	37,818,860	₩	33,004,834

Details of borrowings as of December 31, 2019 and 2018, are as follows:

				(In millions of Korean won)			
				2019		2018	
		Lenders	Annual interest rate (%)				
Borrowings in Korean won	Borrowings from Bank of Korea	Bank of Korea	0.50 ~ 0.75	₩	2,649,851	₩	1,672,714
	Borrowings from the government	SEMAS and others	0.00 ~ 3.00		1,658,810		1,745,940
	Borrowings from banks	Shinhan Bank and others	1.71 ~ 3.25		116,160		100,100
	Borrowings from non-banking financial institutions	Korea Securities Finance Corporation and others	0.20 ~ 3.80		1,982,242		1,852,953
	Other borrowings	The Korea Development Bank and others	0.00 ~ 4.90		8,022,921		5,033,768
				₩	14,429,984	₩	10,405,475
Borrowings in foreign currencies	Due to banks	KEB Hana Bank and others	-		4,682		13,353
	Borrowings from banks	Central Bank of Uzbekistan and others	0.00 ~ 8.50		8,089,368		7,521,197
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	2.28 ~ 3.08		7,081		18,725
	Other borrowings	Standard Chartered Bank and others	0.00 ~ 3.00		1,839,452		2,010,578
					9,940,583		9,563,853
				₩	24,370,567	₩	19,969,328

The details of repurchase agreements and others as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	2019		2018	
			₩		₩	
Repurchase agreements	Individuals, Groups and Corporations	0.91~2.90	₩	13,011,121	₩	11,946,896
Bills sold	Counter sale	0.70~1.05		4,385		7,595
			₩	13,015,506	₩	11,954,491

The details of call money as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	2019		2018	
			₩		₩	
Call money in Korean won	HI Asset Management and others	1.42~1.44	₩	165,000	₩	718,600
Call money in foreign currencies	Central Bank of Uzbekistan and others	2.91~4.30		267,787		362,415
			₩	432,787	₩	1,081,015

22. Debentures

Details of debentures as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	2019		2018	
		₩		₩	
Debentures in Korean won					
Structured debentures	1.74 ~ 5.86	₩	1,458,551	₩	1,296,860
Subordinated fixed rate debentures	2.96 ~ 4.35		3,386,590		3,437,729
Fixed rate debentures	1.35 ~ 3.79		39,171,514		42,203,545
Floating rate debentures	1.52 ~ 2.24		1,580,000		1,650,000
			45,596,655		48,588,134
Fair value adjustments on fair value hedged debentures in Korean won			21,070		19,252
Less: Discount on debentures in Korean won			(30,029)		(33,445)
			45,587,696		48,573,941
Debentures in foreign currencies					
Floating rate debentures	2.26 ~ 2.84		2,227,607		1,791,868
Fixed rate debentures	1.60 ~ 4.50		3,094,196		2,951,251
			5,321,803		4,743,119
Fair value adjustments on fair value hedged debentures in foreign currencies			41,406		(24,073)
Less: Discount on debentures in foreign currencies			(15,322)		(14,290)
			5,347,887		4,704,756
		₩	50,935,583	₩	53,278,697

Changes in debentures based on face value for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning	Issues	Repayments	Others	Ending
Debentures in Korean won					
Structured debentures	₩ 1,296,860	₩ 1,425,241	₩ (1,263,550)	₩ -	₩ 1,458,551
Subordinated fixed rate debentures	3,437,729	-	(51,139)	-	3,386,590
Fixed rate debentures	42,203,545	90,534,800	(93,566,831)	-	39,171,514
Floating rate debentures	1,650,000	570,000	(640,000)	-	1,580,000
	₩ 48,588,134	₩ 92,530,041	₩ (95,521,520)	₩ -	₩ 45,596,655
Debentures in foreign currencies					
Floating rate debentures	1,791,868	532,380	(33,199)	(63,442)	2,227,607
Fixed rate debentures	2,951,251	595,490	(590,950)	138,405	3,094,196
	4,743,119	1,127,870	(624,149)	74,963	5,321,803
	₩ 53,331,253	₩ 93,657,911	₩ (96,145,669)	₩ 74,963	₩ 50,918,458

(In millions of Korean won)

	2018				
	Beginning	Issues	Repayments	Others	Ending
Debentures in Korean won					
Structured debentures	₩ 869,294	₩ 3,662,797	₩ (3,235,231)	₩ -	₩ 1,296,860
Subordinated fixed rate debentures	2,913,411	600,000	(75,682)	-	3,437,729
Fixed rate debentures	36,823,365	136,987,100	(131,606,920)	-	42,203,545
Floating rate debentures	728,000	1,160,000	(238,000)	-	1,650,000
	₩ 41,334,070	₩ 142,409,897	₩ (135,155,833)	₩ -	₩ 48,588,134
Debentures in foreign currencies					
Floating rate debentures	1,371,392	725,638	(384,230)	79,068	1,791,868
Fixed rate debentures	2,363,486	493,022	-	94,743	2,951,251
	3,734,878	1,218,660	(384,230)	173,811	4,743,119
	₩ 45,068,948	₩ 143,628,557	₩ (135,540,063)	₩ 173,811	₩ 53,351,253

23. Provisions

Details of debentures as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Provisions for unused loan commitments	₩	208,148	₩	210,677
Provisions for payment guarantees		77,759		75,175
Provisions for financial guarantee contracts		6,063		4,275
Provisions for restoration cost		120,340		108,000
Others		115,619		127,732
	₩	527,929	₩	525,859

Changes in provisions for unused loan commitments, payment guarantees for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Provisions for unused loan commitments			Provisions for unused loan commitments		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning	₩ 132,876	₩ 68,920	₩ 8,881	₩ 27,084	₩ 30,109	₩ 17,982
Transfer between stages						
Transfer to 12-month expected credit losses	32,622	(31,408)	(1,214)	365	(365)	-
Transfer to lifetime expected credit losses	(16,932)	7,195	(263)	(975)	1,705	(729)
Impairment	(422)	(1,516)	1,938	(24)	(280)	304
Provision (reversal) for credit losses	(21,171)	18,036	45	(1,763)	4,584	(893)
Others (change of exchange rate, etc.)	324	237	-	274	259	122
Ending	₩ 127,297	₩ 71,464	₩ 9,387	₩ 24,961	₩ 36,012	₩ 16,786

(In millions of Korean won)

	2018					
	Provisions for unused loan commitments			Provisions for unused loan commitments		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning ¹	₩ 124,487	₩ 63,407	₩ 7,746	₩ 41,637	₩ 39,628	₩ 18,744
Transfer between stages						
Transfer to 12-month expected credit losses	25,562	(24,067)	(1,494)	660	(661)	-
Transfer to lifetime expected credit losses	(11,053)	11,381	(327)	(913)	1,055	(141)
Impairment	(481)	(1,333)	1,815	(6)	(87)	93
Provision (reversal) for credit losses	(5,932)	19,374	1,141	(14,702)	(10,069)	(897)
Others (change of exchange rate, etc.)	293	158	-	408	243	183
Ending	₩ 132,876	₩ 68,920	₩ 8,881	₩ 27,084	₩ 30,109	₩ 17,982

¹ Restated in accordance with Korean IFRS 1109.

Changes in provisions for financial guarantee contracts for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
	₩		₩	
Beginning ¹	₩	4,275	₩	4,857
Provision (reversal)		1,865		(582)
Others		(77)		-
Ending	₩	6,063	₩	4,275

¹ The beginning balance for 2018 has been restated in accordance with Korean IFRS 1109.

Changes in provisions for restoration cost for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
	₩		₩	
Beginning	₩	108,000	₩	95,194
Provision		7,037		7,301
Reversal		(7,178)		(2,055)
Used		(5,211)		(3,627)
Unwinding of discount		2,237		2,507
Effects of changes in discount rate		15,455		8,680
Ending	₩	120,340	₩	108,000

Provisions for restoration cost are the present value of estimated costs to be incurred for the restoration of the leased properties. Actual expenses are expected to be incurred at the end of each lease contract. Three-year historical data of expired leases were used to estimate the average lease period. Also, the average restoration expense based on actual three-year historical data and the three-year historical average inflation rate were used to estimate the present value of estimated costs.

Changes in other provisions for the years ended December 31, 2019 and 2018, are as follows:

	2019						Total
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities	Others ¹		
Beginning	₩ 12,654	₩ 4,377	₩ 21,190	₩ -	₩ 89,511	₩ 127,732	
Increase	56,758	2,378	23,863	-	38,025	121,024	
Decrease	(54,743)	(3,176)	(16,363)	-	(58,855)	(133,137)	
Ending	₩ 14,669	₩ 3,579	₩ 28,690	₩ -	₩ 68,681	₩ 115,619	

¹ As of December 31, 2019, the Group's provision on incomplete sales on cardssurance are ₩ 2,532 million.

	2018						Total
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities	Others ¹		
Beginning	₩ 15,112	₩ 5,050	₩ 23,763	₩ 177	₩ 159,044	₩ 203,146	
Increase	46,277	2,657	2,699	-	24,722	76,355	
Decrease	(48,735)	(3,330)	(5,272)	(177)	(94,255)	(151,769)	
Ending	₩ 12,654	₩ 4,377	₩ 21,190	₩ -	₩ 89,511	₩ 127,732	

¹ As of December 31, 2018, the Group's provision on incomplete sales on cardssurance are ₩ 26,930 million.

24. Net Defined Benefit Liabilities (assets)

Defined benefit plan

The Group operates defined benefit plans which have the following characteristics:

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

The defined benefit liability recognized in the statements of financial position is calculated by independent actuaries in accordance with actuarial valuation methods.

The net defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). Data used in the PUC such as interest rates, future salary increase rate, mortality rate and consumer price index are based on observable market data and historical data which are updated annually.

Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends which may impact defined benefit liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income.

Changes in the net defined benefit liabilities for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 2,172,260	₩ (1,910,047)	₩ 262,213
Current service cost	226,788	-	226,788
Past service cost	2,276	-	2,276
Interest cost (income)	48,795	(43,250)	5,545
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(3,122)	-	(3,122)
Actuarial gains and losses by changes in financial assumptions	61,547	-	61,547
Actuarial gains and losses by experience adjustments	7,458	-	7,458
Return on plan assets (excluding amounts included in interest income)	-	11,116	11,116
Contributions	-	(288,420)	(288,420)
Payments from plans (benefit payments)	(141,820)	141,798	(22)
Payments from the Group	(32,556)	-	(32,556)
Transfer in	7,775	(7,425)	350
Transfer out	(7,517)	7,517	-
Effect of exchange rate changes	(2)	-	(2)
Others	(129)	1	(128)
Ending ¹	₩ 2,341,753	₩ (2,088,710)	₩ 253,043

¹ The net defined benefit liabilities of ₩ 253,043 million is calculated by subtracting ₩ 946 million net defined benefit assets from ₩ 253,989 million net defined benefit liabilities

(In millions of Korean won)

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 1,841,991	₩ (1,688,183)	₩ 153,808
Current service cost	208,470	-	208,470
Past service cost	30,218	-	30,218
Gain or loss on settlement	(1,000)	-	(1,000)
Interest cost (income)	51,522	(47,689)	3,833
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	38,894	-	38,894
Actuarial gains and losses by changes in financial assumptions	95,111	-	95,111
Actuarial gains and losses by experience adjustments	33,968	-	33,968
Return on plan assets (excluding amounts included in interest income)	-	22,420	22,420
Contributions	-	(300,245)	(300,245)
Payments from plans (benefit payments)	(103,663)	103,652	(11)
Payments from the Group	(29,583)	-	(29,583)
Transfer in	8,614	(8,394)	220
Transfer out	(8,394)	8,394	-
Effect of exchange rate changes	17	-	17
Others	6,095	(2)	6,093
Ending	₩ 2,172,260	₩ (1,910,047)	₩ 262,213

Details of the net defined benefit liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Present value of defined benefit obligation	₩ 2,341,753	₩ 2,172,260
Fair value of plan assets	(2,088,710)	(1,910,047)
Net defined benefit liabilities	₩ 253,043	₩ 262,213

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Current service cost	₩ 226,788	₩ 208,470
Past service cost ¹	2,276	7,912
Net interest expenses of net defined benefit liabilities	5,545	3,833
Gain or loss on settlement	-	(1,000)
Post-employment benefits ²	₩ 234,609	₩ 219,215

¹ During the year ended December 31, 2018, other provisions (amounting to ₩ 22,306 million as of December 31, 2018) were transferred into net defined benefit liabilities.

² Including post-employment benefits amounting to ₩ 2,575 million recognized as other operating expense and prepayment of ₩ 121 million recognized as other assets as of and for the year ended December 31, 2019, and post-employment benefits amounting to ₩ 2,047 million recognized as other operating expense and prepayment of ₩ 83 million recognized as other assets for the year ended December 31, 2018.

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)	₩	(11,116)	₩	(22,420)
Actuarial gains and losses		(65,883)		(167,973)
Income tax effects		21,172		52,377
Remeasurements after income tax	₩	(55,827)	₩	(138,016)

Details of intangible assets as of December 31, 2019 and 2018, are as follows:

	2019			
	Assets quoted in an active market	Assets not quoted in an active market	Total	
Cash and due from financial institutions	₩ -	₩ 2,087,861	₩ 2,087,861	
Investment fund	-	849	849	
	₩ -	₩ 2,088,710	₩ 2,088,710	

	2018			
	Assets quoted in an active market	Assets not quoted in an active market	Total	
Cash and due from financial institutions	₩ -	₩ 1,908,028	₩ 1,908,028	
Investment fund	-	2,019	2,019	
	₩ -	₩ 1,910,047	₩ 1,910,047	

Key actuarial assumptions used as of December 31, 2019 and 2018, are as follows:

	2019	2018
Discount rate (%)	1.60~2.00	2.00~2.30
Salary increase rate (%)	0.00~7.50	0.00~7.50
Turnover (%)	0.00~50.00	0.00~50.00

Mortality assumptions are based on the experience-based mortality table of Korea Insurance Development Institute of 2019.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2019, are as follows:

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5 p.	4.22 decrease	4.48 increase
Salary increase rate (%)	0.5 p.	1.86 increase	6.18 decrease
Turnover (%)	0.5 p.	0.75 decrease	0.67 increase

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits (including expected future benefit) as of December 31, 2019 are as follows:

(In millions of Korean won)						
	Up to 1 year	1~2 years	2~5 years	5~10 years	Over 10 years	Total
Pension benefits ¹	₩ 74,718	₩ 153,129	₩ 647,074	₩ 1,365,073	₩ 3,707,746	₩ 5,947,740

¹ Excluded amount to be settled per promotion-incentivized defined contribution plan

The weighted average duration of the defined benefit obligation is 1.0 ~ 11.7 years.

Expected contribution to plan assets for periods after December 31, 2019 is estimated to be ₩ 215,290 million.

25. Other Liabilities

Details of other liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)				
	2019		2018	
Other financial liabilities				
Other payables	₩	9,485,597	₩	7,910,887
Prepaid card and debit card		27,555		25,831
Accrued expenses		3,066,445		2,986,210
Financial guarantee liabilities		46,428		43,395
Deposits for letter of guarantees and others		862,968		685,451
Domestic exchange settlement credits		2,079,636		1,689,908
Foreign exchanges settlement credits		114,316		102,187
Borrowings from other business accounts		256		13,166
Other payables from trust accounts		5,216,460		5,285,108
Liability incurred from agency relationships		771,609		605,076
Account for agency businesses		407,475		460,949
Dividend payables		473		2,019
Lease liabilities		544,439		-
Others		5,930		18,120
		22,629,587		19,828,307
Other non-financial liabilities				
Other payables		283,771		319,267
Unearned revenue		465,501		378,792
Accrued expenses		716,180		744,863
Deferred revenue on credit card points		206,188		187,459
Withholding taxes		158,992		137,236
Separate account liabilities		5,047,080		5,401,192
Others		229,960		203,880
		7,107,672		7,372,689
	₩	29,737,259	₩	27,200,996

26. Equity

26.1 Share Capital

Details of share capital and number of issued shares of the Parent Company as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)				
	2019		2018	
Type of share		Ordinary share		Ordinary share
Number of authorized shares		1,000,000,000		1,000,000,000
Par value per share (In millions of Korean won)	₩	5,000	₩	5,000
Number of issued shares		415,807,920		418,111,537
Share capital ¹	₩	2,090,558	₩	2,090,558

¹ Due to the retirement of shares deducted through profits, it is different from the total par value of the shares issued.

Changes in outstanding shares for the years ended December 31, 2019 and 2018, are as follows:

	(In number of shares)	
	2019	2018
Beginning	₩ 395,551,297	₩ 399,037,583
Increase	-	-
Decrease	(5,916,962)	(3,486,286)
Ending	₩ 389,634,335	₩ 395,551,297

26.2 Hybrid Securities

Details of hybrid securities classified as equity as of December 31, 2019 and 2018 are as follows:

	Issuance date	Maturity	Interest rate (%)	(In millions of Korean won)	
				2019	2018
The 1-1 st Hybrid securities	May 2, 2019	Perpetual bond	3.23	₩ 349,309	₩ -
The 1-2 nd Hybrid securities	May 2, 2019	Perpetual bond	3.44	49,896	-
				₩ 399,205	₩ -

The above hybrid securities are early redeemable by the Group after 5 or 10 years from the issuance date. On the other hand, hybrid securities of ₩ 574,580 million issued by KB Kookmin Bank are recognized as non-controlling interests and are early redeemable every five years after the issuance date.

26.3 Capital Surplus

Details of capital surplus as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Share premium	₩ 13,190,274	₩ 13,190,274
Loss on sales of treasury shares	(481,332)	(481,332)
Other capital surplus	4,413,835	4,412,718
	₩ 17,122,777	₩ 17,121,660

26.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Remeasurements of net defined benefit liabilities	₩ (290,228)	₩ (234,401)
Exchange differences on translating foreign operations	31,793	(5,784)
Net gains on financial instruments at fair value through other comprehensive income	487,331	450,694
Shares of other comprehensive income of associates and joint ventures	3,318	(4,377)
Cash flow hedges	(27,333)	5,849
Losses on hedges of a net investment in a foreign operation	(41,992)	(33,092)
Other comprehensive income arising from separate account	18,381	15,017
Fair value changes on financial liabilities designated at fair value due to own credit risk	(20,326)	(8,954)
Net overlay adjustments	187,077	(7,146)
	₩ 348,021	₩ 177,806

26.5 Retained Earnings

Details of retained earnings as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Legal reserves ¹	₩	482,807	₩	390,216
Voluntary reserves		982,000		982,000
Unappropriated retained earnings		18,244,738		15,910,225
	₩	19,709,545	₩	17,282,441

¹ With respect to the allocation of net profit earned in a fiscal term, the Parent Company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its share capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

Regulatory reserve for credit losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of Supervisory Regulations on Financial Holding Companies.

Details of the regulatory reserve for credit losses as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Regulatory reserve for credit losses attributable to:				
Shareholders of the Parent Company	₩	3,418,136	₩	3,130,765
Non-controlling interests		1,478		1,354
	₩	3,419,614	₩	3,132,119

The adjustments to the regulatory reserve for credit losses for the year ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won, except earnings per share)

	2019		2018	
Provision of regulatory reserve for credit losses ¹	₩	287,371	₩	355,363
Adjusted profit after provision of regulatory reserve for credit losses ^{2,3}		3,017,944		2,705,828
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ²		7,716		6,824
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ²		7,659		6,785

¹ The amount expected to be appropriated for the year ended December 31, 2018 is the amount required to reserve for credit losses, calculated based on the beginning balance of regulatory reserve for credit losses (including unearned reserves) that reflects the effect of adoption of Korean IFRS 1109 retrospectively.

² Adjusted profit after provision of regulatory reserve for credit losses is not based on Korean IFRS; this is calculated reflecting provision (reversal) of the reserve before tax to the net profit to shareholders of the Parent Company.

³ After deducting dividends on hybrid securities.

26.6 Treasury Shares

Changes in treasury shares outstanding for the years ended December 31, 2019 and 2018, are as follows:

(In number of shares and millions of Korean won)

	2019			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	22,560,240	5,916,962	(2,303,617)	26,173,585
Carrying amount ¹	₩ 968,549	₩ 267,639	₩ (100,000)	₩ 1,136,188

¹ For the year ended December 31, 2019, the treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd., which had been signed in 2018, was terminated.

(In number of shares and millions of Korean won)

	2018			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,073,954	3,486,286	-	22,560,240
Carrying amount ¹	₩ 755,973	₩ 212,576	₩ -	₩ 968,549

¹ For the year ended December 31, 2018, the treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd., which had been signed in 2017, was terminated. In order to increase shareholder value, the Group entered into another treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2018.

27. Net Interest Income

Details of interest income and interest expense for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Interest income		
Deposits at fair value through profit or loss	₩ 2,685	₩ 9,236
Securities measured at fair value through profit or loss	668,377	713,058
Loans measured at fair value through profit or loss	33,001	26,066
Securities measured at fair value through other comprehensive income	774,864	718,327
Loans measured at fair value through other comprehensive income	14,708	2,373
Deposits at amortized cost	150,635	109,155
Equity instruments at amortized cost	599,519	604,709
Loans at amortized cost	12,247,493	11,431,359
Other	147,905	120,286
	14,639,187	13,734,569
Interest expenses		
Deposits	3,481,121	3,041,739
Debts	596,425	544,562
Debentures	1,240,566	1,148,729
Other	124,288	94,611
	5,442,400	4,829,641
Net interest income	₩ 9,196,787	₩ 8,904,928

Interest income recognized on impaired loans is ₩ 54,033 million and ₩ 48,974 million for the years ended December 31, 2019 and 2018, respectively.

28. Net Fee and Commission Income

Details of fee and commission income, and fee and commission expense for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Fee and commission income		
Banking activity fees	₩ 214,512	₩ 208,443
Lending activity fees	83,916	74,340
Credit & Debit card related fees and commissions	1,316,636	1,360,515
Agent activity fees	172,211	149,585
Trust and other fiduciary fees	388,352	363,767
Fund management related fees	153,798	132,657
Guarantee fees	48,122	44,104
Foreign currency related fees	134,145	124,201
Commissions from transfer agent services	145,846	167,071
Other business account commission on consignment	36,813	36,947
Commissions received on securities business	445,987	518,309
Lease fees	428,195	246,537
Others	310,714	291,244
	3,879,247	3,717,720
Fee and commission expense		
Trading activity related fees ¹	28,869	31,889
Lending activity fees	26,040	25,734
Credit & Debit card related fees and commissions	892,391	907,831
Outsourcing related fees	190,312	164,594
Foreign currency related fees	42,902	43,053
Others	343,729	301,243
	1,524,243	1,474,344
Net fee and commission income	₩ 2,355,004	₩ 2,243,376

¹ The fees from financial assets/liabilities at fair value through profit or loss.

29. Net Gains or Losses on Financial Assets/Liabilities at Fair Value through Profit or Loss

29.1 Net Gains or Losses on Financial Instruments Held for Trading

Net gain or loss from financial instruments at fair value through profit or loss includes dividend income, gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments held for trading for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Gains related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	₩ 1,613,946	₩ 1,544,892
Equity securities	428,646	571,404
	2,042,592	2,116,296
Derivatives held for trading		
Interest rate	2,685,998	2,328,576
Currency	5,251,597	3,764,985
Stock or stock index	2,612,422	1,383,446
Credit	41,548	38,461
Commodity	15,240	8,285
Other	212,731	92,947
	10,819,536	7,616,700
Financial liabilities held for trading	46,750	72,410
Other financial instruments	5,811	22
	₩ 12,914,689	₩ 9,805,428
Losses related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	₩ 752,999	₩ 850,129
Equity securities	315,743	475,968
	1,068,742	1,326,097
Derivatives held for trading		
Interest rate	2,758,205	2,610,305
Currency	5,118,095	3,499,356
Stock or stock index	1,585,086	1,626,007
Credit	42,172	36,747
Commodity	9,437	10,456
Other	190,979	117,741
	9,703,974	7,900,612
Financial liabilities held for trading	94,426	134,287
Other financial instruments	5,704	60
	10,872,846	9,361,056
Net gains or losses on financial instruments held for trading	₩ 2,041,843	₩ 444,372

29.2 Net Gains or Losses on Financial Instruments Designated at Fair Value through Profit or Loss

Net gain or loss from financial instruments designated at fair value through profit or loss includes dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments designated at fair value through profit or loss for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Revenue from financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	₩ 555,749	₩ 667,508
	555,749	667,508
Expense from financial instruments designated at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	1,953,720	760,577
	1,953,720	760,577
Net gains or losses on financial instruments designated at fair value through profit or loss	₩ (1,397,971)	₩ (93,069)

30. Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Other operating income		
Revenue related to financial instruments at fair value through other comprehensive income		
Gain on redemption of financial instruments at fair value through other comprehensive income	₩ 796	₩ 259
Gain on sale of financial instruments at fair value through other comprehensive income	222,371	134,875
	223,167	135,134
Revenue related to financial assets at amortized cost		
Gain on sale of loans at amortized cost	80,746	46,877
	80,746	46,877
Gain on foreign exchange transactions	2,183,703	1,600,161
Dividend income	54,768	83,930
Others	321,244	260,709
	₩ 2,863,628	₩ 2,126,811
Other operating expenses		
Expenses related to financial instruments measured at fair value through other comprehensive income		
Losses on redemption of financial instruments measured at fair value through other comprehensive income	₩ -	₩ 17
Losses on sale of financial instruments measured at fair value through other comprehensive income	16,975	35,864
	16,975	35,881
Expenses related to financial assets at amortized cost		
Loss on sale of loans at amortized cost	19,439	9,006
	19,439	9,006
Loss on foreign exchanges transactions	1,970,294	1,539,837
Others	1,920,244	1,672,123
	3,926,952	3,256,847
Net other operating expenses	₩ (1,063,324)	₩ (1,130,036)

31. General and Administrative Expenses

31.1 General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Employee Benefits		
Salaries and short-term employee benefits - salaries	₩ 2,557,821	₩ 2,512,945
Salaries and short-term employee benefits - others	848,421	870,356
Post-employment benefits - defined benefit plans	231,913	217,085
Post-employment benefits - defined contribution plans	27,924	21,056
Termination benefits	239,790	242,010
Share-based payments	49,418	10,930
	3,955,287	3,874,382
Depreciation and amortization	784,431	408,771

(In millions of Korean won)

	2019	2018
Other general and administrative expenses		
Rental expense	109,745	361,344
Tax and dues	238,670	214,683
Communication	48,749	46,661
Electricity and utilities	29,161	28,823
Publication	15,136	16,018
Repairs and maintenance	23,947	22,452
Vehicle	11,537	12,495
Travel	21,452	19,393
Training	31,451	30,310
Service fees	227,631	210,081
Electronic data processing expenses	258,456	189,007
Advertising	228,826	217,244
Others	286,538	266,868
	1,531,299	1,635,359
	₩ 6,271,017	₩ 5,918,512

31.2 Share-based Payments

31.2.1 Stock grants

The Group changed the scheme of share-based payment from stock options to stock grants in November 2007. The stock grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual stock granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

Details of stock grants linked to long-term performance as of December 31, 2019, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
KB Financial Group Inc.			
Series 18	Jul. 17, 2017	7,826	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 19	Nov. 21, 2017	46,890	Services fulfillment, market performance ³ 35% and non-market performance ⁵ 65%
Series 20	Jan. 01, 2018	38,826	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 21	Jan. 01, 2019	28,926	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 22	Apr. 01, 2019	3,227	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 23	May 27, 2019	1,392	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 24	Jul. 17, 2019	11,224	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Deferred grant	2015	10,043	Satisfied
	2016	12,093	Satisfied
	2017	45,728	Satisfied
	2018	8,057	Satisfied
		214,232	
Kookmin Bank			
Series 72	Aug. 28, 2017	6,742	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 73	Nov. 21, 2017	27,786	Services fulfillment, market performance ³ 30% and non-market performance ⁶ 70%
Series 74	Jan. 01, 2018	134,465	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 75	Jan. 01, 2019	192,170	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
Series 76	Apr. 01, 2019	5,380	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 77	May 27, 2019	5,569	Services fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 78	Nov. 21, 2019	36,443	Services fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Deferred grant	2015	4,756	Satisfied
Deferred grant	2016	65,419	Satisfied
Deferred grant	2017	95,697	Satisfied
Deferred grant	2018	97,244	Satisfied
		671,671	
Other subsidiaries			
Stock granted in 2010	-	106	Services fulfillment, market performance ³ 10~50% and non-market performance ⁴ , 50~90%
Stock granted in 2011	-	146	
Stock granted in 2012	-	420	
Stock granted in 2013	-	1,007	
Stock granted in 2014	-	1,223	
Stock granted in 2015	-	4,456	
Stock granted in 2016	-	23,474	
Stock granted in 2017	-	83,459	
Stock granted in 2018	-	257,064	
Stock granted in 2019	-	241,226	
		612,581	
		1,498,484	

¹ Granted shares represent the total number of shares initially granted to executives and employees that have residual shares at the end of reporting period (Deferred grants are residual shares as of December 31, 2019).

² Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return): [(Fair value at the end of the contract - Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract

⁴ Accomplishment of subsidiaries' performance and accomplishment of performance results.

⁵ EPS, Asset Quality, HCR01, Profit from non-banking segment

⁶ EPS, Asset Quality

Details of stock grants linked to short-term performance as of December 31, 2019, are as follows:

	Estimated number of vested shares ¹	Vesting conditions
KB Financial Group Inc.		
Stock granted in 2015	9,690	Satisfied
Stock granted in 2016	11,783	Satisfied
Stock granted in 2017	12,273	Satisfied
Stock granted in 2018	20,664	Satisfied
Stock granted in 2019	30,504	Proportional to service period
Kookmin Bank		
Stock granted in 2015	15,831	Satisfied
Stock granted in 2016	52,855	Satisfied
Stock granted in 2017	55,490	Satisfied
Stock granted in 2018	109,296	Satisfied
Stock granted in 2019	112,445	Proportional to service period
Other subsidiaries		
Stock granted in 2015	16,922	Satisfied
Stock granted in 2016	94,201	Satisfied
Stock granted in 2017	238,115	Satisfied
Stock granted in 2018	457,006	Satisfied
Stock granted in 2019	284,888	Proportional to service period
	1,521,963	

¹ Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2019, are as follows:

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance			
(KB Financial Group Inc.)			
Series 18	1.34	40,362~44,034	43,659~47,631
Series 19	1.34	38,220~41,775	42,493~46,445
Series 20	1.34	41,135~45,035	43,659~47,631
Series 21	1.34	41,489~46,021	42,336~47,631
Series 22	1.34	41,070~44,926	41,070~44,926
Series 23	1.34	41,070~44,926	41,070~44,926
Series 24	1.34	41,070~44,926	41,070~44,926
Deferred grant in 2015	1.34	-	38,616~47,631
Deferred grant in 2016	1.34	-	42,336~47,631
Deferred grant in 2017	1.34	-	43,659~47,631
Deferred grant in 2018	1.34	-	42,336~47,631
(Kookmin Bank)			
Series 72	1.34	43,659~47,631	43,659~47,631
Series 73	1.34	41,253~43,741	43,803~46,445
Series 74	1.34	41,279~45,035	43,659~47,631
Series 75	1.34	41,506~46,021	42,336~47,631
Series 76	1.34	41,070~44,926	41,070~44,926
Series 77	1.34	41,070~44,926	41,070~44,926
Series 78	1.34	38,303~41,900	41,070~44,926
Grant deferred in 2015	1.34	-	44,926~47,631
Grant deferred in 2016	1.34	-	42,336~47,631
Grant deferred in 2017	1.34	-	42,336~47,631
Grant deferred in 2018	1.34	-	42,336~47,631
(Other subsidiaries)			
Share granted in 2010	1.34	-	46,281
Share granted in 2011	1.34	-	46,281
Share granted in 2012	1.34	-	44,926~46,281
Share granted in 2013	1.34	-	44,926~47,631
Share granted in 2014	1.34	-	40,065~46,766
Share granted in 2015	1.34	-	41,070~47,676
Share granted in 2016	1.34	-	39,801~47,631
Share granted in 2017	1.34	35,863~46,817	38,616~47,631
Share granted in 2018	1.34	37,446~45,240	39,801~47,631
Share granted in 2019	1.34	39,878~47,631	41,070~47,631
Linked to short-term performance			
(KB Financial Group Inc.)			
Share granted in 2015	1.34	-	38,616~47,631
Share granted in 2016	1.34	-	39,801~47,631
Share granted in 2017	1.34	-	42,336~47,631
Share granted in 2018	1.34	-	42,336~47,631
Share granted in 2019	1.34	-	43,659~46,281
(Kookmin Bank)			
Share granted in 2015	1.34	-	42,336~47,631
Share granted in 2016	1.34	-	41,070~47,631
Share granted in 2017	1.34	-	42,336~47,631
Share granted in 2018	1.34	-	42,336~47,631
Share granted in 2019	1.34	-	43,659~46,281
(Other subsidiaries)			
Share granted in 2015	1.34	-	38,616~47,631
Share granted in 2016	1.34	-	38,616~47,631
Share granted in 2017	1.34	-	38,616~47,631
Share granted in 2018	1.34	-	38,616~47,631
Share granted in 2019	1.34	-	39,801~46,281

The Group used the volatility of the stock price over the previous year as the expected volatility, used the dividend yield as the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year, and used one-year risk-free interest rate in order to calculate fair value.

As of December 31, 2019 and 2018, the accrued expenses related to share-based payments including share grants amounted to ₩ 124,853 million and ₩ 111,058 million, respectively, and the compensation costs from share grants amounting to ₩ 49,418 million and ₩ 10,930 million were incurred during the years ended 2019 and 2018, respectively.

31.2.2 Mileage Stocks

Details of Mileage stock as of December 31, 2019, are as follows:

(in number of shares)				
	Grant date	Number of granted shares ¹	Expected exercise period (years) ²	Remaining shares
Stock granted in 2017	Jan. 09, 2017	28,925	0.00~0.02	11,365
	Feb. 03, 2017	43	0.00~0.09	28
	Apr. 03, 2017	82	0.00~0.25	61
	May 22, 2017	20	0.00~0.39	20
	Jul. 03, 2017	52	0.00~0.50	52
	Aug. 07, 2017	29	0.00~0.60	19
	Aug. 08, 2017	5	0.00~0.60	2
	Aug. 16, 2017	204	0.00~0.62	151
	Aug. 17, 2017	40	0.00~0.63	24
	Aug. 24, 2017	387	0.00~0.65	288
	Sept. 08, 2017	83	0.00~0.69	73
	Nov. 01, 2017	120	0.00~0.84	103
	Nov. 06, 2017	106	0.00~0.85	101
	Dec. 06, 2017	105	0.00~0.93	83
	Dec. 26, 2017	255	0.00~0.99	175
Dec. 29, 2017	114	0.00~0.99	58	
Stock granted in 2018	Jan. 10, 2018	19,197	0.00~1.03	15,430
	Feb. 12, 2018	9	0.00~1.12	7
	Apr. 02, 2018	115	0.00~1.25	99
	Apr. 30, 2018	86	0.00~1.33	62
	May 08, 2018	170	0.00~1.35	150
	Jun. 01, 2018	140	0.00~1.42	121
	Jul. 02, 2018	180	0.00~1.50	123
	Aug. 07, 2018	194	0.00~1.60	175
	Aug. 09, 2018	47	0.00~1.61	38
	Aug. 14, 2018	30	0.00~1.62	30
	Aug. 16, 2018	130	0.00~1.62	112
	Sept. 07, 2018	106	0.00~1.68	82
	Oct. 04, 2018	129	0.00~1.76	106
	Nov. 01, 2018	258	0.00~1.84	248
	Nov. 06, 2018	236	0.00~1.85	206
	Dec. 03, 2018	132	0.00~1.92	132
	Dec. 04, 2018	21	0.00~1.93	21
	Dec. 07, 2018	91	0.00~1.93	91
Dec. 12, 2018	64	0.00~1.95	57	
Dec. 18, 2018	271	0.00~1.96	271	
Dec. 19, 2018	42	0.00~1.97	42	
Dec. 31, 2018	127	0.00~2.00	127	

(in number of shares)

	Grant date	Number of granted shares ¹	Expected exercise period (years) ²	Remaining shares
Stock granted in 2019	Jan. 11, 2019	26,580	0.00~2.03	25,563
	Feb. 01, 2019	12	0.00~2.09	12
	Apr. 01, 2019	167	0.00~2.25	167
	Apr. 18, 2019	105	0.00~2.30	105
	Apr. 22, 2019	33	0.00~2.31	33
	Jul. 01, 2019	109	0.00~2.50	109
	Aug. 29, 2019	39	0.00~2.66	39
	Sept. 02, 2019	50	0.00~2.67	50
	Nov. 01, 2019	119	0.00~2.84	119
	Nov. 08, 2019	14	0.00~2.85	14
	Dec. 05, 2019	56	0.00~2.93	56
	Dec. 06, 2019	84	0.00~2.93	84
	Dec. 31, 2019	87	0.00~3.00	87
		79,800		56,771

¹ Mileage stock may be exercised after one year from the grant date for two years. When the mileage stock is exercised, the closing price of prior month is applied. However, in case of transfer or retirement during the vesting period, mileage stock may still be exercised at the closing price of prior month.

² The remaining shares are assessed based on the stock price as of December 31, 2019. These shares are vested immediately at grant date.

As of December 31, 2019 and 2018, the accrued expenses for share-based payments in regards to mileage stock amounted to ₩ 2,705 million and ₩ 2,283 million, respectively, and the compensation costs amounting to ₩ 1,334 million and ₩ 1,350 million were recognized for the year ended December 31, 2019 and 2018, respectively.

32. Net Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Other non-operating income				
Gain on disposal of property and equipment	₩	35,747	₩	34,238
Rent received		85,720		55,321
Profit on disposal of non-current assets held for sale		2,731		118,716
Others		84,793		37,122
		208,991		245,397
Other non-operating expenses				
Loss on disposal in property and equipment		8,587		6,131
Donation		102,711		130,249
Restoration cost		2,902		4,386
Management cost for special bonds		3,382		3,338
Others		64,523		91,502
		182,105		235,606
Net other non-operating income	₩	26,886	₩	9,791

33. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Tax payable		
Current tax expense	₩ 1,043,047	₩ 1,096,600
Adjustments recognized in the period for current tax of prior years	(51,130)	22,925
	991,917	1,119,525
Changes in deferred income tax assets (liabilities)	285,820	114,345
Income tax recognized directly in equity		
Remeasurements of net defined benefit liabilities	21,172	52,377
Exchange difference in foreign operation	(5,714)	(13,087)
Financial assets measured at fair value through other comprehensive income	(13,168)	(33,329)
Shares of other comprehensive income of associates and joint ventures	(3,147)	1,374
Cash flow hedges	10,537	400
Hedges of a net investment in a foreign operation	3,194	10,292
Other comprehensive income of separate account	(1,301)	(10,864)
Profit or loss related with credit risk change of financial liabilities designated at fair value through profit or loss	4,294	(563)
Net overlay adjustments	(72,817)	(884)
	(56,950)	5,716
Tax expense	₩ 1,220,787	₩ 1,239,586

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2019 and 2018, follows:

	(In millions of Korean won)			
	2019		2018	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Net profit before income tax		₩ 4,533,986		₩ 4,301,532
Tax at the applicable tax rate ¹	27.27	1,236,484	27.26	1,172,559
Non-taxable income	(0.52)	(23,601)	(0.28)	(11,888)
Non-deductible expense	0.42	19,086	0.64	27,551
Tax credit and tax exemption	(0.01)	(627)	(0.01)	(637)
Temporary difference for which no deferred tax is recognized	(0.11)	(4,860)	0.29	12,260
Deferred tax relating to changes in recognition and measurement	-	(100)	(0.06)	(2,692)
Income tax refund for tax of prior years	(0.2)	(9,105)	(0.19)	(8,135)
Income tax expense of overseas branch	0.11	5,004	0.09	3,882
Effects from change in tax rate	-	-	(0.03)	(1,470)
Others	(0.03)	(1,494)	1.12	48,156
Average effective tax rate and tax expense	26.93	₩ 1,220,787	28.82	₩ 1,239,586

¹ Applicable income tax rate for ₩200 million and below is 11%, for over ₩200 million to ₩20 billion is 22%, and for over ₩20 billion to ₩300 billion is 24.2%, for over ₩300 billion is 27.5% as at December 31, 2019 and 2018.

34. Dividends

The dividends paid to the shareholders of the Parent Company in 2019 and 2018 were ₩ 759,736 million (₩ 1,920 per share) and ₩ 766,728 million (₩ 1,920 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2019 of 2,210 per share, amounting to total dividends of ₩ 861,092 is to be proposed at the annual general meeting on March 20, 2020. The Group's financial statements as of December 31, 2019, do not reflect this dividend payable.

35. Accumulated Other Comprehensive Income

Details of changes in accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Replaced by retained earnings	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (234,401)	₩ (76,999)	₩ -	₩ -	₩ 21,172	₩ (290,228)
Exchange differences on translating foreign operations	(5,784)	37,938	5,353	-	(5,714)	31,793
Other comprehensive income related with financial assets at fair value through profit or loss	450,694	106,984	(82,662)	25,483	(13,168)	487,331
Other comprehensive income related with investments in associates and joint ventures	(4,377)	10,842	-	-	(3,147)	3,318
Cash flow hedges	5,849	(65,323)	21,604	-	10,537	(27,333)
Hedges of a net investment in a foreign operation	(33,092)	(13,410)	1,316	-	3,194	(41,992)
Other comprehensive income related with separate account assets	15,017	21,029	(16,364)	-	(1,301)	18,381
Profit or loss related with credit risk change of Financial liabilities designated at fair value through profit or loss	(8,954)	(15,666)	-	-	4,294	(20,326)
Net overlay adjustment	(7,146)	269,643	(2,603)	-	(72,817)	187,077
	₩ 177,806	₩ 275,038	₩ (73,356)	₩ 25,483	₩ (56,950)	₩ 348,021

(In millions of Korean won)

	2018					
	Beginning ¹	Changes except for reclassification	Reclassification to profit or loss	Replaced by retained earnings	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (96,385)	₩ (190,393)	₩ -	₩ -	₩ 52,377	₩ (234,401)
Exchange differences on translating foreign operations	(54,700)	46,946	15,057	-	(13,087)	(5,784)
Other comprehensive income related with financial assets at fair value through profit or loss	362,681	134,198	8,521	(21,377)	(33,329)	450,694
Other comprehensive income related with investments in associates and joint ventures	(644)	(5,107)	-	-	1,374	(4,377)
Cash flow hedges	14,887	(24,672)	15,234	-	400	5,849
Hedges of a net investment in a foreign operation	(5,958)	(25,096)	(12,330)	-	10,292	(33,092)
Other comprehensive income related with separate account assets	(13,692)	35,826	3,747	-	(10,864)	15,017
Profit or loss related with credit risk change of Financial liabilities designated at fair value through profit or loss	(10,438)	2,047	-	-	(563)	(8,954)
Net overlay adjustment	(7,559)	24,458	(23,161)	-	(884)	(7,146)
	₩ 188,192	₩ (1,793)	₩ 7,068	₩ (21,377)	₩ 5,716	₩ 177,806

¹ Restated in accordance with Korean IFRS 1109.

36. Earnings per Share

36.1 Basic Earnings per Share

Basic earnings per share is calculated by dividing profit and loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, excluding the treasury shares, during the years ended December 31, 2019 and 2018.

Weighted average number of ordinary shares outstanding:

	2019 ¹		2018	
	Number of shares	Accumulated amount	Number of shares	Accumulated amount
Number of issued ordinary shares	415,807,920	152,564,638,665	418,111,537	152,610,711,005
Number of treasury shares	(26,173,585)	(9,801,574,522)	(22,560,240)	(7,888,226,378)
Average number of ordinary shares outstanding	389,634,335	142,763,064,143	395,551,297	144,722,484,627
Number of days		365		365
Weighted average number of ordinary shares outstanding		391,131,683		396,499,958

¹ Initial date of treasury stock that was deducted by the retirement is December 12, 2019.

Basic earnings per share:

	2019		2018	
	₩		₩	
Profit attributable to shareholders of the Parent Company	₩	3,311,827,412,557	₩	3,061,191,387,929
Deduction: Dividends on hybrid securities		6,512,500,000		-
Profit attributable to the ordinary equity holders of the Parent Company (A)	₩	3,305,314,912,557	₩	3,061,191,387,929
Weighted average number of ordinary shares outstanding (B)		391,131,683		396,499,958
Basic earnings per share (A / B)	₩	8,451	₩	7,721

36.2 Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares include Stock Grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Group's outstanding shares for the year) based on the monetary value of Stock Grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the settlement of Stock Grants.

Adjusted profit for diluted earnings per share for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
	₩		₩	
Profit attributable to ordinary equity holders of the Parent Company	₩	3,305,314,912,557	₩	3,061,191,387,929
Adjustment		-		-
Adjusted profit for diluted earnings	₩	3,305,314,912,557	₩	3,061,191,387,929

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
Weighted average number of ordinary shares outstanding		391,131,683		396,499,958
Adjustment Stock Grants		2,890,513		2,307,630
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,022,196		398,807,588

Diluted earnings per share for the years ended December 31, 2019 and 2018, are as follows:

(In Korean won and in number of shares)

	2019		2018	
Adjusted profit for diluted earnings per share	₩	3,305,314,912,557	₩	3,061,191,387,929
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,022,196		398,807,588
Diluted earnings per share	₩	8,389	₩	7,676

37. Insurance Contracts

37.1 Insurance Assets

Details of deferred acquisition costs included in other assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Non-life insurance	₩	786,626	₩	547,831
Life insurance		134,739		119,293
	₩	921,365	₩	667,124

Changes in the deferred acquisition costs for the years ended December 31, 2019 and 2018, are as follows

(In millions of Korean won)

	2019			
	Beginning	Increase	Depreciate	Ending
Non-life insurance	₩ 547,831	₩ 815,712	₩ (576,917)	₩ 786,626
Life insurance	₩ 119,293	₩ 117,808	₩ (102,362)	₩ 134,739
	₩ 667,124	₩ 933,520	₩ (679,279)	₩ 921,365

(In millions of Korean won)

	2018			
	Beginning	Increase	Depreciate	Ending
Non-life insurance	₩ 267,602	₩ 772,650	₩ (492,421)	₩ 547,831
Life insurance	₩ 130,393	₩ 102,552	₩ (113,652)	₩ 119,293
	₩ 397,995	₩ 875,202	₩ (606,073)	₩ 667,124

Details of reinsurance assets included in other assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		2018	
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩	361,065	₩	360,997
	Automobile insurance		16,555		18,057
	Long-term insurance		130,758		109,751
Unearned premium reserve	General insurance		208,820		171,240
	Automobile insurance		19,952		30,864
			737,150		690,909
Life insurance	Reserve for outstanding claims		1,639		1,912
	Unearned premium reserve		408		448
			2,047		2,360
Others	Reserve for outstanding claims		2,563		3,417
	Unearned premium reserve		844		983
			3,407		4,400
Total reinsurance assets			742,604		697,669
Allowance for impairment			1,953		1,916
Total reinsurance assets, net	₩		740,651	₩	695,753

The changes in reinsurance assets included in other assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		
		Beginning	Net increase (decrease)	Ending
Non-life insurance	Reserve for outstanding claims			
	General insurance	₩ 360,997	₩ 68	₩ 361,065
	Automobile insurance	18,057	(1,502)	16,555
	Long-term insurance	109,751	21,007	130,758
	Unearned premium reserve			
	General insurance	171,240	37,580	208,820
	Automobile insurance	30,864	(10,912)	19,952
		690,909	46,241	737,150
Life insurance	Reserve for outstanding claims	1,912	(273)	1,639
	Unearned premium reserve	448	(40)	408
		2,360	(313)	2,047
Others	Reserve for outstanding claims	3,417	(854)	2,563
	Unearned premium reserve	983	(139)	844
		4,400	(993)	3,407
Total reinsurance assets		697,669	44,935	742,604
Allowance for impairment		1,916	37	1,953
Total reinsurance assets, net		₩ 695,753	₩ 44,898	₩ 740,651

(In millions of Korean won)

		2018		
		Beginning	Net increase (decrease)	Ending
Non-life insurance	Reserve for outstanding claims			
	General insurance	₩ 480,760	₩ (119,763)	₩ 360,997
	Automobile insurance	13,320	4,737	18,057
	Long-term insurance	89,317	20,434	109,751
	Unearned premium reserve			
	General insurance	178,586	(7,346)	171,240
	Automobile insurance	14,986	15,878	30,864
		776,969	(86,060)	690,909
Life insurance	Reserve for outstanding claims	1,410	502	1,912
	Unearned premium reserve	490	(42)	448
		1,900	460	2,360
Others	Reserve for outstanding claims	3,670	(253)	3,417
	Unearned premium reserve	1,075	(92)	983
		4,745	(345)	4,400
Total reinsurance assets		783,614	(85,945)	697,669
Allowance for impairment		629	1,287	1,916
Total reinsurance assets, net		₩ 782,985	₩ (87,232)	₩ 695,753

37.2 Insurance Liabilities

Details of insurance liabilities presented within other liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Non-life insurance	Life insurance	Others	Total
Long-term Insurance premium reserve	₩ 23,799,607	₩ 6,991,247	₩ -	₩ 30,790,854
Reserve for outstanding claims	2,297,256	101,690	2,563	2,401,509
Unearned premium reserve	1,522,827	4,603	845	1,528,275
Reserve for participating policyholders' dividends	117,094	29,745	-	146,839
Unallocated Divisible Surplus to Future Policyholders	46,901	4,202	-	51,103
Reserve for compensation for losses on dividend-paying insurance contracts	20,090	5,784	-	25,874
Guarantee reserve	-	22,229	-	22,229
	₩ 27,803,775	₩ 7,159,500	₩ 3,408	₩ 34,966,683

(In millions of Korean won)

	2018			
	Non-life insurance	Life insurance	Others	Total
Long-term Insurance premium reserve	₩ 22,333,503	₩ 7,214,765	₩ -	₩ 29,548,268
Reserve for outstanding claims	2,152,018	89,400	3,417	2,244,835
Unearned premium reserve	1,393,570	2,199	983	1,396,752
Reserve for participating policyholders' dividends	104,461	30,187	-	134,648
Unallocated Divisible Surplus to Future Policyholders	40,690	4,290	-	44,980
Reserve for compensation for losses on dividend-paying insurance contracts	19,410	5,644	-	25,054
Guarantee reserve	-	18,412	-	18,412
	₩ 26,043,652	₩ 7,364,897	₩ 4,400	₩ 33,412,949

The changes in insurance liability for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		
		Beginning	Net increase (decrease) ²	Ending
Non-life insurance	General insurance	₩ 1,054,823	₩ 10,090	₩ 1,064,913
	Automobile insurance	1,492,294	131,552	1,623,846
	Long-term insurance	23,386,279	1,619,799	25,006,078
	Long-term investment contract	110,256	(1,318)	108,938
Life insurance	Pure endowment insurance	5,233,491	2,637	5,236,128
	Death insurance	500,571	142,392	642,963
	Joint insurance	1,621,460	(350,605)	1,270,855
	Group insurance	735	(211)	524
	Other ¹	8,640	391	9,031
Others		4,400	(993)	3,407
Total		₩ 33,412,949	₩ 1,553,734	₩ 34,966,683

(In millions of Korean won)

		2018		
		Beginning	Net increase (decrease) ²	Ending
Non-life insurance	General insurance	₩ 1,194,260	₩ (139,437)	₩ 1,054,823
	Automobile insurance	1,477,569	14,725	1,492,294
	Long-term insurance	21,598,125	1,788,154	23,386,279
	Long-term investment contract	112,509	(2,253)	110,256
Life insurance	Pure endowment insurance	5,249,627	(16,136)	5,233,491
	Death insurance	366,303	134,268	500,571
	Joint insurance	1,782,885	(161,425)	1,621,460
	Group insurance	1,069	(334)	735
	Other ¹	14,183	(5,543)	8,640
Others		4,745	(345)	4,400
Total		₩ 31,801,275	₩ 1,611,674	₩ 33,412,949

¹ Including policyholder's profit dividend reserve and Reserve for compensation for losses on dividend-paying insurance contracts² Including currency translation effect and decrease in liability related to investment contract

37.3 Liability adequacy test

37.3.1 Non-life insurance

Assumptions and basis for the insurance liability adequacy test as of December 31, 2019 and 2018, are as follows:

	Assumptions(%)		Basis
	2019	2018	
Long-term insurance			
Discount rate	2.47~10.55	0.55~7.32	Applied risk-free rate curve plus liquidity premium presented by Financial Supervisory Service
Expense ratio	6.60	6.43	Reflected future expense plan based on the most recent one-year data
Lapse ratio	1.51~34.13	1.50~31.40	Based on the most recent five years data
Risk rate	13.10~1037.3	9.00~724.00	The rate of insurance claim payments to risk premiums based on historical data for the latest seven years
General insurance			
Expense ratio	11.38	10.42	Ratio of maintenance costs incurred to earned premiums by the types of contracts for the most recent year
Loss adjustment expense ratio	4.54	4.63	Ratio of loss adjustment expenses incurred to insurance claim payments by the type of contracts within for the most recent three years
Claim settlement ratio	64.95	63.77	Ratio of insurance claims incurred to earned premiums by the type of contracts for the most recent five years
Automobile insurance			
Expense ratio	9.94	10.11	Ratio of maintenance costs incurred to earned premiums by the type of collaterals for the most recent year
Loss adjustment expense ratio	8.84	9.09	Ratio of loss adjustment expenses incurred to insurance claims paid by the type of collaterals for the most recent three years
Claim settlement ratio	78.44	77.51	Ratio of insurance claims incurred to earned premiums by the type of collaterals for the most recent five years

The results of liability adequacy test as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
General insurance	₩ 365,234	₩ 296,800	₩ (68,434)
Automobile insurance	1,123,450	1,071,076	(52,374)
Long-term insurance	19,743,658	9,741,865	(10,001,793)
	₩ 21,232,342	₩ 11,109,741	₩ (10,122,601)

(In millions of Korean won)

	2018		
	Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
General insurance	₩ 341,439	₩ 279,756	₩ (61,683)
Automobile insurance	1,020,861	967,236	(53,625)
Long-term insurance	18,419,316	7,471,174	(10,948,142)
	₩ 19,781,616	₩ 8,718,166	₩ (11,063,450)

¹ Long-term insurance is for premium reserves and unearned premium reserves; the premium reserve is the amount deducted from the unearned premiums and insurance contract loans in accordance with Article 6-3 of the Insurance Supervisory Regulation.

As a result of adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

37.3.2 Life insurance

Assumptions and basis for the insurance liability adequacy test as of December 31, 2019 and 2018, are as follows:

	Assumptions(%)		Basis
	2019	2018	
Surrender rate	0~65.39	0~64.95	The ratio of cancelled premiums to premiums by product group, method of payment, channel, and elapsed period calculated based on the most recent five-year experience statistics
Rate of claim	11~132	8~122	The ratio of incidents by collateral, gender, elapsed period to the number of holding insurances based on the most recent seven-year experience statistics
Discount rate	(2.61)~15.53	(1.82)~13.71	Estimated investment assets profit ratio based on the interest rate scenario provided by the Financial Supervisory Service

Indirect costs included in commission and operating expenses were calculated based on unit cost of the expense allocation standards of the last year in accordance with the Regulation on Insurance Supervision. Direct costs included in commission and operating expenses were calculated based on estimates of future expense according to the Group's regulations.

The results of liability adequacy test as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		
		Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,514	₩ 55,118	₩ 24,604
	Non-participating	180,058	43,196	(136,862)
Variable interest type	Participating	1,037,148	1,056,841	19,693
	Non-participating	5,335,572	4,966,835	(368,737)
Variable type		(36,500)	(148,878)	(112,378)
Total		₩ 6,546,792	₩ 5,973,112	₩ (573,680)

(In millions of Korean won)

		2018		
		Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,571	₩ 54,157	₩ 23,586
	Non-participating	133,784	92,856	(40,928)
Variable interest type	Participating	1,087,049	1,088,218	1,169
	Non-participating	5,544,265	5,052,604	(491,661)
Variable type		(31,235)	(119,511)	(88,276)
Total		₩ 6,764,434	₩ 6,168,324	₩ (596,110)

As a result of adequacy test, the group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

37.4 Insurance Income and Expense

Insurance income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Insurance Income		
Premium income	₩ 11,173,367	₩ 10,730,227
Reinsurance income	850,871	873,053
Reversal of policy reserves	993	344
Separate account income	216,429	360,664
Income of change in reinsurance assets	42,432	-
Other insurance income	33,090	10,782
	12,317,182	11,975,070
Insurance Expense		
Insurance claims paid	5,046,772	4,415,760
Dividend expense	9,902	9,400
Refunds of surrender value	2,870,543	2,855,573
Reinsurance expense	1,018,007	947,560
Provision of policy reserves	1,547,264	1,608,519
Separate account expenses	139,810	276,412
Insurance operating expenses	453,016	418,646
Deferred acquisition costs	679,279	606,073
Expenses of change in reinsurance assets	314	89,621
Claim survey expenses paid	52,123	38,782
Other insurance expenses	200,640	218,608
	12,017,670	11,484,954
Net insurance income	₩ 299,512	₩ 490,116

37.5 Risk management of insurance

37.5.1 Overview

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with acceptance of insurance contract and payment of claims, and is classified as the insurance price risk and the reserves risk. The insurance price risk is the risk of loss that might occur when the actual risk exceeds the expected risk rate or expected insurance operating expenses ratios in calculation of premiums. It is the risk of loss that arises from differences between actual payment of claims and premiums received from policyholders. The reserves risk is the risk that arises due to a deficit in reserves at the date of assessment, making the Group unable to cover the actual claims payment in the future.

37.5.2 Purposes, policies and procedures to manage risk arising from insurance contracts

The risks associated with insurance contract that the Group faces are the insurance actuarial risk and the acceptance risk. Each risk occurs due to insurance contract's pricing and conditions of acceptance. In order to minimize acceptance risk, the Group establishes guidelines and procedure for acceptance and outlines specific conditions for acceptance by product. In addition, expected risk level at the date of pricing is compared with actual risk of contracts after acceptance and various subsequent measures such as the adjustments in the interest rate and sales conditions, termination of selling specific product and others are taken in order to reduce insurance actuarial risk. The Group has a committee to discuss status of product acceptance risk and interest rate policy. The committee decides important matters to set the processes that allow minimizing the insurance actuarial risk, the acceptance risk and other business related risk.

In addition, according to reinsurance operating standards, the Group establishes an operating strategy of reinsurance for large claims expense due to unexpected catastrophic events. The Group aims at policy holders' safety and its stable profit achievement. For the long-term goal, the Group manages risk at a comprehensive level to keep its value at the maximum.

37.5.3 Exposure to insurance price risk

According to RBC standard, exposure to insurance price risk is defined as net written premiums for prior one year that is calculated by adding and subtracting original insurance premium, assumed reinsurance premium and ceded reinsurance premium.

The Group's exposure to insurance price risk as of December 31, 2019 and 2018, as follows:

(In millions of Korean won)

	2019			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 999,348	₩ 101,613	₩ (579,922)	₩ 521,039
Automobile	2,101,780	-	(40,067)	2,061,713
Long-term	2,550,236	-	(367,904)	2,182,332
	₩ 5,651,364	₩ 101,613	₩ (987,893)	₩ 4,765,084

(In millions of Korean won)

	2018			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 943,770	₩ 91,440	₩ (526,026)	₩ 509,184
Automobile	1,940,602	-	(63,720)	1,876,882
Long-term	2,285,378	-	(326,337)	1,959,041
	₩ 5,169,750	₩ 91,440	₩ (916,083)	₩ 4,345,107

37.5.4 Concentration of Insurance risk

The Group is selling general non-life insurances (fire, maritime, injury, technology, liability, package, title, guarantee and special type insurances), automobile insurances (for private use, for hire, for business, bicycle and other), long-term insurances (long-term non-life, property damage, injury, driver, savings, illness, nursing and pension) and various other insurances. The Group's risk is distributed through reinsurance, joint acceptance and diversified selling. In addition, insurances that cover severe level of risk, although there is rare possibility of the occurrence of disaster, such as storm and flood insurance are limited, and the Group controls the risk through joint acquisition.

Loss development tables

The Group uses claim development of payments and the estimated ultimate claims for the years where the accident has occurred, in order to maintain overall reserve adequacy in respect of general, automobile and long-term insurance. When the estimated ultimate claims are greater than claim payments, the Group establishes additional reserves. Loss development tables as of December 31, 2019 and 2018, are as follows:

<2019>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2015.1.1 ~ 2015.12.31	₩ 125,161	₩ 144,565	₩ 147,031	₩ 147,616	₩ 148,995
2016.1.1 ~ 2016.12.31	145,618	167,818	171,205	178,265	-
2017.1.1 ~ 2017.12.31	168,409	200,704	204,538	-	-
2018.1.1 ~ 2018.12.31	200,280	237,111	-	-	-
2019.1.1 ~ 2019.12.31	220,474	-	-	-	-
	859,942	750,198	522,774	325,881	148,995
Gross cumulative claim payments (B)					
2015.1.1 ~ 2015.12.31	93,443	129,765	137,157	141,218	143,985
2016.1.1 ~ 2016.12.31	108,098	151,283	162,059	170,353	-
2017.1.1 ~ 2017.12.31	132,430	184,333	193,811	-	-
2018.1.1 ~ 2018.12.31	153,770	216,705	-	-	-
2019.1.1 ~ 2019.12.31	185,832	-	-	-	-
	673,573	682,086	493,027	311,571	143,985
Difference (A-B)	₩ 186,369	₩ 68,112	₩ 29,747	₩ 14,310	₩ 5,010

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2013.1.1 ~ 2013.12.31	₩ 1,131,945	₩ 1,156,535	₩ 1,170,968	₩ 1,179,458	₩ 1,179,323	₩ 1,179,514	₩ 1,180,458
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	1,212,162	1,214,524	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	1,267,142	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	1,294,735	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	1,358,867	-	-	-	-
2018.1.1 ~ 2018.12.31	1,468,784	1,471,807	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,591,793	-	-	-	-	-	-
	9,214,176	7,698,163	6,279,145	4,949,262	3,658,627	2,394,038	1,180,458
Gross cumulative claim payments(B)							
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	1,175,681	1,178,158
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	1,204,580	1,208,421	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	1,245,779	1,254,187	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	1,282,346	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	1,335,962	-	-	-	-
2018.1.1 ~ 2018.12.31	1,224,820	1,428,973	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,332,849	-	-	-	-	-	-
	7,644,412	7,433,630	6,155,033	4,886,136	3,627,384	2,384,102	1,178,158
Difference (A-B)	₩ 1,569,764	₩ 264,533	₩ 124,112	₩ 63,126	₩ 31,243	₩ 9,936	₩ 2,300

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2013.1.1 ~ 2013.12.31	₩ 709,602	₩ 965,587	₩ 997,607	₩ 1,003,646	₩ 1,006,025	₩ 1,007,041	₩ 1,008,589
2014.1.1 ~ 2014.12.31	789,087	1,083,048	1,114,821	1,119,206	1,122,192	1,123,240	-
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	1,266,881	1,270,967	-	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	1,485,839	1,500,403	-	-	-
2017.1.1 ~ 2017.12.31	1,184,224	1,614,903	1,670,929	-	-	-	-
2018.1.1 ~ 2018.12.31	1,372,706	1,881,046	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,626,481	-	-	-	-	-	-
	7,632,320	8,201,550	6,525,247	4,890,136	3,399,184	2,130,281	1,008,589
Gross cumulative claim payments(B)							
2013.1.1 ~ 2013.12.31	671,500	953,494	989,957	999,944	1,003,715	1,005,796	1,007,865
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	1,119,531	1,122,378	-
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	1,262,528	1,269,557	-	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	1,477,415	1,496,556	-	-	-
2017.1.1 ~ 2017.12.31	1,130,868	1,599,227	1,682,978	-	-	-	-
2018.1.1 ~ 2018.12.31	1,319,613	1,868,434	-	-	-	-	-
2019.1.1 ~ 2019.12.31	1,574,696	-	-	-	-	-	-
	7,295,335	8,117,025	6,483,293	4,873,369	3,392,803	2,128,174	1,007,865
Difference (A-B)	₩ 336,985	₩ 84,525	₩ 41,954	₩ 16,767	₩ 6,381	₩ 2,107	₩ 724

<2018>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2014.1.1 ~ 2014.12.31	₩ 127,903	₩ 144,915	₩ 146,430	₩ 146,533	₩ 146,508
2015.1.1 ~ 2015.12.31	125,170	145,637	148,165	151,594	-
2016.1.1 ~ 2016.12.31	145,618	168,119	171,506	-	-
2017.1.1 ~ 2017.12.31	168,409	201,100	-	-	-
2018.1.1 ~ 2018.12.31	201,014	-	-	-	-
	768,114	659,771	466,101	298,127	146,508
Gross cumulative claim payments (B)					
2014.1.1 ~ 2014.12.31	94,901	129,652	136,689	141,170	142,217
2015.1.1 ~ 2015.12.31	93,443	130,430	137,854	142,645	-
2016.1.1 ~ 2016.12.31	108,098	151,583	162,360	-	-
2017.1.1 ~ 2017.12.31	132,430	184,716	-	-	-
2018.1.1 ~ 2018.12.31	153,770	-	-	-	-
	582,642	596,381	436,903	283,815	142,217
Difference (A-B)	₩ 185,472	₩ 63,390	₩ 29,198	₩ 14,312	₩ 4,291

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2012.1.1 ~ 2012.12.31	₩ 1,117,650	₩ 1,146,779	₩ 1,155,529	₩ 1,162,075	₩ 1,164,774	₩ 1,166,470	₩ 1,165,352
2013.1.1 ~ 2013.12.31	1,131,945	1,156,535	1,170,968	1,179,458	1,179,323	1,179,514	-
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	1,212,162	-	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	-	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	-	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	-	-	-	-	-
2018.1.1 ~ 2018.12.31	1,468,784	-	-	-	-	-	-
	8,740,033	7,373,135	6,075,807	4,816,602	3,556,259	2,345,984	1,165,352
Gross cumulative claim payments(B)							
2012.1.1 ~ 2012.12.31	939,239	1,105,672	1,135,064	1,149,585	1,156,150	1,159,614	1,160,769
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	1,175,681	-
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	1,204,580	-	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	1,245,779	-	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	-	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	-	-	-	-	-
2018.1.1 ~ 2018.12.31	1,224,820	-	-	-	-	-	-
	7,250,802	7,110,329	5,954,135	4,753,375	3,529,347	2,335,295	1,160,769
Difference (A-B)	₩ 1,489,231	₩ 262,806	₩ 121,672	₩ 63,227	₩ 26,912	₩ 10,689	₩ 4,583

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2014.1.1 ~ 2014.12.31	₩ 789,087	₩ 1,083,048	₩ 1,114,821	₩ 1,119,206	₩ 1,122,192
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	1,266,881	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	1,485,839	-	-
2017.1.1 ~ 2017.12.31	1,184,224	1,614,903	-	-	-
2018.1.1 ~ 2018.12.31	1,372,706	-	-	-	-
	5,296,237	5,354,917	3,856,711	2,386,087	1,122,192
Gross cumulative claim payments (B)					
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	1,119,531
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	1,262,528	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	1,477,415	-	-
2017.1.1 ~ 2017.12.31	1,130,868	1,599,227	-	-	-
2018.1.1 ~ 2018.12.31	1,319,613	-	-	-	-
	5,049,139	5,295,097	3,830,358	2,376,869	1,119,531
Difference (A-B)	₩ 247,098	₩ 59,820	₩ 26,353	₩ 9,218	₩ 2,661

37.5.5 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on discount rate, loss ratio and insurance operating expenses ratio which are considered to have significant influence on future cash flow, timing and uncertainty. According to result of sensitivity analysis there is no material influence on the equity and net profit before tax.

(In millions of Korean won)

	Assumption change	2019	
			Effect on LAT
Surrenders and termination rates	+10%	₩	488,191
	-10%		(541,208)
Loss ratio	+10%		4,319,256
	-10%		(4,319,256)
Insurance operating expenses ratio	+10%		326,915
	-10%		(326,915)
Discount rate	+0.5%		(1,426,729)
	-0.5%		1,732,166

(In millions of Korean won)

	Assumption change	2018	
			Effect on LAT
Surrenders and termination rates	+10%	₩	599,778
	-10%		(658,755)
Loss ratio	+10%		4,348,655
	-10%		(4,348,655)
Insurance operating expenses ratio	+10%		347,179
	-10%		(347,179)
Discount rate	+0.5%		(1,295,369)
	-0.5%		1,554,782

37.5.6 Liquidity risk of insurance contracts

Liquidity risk arising from insurance contracts is the increase in refunds at maturity caused by concentrations of maturity, the increase in surrender values caused by unexpected amounts in cancellation and the increase in payments of claims caused by catastrophic events. The Group manages payment of refunds payable at maturity by analyzing maturity of insurance.

Premium reserve's maturity structure as of December 31, 2019 and 2018, as follows:

(In millions of Korean won)

	2019 ¹					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 57,532	₩ 258,436	₩ 84,349	₩ 43,141	₩ 125,622	₩ 569,080
Linked	527,467	2,578,004	2,085,054	777,340	13,336,668	19,304,533
	584,999	2,836,440	2,169,403	820,481	13,462,290	19,873,613
Annuity						
Non-linked	10	543	2,244	3,714	1,075	7,586
Linked	273	70,180	367,710	1,245,176	2,227,054	3,910,393
	283	70,723	369,954	1,248,890	2,228,129	3,917,979
Asset-linked						
Linked	27,389	-	-	-	-	27,389
Total						
Non-linked	57,542	258,979	86,593	46,855	126,697	576,666
Linked	555,129	2,648,184	2,452,764	2,022,516	15,563,722	23,242,315
	₩ 612,671	₩ 2,907,163	₩ 2,539,357	₩ 2,069,371	₩ 15,690,419	₩ 23,818,981

¹ Includes long-term investment contract amounting to ₩ 108,938 million.

(In millions of Korean won)

	2018 ¹					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 27,477	₩ 301,842	₩ 94,503	₩ 41,129	₩ 95,851	₩ 560,802
Linked	419,874	2,774,991	2,169,861	726,859	11,900,385	17,991,970
	447,351	3,076,833	2,264,364	767,988	11,996,236	18,552,772
Annuity						
Non-linked	5	251	2,279	3,736	1,327	7,598
Linked	200	58,182	339,662	1,176,168	2,194,381	3,768,593
	205	58,433	341,941	1,179,904	2,195,708	3,776,191
Asset-linked						
Linked	-	27,480	-	-	-	27,480
Total						
Non-linked	27,482	302,093	96,782	44,865	97,178	568,400
Linked	420,074	2,860,653	2,509,523	1,903,027	14,094,766	21,788,043
	₩ 447,556	₩ 3,162,746	₩ 2,606,305	₩ 1,947,892	₩ 14,191,944	₩ 22,356,443

¹ Includes long-term investment contract amounting to ₩ 110,255 million.

37.5.7 Credit risk of insurance contract

Credit risk of insurance contract is the economic loss arising from non-performing contractual obligations due to decline in credit ratings or default. Through strict internal review, only the insurers rated above BBB- of S&P rating are accepted for the insurance contracts.

As of December 31, 2019, there are 153 reinsurance companies that deal with the Group, and the top three reinsurance companies' concentration and credit ratings are as follows:

Reinsurance company	Ratio	Credit rating
KOREAN RE	64.14%	AA
SWISS RE	10.81%	AAA
SCOR RE	2.77%	AAA

Exposures to credit risk related to reinsurance as of December 31, 2019 and 2018 as follows

(In millions of Korean won)

	2019		2018	
Reinsurance assets ¹	₩	735,196	₩	688,993
Net receivables from reinsurers ²		328,177		398,575
	₩	1,063,373	₩	1,087,568

¹ Net carrying amounts after impairment loss

² Net carrying amounts of after allowance for loan losses

37.5.8 Interest risk of insurance contract

The interest rate risk exposure from the Group's insurance contracts is the risk of unexpected losses in net interest income or net assets arising from changes in interest rates and it is managed to minimize unexpected loss. For long-term, non-life insurance contracts, the Group calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves less costs of termination deductions plus unearned premium reserve. Asset exposure is interest-bearing assets. Assets that receive only fees without interest are excluded from interest bearing assets. Exposures to interest rate risk as of December 31, 2019 and 2018, are as follows:

i) Exposure to interest rate risk

(In millions of Korean won)

	2019	
Liabilities		
Fixed interest rate	₩	534,236
Variable interest rate		21,911,393
		<u>22,445,629</u>
Assets		
Due from financial institutions at amortized cost and cash equivalents		108,559
Financial assets at fair value through profit or loss		4,560,512
Financial assets at fair value through other comprehensive income		2,984,738
Financial assets at amortized cost		8,163,485
Loans at amortized cost		6,924,597
	₩	<u>22,741,891</u>

(In millions of Korean won)

	2018	
Liabilities		
Fixed interest rate	₩	560,471
Variable interest rate		20,332,094
		<u>20,892,565</u>
Assets		
Due from financial institutions at amortized cost and cash equivalents		100,701
Financial assets at fair value through profit or loss		4,257,959
Financial assets at fair value through other comprehensive income		2,691,744
Financial assets at amortized cost		7,718,337
Loans at amortized cost		6,877,139
	₩	<u>21,645,880</u>

ii) Measurement and recognition method

Duration is used to measure interest rate risk within risk based solvency test. ALM system is utilized to manage interest rate risk internally. In addition, Risk Management Committee sets ALM strategy every year to manage interest rate risk.

iii) Sensitivity to changes in interest rates

Generally, when interest rates rise, the value and duration of assets and liabilities fall when interest rates fall, value and duration of assets and liabilities increase. Where duration of assets is shorter than that of liabilities with the interest rates fall, the interest risk is increased since the incremental portion of liabilities exceeds that of assets.

iv) Negative spread risk control

In order to manage the reverse margins risk between interest expenses from liabilities and investment incomes on assets, the Group set the disclosure rate every month considering the market interest rate and the managing portfolio's profit ratio.

37.6 Risk management of life insurance

37.6.1 Overview

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between received from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid.

The Group measures only insurance price risk under RBC requirement because life insurance claim payout is mainly in a fixed amount with less volatility in policy reserve and shorter waiting period before payment.

37.6.2 Concentration of insurance risk and reinsurance policy

The Group uses reinsurance to mitigate concentration of insurance risk seeking an enhanced capital management.

The Group categorized reinsurance into group and individual contracts, and reinsurance is ceded through the following process:

The Group's reinsurance is ceded through the following process:

- i. In the decision-making process of launching a new product, the Group makes a decision on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by the executive management.
- ii. The reinsurance department analyzes the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

37.6.3 The characteristic and exposure of insurance price risk

The exposure of insurance price risk is measured by the risk premium for all insurance contracts held for one year prior to the calculation date. The premium for risk retention is calculated by adding direct insurance premium and reinsurance assumed premium, and deducting reinsurance ceded premium (which is paid to reinsurance companies). If the holding risk premium is less than zero, the exposure of the insurance price is measured as zero.

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in the form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long. The policy reserve risk is managed by assessments of adequacy of the policy reserve.

The insurance price risk is managed through insurance risk management regulation established by Risk Management Committee.

The maximum exposures to insurance price risk as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Before reinsurance mitigation		After reinsurance mitigation	
Death	₩	12,882	₩	9,033
Disability		754		424
Hospitalization		1,260		642
Operation and diagnosis		4,419		2,211
Actual losses for medical expense		1,053		396
Others		1,066		411
	₩	21,434	₩	13,117

(In millions of Korean won)

	2018			
	Before reinsurance mitigation		After reinsurance mitigation	
Death	₩	13,264	₩	6,758
Disability		858		296
Hospitalization		1,287		358
Operation and diagnosis		3,936		1,031
Actual losses for medical expense		1,059		85
Others		1,019		96
	₩	21,423	₩	8,624

Average ratios of claims paid per risk premium received on the basis of exposure before mitigation for the past three years as of December 31, 2019 and 2018, were 57.8 % and 67.6%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				2018			
	Policyholders reserve ¹		Guarantee reserve		Policyholders reserve ¹		Guarantee reserve	
Variable annuity	₩	429,970	₩	2,565	₩	359,617	₩	2,688
Variable universal		91,988		3,095		84,783		4,129
Variable saving		734,661		516		542,035		396
	₩	1,256,619	₩	6,176	₩	986,435	₩	7,213

¹ Excluding the amount of the lapsed reserve

37.6.4 Assumptions used in measuring insurance liabilities

The Group applies assumed rates defined in the premium and liability reserve calculation manual provided by the regulatory authority and in accordance with the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. For interest sensitive insurance, credit rate stated in the premium and liabilities reserve calculation manual, which is calculated based on adjusted external base rate and return rate of asset management according to Article 6-12 of the Regulation on Supervision of Insurance Business.

Reserve amount should exceed the standard reserve which is calculated using the standard interest rate and standard risk rate as required by the Regulation on Supervision of Insurance Business.

37.6.5 Premium reserves and unearned premium reserves residual maturity

Premium reserve's maturity structure as of December 31, 2019 and 2018, as follows:

(In millions of Korean won)

	2019						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 984,945	₩ 280,733	₩ 665,241	₩ 525,699	₩ 345,664	₩ 4,188,965	₩ 6,991,247

(In millions of Korean won)

	2018						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 984,201	₩ 530,322	₩ 777,690	₩ 575,712	₩ 341,112	₩ 4,005,728	₩ 7,214,765

37.6.6 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on surrender rate, rate of claim, expense rate, discount rate and others which are considered to have significant influence on future cash flow, timing and uncertainty.

(In millions of Korean won)

	Assumption change	2019	
		₩	Effect on LAT
Surrender rate	+10%		50,666
	-10%		(56,115)
Rate of claim	+10%		22,786
	-10%		(23,456)
Expense rate	+10%		31,315
	-10%		(31,315)
Discount rate	+10%		(370,094)
	-10%		424,632

(In millions of Korean won)

	Assumption change	2018	
		₩	Effect on LAT
Surrender rate	+10%		42,328
	-10%		(47,157)
Rate of claim	+10%		20,223
	-10%		(20,540)
Expense rate	+10%		24,671
	-10%		(24,671)
Discount rate	+10%		(316,446)
	-10%		382,418

37.7 The Overlay Approach

The Group applied “The Overlay Approach” under Korean IFRS 1104 at the initial application of Korean IFRS 1109.

Details of financial assets applied “The Overlay Approach” as of December 31, 2019 and 2018, are as follows:

	2019		2018	
Financial assets at fair value through profit or loss				
Due from financial institutions	₩	166,891	₩	172,777
Debt securities		7,955,286		7,044,081
Equity securities		52,250		81,949
	₩	8,174,427	₩	7,298,807

(In millions of Korean won)

Changes of net overlay adjustments for the years ended December 31, 2019 and 2018, are as follows:

	2019	
Beginning	₩	(7,146)
Recognition of other comprehensive income due to acquisition and valuation		196,110
Reclassification to profit or loss due to disposal		(1,887)
Ending		187,077

	2018	
Beginning	₩	(7,559)
Recognition of other comprehensive income due to acquisition and valuation		17,205
Reclassification to profit or loss due to disposal		(16,792)
Ending		(7,146)

(In millions of Korean won)

(In millions of Korean won)

¹ Calculated based on Korean IFRS 1109

² Amounts are net of tax

38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2019 and 2018, are as follows:

	2019		2018	
	Total assets	Operating revenues	Total assets	Operating revenues
Consolidated	₩ 4,384,959	₩ 137,017	₩ 4,259,441	₩ 127,994
Unconsolidated	51,685,885	2,206,184	47,644,193	1,609,587
	₩ 56,070,844	₩ 2,343,201	₩ 51,903,634	₩ 1,737,581

(In millions of Korean won)

¹ Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, Trust Accounts, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant transactions between the Group and the trust accounts for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
Revenues				
Fees and commissions from trust accounts	₩	542,150	₩	496,424
Interest income from loans on trust accounts		4,261		5,586
Commissions from early termination in trust accounts		119		88
	₩	546,530	₩	502,098
Expenses				
Interest expenses due to trust accounts	₩	65,706	₩	61,454
Receivables				
Accrued trust fees	₩	74,992	₩	72,085
Due from trust accounts		92,866		109,357
	₩	167,858	₩	181,442

(In millions of Korean won)

(In millions of Korean won)

	2019		2018	
Payables				
Due to trust accounts	₩	5,216,460	₩	5,285,108
Accrued interest on due to trust accounts		10,136		10,547
	₩	5,226,596	₩	5,295,655

39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Cash	₩	2,311,418	₩	2,186,035
Checks with other banks		383,500		872,166
Due from Bank of Korea		8,607,911		9,098,891
Due from other financial institutions		9,535,049		8,117,398
		20,837,878		20,274,490
Due from financial institutions at fair value through profit or loss		216,367		381,718
		21,054,245		20,656,208
Restricted cash from financial institutions		(13,372,966)		(12,347,627)
Due from financial institutions with original maturities over three months		(1,557,554)		(1,665,765)
		(14,930,520)		(14,013,392)
	₩	6,123,725	₩	6,642,816

Significant non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Decrease in loans due to the write-offs	₩	1,188,584	₩	1,079,435
Changes in financial instruments due to conversion of investment		104,815		22,286
Changes in accumulated other comprehensive income due to valuation of financial investments at fair value through other comprehensive income		35,490		119,182
Decrease in accumulated other comprehensive income from measurement of investment securities in associates		7,695		(3,733)
Changes in other payables due to treasury stock trust agreement, etc		-		6,678

Cash inflows and outflows from income tax, interests and dividends for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Activity	2019		2018	
Income tax paid	Operating	₩	1,223,084	₩	759,013
Interest received	Operating		14,936,705		13,958,806
Interest paid	Operating		5,365,595		4,369,345
Dividends received	Operating		185,846		235,243
Dividends paid	Financial		766,249		766,728

Changes in liabilities arising from financing activities

Changes in liabilities and assets that arising from financing activities for the year ended December 31, 2019 are as follows:

(In millions of Korean won)

	2019							
	Beginning	Net cash flows	Non-cash changes					Ending
Acquisition (Disposal)			Changes in foreign exchange rates	Changes in fair value	Business Combination	Other changes		
Derivatives held for hedging ¹	₩ 8,049	₩ (28,631)	₩ -	₩ -	₩ 139,771	₩ -	₩ 67,912	₩ 187,101
Debts	86,283,531	2,537,391	-	397,571	67,297	(602,388)	71,041	88,754,443
Other payables								
from trust accounts	5,285,108	(68,648)	-	-	-	-	-	5,216,460
Change of Non-controlling equity	9,110	574,580	-	345	-	-	1,372	585,407
Others	167,128	(95,723)	766,259	35,591	-	-	(4,699)	868,556
	₩ 91,752,926	₩ 2,918,969	₩ 766,259	₩ 433,507	₩ 207,068	₩ (602,388)	₩ 135,626	₩ 95,611,967

¹ Derivatives held for hedging purposes are the net amount after offsetting liabilities from assets

The net cash outflow associated with the change of the subsidiaries for the year ended December 31, 2019 was ₩ 91,592 million.

40. Contingent Liabilities and Commitments

Details of payment guarantees as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Confirmed payment guarantees		
Confirmed payment guarantees in Korean won		
Payment guarantees for KB purchasing loan	₩ 161,314	₩ 196,517
Other payment guarantees	746,823	597,636
	908,137	794,153
Confirmed payment guarantees in foreign currency		
Acceptances of letter of credit	155,151	208,926
Letter of guarantees	49,754	53,210
Bid bond	37,765	51,528
Performance bond	718,097	604,311
Refund guarantees	1,022,646	592,925
Other payment guarantees in foreign currency	2,935,939	2,539,900
	4,919,352	4,050,800
Financial guarantees		
Payment guarantees for mortgage	47,384	50,497
Overseas debt guarantees	406,680	311,796
International financing guarantees in foreign currencies	231,685	110,070
Other financing payment guarantees	230,000	270,000
	915,749	742,363
	6,743,238	5,587,316
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	1,845,508	1,745,340
Refund guarantees	654,497	686,843
	2,500,005	2,432,183
	₩ 9,243,243	₩ 8,019,499

Payment guarantees that are exposed to credit risk as of December 31, 2019, are as follows:

(In millions of Korean won)

	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Total
			Non-impaired	Impaired	
Confirmed payment guarantees					
Grade 1	₩	4,220,046	₩ 696	₩ -	₩ 4,220,742
Grade 2		2,105,637	38,271	-	2,143,908
Grade 3		93,074	81,317	-	174,391
Grade 4		18,773	172,440	-	191,213
Grade 5		-	2,873	10,111	12,984
		6,437,530	295,597	10,111	6,743,238
Unconfirmed acceptances and guarantees					
Grade1		1,228,258	1,289	-	1,229,547
Grade2		1,121,159	32,413	-	1,153,572
Grade3		17,091	20,957	-	38,048
Grade4		4,236	62,964	-	67,200
Grade5		-	170	11,468	11,638
		2,370,744	117,793	11,468	2,500,005
	₩	8,808,274	₩ 413,390	₩ 21,579	₩ 9,243,243

Acceptances and guarantees by counterparty as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Corporations	₩ 5,962,004	₩ 1,904,346	₩ 7,866,350	85.10
Small companies	650,612	397,539	1,048,151	11.34
Public and others	130,622	198,120	328,742	3.56
	₩ 6,743,238	₩ 2,500,005	₩ 9,243,243	100.00

(In millions of Korean won)

	2018			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Corporations	₩ 4,775,838	₩ 1,901,951	₩ 6,677,789	83.27
Small companies	617,458	423,947	1,041,405	12.99
Public and others	194,020	106,285	300,305	3.74
	₩ 5,587,316	₩ 2,432,185	₩ 8,019,499	100.00

Acceptances and guarantees by counterparty as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 260,974	₩ 23,999	₩ 284,973	3.08
Manufacturing	3,373,220	1,627,840	5,001,060	54.11
Service	1,187,516	88,158	1,275,674	13.80
Whole sale & Retail	1,126,976	597,998	1,724,974	18.66
Construction	467,114	20,590	487,704	5.28
Public sector	107,481	81,895	189,376	2.05
Others	219,957	59,525	279,482	3.02
	₩ 6,743,238	₩ 2,500,005	₩ 9,243,243	100.00

(In millions of Korean won)

	2018			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 72,071	₩ 3,736	₩ 75,807	0.95
Manufacturing	2,981,245	1,451,657	4,432,902	55.27
Service	931,680	84,586	1,016,266	12.67
Whole sale & Retail	998,333	723,367	1,721,700	21.47
Construction	280,146	40,988	321,134	4.00
Public sector	165,571	36,256	201,827	2.52
Others	158,270	91,593	249,863	3.12
	₩ 5,587,316	₩ 2,432,183	₩ 8,019,499	100.00

Commitments as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Commitments				
Corporate loan commitments	₩	41,930,407	₩	37,340,727
Retail loan commitments		42,582,736		41,335,454
Credit line on credit cards		60,667,219		54,488,133
Purchase of other security investment and others		6,617,253		5,426,058
		151,797,615		138,590,372
Financial Guarantees				
Credit line		2,340,141		2,447,369
Purchase of security investment		591,500		436,800
		2,931,641		2,884,169
	₩	154,729,256	₩	141,474,541

Other Matters (including litigation)

a) The Group has filed 102 lawsuits as a plaintiff (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 458,195 million, and faces 207 lawsuits (as a defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 193,002 million, which arose in the normal course of the business and are still pending as of December 31, 2019.

b) Kookmin bank made a construction contract building the integrated company building, amounting to ₩ 155,546 million; for the year ended December 31, 2019, the Bank has paid ₩ 41,598 million.

c) As at December 31, 2019, Kookmin Bank has entered into construction contracts amounting to ₩ 250,458 million related to the construction of The K Project(IT infrastructure construction business needed KB's Digital Transformation to cope with change of IT technology and finance environment), and payments made up to December 31, 2019 amount to ₩ 60,462 million.

d) The face value of the securities which Kookmin Bank sold to general customers through the bank tellers amounts to ₩ 372 million and ₩ 372 million as of December 31, 2019 and 2018, respectively.

e) While setting up a fraud detection system, a computer contractor employed by the personal credit ratings firm Korea Credit Bureau caused a widespread data breach in June 2013, resulting in the theft of cardholders' personal information. As a result of the leakage of customer personal information, the KB Kookmin Card received a notification from the Financial Services Commission that the KB Kookmin Card is subject to a temporary three-month operating suspension as of February 16, 2014. In respect of the incident, the Group faces 11 and 113 legal claims filed as a defendant, with an aggregate claim of ₩ 444 million and ₩ 6,906 million as of December 31, 2019. A provision liability of ₩ 2,549 million and ₩ 9,888 million have been recognized for these pending lawsuits. In addition, the Group took out the personal information protection liability insurance. On the other hand, the further appeals can be filed against the Group, however, the final outcome cannot be reasonably measured.

f) As of December 31, 2019, the Group is not able to dispose, transfer or collateralize the shares of a joint-venture lease company or the right of shares to a third party without the written consent of Kolao Holdings for five years (the restriction period for the disposal of its equity) from the date of initial investment for KB KOLAO LEASING Co., LTD. Each party of the joint venture lease company may transfer all or part of its equity, as determined separately, after the restriction period for the disposal of its equity has expired. Meanwhile, according to the agreement, KB KOLAO LEASING Co., LTD. disposes affiliated receivables, which are overdue for more than three months, of Kolao Holdings to Lanexang Leasing Co., Ltd.

g) KB Securities is a professional private equity investment firm which sells private investment funds that loans capital to corporations (borrowers) who invest in rental apartment of disables in Australia. KB Securities sold ₩ 326,500 million in funds and trusts to individuals and institutional investors. However, KB Securities is in probable of a loss of investment principal because the operation of the funds became impossible due to a contract breach of a local

borrower. In this regard, one lawsuit has been filed with the Group and there is a possibility of further lawsuits as of December 31, 2019. The expected loss from the lawsuit is reflected as provision and the result of the lawsuit is unpredictable as of now.

h) Regarding Lime Asset Management, KB Securities is holding PIS(Portfolio Index Swap) contract in related to Lime Thetis Qualified Investor Private Investment Trust No.2 and Lime Pluto FI Qualified Investor Private Investment Trust No.D-1, which are suspended to repurchase in fourth quarter of 2019 and KB Securities holds beneficiary certificates and TRS contracts as underlying asset amount to ₩ 403,700 million. On the other hand, KB Securities has sold feeder fund of applicable funds amounts to ₩ 68,100 million. Lime Asset Management conducted a due diligence on the assets of the suspended fund through an external evaluation agency and adjusted the base price based on the results of the due diligence. The Group measured the fair values of the fund and linked TRS based on the fund base price, which is adjusted by Lime Asset Management reflecting the results of the due diligence. Lime Asset Management has a repurchase and management plan in place, however, at the current status, either the availability or timing of repurchase of the fund cannot be predicted. There is possibility of lawsuit to be filed in the future, but the impact on the financial statements is unpredictable as of now.

i) Kookmin Bank signed a contract to take over a 70 percent share in Prasak(PRASAC Microfinance Institution Limited), a microcreditary finance company in Cambodia, for US\$ 603 million from an existing stockholder on January 6, 2020. The Group is required to report this contract to the domestic and foreign financial authorities for approval in order to complete the contract.

The Group has signed an agreement with the existing shareholders of PRASAC. Existing shareholders of PRASAC have the right of put option to sell 30% of the remaining shares to the Group, and they are entitled to exercise their rights at the exercise price calculated on the basis of the adjustment book amount at the end of 2021 within six months from the issue date of the audit report or date when the adjusted book amount is confirmed. If existing shareholders do not exercise put option within the exercise period, the Group has the right of call option to buy the shares of existing shareholders within six months of the end of the put option exercisable period. All stockholders are restricted from selling shares or additional pledge before exercising the put option and call option.

j) KB Kookmin Card signed a stock sale agreement to acquire 80% of the shares of PT. Finansia Multi Finance, Indonesian financial company, for US\$ 81 million in December 2019 and paid US\$ 16 million in December 2019. In addition, KB Kookmin Card entered into a contract to acquire bonds, which includes the right to exchange 5% of PT. Finansia Multi Finance shares, issued by PT. Finansia Multi Finance shareholders for US\$ 5 million.

41. Subsidiaries

Details of subsidiaries as of December 31, 2019, are as follows:

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Financial Group Inc.	Kookmin Bank	100.00%	Korea	Dec. 31	Banking and foreign exchange transaction
	KB Securities Co., Ltd.	100.00%	Korea	Dec. 31	Financial investment
	KB Insurance Co., Ltd.	100.00%	Korea	Dec. 31	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00%	Korea	Dec. 31	Credit card and installment finance
	KB Asset Management Co., Ltd.	100.00%	Korea	Dec. 31	Collective investment and advisory
	KB Capital Co., Ltd.	100.00%	Korea	Dec. 31	Financial Leasing
	KB Life Insurance Co., Ltd.	100.00%	Korea	Dec. 31	Life insurance
	KB Real Estate Trust Co., Ltd.	100.00%	Korea	Dec. 31	Real estate trust management
	KB Savings Bank Co., Ltd.	100.00%	Korea	Dec. 31	Savings banking
	KB Investment Co., Ltd.	100.00%	Korea	Dec. 31	Capital investment
	KB Data System Co., Ltd.	100.00%	Korea	Dec. 31	Software advisory, development, and supply
	KB Credit Information Co., Ltd.	100.00%	Korea	Dec. 31	Collection of receivables or credit investigation
	Kookmin Bank	Kookmin Bank Cambodia PLC.	100.00%	Cambodia	Dec. 31
Kookmin Bank Int'l Ltd. (London) ⁶		100.00%	United Kingdom	Dec. 31	Banking and foreign exchange transaction
Kookmin Bank(China) Ltd.		100.00%	China	Dec. 31	Banking and foreign exchange transaction
KB Microfinance Myanmar Co., Ltd.		100.00%	Myanmar	Dec. 31	Other credit granting n.e.c.
KBD Tower 1st L.L.C. and 39 others ²		-	Korea	Dec. 31	Asset-backed securitization
KB Haeoreum private securities investment trust 83(Bond)		99.94%	Korea	Dec. 31	Capital investment
Kiwoom Frontier Private placement fund 10[Bond]		99.90%	Korea	Dec. 31	Capital investment
Tong Yang Safe Plus Qualified Private Trust S-8	99.96%	Korea	Dec. 31	Capital investment	

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	99.92%	Korea	Dec. 31	Capital investment
	NH-AMUNDI Global Private Securities Investment Trust 1USD(BOND)	77.78%	Korea	Dec. 31	Capital investment
	KB KBSTAR Mid-Long Term KTB Active ETF3	87.53%	Korea	Dec. 31	Capital investment
	Samsung KODEX 10Y F-SKTB Inverse	98.56%	Korea	Dec. 31	Capital investment
	KB Global Private Real Estate Debt Fund 3rd(USD)	99.50%	Korea	Dec. 31	Capital investment
	KB Europe Renewable Specialized Investment NO.2(EUR)(SOC- FoFs) ⁵	50.00%	Korea	Dec. 31	Capital investment
	KB Korea Short Term Premium Private Securities 10 (USD) (BOND) ⁵	50.00%	Korea	Dec. 31	Capital investment
	AIP US Red Private Real Estate Trust NO.10	99.97%	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd.	KBFG Securities America Inc.	100.00%	United States of America	Dec. 31	Investment advisory and securities dealing activities
	KB Securities Hong Kong Ltd.	100.00%	China	Dec. 31	Investment advisory and securities dealing activities
	KB SECURITEIS VIETNAM JOINT STOCK COMPANY	99.70%	Vietnam	Dec. 31	Investment advisory and securities dealing activities
	Able NS Co., Ltd and 64 others ²	-	Korea	Dec. 31	Asset-backed securitization
	KB NA COMPASS Energy Private Special Asset Fund ⁵	29.67%	Korea	Dec. 31	Capital investment
	Hyundai Smart Index Alpha Securities Feeder Investment Trust No.1	98.86%	Korea	Dec. 31	Capital investment
	Hyundai Strong Korea Equity Trust No.1	99.51%	Korea	Dec. 31	Capital investment
	Hyundai Kidzania Equity Feeder Trust No.1	79.67%	Korea	Dec. 31	Capital investment
	Hyundai Value Plus Equity Feeder Trust No.1	99.64%	Korea	Dec. 31	Capital investment
	Heungkuk Highclass Private Real Estate Trust No. 21	100.00%	Korea	Dec. 31	Capital investment
	JB New Jersey Private Real Estate Investment Trust No. 1	98.15%	Korea	Dec. 31	Capital investment
	Heungkuk Global Highclass Private Real Estate Trust No. 23	100.00%	Korea	Dec. 31	Capital investment
	Hyundai Dynamic Mix Securities Feeder Investment Trust No.1	99.99%	Korea	Dec. 31	Capital investment
	Hyundai Quant Long Short Securities Feeder Investment Trust No. 1	100.00%	Korea	Dec. 31	Capital investment
	Hyundai Kon-tiki Specialized Privately Placed Fund No.1	82.06%	Korea	Dec. 31	Capital investment
	DGB Private real estate Investment Trust No.8	98.77%	Korea	Dec. 31	Capital investment
	Aquila Global Real Assets Fund No.1 LP	99.96%	Cayman islands	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	Mangrove Feeder Fund	100.00%	Cayman islands	Dec. 31	Capital investment
	LB Ireland Private Real Estate Investment Trust 8	96.64%	Korea	Dec. 31	Capital investment
	KTB Aircraft Private Investment Trust No.21-1	99.61%	Korea	Dec. 31	Capital investment
	Pacific US Blackrock Private Placement Real Estate Fund No.15	99.50%	Korea	Dec. 31	Capital investment
	Vestas Qualified Investors Private Real Estate Fund Investment Trust No.38	54.84%	Korea	Dec. 31	Capital investment
	Hyundai Strong-small Corporate Trust[Stock]	91.61%	Korea	Dec. 31	Capital investment
	Capstone US Professional Investment Private Fund #6	99.79%	Korea	Dec. 31	Capital investment
	JB Dry Street Private Fund1	100.00%	Korea	Dec. 31	Capital investment
	JB Australia108 Private Fund1	100.00%	Korea	Dec. 31	Capital investment
	JB Forge Private Fund1	100.00%	Korea	Dec. 31	Capital investment
	JB Hall Street Private Fund1	100.00%	Korea	Dec. 31	Capital investment
	JB Margaret Street Private Fund1	100.00%	Korea	Dec. 31	Capital investment
	LB UK Private Real Estate Investment Trust No.18	100.00%	Korea	Dec. 31	Capital investment
	LB UK Private Real Estate Investment Trust No.19	100.00%	Korea	Dec. 31	Capital investment
KB Insurance Co., Ltd.	Leading Insurance Services, Inc.	100.00%	United States of America	Dec. 31	Management service
	LIG Insurance (China) Co., Ltd.	100.00%	China	Dec. 31	Non-life insurance
	PT. KB Insurance Indonesia	70.00%	Indonesia	Dec. 31	Non-life insurance
	KB Claims Survey & Adjusting	100.00%	Korea	Dec. 31	Claim service
	KB Sonbo CNS	100.00%	Korea	Dec. 31	Management service
	KB Golden Life Care Co., Ltd.	100.00%	Korea	Dec. 31	Service
	KB AMP Infra Private Special Asset Fund 1(FoFs) ³	41.67%	Korea	Dec. 31	Capital investment
	KB Muni bond Private Securities Fund 1(USD)(bond) ³	33.33%	Korea	Dec. 31	Capital investment
	KB CHILE SOLAR FUND	80.00%	Korea	Dec. 31	Capital investment
	Meritz Private Specific Real Estate Fund 1-2	87.21%	Korea	Dec. 31	Capital investment
	KB Global Private Real Estate Debt Fund 1 ³	50.00%	Korea	Dec. 31	Capital investment
	Hana Landchip Real estate Private Fund 58th	99.99%	Korea	Dec. 31	Financial investment
	Hyundai Power Professional Investment Type Private Investment Fund No.4	99.79%	Korea	Dec. 31	Financial investment
	KB U.S. LongShort Private Securities Fund 1	99.37%	Korea	Dec. 31	Financial investment
	Hyundai Infra Professional Investment Type Private Investment Trust No.5	99.82%	Korea	Dec. 31	Financial investment
	KB SAUDI SEPCO II Private Special Asset Fund	80.00%	Korea	Dec. 31	Financial investment
	Meritz Private Real Estate Fund 8	99.36%	Korea	Dec. 31	Financial investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	Hyundai Star Private Real Estate Investment Trust No. 14	99.98%	Korea	Dec. 31	Financial investment
	Vogo debt strategy private real estate fund VII	99.25%	Korea	Dec. 31	Financial investment
	KORAMCO Europe Debt Strategy Private Real-Estate Fund 2nd	99.80%	Korea	Dec. 31	Capital investment
	KB Peru Transmission Facility Investment Private Fund	99.08%	Korea	Dec. 31	Capital investment
	KB Global Private Real Estate Debt Fund 2	98.36%	Korea	Dec. 31	Capital investment
	KB Europe Private Real Estate Debt Fund 1	57.14%	Korea	Dec. 31	Capital investment
	KB AU Infigen Energy Private Special Asset Fund 2 ³	47.37%	Korea	Dec. 31	Capital investment
	KB North American Loan Specialty Private Real Estate Investment Trust 3rd ⁵	36.12%	Korea	Dec. 31	Capital investment
	Multi Asset Global Private Debt Fund 6	99.62%	Korea	Dec. 31	Capital investment
KB Kookmin Card Co., Ltd.	KB DAEHAN SPECIALIZED BANK PLC	90.00%	Cambodia	Dec. 31	Banking
	KB Kookmin Card 3rd Securitization Co., Ltd. and 3 others ²	0.50%	Korea	Dec. 31	Asset-backed securitization
	Heungkuk Life Insurance Money Market Trust	100.00%	Korea	Dec. 31	Trust asset management
KB Asset Management Co., Ltd.	KBAM Shanghai Advisory Services Co.,Ltd	100.00%	China	Dec. 31	General advisory
	KB Star Office Private Real Estate Feeder fund 3-2	88.00%	Korea	Dec. 31	Capital investment
	KB Asset Management Singapore Pte, Ltd.	100.00%	Singapore	Dec. 31	Collective investment
	KB Global Multiasset Income Securities Feeder Fund(Bond Mixed-FoFs) ³	36.56%	Korea	Dec. 31	Capital investment
	KB Active Investor Securities Investment Trust(Derivatives Mixed)	71.16%	Korea	Dec. 31	Capital investment
	KB G2 Plus Korea Securities Fund(Equity)	52.51%	Korea	Dec. 31	Capital investment
	KB Hedge Fund Solution Mixed Asset Fund(FoFs)	97.62%	Korea	Dec. 31	Capital investment
	KB OCIO Global Asset Allocation Private Fund 1	83.69%	Korea	Dec. 31	Capital investment
	KB Global Big data Research Securities Feeder Fund(Equity)(H)	99.49%	Korea	Dec. 31	Capital investment
	KB Long-term Total Return Performance Fee Securities Investment Trust(Equity-mixed)	56.94%	Korea	Dec. 31	Capital investment
	KB GLOBAL ESG SECURITIES FEEDER FUND(USD)(EQUITY)	53.80%	Korea	Dec. 31	Capital investment
	KB Star Office Private Real Estate Investment Trust 5 ³	37.11%	Korea	Dec. 31	Capital investment
	KB Global Core REITs Real Estate Self-Investment Trust (H) C-F	50.36%	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	KB Global Core REITs Real Estate Self-Investment Trust (UH) C-F	85.52%	Korea	Dec. 31	Capital investment
	KB Global Alpha Opportunity Securities Investor Trust (Mixed-Redirect) ³	33.66%	Korea	Dec. 31	Capital investment
	KB Best More Dream Mixed Assets Self-Investment Trust	79.73%	Korea	Dec. 31	Capital investment
	KB Korea Equity EMP Solution Securities Fund(Equity-FoFs) ³	45.26%	Korea	Dec. 31	Capital investment
KB Investment Co., Ltd.	2011 KIF-KB IT Venture Fund ⁴	43.33%	Korea	Dec. 31	Capital investment
	KoFC-KB Young Pioneer 1st Fund ⁴	33.33%	Korea	Dec. 31	Capital investment
	KB NEW CONTENTS Venture Fund ⁴	20.00%	Korea	Dec. 31	Capital investment
	KB Young Pioneer 3.0 Venture Fund ⁴	40.00%	Korea	Dec. 31	Capital investment
	KB Pre IPO Secondary Venture Fund 2 ⁴	21.00%	Korea	Dec. 31	Capital investment
	KB Contents Panda iMBC Contents Venture Fund ⁴	20.00%	Korea	Dec. 31	Capital investment
	KB Culture & Global Digital Contents Fund Limited partnership ⁴	22.50%	Korea	Dec. 31	Capital investment
	KB Gross Capital Fund ⁴	32.30%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KB12-1 Venture Investment	100.00%	Korea	Dec. 31	Capital investment
	KB Start-up Creation Fund	62.50%	Korea	Dec. 31	Capital investment
	KB Intellectual Property Fund ⁴	34.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd.,	KB Global Infra Private Special Asset Fund No.5 ³	45.46%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd.,	KB Global Infra Private Special Asset Fund No.6 ³	45.46%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd., KB Investment Co., Ltd.	KB High-tech Company Investment Fund	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd., KB Kookmin Card Co., Ltd., KB Capital Co., Ltd., KB Life Insurance Co., Ltd.,	KB digital innovation&growth New Technology Business Investment Fund	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd., KB Capital Co., Ltd.	KB Intellectual Property Fund 2	75.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB Investment Co., Ltd., KB Capital Co., Ltd.	KB Digital Innovation Investment Fund Limited partnership	62.51%	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd., Kookmin Card Co., Ltd., KB Capital Co., Ltd., KB Investment Co., Ltd.	KB Global Platform Fund	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Life Insurance Co., Ltd., KB real estimate trust co., Ltd.	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00%	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Insurance Co., Ltd.	Hanbando BTL Private Special Asset Fund 1st ⁵	46.36%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.,	KB KBSTAR Mid-Long Term KTB Active ETF ⁵	37.59%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.,	KOREIT BIEN Specialized Private Equity Private Investment Trust No. 1	100%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.	KB Mezzanine Private Security Investment Trust No.3 ⁵	25.33%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Hope Sharing BTL Private Special Asset ⁵	46.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Senior Loan Private Fund ⁵	37.39%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB New Renewable Energy Private Special Asset Fund 1	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Core Blind Private Estate Fund 1st	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB life Insurance Co., Ltd.,	KB Mezzanine Private Security Investment Trust No.2 ⁵	40.74%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Star Office Private Real Estate Investment Trust 4	51.96%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd.	Meritz Private Real Estate Fund 9-2	100.00%	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd., KB life Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Global Core Bond Securities Fund Master Fund(Bond)	77.30%	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Investment Co., Ltd.	KB KONEX Market Vitalization Fund ⁴	46.88%	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	KB Neo Paradigm Agriculture Venture ⁴	50.00%	Korea	Dec. 31	Capital investment
	KB New Paradigm Fisheries Venture Fund ⁴	33.33%	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Asset Management Co., Ltd.	KB Onkookmin Life Income RIF 20feeder Fund(Fofs)	99.04%	Korea	Dec. 31	Capital investment
	KB Onkookmin Life Income RIF 40feeder Fund(Fofs)	99.23%	Korea	Dec. 31	Capital investment
	KB Onkookmin TDF 2030 Master Fund(Fofs) ⁵	27.82%	Korea	Dec. 31	Capital investment
	KB Onkookmin TDF 2045 Master Fund(Fofs) ⁵	32.68%	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB life Insurance Co.	KB AU Infigen Energy Private Special Asset Fund	100.00%	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Asset Management Co., Ltd., KB Star Office Private Real Estate Investment Trust No.5	KB Wise Star Private Real Estate Feeder Fund 2nd	88.23%	Korea	Dec. 31	Capital investment
KB Insurance Co., Ltd., KB life Insurance Co., Ltd	KB North American Loan Specialty Private Real Estate Investment Trust 1st	100.00%	Korea	Dec. 31	Capital investment
KB Kookmin Card Co., Ltd., KB Capital Co., Ltd.	KB KOLAO LEASING CO., Ltd	80.00%	Laos	Dec. 31	Auto Installment Finance
KB Wise Star Private Real Estate Feeder Fund 1st	KB Star Office Private Real Estate Master Investment Trust 2 ⁵	44.44%	Korea	Dec. 31	Capital investment
KB Wise Star Private Real Estate Feeder Fund 1st., KB Securities Co., KB Asset Management Co., Ltd.	KB Star Office Private Real Estate Investment Trust 3	52.31%	Korea	Dec. 31	Capital investment
Hyundai Strong Korea Equity Trust No.1	Hyundai Strong Korea Equity Trust No.1[Master]	66.56%	Korea	Dec. 31	Capital investment
Mangrove Feeder Fund	Mangrove Master Fund	100.00%	Cayman islands	Dec. 31	Capital investment
KBFG Securities Hongkong Ltd.	Global Investment Opportunity Limited	100.00%	Malaysia	Dec. 31	Finance and Real Estate Investment
Hyundai Smart Index Alpha Securities Feeder Inv Trust 1	Hyundai Smart Index Alpha Securities Master Investment Trust	99.86%	Korea	Dec. 31	Capital investment
Hyundai Value Plus Securities Feeder Investment Trust 1 and Hyundai Kidzania Equity Feeder Trust No.1	Hyundai Value Plus Securities Master Investment Trust	100.00%	Korea	Dec. 31	Capital investment
Hyundai Dynamic Mix Securities Feeder Investment Trust	Hyundai Dynamic Mix Securities Feeder Investment Trust	98.48%	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
Hyundai Quant Long Short Securities Feeder Investment Trust 1	Hyundai Quant Long Short Securities Master Investment Trust	100.00%	Korea	Dec. 31	Capital investment
Aquila Global Real Assets Fund No.1 LP	AGRAF Real Estate No.1, Senningerberg	100.00%	Luxemburg	Dec. 31	Asset-backed securitization
AGRAF Real Estate No.1, Senningerberg	AGRAF Real Estate Holding No.1, Senningerberg	100.00%	Luxemburg	Dec. 31	Asset-backed securitization
AGRAF Real Estate Holding No.1, Senningerberg	Vierte CasaLog GmbH & Co. KG	100.00%	Germany	Dec. 31	Real estate investment
AGRAF Real Estate Holding No.1, Senningerberg	HD1 Grundstucksgesellschaft mbH & Co. KG	100.00%	Germany	Dec. 31	Real estate investment
AGRAF Real Estate Holding No.1, Senningerberg	Sechste Casalog KG	100.00%	Germany	Dec. 31	Real estate investment
JB New Jersey Private Real Estate Investment Trust No. 1	ABLE NJ DSM INVESTMENT REIT	99.18%	United States of America	Dec. 31	Real estate investment
ABLE NJ DSM INVESTMENT REIT	ABLE NJ DSM, LLC	100.00%	United States of America	Dec. 31	Real estate investment
Heungkuk Global Highclass Private Real Estate Trust 23	HYUNDAI ABLE INVESTMENT REIT	99.90%	United States of America	Dec. 31	Real estate investment
HYUNDAI ABLE INVESTMENT REIT	HYUNDAI ABLE PATRIOTS PARK, LLC	100.00%	United States of America	Dec. 31	Real estate investment
LB Ireland Private Real Estate Investment Trust 8	BECKETT ACQUISITION LIMITED	100.00%	Ireland	Dec. 31	Real estate investment
KB Global Multiasset Income Securities Feeder Fund(Bond Mixed-FoFs)	KB Global Multiasset Income Securities Master Fund(Bond Mixed-FoFs)	87.00%	Korea	Dec. 31	Capital investment
KB Onkookmin Life Income RIF 20feeder Fund(Fofs)	KB Onkookmin Life Income RIF 20 Master Fund(Fofs)	86.00%	Korea	Dec. 31	Capital investment
KB Onkookmin Life Income RIF 40feeder Fund(Fofs)	KB Onkookmin Life Income RIF 40 Master Fund(Fofs)	86.00%	Korea	Dec. 31	Capital investment
Mirae Asset Triumph Global Privately placed feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 1	100.00%	Korea	Dec. 31	Capital investment
Mirae Asset Triumph Global Privately placed feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 2	100.00%	Korea	Dec. 31	Capital investment
KB Global Core Bond Securities feeder Fund(Bond)	KB Global Core Bond Securities Master Fund(Bond)	100.00%	Korea	Dec. 31	Capital investment
KB Global Big data Research Securities Master Fund(Equity)(H)	KB Global Big data Research Securities Master Fund(Equity)(H)	100.00%	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Global Good Investment ESG Securities feeder Fund(Equity)(H), KB Best More Dream Mixed Assets Self-Investment Trust	KB GLOBAL ESG SECURITIES FEEDER FUND(USD)	100.00%	Korea	Dec. 31	Capital investment
KB Global Core REITs Real Estate Self-Investment Trust (Redirect) (H), KB Global Core REITs Real Estate Self-Investment Trust (Redirect) (UH) C-F, KB Best More Dream Mixed Assets Self-Investment Trust	KB Global Core REITs Real Estate Investment Fund (Indirect)	100.00%	Korea	Dec. 31	Capital investment
KB Global Alpha Opportunity Securities Investor Trust (Mixed-Redirect), KB Best More Dream Mixed Assets Self-Investment Trust	KB Global Alpha Opportunity Securities Parent Investment Trust (Mixed-Redirect)	100.00%	Korea	Dec. 31	Capital investment
KB Hedge Fund Solution Mixed Asset Parent Investment Trust (Private Investment Indirect), KB Best More Dream Mixed Assets Self-Investment Trust	KB Hedge Fund Solution Mixed Asset Parent Investment Trust (Private Investment Indirect)	100.00%	Korea	Dec. 31	Capital investment
KB Wise Star Private Real Estate Feeder Fund 1st, KB Wise Star Private Real Estate Feeder Fund 2nd	KB Wise Star Jongno Tower Real Estate Master Fund	100.00%	Korea	Dec. 31	Capital investment
KB Core Blind Private Estate Fund 1st	KB Wise Star Private Real Estate Feeder Fund 3rd ³	46.90%	Korea	Dec. 31	Capital investment
Kookmin Bank	Personal pension trusts and 10 other trusts ¹	-	Korea	Dec. 31	Trust
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.38	Lumen International Developments	100.00%	Luxemburg	Dec. 31	Capital investment
Lumen International Developments	VREF Shaftesbury ScSp	100.00%	Luxemburg	Dec. 31	Capital investment
LB UK Private Real Estate Investment Trust No.18, etc	Hillswood Finco Ltd.	100.00%	Jersey	Dec. 31	Capital investment
LB UK Private Real Estate Investment Trust No.18, etc	Hillswood Holdings Ltd.	100.00%	Jersey	Dec. 31	Capital investment
LB UK Private Real Estate Investment Trust No.18, etc	Hillswood Holding Property Unit Trust	100.00%	Jersey	Dec. 31	Capital investment
Hillswood Holding Property Unit Trust, etc	Hillswood Property Unit Trust	100.00%	Jersey	Dec. 31	Capital investment
Hyundai Strong-small Corporate Trust No.1	Hyundai Strong-small Corporate Master Trust	80.43%	Korea	Dec. 31	Capital investment

¹ The Group controls the trust because it has power that determines the management performance over the trust and is exposed to variable returns to absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.

² Although the Group holds less than a majority of the investee's voting rights, the Group controls these investees as it has power over relevant activities in case of default; is significantly exposed to variable returns by providing lines of credit or ABCP purchase commitments or due to acquisition of subordinated debt; and has ability to affect those returns through its power.

³ Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by managing the fund; has significant percentage of ownership; is significantly exposed to variable returns which is affected by the performance of the investees; and has ability to affect the performance through its power.

⁴ Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by taking the role of an operating manager and it is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect the performance through its power.

⁵ Although the Group holds less than a majority of the investee's voting rights, the Group participated directly in establishment of this entity and has power over relevant activities, and is significantly exposed to variable returns which is affected by the performance of the investee, and has ability to affect the performance through its power. Accordingly the Group has control over the investee.

⁶ The Group changed Kookmin Bank Int'l Ltd. (London) to Kookmin Bank London Branch on May 16, 2018, and this event is categorized as business combination of entities under common control. The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts in the consolidated financial statements of the Group. The transferred assets and liabilities due to this business combination are ₩ 480,161 million and ₩ 480,023 million, respectively.

Structured companies that hold more than half of their ownership percentage but do not have the strength to related activities in accordance with agreements with trust and other related parties are excluded from the consolidation.

The condensed financial information of major subsidiaries as of December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, is as follows:

(In millions of Korean won)

	2019						
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the year	Total comprehensive income (loss) for the year	
Kookmin Bank ¹	₩ 387,425,038	₩ 358,420,805	₩ 29,004,233	₩ 20,817,431	₩ 2,439,079	₩ 2,428,154	
KB Securities Co., Ltd. ^{1,2}	47,816,512	43,131,858	4,684,654	8,053,363	257,893	261,639	
KB Insurance Co., Ltd. ^{1,2}	36,552,368	32,689,460	3,862,908	12,661,927	234,327	366,362	
KB Kookmin Card Co., Ltd. ¹	22,990,114	18,925,195	4,064,919	3,102,186	316,546	306,251	
KB Asset Management Co., Ltd. ¹	310,018	114,776	195,242	148,780	48,899	48,490	
KB Capital Co., Ltd. ¹	11,190,568	10,036,077	1,154,491	931,694	117,028	115,524	
KB Life Insurance Co., Ltd. ^{1,2}	9,801,905	9,186,567	615,338	1,506,417	15,963	63,107	
KB Real Estate Trust Co., Ltd.	377,938	85,132	292,806	119,899	61,713	61,672	
KB Savings Bank Co., Ltd.	1,361,032	1,148,625	212,407	92,435	16,301	15,433	
KB Investment Co., Ltd. ¹	756,972	542,221	214,751	99,822	11,311	11,310	
KB Data System Co., Ltd.	41,690	20,999	20,691	158,067	4,664	4,282	
KB Credit Information Co., Ltd.	27,834	12,936	14,898	38,278	(256)	(337)	

(In millions of Korean won)

	2018						
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the year	Total comprehensive income (loss) for the year	
Kookmin Bank ¹	₩ 356,959,258	₩ 330,291,392	₩ 26,667,866	₩ 18,089,885	₩ 2,259,198	₩ 2,186,979	
KB Securities Co., Ltd. ^{1,2}	45,086,292	40,613,423	4,472,869	6,667,005	178,850	204,903	
KB Insurance Co., Ltd. ^{1,2}	34,785,551	31,289,706	3,495,845	11,977,601	262,266	317,067	
KB Kookmin Card Co., Ltd. ¹	20,528,951	16,570,280	3,958,671	3,045,039	286,599	261,667	
KB Life Insurance Co., Ltd. ¹	9,680,379	9,128,148	552,231	1,305,231	14,824	25,062	
KB Asset Management Co., Ltd. ¹	254,256	107,504	146,752	130,027	39,586	40,154	
KB Capital Co., Ltd. ^{1,2}	9,517,239	8,516,838	1,000,401	734,499	111,939	111,758	
KB Savings Bank Co., Ltd.	1,388,844	1,186,871	201,973	85,346	11,018	10,832	
KB Real Estate Trust Co., Ltd.	293,063	57,229	235,834	114,660	47,004	46,813	
KB Investment Co., Ltd. ¹	528,701	374,925	153,776	114,914	14,532	14,529	
KB Credit Information Co., Ltd.	26,276	11,041	15,235	35,219	185	95	
KB Data System Co., Ltd.	40,197	23,788	16,409	131,374	2,942	1,705	

¹ Financial information is based on its consolidated financial statements.

² The amount includes the fair value adjustments due to the merger.

Nature of the risks associated with interests in consolidated structured entities

The terms of contractual arrangements to provide financial support to a consolidated structured entity

- The Group has provided payment guarantees of ₩ 3,498,818 million to KBD Tower 1st L.L.C. and other subsidiaries.
- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 24 other subsidiaries. The unexecuted amount of the investment agreement is ₩ 592,435 million. Based on the capital commitment, the Group is subject to increase its investment upon the request of the asset management company or the additional agreement among investors.
- The Group provides the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

Changes in subsidiaries

The subsidiaries newly included in consolidation during the year ended December 31, 2019, are as follows:

Company	Description
KBAM Shanghai Advisory Services Co.,Ltd and 38 others	Holds over than a majority of the ownership interests
KBH the 5 th L.L.C and 70 others	Holds the power in the case of default and exposed to variable returns by providing lines of credit, ABCP purchase commitments or acquiring subordinated debt
KB New Renewable Energy Private Special Asset Fund 1 and 15 others	Holds the power to determine the operation of the trust and exposed to variable returns by holding significant amount of ownership interests
KB Culture & Global Digital Contents Fund Limited partnership and 2 others	The Group has a power over the investee as a general partner, is significantly exposed to variable returns due to significant percentage of ownership.

The subsidiaries excluded from consolidation during the year ended December 31, 2019, are as follows:

Company	Description
KH the 4 th L.L.C and 59 others	Lost the right of variable returns due to the releasing debt
KB Evergreen Private Securities Fund 98(Bond) and 6 others	Liquidation
Hyundai China Index Plus Securities Investment Trust No.1 and 13 others	Disposal
KB Everyone TDF 2035 Securities Investment Trust – Bond Balanced-Fund of Funds and 7 others	Ownership decrease

42. Unconsolidated Structured Entity

The nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

Nature	Purpose	Activity	Method of Financing
Structured financing	Granting PF loans and stocks to SOC and real estate Granting loans and stocks to ships/aircrafts SPC Project financing, such as mergers and acquisitions	Construction of SOC and real estate Building ships/ construction and purchase of aircrafts Mergers and acquisitions	Loan commitments through Credit Line, providing lines of credit and investment agreements
Investment funds	Investment in beneficiary certificates Investment in PEF and partnerships	Management of fund assets Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments Investment of managing partners and limited partners
Trusts	Management of financial trusts: -Development trust -Mortgage trust -Management trust -Disposal trust -Distribution and management trust -Other trusts	Development, management, and disposal of trusted real estate assets Payment of trust fees and allocation of trust profits.	Distribution of trusted real estate assets and financing of trust company Public auction of trusted real estate assets and financing of trust company
Asset-backed securitization	Early cash generation through transfer of securitization assets Fees earned as services to SPC, such as providing lines of credit and ABCP purchase commitments	Fulfillment of Asset-backed securitization plan Purchase and transfer of securitization assets Issuance and repayment of ABS and ABCP	Issuance of ABS and ABCP based on securitization assets

Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Total assets of unconsolidated structured entity	₩ 54,206,404	₩ 180,236,568	₩ 2,287,172	₩ 99,012,931	₩ 335,743,075
Carrying amount on financial statements					
Assets					
Financial assets at fair value through profit or loss	132,685	9,846,278	-	2,405,228	12,384,191
Derivative financial assets	-	-	-	2,959	2,959
Loans at amortized cost	4,775,723	293,221	266,974	920,863	6,256,781
Financial investments	-	-	-	5,166,578	5,166,578
Investment in associates	-	352,488	-	-	352,488
Other assets	1,876	69,353	93,613	9,181	174,023
	₩ 4,910,284	₩ 10,561,340	₩ 360,587	₩ 8,504,809	₩ 24,337,020
Liabilities					
Deposits	₩ 523,086	₩ 90,131	₩ -	₩ 409,246	₩ 1,022,463
Derivative financial liabilities	-	-	-	228	228
Other liabilities	1,362	78	-	16,169	17,609
	₩ 524,448	₩ 90,209	₩ -	₩ 425,643	₩ 1,040,300
Maximum exposure to loss ¹					
Holding assets	₩ 4,910,284	₩ 10,561,340	₩ 360,587	₩ 8,504,809	₩ 24,337,020
Purchase and investment commitments	38,650	3,980,356	-	945,598	4,964,604
Unused credit	654,203	2,900	28,427	1,927,902	2,613,432
Payment guarantee and loan commitments	1,816,411	7,188	-	600,664	2,424,263
	₩ 7,419,548	₩ 14,551,784	₩ 389,014	₩ 11,978,973	₩ 34,339,319
Methods of determining the maximum exposure to loss	Loan commitments / investment agreements / purchase commitments and acceptances and guarantees	Investments / loans and capital commitments	Dividends by results trust: Total amount of trust exposure	Providing lines of credit/ purchase commitments/ loan commitments and acceptances and guarantees	

(In millions of Korean won)

	2018				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Total assets of unconsolidated structured entity	₩ 43,775,805	₩ 121,481,888	₩ 519,609	₩ 125,240,129	₩ 291,017,431
Carrying amount on financial statements					
Assets					
Financial assets at fair value through profit or loss	129,367	7,934,662	-	3,846,725	11,910,754
Derivative financial assets	-	23,794	-	4,089	27,883
Loans at amortized cost	3,987,339	391,665	34,000	635,840	5,048,844
Financial investments	-	8,636	-	6,040,008	6,048,644
Investment in associates	-	258,594	-	-	258,594
Other assets	1,719	48,872	109,357	17,046	176,994
	₩ 4,118,425	₩ 8,666,223	₩ 143,357	₩ 10,543,708	₩ 23,471,713

(In millions of Korean won)

	2018				
	Structured financing	Investment funds	Trusts	Asset-backed securitization and others	Total
Liabilities					
Deposits	₩ 970,890	₩ 81,502	₩ -	₩ 291,465	₩ 1,343,857
Derivative financial liabilities	-	6,232	-	1,285	7,517
Other liabilities	1,334	59	-	28,373	29,766
	₩ 972,224	₩ 87,793	₩ -	₩ 321,123	₩ 1,381,140
Maximum exposure to loss ¹					
Holding assets	₩ 4,118,425	₩ 8,666,223	₩ 143,357	₩ 10,543,708	₩ 23,471,713
Purchase and investment commitments	-	3,345,947	-	1,094,489	4,440,436
Unused credit	6,789	1,450	-	2,211,226	2,219,465
Payment guarantee and loan commitments	1,582,943	-	-	519,633	2,102,576
	₩ 5,708,157	₩ 12,013,620	₩ 143,357	₩ 14,369,056	₩ 32,234,190
Methods of determining the maximum exposure to loss	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Investments /loans and capital commitments	Dividends by results trust: Total amount of trust exposure	Providing lines of credit/ purchase commitments/ loan commitments and acceptances and guarantees	

¹ Maximum exposure to loss includes the asset amounts, after deducting loss (provision for assets, impairment losses and others), recognized in the financial statements of the Group.

43. Lease

43.1 The amounts recognized in the consolidated statement of financial position

The amounts related to lease recognized in statement of financial position as of December 31, 2019 and January 1, 2019, are as follows:

(In millions of Korean won)

	December 31, 2019		January 1, 2019	
Right-of-use property and equipment ¹				
Real estate	₩	518,795	₩	554,363
Vehicles		13,542		17,557
Others		18,543		17,268
Right-of-use intangible assets ¹		9,698		21,063
	₩	560,578	₩	610,251
Lease liabilities ¹	₩	544,439	₩	555,636

43.2 The amounts recognized in the consolidated statement of comprehensive income

The amount related to lease recognized in the consolidated statement of comprehensive income for the years ended December 31, 2019 is as follows:

(In millions of Korean won)

	2019	
Depreciation and amortization of right-of-use assets		
Real estate	₩	251,465
Vehicles		19,594
Others		10,345
Intangible asset		9,893
	₩	291,297
Interest expenses on the lease liabilities	₩	12,720
Expense relating to short-term leases		2,209
Expense relating to leases of low-value assets that are not short-term leases		5,416
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		15

The total cash outflow for leases in 2019 was ₩ 228,312 million.

43.3 Finance lease – 2018

43.3.1 The Group as a finance lessee

The future minimum lease payments classified as a finance lease as at December 31, 2018 is as follows:

(In millions of Korean won)

	2018	
Net carrying amount of finance lease assets	₩	34,002
Minimum lease payment		
Within 1 year		6,827
1-5 years		3,553
	₩	10,380
Present value of minimum lease payment		
Within 1 year		6,705
1-5 years		3,456
	₩	10,161

43.3.2 The Group as a finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Total lease investment		Present value of minimum lease payment	
Within 1 year	₩	654,104	₩	367,937
1-5 years		1,085,208		569,939
Later than 5 years		773		748
	₩	1,740,085	₩	938,624

(In millions of Korean won)

	2018			
	Total lease investment		Present value of minimum lease payment	
Within 1 year	₩	710,532	₩	387,721
1-5 years		1,225,265		565,152
	₩	1,935,797	₩	952,873

Unearned interest income of finance lease as of December 31, 2019 and 2018 is as follows:

(In millions of Korean won)

	2019		2018	
	Total lease investment	₩	1,740,085	₩
Net lease investment				
Present value of minimum lease payment		938,624		952,873
Present value of Non-guaranteed residual value		639,075		786,359
		1,577,699		11,739,232
Unearned interest income	₩	162,386	₩	196,565

43.4 Operating lease

43.4.1 The Group as a operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31 2018, are as follows:

(In millions of Korean won)

	2018	
Minimum lease payment		
Within 1 year	₩	179,384
1-5 years		299,900
Over 5 years		111,906
	₩	591,190
Minimum sublease payment	₩	(6,561)

The lease payment reflected in profit or loss for the years ended December 31, 2018, is as follows:

(In millions of Korean won)

	2018	
Lease payment reflected in profit or loss		
Minimum lease payment	₩	221,305
Sublease payment		(1,804)
	₩	219,501

43.4.2 The Group as a operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Minimum lease receipts				
Within 1 year	₩	577,490	₩	304,204
1-5 years		1,432,354		985,097
Over 5 years		682,165		280,084
	₩	2,692,009	₩	1,569,385

44. Related Party Transactions

Profit and loss arising from transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		2018	
Associates and joint ventures					
Balhae Infrastructure Fund	Fee and commission income	₩	6,743	₩	6,691
Korea Credit Bureau Co., Ltd.	Interest expense		21		127
	Fee and commission income		1,056		1,194
	Insurance income		3		-
	Fee and commission expense		2,541		1,909
	Other operating expense		-		4
KoFC KBIC Frontier Champ 2010-5(PEF) ¹	Fee and commission income		-		197
KB GwS Private Securities Investment Trust	Fee and commission income		851		851
Incheon Bridge Co., Ltd.	Interest income		8,612		9,426
	Interest expense		483		296
	Fee and commission income		-		9
	Fee and commission expense		7		2

(In millions of Korean won)

		2019	2018
	Insurance income	284	365
	Gains on financial assets/liabilities at fair value through profit or loss	4,975	2,655
	Reversal for credit losses	5	6
	Provision for credit losses	1	1
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Fee and commission income	178	210
Aju Good Technology Venture Fund	Interest expense	22	30
KB Star Office Private Real Estate Investment Trust No.1	Interest income	370	370
	Interest expense	208	93
	Fee and commission income	435	435
RAND Bio Science Co., Ltd.	Interest expense	5	3
	Other non-operating expense	843	-
Inno Lending Co., Ltd. ¹	Fee and commission income	-	1
SY Auto Capital Co., Ltd.	Interest income	1,016	1,279
	Interest expense	1	-
	Fee and commission income	34	73
	Fee and commission expense	389	840
	Insurance income	32	33
	Other operating income	689	621
	Other operating expense	288	415
	Reversal for credit losses	13	-
	Provision for credit losses	-	14
Food Factory Co., Ltd.	Interest income	41	9
	Insurance income	4	5
	Fee and commission expense	12	1
	Gains on financial assets/liabilities at fair value through profit or loss	60	30
	Reversal for credit losses	-	1
	Provision for credit losses	1	1
KB Pre IPO Secondary Venture Fund 1st	Interest expense	7	27
	Fee and commission income	110	110
Builton Co., Ltd. ¹	Interest income	1	4
	Insurance income	1	2
	Losses on financial assets/liabilities at fair value through profit or loss	-	1
KB Private Equity Fund III	Fee and commission income	480	521
Wise Asset Management Co., Ltd.	Interest expense	2	9
Acts Co., Ltd.	Interest income	1	-
	Insurance income	1	2
	Gains on financial assets/liabilities at fair value through profit or loss	30	-
	Losses on financial assets/liabilities at fair value through profit or loss	-	1,851
	Other non-operating expense	-	1,246
Dongjo Co., Ltd.	Reversal for credit losses	-	31
	Insurance income	2	2
A-PRO Co., Ltd.	Interest income	19	-
	Interest expense	4	1
	Fee and commission expense	17	-
	Insurance income	4	5
POSCO-KB Shipbuilding Fund	Fee and commission income	490	490
	Interest expense	-	81
Dae-A Leisure Co., Ltd.	Interest expense	8	9

(In millions of Korean won)

		2019	2018
Paycoms Co., Ltd.	Interest income	10	10
	Insurance income	1	1
	Gains on financial assets/liabilities at fair value through profit or loss	125	125
Bungaejangter Inc. ¹	Interest income	-	60
Big Dipper Co., Ltd.	Reversal for credit losses	-	2
KB-KDBC New Technology Business Investment Fund	Interest expense	58	39
	Fee and commission income	449	322
KBTS Technology Venture Private Equity Fund	Fee and commission income	730	305
KB-SJ Tourism Venture Fund	Fee and commission income	422	314
JLK INSPECTION Inc. ¹	Interest income	-	6
	Interest expense	1	-
TESTIAN Inc. ¹	Interest income	3	4
	Gains on financial assets/liabilities at fair value through profit or loss	-	83
Rainist Co., Ltd.	Fee and commission income	39	-
	Interest expense	-	2
IWON ALLOY CO.,LTD.	Insurance income	2	1
RMGP Bio-Pharma Investment Fund, L.P.	Other non-operating income	33	10
	Gains on financial assets/liabilities at fair value through profit or loss	947	-
	Losses on financial assets/liabilities at fair value through profit or loss	2,120	-
Hasys.	Gains on financial assets/liabilities at fair value through profit or loss	136	-
	Losses on financial assets/liabilities at fair value through profit or loss	-	136
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Insurance income	50	4
	Losses on financial assets/liabilities at fair value through profit or loss	72	-
	Interest expense	89	21
Spark Biopharma, Inc. ¹	Fee and commission income	735	108
	Interest expense	59	25
KB No.8 Special Purpose Acquisition Company ¹	Interest expense	-	17
	Losses on financial assets/liabilities at fair value through profit or loss	-	2,330
KB No.9 Special Purpose Acquisition Company ¹	Interest expense	(23)	43
	Losses on financial assets/liabilities at fair value through profit or loss	-	2,256
	Gains on financial assets/liabilities at fair value through profit or loss	-	48
KB No.10 Special Purpose Acquisition Company ¹	Interest expense	18	30
	Gains on financial assets/liabilities at fair value through profit or loss	3,066	121
KB No.11 Special Purpose Acquisition Company ¹	Interest expense	9	12
	Gains on financial assets/liabilities at fair value through profit or loss	118	56
KB No.17 Special Purpose Acquisition Company	Fee and commission income	175	-
	Gains on financial assets/liabilities at fair value through profit or loss	1,384	-
KB No.18 Special Purpose Acquisition Company	Interest expense	28	-
	Fee and commission income	263	-
	Gains on financial assets/liabilities at fair value through profit or loss	1,898	-
	Interest expense	28	-

(In millions of Korean won)

		2019	2018
KB No.19 Special Purpose Acquisition Company	Fee and commission income	150	-
	Gains on financial assets/liabilities at fair value through profit or loss	1,044	-
	Interest expense	8	-
KB No.20 Special Purpose Acquisition Company	Interest expense	3	-
KB SPROTT Renewable Private Equity Fund I	Fee and commission income	490	-
KB-Stonebridge Secondary Private Equity Fund1	Fee and commission income	1,444	-
	Losses on financial assets/liabilities at fair value through profit or loss	32	-
KOSESEUJITO CO., LTD	Losses on financial assets/liabilities at fair value through profit or loss	5	-
CWhy Inc	Insurance income	3	-
Stratio, Inc.	Interest expense	1	-
NEXOLON CO.,LTD. ¹	Interest expense	2	-
CellinCells Co., Ltd	Interest expense	19	-
Bomapp Inc.	Interest expense	1	-
	Insurance income	1	-
KB Social Impact Investment Association	Fee and commission income	121	-
KB-Solidus Global Healthcare Fund	Fee and commission income	81	-
BNF Corporation Ltd.	Interest income	7	-
	Gains on financial assets/liabilities at fair value through profit or loss	158	-
	Provision for credit losses	1	-
KB Cape No.1 Private Equity Fund	Fee and commission income	97	-
ALS Co., Ltd. ¹	Interest income	194	-
Hyundai-Tongyang Agrifood Private Equity Fund ¹	Fee and commission income	-	151
Keystone-Hyundai Securities No. 1 Private Equity Fund	Fee and commission income	90	116
MJT&I Co., Ltd.	Insurance income	1	-
Doosung Metal Co., Ltd.	Insurance income	-	1
Other			
Retirement pension	Fee and commission income	939	876
	Interest expense	4	3

¹ Excluded from the Group's related party as of December 31, 2019.

Meanwhile, the Group purchased installment financial assets from SY Auto Capital Co., Ltd. amounts to ₩ 1,393,346 million and ₩ 881,502 million for the years ended December 31, 2019 and 2018.

Details of receivables and payables, and related allowances for loan losses arising from the related party transactions as of December 31, 2019 and 2018, are as follows:

		(In millions of Korean won)	
		2019	2018
Associates and joint ventures			
Balhae Infrastructure Fund	Other assets	₩ 1,718	₩ 1,708
Korea Credit Bureau Co., Ltd.	Loans at amortized cost (Gross amount)	43	22
	Deposits	17,966	15,674
	Provisions	1	-
	Insurance contract liabilities	2	-
	Other liabilities	-	98
KB GwS Private Securities Investment Trust	Other assets	641	641
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	37,857	32,882
	Loans at amortized cost (Gross amount)	147,707	158,206
	Allowances for loan losses	12	15
	Other assets	520	736
	Deposits	45,447	43,666
	Provisions	10	10
	Insurance contract liabilities	108	113
	Other liabilities	346	24
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Other assets	89	90
Jungdo Co., Ltd.	Deposits	4	4
Dongjo Co., Ltd.	Insurance contract liabilities	1	2
Dae-A Leisure Co., Ltd.	Deposits	753	1,229
	Other liabilities	14	7
Aju Good Technology Venture Fund	Deposits	5,456	6,439
	Other liabilities	2	2
Doosung Metal Co., Ltd.	Deposits	-	3
KB Star Office Private Real Estate Investment Trust No.1	Loans at amortized cost (Gross amount)	10,000	10,000
	Allowances for loan losses	4	4
	Other assets	136	136
	Deposits	8,293	7,946
	Other liabilities	66	58
KBTS Technology Venture Private Equity Fund	Financial assets at fair value through profit or loss	3,540	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Financial assets at fair value through profit or loss	2,678	-
	Deposits	13,118	18,813
	Other liabilities	4	7
KB-Stonebridge Secondary Private Equity Fund	Financial assets at fair value through profit or loss	713	-
KB IGen Private Equity Fund No.1	Deposits	147	148
KB Cape No.1 Private Equity Fund	Financial assets at fair value through profit or loss	2,000	-
RAND Bio Science Co., Ltd.	Deposits	4,452	232
	Loans at amortized cost (Gross amount)	1	1
SY Auto Capital Co., Ltd.	Loans at amortized cost (Gross amount)	41,990	48,356
	Allowances for loan losses	4	18
	Other assets	63	94
	Deposits	8	5
	Provisions	13	11
	Insurance contract liabilities	13	6
	Other liabilities	70	102
Food Factory Co., Ltd.	Financial assets at fair value through profit or loss	590	530
	Loans at amortized cost (Gross amount)	1,992	200
	Allowances for loan losses	2	1
	Other assets	1	1

(In millions of Korean won)

		2019	2018
	Deposits	1,073	68
	Insurance contract liabilities	4	3
	Other liabilities	1	-
KB Pre IPO Secondary Venture Fund 1st	Deposits	2,955	1,115
	Other liabilities	1	1
Builton Co., Ltd. ¹	Other assets	-	1
	Financial assets at fair value through profit or loss	-	399
	Loans at amortized cost (Gross amount)	-	2
	Deposits	-	7
	Insurance contract liabilities	-	1
Wise Asset Management Co., Ltd.	Deposits	21	696
	Other liabilities	-	2
Acts Co., Ltd.	Intangible assets	-	530
	Deposits	1	29
	Other liabilities	100	530
Paycoms Co., Ltd.	Other assets	1	1
	Financial assets at fair value through profit or loss	1,157	1,032
	Deposits	1	1
Big Dipper Co., Ltd.	Loans at amortized cost (Gross amount)	11	5
	Deposits	6	182
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,054	7,088
	Other liabilities	4	3
A-PRO Co., Ltd.	Loans at amortized cost (Gross amount)	2,019	-
	Insurance contract liabilities	2	2
	Deposits	3,201	2,201
	Other liabilities	1	-
JLK Inspection, Inc. ¹	Financial assets at fair value through profit or loss	-	7,300
TESTIAN Inc. ¹	Other assets	-	1
	Financial assets at fair value through profit or loss	-	615
IWON ALLOY CO.,LTD.	Insurance contract liabilities	1	2
CARLIFE CO.,LTD.	Deposits	-	2
COMPUTERLIFE CO.,LTD.	Deposits	1	1
RMGP Bio-Pharma Investment Fund, L.P.	Financial assets at fair value through profit or loss	3,419	3,051
	Other liabilities	2	35
RMGP Bio-Pharma Investment, L.P.	Financial assets at fair value through profit or loss	8	4
Hasys.	Financial assets at fair value through profit or loss	6,000	5,864
	Insurance contract liabilities	37	29
SKYDIGITAL INC	Deposits	25	16
Rainist Co., Ltd.	Financial assets at fair value through profit or loss	7,504	2,504
	Deposits	-	1
Spark Biopharma, Inc. ¹	Financial assets at fair value through profit or loss	-	6,500
	Deposits	-	2,630
	Other liabilities	-	19
HEYBIT, Inc.	Financial assets at fair value through profit or loss	250	250
Stratio, Inc.	Financial assets at fair value through profit or loss	1,000	1,000
	Deposits	726	516
Honest Fund, Inc.	Financial assets at fair value through profit or loss	3,999	-

(In millions of Korean won)

		2019	2018
CellinCells Co., Ltd.	Financial assets at fair value through profit or loss	2,000	-
	Loans at amortized cost (Gross amount)	4	-
	Deposits	1,545	-
	Other liabilities	1	-
Joyang Industry Co., Ltd.	Deposits	2	-
KB No.9 Special Purpose Acquisition Company ¹	Financial assets at fair value through profit or loss	-	2,481
	Deposits	-	2,275
	Other liabilities	-	42
KB No.10 Special Purpose Acquisition Company ¹	Financial assets at fair value through profit or loss	-	2,025
	Derivative financial assets	-	1,659
	Deposits	-	1,666
	Other liabilities	-	11
KB No.11 Special Purpose Acquisition Company ¹	Financial assets at fair value through profit or loss	-	737
	Derivative financial assets	-	873
	Deposits	-	658
	Other liabilities	-	2
KB No.17 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	2,683	-
	Deposits	1,742	-
	Other liabilities	27	-
KB No.18 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	3,786	-
	Deposits	2,140	-
	Other liabilities	28	-
KB No.19 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	2,043	-
	Deposits	1,093	-
	Other liabilities	7	-
KB No.20 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	1,499	-
	Deposits	1,984	-
	Other liabilities	3	-
KOSESEUJITO CO., LTD.	Financial assets at fair value through profit or loss	2,930	-
CWhy Inc.	Financial assets at fair value through profit or loss	2,000	-
Bomapp Inc.	Financial assets at fair value through profit or loss	1,999	-
	Insurance contract liabilities	2	-
ZOYI corporation INC.	Financial assets at fair value through profit or loss	2,000	-
Mitolmmune Therapeutics	Financial assets at fair value through profit or loss	5,000	-
KB-Solidus Global Healthcare Fund	Financial assets at fair value through profit or loss	10,405	-
KB Social Impact Investment Association	Other assets	73	-
Fabric Types CO.,LTD.	Financial assets at fair value through profit or loss	1,845	-
	Deposits	395	-
	Other liabilities	2	-
BNF Corporation Ltd.	Financial assets at fair value through profit or loss	2,259	-
	Loans at amortized cost (Gross amount)	1,400	-
	Other assets	2	-
	Deposits	947	-
	Other liabilities	6	-
Key management	Loans at amortized cost (Gross amount)	3,538	2,404
	Allowances for loan losses	1	-
	Other assets	3	2
	Deposits	15,339	13,818
	Insurance contract liabilities	1,984	1,092
	Other liabilities	289	233
Other			
Retirement pension	Other assets	366	331
	Other liabilities	17,620	16,388

¹ Excluded from the Group's related party as of December 31, 2019.

According to Korean IFRS 1024, the Group includes associates, key management (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. Additionally, the Group discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the consolidated financial statements. Refer to Note 13 for details on investments in associates and joint ventures.

Significant lending transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Increase	Decrease	Ending
Associates				
Korea Credit Bureau Co., Ltd.	₩ 22	₩ 43	₩ (22)	₩ 43
Incheon Bridge Co., Ltd.	191,088	4,982	(10,506)	185,564
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
KBTS Technology Venture Private Equity Fund	-	3,540	-	3,540
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	-	2,678	-	2,678
KB-Stonebridge Secondary Private Equity Fund	-	713	-	713
KB Cape No.1 Private Equity Fund	-	2,000	-	2,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
SY Auto Capital Co., Ltd.	48,356	28,088	(34,454)	41,990
Food Factory Co., Ltd.	730	1,872	(20)	2,582
Builton Co., Ltd. ²	401	-	(401)	-
Acts Co., Ltd.	-	68	(68)	-
Paycoms Co., Ltd.	1,032	125	-	1,157
Big Dipper Co., Ltd.	5	11	(5)	11
A-PRO Co., Ltd.	-	2,019	-	2,019
JLK INSPECTION Inc. ²	7,300	(7,300)	-	-
TESTIAN Inc. ²	615	24	(639)	-
RMGP Bio-Pharma Investment Fund, L.P.	3,051	368	-	3,419
RMGP Bio-Pharma Investment, L.P.	4	4	-	8
Hasys.	5,864	136	-	6,000
Rainist Co., Ltd.	2,504	5,000	-	7,504
Spark Biopharma, Inc. ²	6,500	(6,500)	-	-
HEYBIT, Inc.,	250	-	-	250
Stratio, Inc.	1,000	-	-	1,000
Honest Fund, Inc.	-	3,999	-	3,999
CellinCells Co., Ltd.	-	2,004	-	2,004
KB No.9 Special Purpose Acquisition Company ²	2,481	-	(2,481)	-
KB No.10 Special Purpose Acquisition Company ²	2,025	-	(2,025)	-
KB No.11 Special Purpose Acquisition Company ²	737	-	(737)	-
KB No.17 Special Purpose Acquisition Company	-	2,683	-	2,683
KB No.18 Special Purpose Acquisition Company	-	3,786	-	3,786
KB No.19 Special Purpose Acquisition Company	-	2,043	-	2,043
KB No.20 Special Purpose Acquisition Company	-	1,499	-	1,499
KOSESEUJITO CO., LTD.	-	2,930	-	2,930
CWhy Inc.	-	2,000	-	2,000
Bomapp Inc.	-	1,999	-	1,999
ZOYI corporation INC.	-	2,000	-	2,000
MitolImmune Therapeutics	-	5,000	-	5,000
KB-Solidus Global Healthcare Fund	-	10,405	-	10,405
Fabric Types CO.,LTD	-	1,845	-	1,845
BNF Corporation Ltd.	-	3,659	-	3,659
Key management	2,404	2,006	(872)	3,538

¹ Transactions from operating activities with related parties (i.e. such as settlement, daily overdraft loans, etc) are excluded.

² Excluded from the Group's related party as of December 31, 2019.

(In millions of Korean won)

	2018			
	Beginning	Increase	Decrease	Ending
Associates				
Korea Credit Bureau Co., Ltd.	₩ 22	₩ 22	₩ (22)	₩ 22
Incheon Bridge Co., Ltd.	200,414	5,388	(14,714)	191,088
Dongjo Co., Ltd.	116	-	(116)	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
Inno Lending Co., Ltd. ²	2	-	(2)	-
SY Auto Capital Co., Ltd.	40,057	50,109	(41,810)	48,356
Food Factory Co., Ltd.	679	51	-	730
Builton Co., Ltd. ²	1	402	(2)	401
Acts Co., Ltd.	1,927	-	(1,927)	-
Bungaejanter, Inc. ²	425	-	(425)	-
Paycoms Co., Ltd.	1,066	1,032	(1,066)	1,032
Big Dipper Co., Ltd.	6	5	(6)	5
JLK INSPECTION Inc. ²	-	7,300	-	7,300
TESTIAN Inc. ²	-	615	-	615
RMGP Bio-Pharma Investment Fund, L.P.	-	3,051	-	3,051
RMGP Bio-Pharma Investment, L.P.	-	4	-	4
Hasys.	-	6,000	(136)	5,864
Rainist Co., Ltd.	-	2,504	-	2,504
Spark Biopharma, Inc. ²	-	6,500	-	6,500
HEYBIT, Inc.,	-	250	-	250
Stratio, Inc.	-	1,000	-	1,000
KB No.8 Special Purpose Acquisition Company ²	2,296	-	(2,296)	-
KB No.9 Special Purpose Acquisition Company ²	2,356	2,481	(2,356)	2,481
KB No.10 Special Purpose Acquisition Company ²	1,603	2,025	(1,603)	2,025
KB No.11 Special Purpose Acquisition Company ²	697	737	(697)	737
Key management	1,665	1,509	(836)	2,338

¹ Transactions from operating activities with related parties (i.e. such as settlement, daily overdraft loans, etc) are excluded.

² Excluded from the Group's related party as of December 31, 2019.

Significant borrowing transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning	Borrowing	Repayment	Others ¹	Ending
Associates					
Korea Credit Bureau Co., Ltd.	₩ 15,674	₩ -	₩ (3,000)	₩ 5,292	₩ 17,966
Incheon Bridge Co., Ltd.	43,666	25,260	(5,260)	(18,219)	45,447
Doosung Metal Co., Ltd.	3	-	-	(3)	-
Jungdo Co., Ltd.	4	-	-	-	4
Dae-A Leisure Co., Ltd.	1,229	-	-	(476)	753
CARLIFE CO.,LTD.	2	-	-	(2)	-
COMPUTERLIFE CO.,LTD.,	1	-	-	-	1
SKYDIGITAL INC	16	-	-	9	25
Joyang Industry Co., Ltd.	-	-	-	2	2
Aju Good Technology Venture Fund	6,439	-	-	(983)	5,456
KB-KDBC New Technology Business Fund	7,088	15,000	(10,000)	(5,034)	7,054
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	18,813	-	-	(5,695)	13,118
KB Star Office Private Real Estate Investment Trust No.1	7,946	5,018	(5,072)	401	8,293
SY Auto Capital Co., Ltd.	5	-	-	3	8
KB No.9 Special Purpose Acquisition Company ²	2,275	-	(2,266)	(9)	-
KB No.10 Special Purpose Acquisition Company ²	1,666	-	(1,618)	(48)	-
KB No.11 Special Purpose Acquisition Company ²	658	-	(530)	(128)	-
KB No.17 Special Purpose Acquisition Company	-	1,500	-	242	1,742
KB No.18 Special Purpose Acquisition Company	-	2,200	(100)	40	2,140
KB No.19 Special Purpose Acquisition Company	-	1,000	-	93	1,093
KB No.20 Special Purpose Acquisition Company	-	1,500	-	484	1,984
RAND Bio Science Co., Ltd.	232	1,900	-	2,320	4,452
Wise Asset Management Co., Ltd.	696	-	(682)	7	21
Builton Co., Ltd. ²	7	-	-	(7)	-
Food Factory Co., Ltd.	68	-	-	1,005	1,073
Acts Co., Ltd.	29	-	-	(28)	1
Paycoms Co., Ltd.	1	-	-	-	1
Big Dipper Co., Ltd.	182	-	-	(176)	6
A-PRO Co., Ltd.	2,201	-	-	1,000	3,201
Rainist Co., Ltd.	1	-	-	(1)	-
Spark Biopharma, Inc. ²	2,630	17,000	(9,000)	(10,630)	-
Stratio, Inc.	516	-	-	210	726
NEXOLON CO.,LTD. ²	-	-	(200)	200	-
CellinCells Co., Ltd.	-	-	-	1,545	1,545
KB IGen Private Equity Fund No.1	148	-	-	(1)	147
KB Pre IPO Secondary Venture Fund 1st	1,115	-	-	1,840	2,955
Fabric Types CO.,LTD.	-	-	-	395	395
BNF Corporation Ltd.	-	-	-	947	947
Key management	13,818	13,520	(14,611)	2,611	15,338

¹ Transactions from operating activities with related parties (i.e. such as settlement, daily overdraft loans, etc) are excluded.

² Excluded from the Group's related party as of December 31, 2019.

(In millions of Korean won)

	2018				
	Beginning	Borrowing	Repayment	Others ¹	Ending
Associates					
Korea Credit Bureau Co., Ltd.	₩ 25,513	₩ 8,000	₩ (16,000)	₩ (1,839)	₩ 15,674
Incheon Bridge Co., Ltd.	48,795	1,260	(1,270)	(5,119)	43,666
Terra Co., Ltd.	10	-	-	(10)	-
Jungdong Steel Co., Ltd.	3	-	-	(3)	-
Doosung Metal Co., Ltd.	-	-	-	3	3
Jungdo Co., Ltd.	4	-	-	-	4
Dae-A Leisure Co., Ltd.	466	479	(466)	750	1,229
Daesang Techlon Co., Ltd. ²	2	-	-	(2)	-
CARLIFE CO.,LTD.	-	-	-	2	2
COMPUTERLIFE CO.,LTD.,	-	-	-	1	1
SKYDIGITAL INC	-	-	-	16	16
Aju Good Technology Venture Fund	2,771	-	-	3,668	6,439
KB-KDBC New Technology Business Fund	7,500	-	-	(412)	7,088
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	-	-	-	18,813	18,813
KB Star Office Private Real Estate Investment Trust No.1	6,962	351	-	633	7,946
SY Auto Capital Co., Ltd.	6	-	-	(1)	5
KB No.8 Special Purpose Acquisition Company ²	2,339	-	(2,300)	(39)	-
KB No.9 Special Purpose Acquisition Company ²	2,309	2,266	(2,234)	(66)	2,275
KB No.10 Special Purpose Acquisition Company ²	1,698	1,618	(1,618)	(32)	1,666
KB No.11 Special Purpose Acquisition Company ²	530	530	(530)	128	658
RAND Bio Science Co., Ltd.	1,052	-	(500)	(300)	252
Wise Asset Management Co., Ltd.	340	2,366	(2,008)	(2)	696
Builton Co., Ltd. ²	26	-	-	(19)	7
Food Factory Co., Ltd.	1	-	-	67	68
Acts Co., Ltd.	4	-	-	25	29
Paycoms Co., Ltd.	-	-	-	1	1
Big Dipper Co., Ltd.	473	-	-	(291)	182
A-PRO Co., Ltd.	-	-	-	2,201	2,201
Rainist Co., Ltd.	-	-	-	1	1
Spark Biopharma, Inc. ²	-	4,300	(3,300)	1,630	2,630
KB IGen Private Equity Fund No.1	-	-	-	148	148
KB Pre IPO Secondary Venture Fund 1st	2,690	2,000	(4,000)	425	1,115
POSCO-KB Shipbuilding Fund	-	32,800	(32,800)	-	-
Inno Lending Co., Ltd. ²	41	-	-	(41)	-
Key management	8,260	7,587	(5,283)	264	10,828

¹ Transactions from operating activities with related parties (i.e. such as settlement, deposit on demand, etc) are netted.² Excluded from the Group's related party as of December 31, 2019.

Significant investment and collection transaction with related parties for the years ended December 31, 2019 and 2018 is as follows:

(In millions of Korean won)

	2019	
	Equity investments	Withdrawal and others
Korea Credit Bureau Co., Ltd.	₩ -	₩ 135
Balhae Infrastructure Company	592	6,855
KoFC KBIC Frontier Champ 2010-5(PEF) ¹	-	138
KB GwS Private Securities Investment Trust	-	7,276
Aju Good Technology Venture Fund	1,960	-
POSCO-KB Shipbuilding Fund	2,500	-
KB-KDBC Pre-IPO New Technology Business Fund	5,000	-
KBTS Technology Venture Private Equity Fund	7,840	2,240
KB-SJ Tourism Venture Fund	1,500	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	14,000	-
KB-UTC Inno-Tech Venture Fund	450	-
KB-Solidus Global Healthcare Fund	10,400	13,520
KB Star office Private real estate Investment Trust No.1	-	1,275
KB Cape No.1 Private Equity Fund	2,000	-
KB No.9 Special Purpose Acquisition Company ¹	-	16
KB No.17 Special Purpose Acquisition Company	1	-
KB No.18 Special Purpose Acquisition Company	1	-
KB No.19 Special Purpose Acquisition Company	1	-
KB No.20 Special Purpose Acquisition Company	1	-
KB SPROTT Renewable Private Equity Fund	1,667	-
KB-Stonebridge Secondary Private Equity Fund	7,070	1,855
KBSP 4th Private Investment Partnership	6,100	-
KB Social Impact Investment Association	1,500	-

¹ Excluded from the Group's related party as of December 31, 2019.

(In millions of Korean won)

	2018	
	Equity investments	Withdrawal and others
Korea Credit Bureau Co., Ltd.	₩ -	₩ 113
Balhae Infrastructure Company	4,645	8,623
Daesang Techlon Co.,Ltd. ¹	-	42
PT Bank Bukopin TBK	116,422	-
KoFC KBIC Frontier Champ 2010-5(PEF) ¹	-	4,800
KB GwS Private Securities Investment Trust	-	6,386
Aju Good Technology Venture Fund	9,808	-
KB-KDBC Pre-IPO New Technology Business Fund	10,000	-
KBTS Technology Venture Private Equity Fund	14,224	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	8,000	-
KB Star office Private real estate Investment Trust No.1	-	1,162
KB No.8 Special Purpose Acquisition Company ¹	-	5
Hyundai-Tongyang Agrifood Private Equity Fund ¹	-	82
KB IGen Private Equity Fund No.1	-	3
GH Real Estate I LP	17,678	-
KB-SJ Tourism Venture Fund	1,500	-
CUBE Growth Fund No.2 ¹	1,300	1,300
UNION Media Commerce Fund	1,000	-

¹ Excluded from the Group's related party as of December 31, 2019.

Unused commitments to related parties as of December 31, 2019 and 2018, are as follows:

		(In millions of Korean won)	
		(US Dollar)	
		2019	2018
Associates and joint ventures			
Balhae Infrastructure Fund	Purchase of security investment	₩ 7,327	₩ 10,453
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	557	108
KoFC KBIC Frontier Champ 2010-5(PEF) ¹	Purchase of security investment	-	2,150
	Preferred loss allowance agreement	-	10,000
KB GwS Private Securities Investment Trust	Purchase of security investment	876	876
Aju Good Technology Venture Fund	Purchase of security investment	1,154	1,960
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
	Unused commitments of credit card	93	94
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Purchase of security investment	12,550	12,550
	Preferred loss allowance agreement	10,000	10,000
SY Auto Capital Co., Ltd.	Loan commitments in Korean won	8,100	6,700
	Unused commitments of credit card	60	94
KB No.9 Special Purpose Acquisition Company ¹	Unused commitments of credit card	-	1
KB No.10 Special Purpose Acquisition Company ¹	Unused commitments of credit card	-	5
KB No.18 Special Purpose Acquisition Company	Unused commitments of credit card	15	-
KB No.19 Special Purpose Acquisition Company	Unused commitments of credit card	1	-
CellinCells Co., Ltd	Unused commitments of credit card	20	-
RAND Bio Science Co., Ltd.	Unused commitments of credit card	24	24
Builton Co., Ltd. ¹	Unused commitments of credit card	-	3
Food Factory Co., Ltd.	Unused commitments of credit card	25	11
Big Dipper Co., Ltd.	Unused commitments of credit card	89	95
KB Pre IPO Secondary Venture Fund 1st	Preferred loss allowance agreement	1,671	1,671
POSCO-KB Shipbuilding Fund	Purchase of security investment	5,000	7,500
KB-KDBC New Technology Business Investment Fund	Purchase of security investment	-	5,000
KBTS Technology Venture Private Equity Fund	Purchase of security investment	5,936	13,776
KB-SJ Tourism Venture Fund	Purchase of security investment	2,000	3,500
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of security investment	18,000	32,000
KB SPROTT Renewable Private Equity Fund I	Purchase of security investment	22,833	-
KB-Stonebridge Secondary Private Equity Fund	Purchase of security investment	27,930	-
KB Social Impact Investment Association	Purchase of security investment	3,000	-
BNF Corporation Ltd.	Loan commitments in Korean won	360	-
A-PRO Co., Ltd.	Unused commitments of credit card	96	-
KB-UTC Inno-Tech Venture Fund	Purchase of security investment	22,050	-
KB-Solidus Global Healthcare Fund	Purchase of security investment	24,700	-
RMGP Bio-Pharma Investment Fund, L.P.	Purchase of security investment	USD 8,911,002	USD 10,271,257
RMGP Bio-Pharma Investment, L.P.	Purchase of security investment	USD 13,150	USD 15,847
Key management	Loan commitments in Korean won	1,695	1,832

¹ Excluded from the Group's related party as of December 31, 2019.

Compensation to key management for the years ended December 31, 2019 and 2018, are as follows:

		(In millions of Korean won)			
		2019			
		Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩	8,540	₩ 425	₩ 7,434	₩ 16,399
Registered directors (non-executive)		1,030	-	-	1,030
Non-registered directors		9,157	360	7,510	17,027
	₩	18,727	₩ 785	₩ 14,944	₩ 34,456

(In millions of Korean won)

	2018							
	Short-term employee benefits		Post-employment benefits		Share-based payments		Total	
Registered directors (executive)	₩	7,757	₩	418	₩	4,213		₩
Registered directors (non-executive)		960		-		-		960
Non-registered directors		7,135		273		3,314		10,722
	₩	15,852	₩	691	₩	7,527	₩	24,070

Collateral received from related parties as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		2018	
Associates					
KB Star Office Private Real Estate Investment Trust No.1	Real estate	₩	13,000	₩	13,000
Key management					
	Time deposits and others		192		401
	Real estate		2,922		3,182

As of December 31, 2019, Incheon Bridge Co., Ltd., a related party, provides fund management account, insurance for civil engineering completion, and management rights as senior collateral amounting to ₩ 611,000 million to a financial syndicate that consists of the Group and five other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders that consist of the Group and two other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to a financial syndicate consisting of the Group and five other institutions.

45. Changes in Accounting Policies – Implementation of Korean IFRS 1116 Leases

The Group applied Korean IFRS 1116 retrospectively as of January 1, 2019. However, the financial statements for the year ended 2018 was not restated using the method allowed by transitional provisions. Therefore reclassification and adjustments under the new IFRS were recognized in the financial statements beginning on January 1, 2019.

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group applied Korean IFRS 1116 retrospectively with recognizing the cumulative effect of initial adoption of the standard as at January 1, 2019. The Group did not restate any comparative financial statements.

For leases previously classified as 'finance leases', the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

(In millions of Korean won)

		January 1, 2019	
Right-of-use asset			
Operating lease commitments disclosed at December 31, 2018 ¹	₩		576,249
Add : Finance lease asset recognized at December 31, 2018			34,002
Right-of use asset recognized as of the date of initial application	₩		610,251
Lease liability			
Operating lease commitments disclosed at December 31, 2018	₩		586,882
Discounted amount using the lessee's incremental borrowing rate ² at the date of initial application			544,475
Add : Finance lease liability recognized at December 31, 2018			10,161
Lease liabilities recognized as of the date of initial application	₩		555,636

¹ The amount included lease contract related provisions for asset retirement obligation and other assets/liabilities according to the adoption of Korean IFRS.

² The incremental borrowing rate is 1.45%~6.95%.

The difference between the amount of the right-of-use asset and the lease liability is adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

46. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2019, was initially approved on February 6, 2020 and re-approved due to revision on March 4, 2020 by the Board of Directors.

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)



To the Board of Directors and Shareholders of KB Financial Group Inc.

Opinion

We have audited the accompanying separate financial statements of KB Financial Group Inc.(the Company), which comprise the separate statements of financial position as at December 31, 2019 and 2018 and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018, and its separate financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2019, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting and our report dated March 5, 2020 expressed an unqualified opinion.

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

No key audit matter is identified to be described in this audit report.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeob Yu, Certified Public Accountant.



Samil PricewaterhouseCoopers

Seoul, Korea

March 5, 2020

This report is effective as of March 5, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

December 31, 2019 and December 31, 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2019	2018
Assets			
Cash and due from financial institutions	4,5,6,28	₩ 18,537	₩ 344,302
Financial assets at fair value through profit or loss	4,5,7	413,909	289,179
Loans at amortized cost	4,5,8	120,000	50,000
Investments in subsidiaries	9	24,162,116	24,062,116
Property and equipment	10	4,170	2,185
Intangible assets	11	11,092	9,646
Deferred income tax assets	12	7,526	8,184
Other assets	4,5,13	609,286	857,462
Total assets		25,346,636	25,623,074
Liabilities			
Debts	4,5,14	₩ -	₩ 300,000
Debentures	4,5,15	5,543,446	5,373,266
Net defined benefit liabilities	16	437	183
Current income tax liabilities		417,414	691,909
Other liabilities	4,5,17	203,440	186,481
Total liabilities		6,164,737	6,551,839
Equity			
Share capital	18	2,090,558	2,090,558
Hybrid securities	18	399,085	-
Capital surplus	18	14,742,814	14,742,814
Accumulated other comprehensive income	18	(7,664)	(7,144)
Retained earnings	18	3,093,294	3,213,556
Treasury shares	18	(1,136,188)	(968,549)
Total equity		19,181,899	19,071,235
Total liabilities and equity		₩ 25,346,636	₩ 25,623,074

The above separate statements of financial position should be read in conjunction with the accompanying notes.

Separate Statements of Comprehensive Income

Year Ended December 31, 2019 and December 31, 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won, except per share amounts)

	Notes	2019	2018
Interest income		₩ 8,020	₩ 6,616
Interest expense		(126,065)	(122,451)
Net interest expense	20	(118,045)	(115,835)
Fee and commission income		847	788
Fee and commission expense		(7,130)	(5,996)
Net fee and commission expense	21	(6,283)	(5,208)
Net gains on financial assets at fair value through profit or loss	22	15,947	18,319
Net other operating income	23	926,934	1,089,556
General and administrative expenses	24	(71,171)	(57,845)
Operating profit before provision for credit losses		747,382	928,987
Operating profit		747,382	928,987
Net non-operating expense	25	(541)	(259)
Profit before income tax		746,841	928,728
Income tax expense	26	(854)	(2,823)
Profit for the year		745,987	925,905
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities		520)	(1,911)
Other comprehensive loss for the year, net of tax		(520)	(1,911)
Total comprehensive income for the year		₩ 745,467	923,994
Earnings per share			
Basic earnings per share	27	1,891	2,335
Diluted earnings per share	27	1,877	2,322

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

Separate Statements of Changes in Equity

Year Ended December 31, 2019 and December 31, 2018

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Share Capital	Hybrid Securitiesal	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Total Equity
Balance at January 1, 2018	₩ 2,090,558	₩ -	₩ 14,742,814	₩ (5,233)	₩ 3,054,379	₩ (755,973)	₩ 19,126,545
Comprehensive income							
Profit for the year	-	-	-	-	925,905	-	925,905
Remeasurements of net defined benefit liabilities	-	-	-	(1,911)	-	-	(1,911)
Total comprehensive income	-	-	-	(1,911)	925,905	-	923,994
Transactions with shareholders							
Annual dividends	-	-	-	-	(766,728)	-	(766,728)
Acquisition of treasury shares	-	-	-	-	-	(212,576)	(212,576)
Total transactions with shareholders	-	-	-	-	(766,728)	(212,576)	(979,304)
Balance at December 31, 2018	₩ 2,090,558	₩ -	₩ 14,742,814	₩ (7,144)	₩ 3,213,556	₩ (968,549)	₩ 19,071,235
Balance at January 1, 2019	₩ 2,090,558	₩ -	₩ 14,742,814	₩ (7,144)	₩ 3,213,556	₩ (968,549)	₩ 19,071,235
Comprehensive income							
Profit for the year	-	-	-	-	745,987	-	745,987
Remeasurements of net defined benefit liabilities	-	-	-	(520)	-	-	(520)
Total comprehensive income	-	-	-	(520)	745,987	-	745,467
Transactions with shareholders							
Annual dividends	-	-	-	-	(759,736)	-	(759,736)
Issuance of hybrid securities	-	399,085	-	-	-	-	399,085
Dividends on hybrid securities	-	-	-	-	(6,513)	-	(6,513)
Acquisition and Retirement of treasury shares	-	-	-	-	(100,000)	(167,639)	(267,639)
Total transactions with shareholders	-	399,085	-	-	(866,249)	(167,639)	(634,803)
Balance at December 31, 2019	₩ 2,090,558	₩ 399,085	₩ 14,742,814	₩ (7,664)	₩ 3,093,294	₩ (1,136,188)	₩ 19,181,899

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.

Separate Statements of Cash Flows

Year Ended December 31, 2019 and December 31, 2018

KB Financial Group Inc. and Subsidiaries		(In millions of Korean won)	
	Notes	2019	2018
Cash flows from operating activities			
Profit for the period		₩ 745,987	₩ 925,905
Adjustment for non-cash items			
Depreciation and amortization		5,093	864
Share-based payments		4,259	551
Net interest expense		4,727	5,198
Net gains on valuation on financial assets at fair value through profit or loss		(2,322)	(4,694)
Net other expenses		2,209	2,118
		13,966	4,037
Changes in operating assets and liabilities			
Deferred income tax assets		854	2,782
Other assets		(4,270)	(1,046)
Other liabilities		(10,824)	(7,016)
		(14,240)	(5,280)
Net cash inflow from operating activities		745,713	924,662
Cash flows from investing activities			
Acquisition of financial assets at fair value through profit or loss		(2,180,000)	-
Disposal of financial assets at fair value through profit of loss		2,057,592	-
Acquisition of subsidiaries		(100,000)	-
Increase in loans at amortized cost		(70,000)	(40,000)
Acquisition of property and equipment		(4,771)	(1,991)
Disposal of property and equipment		13	-
Acquisition of intangible assets		(1,848)	(866)
Disposal of intangible assets		41	34
Net increase in guarantee deposits paid		(1,265)	(375)
Other investing activities		(371)	(356)
Net cash outflow from investing activities		(300,609)	(43,554)
Cash flows from financing activities			
Increase in debts		418,705	298,321
Decrease in debts		(717,026)	(298,485)
Increase in debentures		1,037,656	897,872
Decrease in debentures		(868,154)	(688,486)
Dividends paid to shareholders		(759,736)	(766,728)
Principal elements of lease payments		(569)	-
Acquisition of treasury shares		(274,317)	(224,700)
Issuance of hybrid securities		399,085	-
Dividends paid on hybrid securities		(6,513)	-
Net cash outflow from financing activities		(770,869)	(782,206)
Net increase (decrease) in cash and cash equivalents		(325,765)	98,902
Cash and cash equivalents at the beginning of the period	28	344,299	245,397
Cash and cash equivalents at the end of the period	28	₩ 18,534	₩ 344,299

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Separate Financial Statements

Years Ended December 31, 2019 and 2018

1. The Company

KB Financial Group Inc. (the "Company"), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfers with the former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd. in order to provide management services and financing to associated companies. The headquarters are located at 26, Gukjegeumyung-ro-8-gil, Yeongdeungpo-gu, Seoul. The Company's share capital as of December 31, 2019, is ₩ 2,090,558 million. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Company established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Company acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Company included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015. Also, the Company included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary on October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed the name to KB Securities Co., Ltd. in January 2017. KB Insurance Co., Ltd. became one of the subsidiaries through a tender after in May 2017.

The Company has been listed on the Korea Exchange ("KRX") since October 10, 2008, and on the New York Stock Exchange ("NYSE") for its American Depositary Shares ("ADS") since September 29, 2008. Number of shares authorized on its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of Korean IFRS

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language ("Hangeul") in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of separate financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 2.4.

The separate financial statements were prepared in accordance with Korean IFRS 1027, Separate Financial Statements.

2.1.1 New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 Leases

Korean IFRS 1116 Leases replaces Korean IFRS 1017 Leases. Under Korean IFRS 1116, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 Lease, the Company has changed accounting policy. The Company has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as of January 1, 2019, the date of initial application. The Company has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 31.

– Amendments to Korean IFRS 1109 Financial Instruments

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the Company's financial statements.

– Amendments to Korean IFRS 1019 Employee Benefits

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the Company's financial statements.

– Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the Company's financial statements.

– Enactment of Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the Company's financial statements.

– Annual Improvements to Korean IFRS 1103 Business Combination

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendments have no significant effect on the Company's financial statements.

– Annual Improvements to Korean IFRS 1111 Joint Agreements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendments have no significant effect on the Company's financial statements.

– Annual Improvements to Paragraph 57A of Korean IFRS 1012 Income Tax

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments have no significant effect on the Company's financial statements.

– Annual Improvements to Korean IFRS 1023 Borrowing Cost

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendments have no significant effect on the Company's financial statements.

2.1.2 New and amended standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published but are not mandatory for the reporting period commencing January 1, 2019 and have not been early adopted by the Company are set out below.

– Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Company. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 Business Combination - Definition of a Business

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- IFRS Interpretation Committee's agenda decisions - Lease Term

On December 16, 2019, the IFRS Interpretations Committee announced an interpretation of the "lease term and useful life of leasehold improvements". This interpretation deals with how to determine the lease term of a cancellable lease or a renewable lease and whether the useful life of non-removable leasehold improvements is limited by the relevant lease term. According to this interpretation, the Company should identify factors to consider the broader economic penalty, reflect identified factors to accounting policies, and calculate lease term again based on accounting policy.

However, due to the large number of lease contracts held by the Company and varying terms of the contract, the Company determined that sufficient time would be required to set up items to be included in the review of extensive economic penalty and to establish procedures for collecting and analyzing necessary information. Therefore, the effect of the changes in accounting policy for the lease term is not reflected in the separate financial statements for the current reporting period.

If the accounting policy for the lease term is changed in the annual periods beginning on or after January 1, 2020, the amount of the related right-of-use assets and lease liabilities may increase, and the separate financial statements may need to be retroactively restated to reflect this effect.

2.2 Measurement Basis

The separate financial statements have been prepared under the historical cost convention unless otherwise specified.

2.3 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

2.4 Critical Accounting Estimates

The preparation of separate financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses). Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment at the reporting date are different from the actual environment.

Estimates and assumptions are continually evaluated and any change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only. Alternatively, if the change in accounting estimate affects both the period of change and future periods, that change is recognized in the profit or loss of all those periods.

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the separate financial statements are as follows:

2.4.1 Income taxes

The Company is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of Investment and Collaborative Cooperation (Recirculation of Corporate Income), the Company is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2018. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Company's income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

2.4.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors and assumptions in price determination and other risks.

As described in the significant accounting policies in Note 3.1, 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

2.4.3 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 16).

3. Significant Accounting Policies

The significant accounting policies and calculation methods applied in the preparation of these separate financial statements have been consistently applied to all periods presented, except for the impact of changes due to enactment of new standards, amendments and interpretations disclosed in Note 2.1 and the following paragraph.

3.1 Recognition and Measurement of Financial Instruments

3.1.1 Initial recognition

The Company recognizes a financial asset or a financial liability in its statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Company classifies financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost. The Company classifies financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the separate financial statements.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

3.1.2 Subsequent measurement

After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition:

- minus the principal repayments
- plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount
- or any reduction (directly or through the use of an allowance account) due to impairment or uncollectibility

Fair value

Fair values, which the Company primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Company uses valuation models that are commonly used by market participants and customized for the Company to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. For more complex instruments, the Company uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.

3.1.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Company derecognizes a financial asset or a financial liability when, and only when:

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Company has not retained control. If the Company neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Company continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Company transfers the contractual rights to receive the cash flows of the financial asset, but retains substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Company writes off financial assets in its entirety or to a portion thereof when the principal and interest on the principal amount outstanding are determined to be no longer recoverable. In general, the Company considers write-off if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. The write-off decision is made in accordance with internal regulations and may require approval from external institution, if necessary. After the write-off, the Company can collect the written-off loans continuously according to the internal policy. Recovered amounts of financial assets previously written-off are recognized at profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

3.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.2 Cash and Due from Financial Institutions

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

3.3 Non-derivative Financial Assets

3.3.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading, financial assets designated by the Company as at fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets at fair value through profit or loss.

The Company may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in the statement of comprehensive income.

3.3.2 Financial assets at fair value through other comprehensive income

The Company classifies below financial assets as financial assets at fair value through other comprehensive income:

- debt instruments with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or;
- equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

3.3.3 Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3.4 Expected Credit Loss of Financial Assets (Debt Instruments)

The Company measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Company measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Company uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Company determines whether the credit risk has increased significantly since initial recognition using the following information.

- more than 30 days past due;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition;
- debt restructuring (except for impaired financial assets); and
- credit delinquency information on Korea Federation of Banks, and etc.

Under simplified approach, the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Company shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. In assessing credit impairment, the Company uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Company generally deems one or more of the following items credit-impaired:

- no less than 90 days past due;
- legal proceedings related to collection;
- a borrower that has received a warning from the Korea Federation of banks;
- corporate borrowers that are rated C or D;
- debt restructuring.

3.4.1 Forward-looking information

The Company uses forward-looking information, when it determines whether the credit risk has increased significantly and measures the expected credit losses.

The Company assumes the risk components have a certain correlation with the economic cycle, and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses. The correlation between the major macroeconomic variables and the credit risk is as follows:

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Rate of change in housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by management of the Company for its business plan taking into account reliable external agency's forecasts and others. The forward-looking information is generated by KB Research under KB Financial Group with comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Company determines the macroeconomic variables to be used in forecasting future condition of the economy, taking into account the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

3.4.2 Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Company estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, the Company collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

Individual assessment of impairment

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cashflows. The Company uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies Probability of Default (PD) on a group of assets and Loss Given Default (LGD) by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

3.4.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

3.5 Revenue Recognition

The Company recognizes revenues in accordance with the following revenue recognition standard:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

3.5.1 Interest income and expense

Interest income of financial assets at amortized cost and financial assets at fair value through other comprehensive income, and expense are recognized in statements of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid (main components of effective interest rates only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

3.5.2 Fee and commission income

The Company recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

Fees that are an integral part of the effective interest of a financial instrument

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

Fees earned as services are provided

Such fees are recognized as revenue as the services are provided. Fees which can be earned through the certain periods, including account servicing fees, investment management fees, and etc., are recognized when the related services are provided.

Fees that are earned on the execution of a significant act

Such fees are recognized as revenue when the significant act has been completed.

3.5.3 Net gains/losses on financial instruments at fair value through profit or loss

Net gains/losses on financial instruments at fair value through profit or loss include profit or loss (changes in fair value, dividends, and gain/loss from foreign currency translation) from following financial instruments:

- Gain or loss from financial instruments at fair value through profit or loss
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the condition of hedge accounting

3.5.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as relevant items on statements of profit or loss and other comprehensive income in accordance with the classification of equity instruments.

3.6 Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are accounted at cost method in accordance with Korean IFRS 1027. The Company determines at each reporting period whether there is any objective evidence that the investments in the subsidiaries and associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries or associates and its carrying value.

3.7 Property and Equipment***Recognition and Measurement***

All property and equipment that qualify for recognition as an asset are measured at its cost and subsequently carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful life
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

3.8 Intangible Assets

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for membership right, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful life
Software	Straight-line	4 years
Others	Straight-line	4 ~ 19 years

The amortization period and the amortization method for intangible assets with a definite or limited useful life are reviewed at each financial year end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Company carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to definite or limited useful life is accounted for as a change in an accounting estimate.

3.9 Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that a non-financial asset except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.11 Equity Instrument Issued by the Company

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.11.1 Ordinary share

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted, net of tax, from the equity.

3.11.2 Hybrid Securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Company classifies hybrid securities as an equity if the Company has the unconditional right to avoid any contractual obligation to deliver financial assets such as cash in relation to the financial instruments.

3.12 Employee Compensation and Benefits

3.12.1 Post-employment benefit:

Defined benefit plans

All post-employment benefit, other than defined contribution plans, is classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income.

When the fair value of plan assets deducted from the total of the present value of the defined benefit obligation results in an asset, it is recognized to the extent of any cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost arises when the Company introduces a defined benefit plan that attributes to past service or changes the benefits payable for past service under an existing defined benefit plan. Such past service cost is recognized immediately in profit or loss.

Defined contribution plans

The contributions are recognized as employee benefit expense when they are due.

3.12.2 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

The expected cost of profit-sharing and bonus payments are recognized as liabilities when the Company has a present legal or constructive obligation to make such payments as a result of past events rendered by employees and a reliable estimate of the obligation can be made.

3.12.3 Share-based payment

The Company has share grant programs to directors and employees of the Company. When the stock grants are exercised, the Company can either select to distribute newly issued shares or treasury shares, or compensate in cash based on the share price.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice of whether to settle in cash or by issuing equity instruments, the Company determined that it has a present obligation to settle in cash because the Company has a past practice and a stated policy of settling in cash. Therefore, the Company accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions.

The Company measures the services acquired and the liability incurred at fair value, and the fair value is recognized as expense and accrued expenses over the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the year.

3.12.4 Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either (a) the Company decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes liabilities and expenses for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits which are not expressed to be settled wholly before 12 months after the end of the reporting period are discounted to present values.

3.13 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the year, except to the extent that the tax arises from (a) a transaction or event which is recognized either in other comprehensive income or directly in equity and (b) a business combination.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit (loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation or expenses that is not deductible in determining taxable profit (loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company offsets current income tax assets and current income tax liabilities if, and only if, the Company (a) has a legally enforceable right to offset the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is recognized, using the asset–liability method, on temporary differences arising between the tax based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred income tax assets and deferred income tax liabilities when the Company has a legally enforceable right to offset current income tax assets against current income tax liabilities; and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

Uncertain tax positions

Uncertain tax positions arise from a claim for rectification brought by the Company, an appeal for a refund of tax levied by the tax authorities, or others due to different interpretation of tax laws or others. The Company recognizes its uncertain tax positions in the separate financial statements based on the guidance in Korean IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, interest and penalties related to income tax are recognized in accordance with Korean IFRS 1037.

3.14 Earnings per Share

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bond and share option.

3.15 Leases

As explained in Note 2 above, the Company has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 31.

Lease income from operating leases where the Company is a lessor is recognized in income on a straight–line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Company did not need to make any adjustments to the accounting for assets held as a lessor as a result of adopting the new leasing standard.

At inception of a contract, the Company is required to assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Company has assessed whether the contract is, or contains, a lease in accordance with the standard. However, the Company did not reassess all contracts as the Company elected to apply the practical expedient not to apply the standard to contracts that were not previously identified as containing a lease. On the basis of the date of initial application, the Company assesses whether the contract is, or contains, a lease.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

However, short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and lease of low-value assets (For example, underlying leased asset under \$ 5,000) are permitted to elect exceptional conditions.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

Related to sale and leaseback, an entity (seller-lessee) is required to applying Korean IFRS 1115 'Revenue from Contracts with Customers' to determine whether the transfer of an asset is accounted for as a sale of that asset. However, the Company has not reassessed sale and leaseback transactions entered into before the date of initial application.

3.16 Operating Segments

The Company is composed of a single operating segment. Therefore, disclosures on segments are omitted in accordance with Korean IFRS 1108, Operating Segments.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

The financial risks that the Company is exposed to are credit risk, market risk, liquidity risk and others.

The note regarding financial risk management provides information about the risks that the Company is exposed to, including the objectives, policies, assessment and management process of risks. Additional quantitative information is disclosed throughout the separate financial statements.

The Company's risk management system focuses on increasing transparency, developing the risk management environment, and the preemptive response to risk due to rapid changes in the financial environment to support the Company's long-term strategy and business decisions efficiently. Credit risk, market risk and liquidity risk have been recognized as the Company's key risks. These risks are measured and managed in Internal Capital or VaR (Value at Risk) using a statistical method.

4.1.2 Risk management organization

Risk Management Committee

The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Company's target risk appetite. The committee approves significant risk matters and reviews the level of risks that the Company is exposed to and the appropriateness of the Company's risk management operations as an ultimate decision-making authority.

Risk Management Council

The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committee, and discusses the detailed issues relating to the Company's risk management.

Risk Management Division

The Risk Management Division is responsible for conducting detailed policies, procedures and working processes relating to the Company's risk management.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of possible losses in an asset portfolio in the event of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk is considered.

4.2.2 Credit risk management

The Company measures expected losses on assets that are subject to credit risk management and uses it as a management indicator.

4.2.3 Maximum exposure to credit risk

The Company's maximum exposures of financial instruments to credit risk without consideration of collateral values as of December 31, 2019 and 2018, are as follows:

	2019		2018	
Due from financial institutions	₩	18,537	₩	344,302
Loans at amortized cost		120,000		50,000
Loans at fair value through profit or loss		122,408		-
Other financial assets		19,814		17,116
	₩	280,759	₩	411,418

4.2.4 Credit risk of loans

The Company maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Company assesses expected credit loss on financial asset at amortized cost and financial asset at fair value through other comprehensive income other than financial asset at fair value through profit or loss and recognizes loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. For financial assets at amortized cost, the Company measures the expected credit losses and presents it in the financial statements netting the allowance from the related loans; for financial assets measured at fair value through other comprehensive income, the Company presents it in the statements using other comprehensive income.

Credit risk exposure

Loans as of December 31, 2019 and 2018, are classified as follows:

	2019											
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments applying credit loss model	Financial instruments not incurred expected credit losses	Total					
			Non-impaired	Impaired								
Financial assets at amortized cost Corporate	₩	120,000	₩	-	₩	-	₩	-	₩	-	₩	120,000
Grade 1												
Grade 2												
Grade 3												
Grade 4												
Grade 5												
	₩	120,000									₩	120,000

(In millions of Korean won)

	2018					Total
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		Financial instruments applying credit loss model	Financial instruments not incurred expected credit losses	
		Non-impaired	Impaired			
Financial assets at amortized cost Corporate						
Grade 1	₩ 50,000	₩ -	₩ -	₩ -	₩ -	₩ 50,000
Grade 2	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	₩ 50,000	-	-	-	-	₩ 50,000

Credit quality of loans graded according to the probability of default as of December 31, 2019 and 2018, are as follows:

	Range of PD (%) (Probability of Default)
Grade 1	0.0 ~ 1.0
Grade 2	1.0 ~ 5.0
Grade 3	5.0 ~ 15.0
Grade 4	15.0 ~ 30.0
Grade 5	30.0 ~

4.2.5 Credit risk of due from financial institutions

The credit quality of due from financial institutions as of December 31, 2019 and 2018, are classified as follows:

(In millions of Korean won)

	2019					Total
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses		
		Non-impaired	Impaired			
Financial assets at amortized cost						
Due from financial institutions						
Grade 1	₩ 18,537	₩ -	₩ -	₩ -	₩ -	₩ 18,537
Grade 2	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	₩ 18,537	-	-	-	₩ -	₩ 18,537

(In millions of Korean won)

	2018					Total		
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses				
		Non-impaired	Impaired					
Financial assets at amortized cost								
Due from financial institutions								
Grade 1	₩	344,302	₩	-	₩	-	₩	344,302
Grade 2		-		-		-		-
Grade 3		-		-		-		-
Grade 4		-		-		-		-
Grade 5		-		-		-		-
	₩	344,302		-		-	₩	344,302

4.2.6 Credit risk concentration analysis

Details of the Company's loans by country as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Corporate loans	%	Allowances	Carrying amount			
Korea	₩	120,000	100.00	₩	-	₩	120,000
	₩	120,000	100.00	₩	-	₩	120,000

(In millions of Korean won)

	2018						
	Corporate loans	%	Allowances	Carrying amount			
Korea	₩	50,000	100.00	₩	-	₩	50,000
	₩	50,000	100.00	₩	-	₩	50,000

Details of the Company's corporate loans by industry as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Corporate loans	%	Allowances	Carrying amount			
Financial institutions	₩	120,000	100.00	₩	-	₩	120,000
	₩	120,000	100.00	₩	-	₩	120,000

(In millions of Korean won)

	2018						
	Corporate loans	%	Allowances	Carrying amount			
Financial institutions	₩	50,000	100.00	₩	-	₩	50,000
	₩	50,000	100.00	₩	-	₩	50,000

Details of the Company's due from financial institutions by industry as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Corporate loans	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Financial institutions	₩ 18,537	100.00	₩ -	₩ 18,537
	₩ 18,537	100.00	₩ -	₩ 18,537

(In millions of Korean won)

	2018			
	Corporate loans	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Financial institutions	₩ 344,302	100.00	₩ -	₩ 344,302
	₩ 344,302	100.00	₩ -	₩ 344,302

Details of the Company's due from financial institutions by country as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Corporate loans	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 18,537	100.00	₩ -	₩ 18,537
	₩ 18,537	100.00	₩ -	₩ 18,537

(In millions of Korean won)

	2018			
	Corporate loans	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 344,302	100.00	₩ -	₩ 344,302
	₩ 344,302	100.00	₩ -	₩ 344,302

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Company becomes insolvent due to uncertain liquidity caused by unexpected cash outflows, or a risk of borrowing high interest debts or disposal of liquid and other assets at a substantial discount. The Company manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other cash flow, and off-balance sheet items related to cash flow of currency derivative instruments and others.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the financial statements that are based on the present value of expected cash flows in some cases. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

4.3.2. Liquidity risk management

The liquidity risk is managed by liquidity management principles and related guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Company.

4.3.3. Analysis of remaining contractual maturity of financial assets and liabilities

The remaining contractual maturity of financial assets and liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019													
	On demand		Up to 1 month		1-3 months		3-12 months		1-5 years		Over 5 years		Total	
Financial assets														
Cash and due from financial institutions ¹	₩	18,619	₩	-	₩	-	₩	-	₩	-	₩	-	₩	18,619
Financial assets at fair value through profit or loss ²		122,408		-		-		-		-		291,501		413,909
Loans at amortized cost		-		-		71,523		51,098		-		-		122,621
Other financial assets		-		925		-		15,660		-		-		16,585
	₩	141,027	₩	925	₩	71,523	₩	66,758	₩	-	₩	291,501	₩	571,734
Financial liabilities														
Debentures	₩	-	₩	105,903	₩	224,578	₩	723,474	₩	3,624,305	₩	1,134,756	₩	5,813,016
Lease liabilities		-		44		85		249		215		-		593
Other financial liabilities		-		1,819		-		-		-		-		1,819
	₩	-	₩	107,766	₩	224,663	₩	723,723	₩	3,624,520	₩	1,134,756	₩	5,815,428

(In millions of Korean won)

	2018													
	On demand		Up to 1 month		1-3 months		3-12 months		1-5 years		Over 5 years		Total	
Financial assets														
Cash and due from financial institutions ¹	₩	284,350	₩	20,030	₩	40,178	₩	-	₩	-	₩	-	₩	344,558
Financial assets at fair value through profit or loss ²		-		-		-		-		-		289,179		289,179
Loans at amortized cost		-		-		-		51,075		-		-		51,075
Other financial assets		-		1,532		-		14,399		-		-		15,931
	₩	284,350	₩	21,562	₩	40,178	₩	65,474	₩	-	₩	289,179	₩	700,743
Financial liabilities														
Debts	₩	-	₩	-	₩	300,000	₩	-	₩	-	₩	-	₩	300,000
Debentures		-		6,009		103,180		870,199		3,636,044		1,187,038		5,802,470
Other financial liabilities		-		7,555		-		-		-		-		7,555
	₩	-	₩	13,564	₩	403,180	₩	870,199	₩	3,636,044	₩	1,187,038	₩	6,110,025

¹ The amount of ₩ 3 million, which is restricted due from the financial institutions as of December 31, 2019 and 2018, is excluded.

² Hybrid securities included in financial assets at fair value through profit or loss are included in the 'Over 5 years' category since the point of disposal is uncertain.

4.4 Market Risk

4.4.1 Concept

Market risk is the risk of possible losses which arise from changes in market factors; such as, interest rate, stock price, foreign exchange rate and other market factors that affect the fair value of future cash flows of financial instruments. The most significant risk of the Company is interest rate risk.

4.4.2 Interest rate risk

Definition of interest rate risk

Interest rate risk is the risk that may occur due to changes in interest rates; such as, the value (fair value) change risk in statement of financial position line items and cash flow change risk in interest income and expense arising from investing and financing activities.

Observation method and management indicator on interest rate risk

The main objective of interest rate risk management is to protect asset values against interest rate fluctuations. The Company manages the risk through measurement and management of Value at Risk for the interest rate.

Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk at a 99.9% confidence level. The measurement results of risk as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)				
	2019		2018	
Interest rate VaR	₩	146,472	₩	149,774

4.5 Capital Adequacy

The Company complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011, and was implemented in Korea in December 2013. The Company is required to maintain a minimum Common Equity Tier 1 ratio of at least 8.0%(2018: 7.125%), a minimum Tier 1 ratio of 9.5%(2018: 8.625%) and a minimum Total Regulatory Capital ratio of 11.5%(2018: 10.625%) as of December 31, 2019.

The Company's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies as below:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Company, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Company that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.
- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Company. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Company. The Company calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Company assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and Internal Capital (amount of capital enough to cover all significant risks under target credit rate set by the Company). The Company monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Internal Capital is the amount of capital to prevent the inability of payment due to unexpected loss in the future. The Company measures, allocates and monitors Internal Capital by risk type and subsidiaries.

The Risk Management Council of the Company determines the Company's risk appetite and allocates Internal Capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated Internal Capital. The Risk Management Department of the Company monitors the limit on Internal Capital and reports the results to management and the Risk Management Council. The Company maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the Internal Capital is expected to exceed the limits due to new business or business expansion.

Details of the Company's capital adequacy calculation in line with Basel III, as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Equity Capital:	₩	36,989,005	₩	34,476,172
Tier 1 Capital		35,420,184		32,993,826
Common Equity Tier 1 Capital		34,703,953		32,993,826
Additional Tier 1 Capital		716,231		-
Tier 2 Capital		1,568,821		1,482,346
Risk-weighted assets:		255,382,302		236,099,017
Equity Capital (%):		14.48		14.60
Tier 1 Capital (%)		13.87		13.97
Common Equity Tier 1 Capital (%)		13.59		13.97

5. Financial Assets and Financial Liabilities

5.1 Classification and Fair value of Financial Instruments

The carrying amounts and fair value of financial assets and liabilities by category as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Carrying amount	Fair value		
Financial assets				
Financial assets at fair value through profit or loss	₩	413,909	₩	413,909
Financial assets at amortized cost				
Due from financial institutions		18,537		18,537
Loans		120,000		120,000
Other financial assets		19,814		19,814
		572,260		572,260
Financial liabilities				
Financial liabilities at amortized cost				
Debentures		5,543,446		5,631,217
Other financial liabilities		14,940		14,940
	₩	5,558,386	₩	5,646,157

(In millions of Korean won)

	2018			
	Carrying amount	Fair value		
Financial assets				
Financial assets at fair value through profit or loss	₩	289,179	₩	289,179
Financial assets at amortized cost				
Due from financial institutions		344,302		344,302
Loans		50,000		50,000
Other financial assets		17,116		17,116
		700,597		700,597
Financial liabilities				
Financial liabilities at amortized cost				
Debts		300,000		300,000
Debentures		5,373,266		5,398,656
Other financial liabilities		19,953		19,953
	₩	5,693,219	₩	5,718,609

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Company discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

Methods of determining fair value of financial instruments are as follows:

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model.
Investment securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of external professional valuation institution where quoted prices are not available. The institutions use one or more of the following valuation techniques including DCF Model, Free Cash Flow to Equity Model, Imputed Market Value Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Company uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method and the Monte Carlo Simulation or valuation results from independent external professional valuation institution.
Loans at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate.
Debts	DCF model is used to determine the fair value of debts, but in the case of short-term maturity, the carrying amount is used as the fair value.
Debentures	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

Fair value hierarchy

The Company believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the statement of financial position are appropriate. However, the fair values of the financial instruments recognized in the statement of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Company classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

- Level 1 The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 The fair values are based on unobservable inputs for the asset or liability.

When the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Fair value hierarchy of financial assets and liabilities measured at fair value in the statements of financial position

The fair value hierarchy of financial assets measured at fair value in the statement of financial position as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Fair value hierarchy			Total				
	Level 1	Level 2	Level 3					
Financial assets								
Financial assets at fair value through profit or loss								
Hybrid securities	₩	-	₩	291,501	₩	291,501		
Loans		-	₩	122,408		₩	122,408	
	₩	-	₩	122,408	₩	291,501	₩	413,909

(In millions of Korean won)

	2018					
	Fair value hierarchy			Total		
	Level 1	Level 2	Level 3			
Financial assets						
Financial assets at fair value through profit or loss						
Hybrid securities	₩	-	₩	289,179	₩	289,179
	₩	-	₩	289,179	₩	289,179

Valuation techniques and inputs of financial assets and liabilities at fair value in the statements of financial position and classified as Level 2 as of December 31, 2019, are as follows:

	2019			
	Fair value	Valuation techniques	Inputs	
Financial assets				
Financial assets at fair value through profit or loss				
Loans	₩	122,408	DCF model	Interest, Discount rate, etc

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019								
	Fair value hierarchy			Total					
	Level 1	Level 2	Level 3						
Financial assets									
Cash and due from financial institutions ¹	₩	-	₩	18,537	₩	18,537			
Loans at amortized cost ²		-	₩	120,000		₩	120,000		
Other financial assets ³		-	₩	19,814		₩	19,814		
		-	₩	18,537		₩	139,814	₩	158,351
Financial liabilities									
Debentures		-	₩	5,631,217		₩	5,631,217		
Other financial liabilities ³		-	₩	14,940		₩	14,940		
	₩	-	₩	5,631,217	₩	14,940	₩	5,646,157	

(In millions of Korean won)

	2018				Total
	Fair value hierarchy				
	Level 1	Level 2	Level 3		
Financial assets					
Cash and due from financial institutions ¹	₩	-	₩ 284,302	₩ 60,000	₩ 344,302
Loans at amortized cost ²		-	-	50,000	50,000
Other financial assets ³		-	-	17,116	17,116
		-	284,302	127,116	411,418
Financial liabilities					
Debts ⁴		-	300,000	-	300,000
Debentures		-	5,398,656	-	5,398,656
Other financial liabilities ³		-	-	19,953	19,953
	₩	-	₩ 5,698,656	₩ 19,953	₩ 5,718,609

¹ Because due from financial institutions classified as level 2 are deposits on demand, carrying amounts are reasonable approximations of fair values. And due from financial institutions classified as level 3 are due from financial institutions with residual maturity of less than 3 months, carrying amounts are reasonable approximations of fair values.

² Because loans at amortized cost classified as level 3 are loans with residual maturity of less than one year, carrying amounts are reasonable approximations of fair values.

³ For other financial assets and other financial liabilities classified as level 3, carrying amounts are reasonable approximations of fair values.

⁴ Since the remaining maturity of debts classified as level 2 is less than a year, carrying amounts are reasonable approximations of fair values.

Valuation techniques and inputs used in the fair value measurement

For financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, we do not disclose valuation techniques and inputs.

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as of December 31, 2019 and 2018, are as follows:

	Fair value				Valuation Techniques	Inputs
	2019		2018			
	₩		₩			
Financial liabilities						
Debentures	₩	5,631,217	₩	5,398,656	DCF model	Discount rate

5.2 Level 3 of the Fair Value Hierarchy Disclosure

5.2.1 Valuation policy and process for fair value measurement categorized as Level 3

The Company uses external, independent and qualified professional valuer's valuation to determine the fair value of the Company's assets at the end of every reporting period.

5.2.2 Changes in fair value (Level 3) measured using valuation technique based on assumption that is unobservable in the market

Details of changes in Level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Financial assets at fair value through profit or loss	
	2019	
Beginning balance	₩	289,179
Total gains or losses		
– Profit or loss for the year		2,322
– Other comprehensive income		–
Purchases		–
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	291,501

(In millions of Korean won)

	Financial assets at fair value through profit or loss	
	2018	
Beginning balance	₩	284,485
Total gains or losses		
– Profit or loss for the year		4,694
– Other comprehensive income		–
Purchases		–
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	289,179

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and profit or loss from financial instruments held at the end of the reporting period in the statement of comprehensive income for the year ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			2018		
	Gains from financial investments at fair value through profit or loss	Other operating income	Net interest income	Gains from financial investments at fair value through profit or loss	Other operating income	Net interest income
Total gains or losses included in profit or loss for the year	₩ 2,322	₩ –	₩ –	₩ 4,694	₩ –	₩ –
Total gains or losses for the year included in profit or loss for financial instruments held at the end of the reporting period	₩ 2,322	₩ –	₩ –	₩ 4,694	₩ –	₩ –

5.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019					
		Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets							
Financial assets at fair value through profit or loss							
Hybrid securities	₩	291,501	Hull and White Model, Monte Carlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Interest rate estimation variability	Discount rate Volatility of interest rate	2.05 ~ 4.45 0.50	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation

(In millions of Korean won)

		2018					
		Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets							
Financial assets at fair value through profit or loss							
Hybrid securities	₩	289,179	Hull and White Model, Monte Carlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Interest rate estimation variability	Discount rate Volatility of interest rate	2.43~4.80 0.47	The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation

Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable outcome. There are hybrid securities whose fair value changes are recognized in profit or loss.

The results of the sensitivity analysis from changes in inputs are as follows:

(In millions of Korean won)

	2019							
	Recognition in profit or loss				Other comprehensive income			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
Financial assets								
Financial assets at fair value through profit or loss								
Hybrid securities ¹	₩	3,215	₩	(3,195)	₩	-	₩	-
	₩	3,215	₩	(3,195)	₩	-	₩	-

¹ For equity securities, the changes in fair value are calculated by increasing or decreasing correlations between discount rate (2.05 ~ 4.45%) which are principal unobservable input parameters. And, the changes in fair value are calculated by increasing or decreasing the correlation coefficient between short-term and long-term interests or volatility of the interest rates, which are unobservable inputs, by 1%.

(In millions of Korean won)

	2018							
	Recognition in profit or loss				Other comprehensive income			
	Favorable changes		Unfavorable changes		Favorable changes		Unfavorable changes	
Financial assets								
Financial assets at fair value through profit or loss								
Hybrid securities ¹	₩	5,882	₩	(5,782)	₩	-	₩	-
	₩	5,882	₩	(5,782)	₩	-	₩	-

¹ For equity securities, the changes in fair value are calculated by increasing or decreasing correlations between discount rate (2.43 ~ 4.80%) which are principal unobservable input parameters. And, the changes in fair value are calculated by increasing or decreasing the correlation coefficient between short-term and long-term interests or volatility of the interest rates, which are unobservable inputs, by 1%.

6. Due from Financial Institution

Details of due from financial institution as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		Financial Institution	Interest rate(%) (As of December 31, 2019)	2019	2018
Due from financial institution in Korean won	Due from banks	Kookmin Bank	0.00 ~ 1.20	₩ 18,537	₩ 69,621
		Standard Chartered Bank	-	-	41,350
		The Korea Securities Finance Corporation	-	-	100,000
		BNK Busan Bank	-	-	133,331
				₩ 18,537	₩ 344,302

Details of a maturity analysis of due from financial institution, excluding restricted cash, as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019						
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total	
Due from financial institution in Korean won	₩ 18,534	₩ -	₩ -	₩ -	₩ -	₩ 18,534	

(In millions of Korean won)

	2018						
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total	
Due from financial institution in Korean won	₩ 344,299	₩ -	₩ -	₩ -	₩ -	₩ 344,299	

Restricted cash from financial institution as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Financial Institution	2019		2018		Reason for restriction
Due from financial institution in Korean won	Kookmin Bank	₩	3	₩	3	Pledged as collateral for the overdraft establishment
		₩	3	₩	3	

7. Financial Assets at Fair Value through Profit or Loss

Details of financial assets at fair value through profit or loss as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Financial assets at fair value through profit or loss				
Hybrid securities	₩	291,501	₩	289,179
Loans		122,408		-
	₩	413,509	₩	289,179

8. Loans at Amortized Cost

Details of loans at amortized cost as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Financial assets at fair value through profit or loss				
Loans at amortized cost	₩	120,000	₩	50,000
Less: Allowances for loan losses		-		-
Carrying amount	₩	120,000	₩	50,000

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2019, are as follows:

(In millions of Korean won)

	2019			
	Retail	Corporate	Credit card	Total
Reverse repurchase agreements	₩ -	₩ 120,000	₩ -	₩ 120,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	-	-	-
	₩ -	₩ 120,000	₩ -	₩ 120,000

(In millions of Korean won)

	2018			
	Retail	Corporate	Credit card	Total
Reverse repurchase agreements	₩ -	₩ 50,000	₩ -	₩ 50,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	-	-	-
	₩ -	₩ 50,000	₩ -	₩ 50,000

9. Investments in Subsidiaries

Details of subsidiaries as of December 31, 2019, are as follows:

Name of subsidiary	Industry	Location
Kookmin Bank	Banking and domestic, foreign exchange transaction	Korea
KB Securities Co., Ltd.	Financial investment	Korea
KB Insurance Co., Ltd.	Insurance	Korea
KB Kookmin Card Co., Ltd.	Credit card	Korea
KB Asset Management Co., Ltd.	Investment advisory and collective investment	Korea
KB Capital Co., Ltd.	Financial leasing	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Savings Bank Co., Ltd.	Savings banking	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea

Investments in subsidiaries as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won, except for shares and ownership %)

Name of subsidiary	Number of Issued Shares	Ownership(%)	Carrying amount	
			2019	2018
	As of December 31, 2019			
Kookmin Bank	404,379,116	100.00	₩ 14,821,721	₩ 14,821,721
KB Securities Co., Ltd.	298,620,424	100.00	3,342,391	3,342,391
KB Insurance Co., Ltd.	66,500,000	100.00	2,375,430	2,375,430
KB Kookmin Card Co., Ltd.	92,000,000	100.00	1,953,175	1,953,175
KB Asset Management Co., Ltd.	7,667,550	100.00	96,312	96,312
KB Capital Co., Ltd. ¹	23,349,208	100.00	623,811	573,811
KB Life Insurance Co., Ltd.	91,200,000	100.00	485,314	485,314
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	121,553	121,553
KB Savings Bank Co., Ltd.	8,001,912	100.00	157,544	157,544
KB Investment Co., Ltd. ¹	22,525,328	100.00	154,910	104,910
KB Data System Co., Ltd.	800,000	100.00	6,334	6,334
KB Credit Information Co., Ltd.	1,252,400	100.00	23,621	23,621
			₩ 24,162,116	₩ 24,062,116

¹ Carrying amount of investments in KB Capital Co., Ltd. increased ₩ 500,000 in million due to paid-in capital increase and KB investment Co., Ltd. increased ₩ 500,000 in million due to free capital increase and paid-in capital increase for the year ended December 31, 2019.

Changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

(In millions of Korean won)

	2018			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

10. Property and Equipment

Details of property and equipment as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 4,119	₩ (2,309)	₩ -	₩ 1,810
Equipment and others	4,818	(2,946)	-	1,872
Right-of-use property and equipment -Buildings	683	(490)	-	193
Right-of-use property and equipment -Vehicles	904	(624)	-	280
Right-of-use property and equipment -Others	36	(21)	-	15
	₩ 10,560	₩ (6,390)	₩ -	₩ 4,170

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 1,034	₩ (842)	₩ -	₩ 192
Equipment and others	5,455	(3,462)	-	1,993
	₩ 6,489	₩ (4,304)	₩ -	₩ 2,185

The changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019				
	Beginning ¹	Acquisition ²	Disposal ³	Depreciation	Ending
Leasehold improvements	₩ 192	₩ 3,606	₩ -	₩ (1,988)	₩ 1,810
Equipment and others	1,993	1,165	(34)	(1,252)	1,872
Right-of-use assets -Buildings	263	432	(6)	(496)	193
Right-of-use assets -Vehicles	406	521	(20)	(627)	280
Right-of-use assets -Others	15	21	-	(21)	15
	₩ 2,869	₩ 5,745	₩ (60)	₩ (4,384)	₩ 4,170

¹ Right-of-use assets are restated based on Korean IFRS 1116.

² Increase in right-of-use assets during the year.

³ Decrease in right-of-use assets during the year.

(In millions of Korean won)

	2018				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 76	₩ 211	₩ -	₩ (95)	₩ 192
Equipment and others	621	1,780	-	(408)	1,993
	₩ 697	₩ 1,991	₩ -	₩ (503)	₩ 2,185

11. Intangible Assets

Details of intangible assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 4,849	₩ (3,101)	₩ -	₩ 1,748
Membership rights	9,765	-	(1,786)	7,979
Other intangible assets	5,451	(4,086)	-	1,365
	₩ 20,065	₩ (7,187)	₩ (1,786)	₩ 11,092

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 3,679	₩ (2,748)	₩ -	₩ 931
Membership rights	9,623	-	(1,814)	7,809
Other intangible assets	4,635	(3,729)	-	906
	₩ 17,937	₩ (6,477)	₩ (1,814)	₩ 9,646

The changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Beginning	Acquisition	Disposal	Amortization	Impairment ¹	Ending
Software	₩ 931	₩ 1,170	₩ -	₩ (353)	₩ -	₩ 1,748
Membership rights	7,809	215	(41)	-	(4)	7,979
Other intangible assets	906	815	-	(356)	-	1,365
	₩ 9,646	₩ 2,200	₩ (41)	₩ (709)	₩ (4)	₩ 11,092

(In millions of Korean won)

	2018					
	Beginning	Acquisition	Disposal	Amortization	Impairment ¹	Ending
Software	₩ 492	₩ 607	₩ -	₩ (168)	₩ -	₩ 931
Membership rights	7,793	-	(34)	-	50	7,809
Other intangible assets	579	520	-	(193)	-	906
	₩ 8,864	₩ 1,127	₩ (34)	₩ (361)	₩ 50	₩ 9,646

¹ Impairment loss for membership rights of intangible assets with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount and reversal of impairment losses was recognized when its recoverable amount is higher than its carrying amount.

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Impairment	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (1,814)	₩ (4)	₩ 32	₩ (1,786)

(In millions of Korean won)

	2018			
	Beginning	Reversal	others	Ending
Accumulated impairment losses on intangible assets	₩ (1,864)	₩ 50	₩ -	₩ (1,814)

12. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Assets	Liabilities	Net amount
Share-based payments	₩ 3,260	₩ -	₩ 3,260
Membership rights	491	-	491
Defined benefit obligation	2,888	-	2,888
Plan assets	-	(2,888)	(2,888)
Short-term employee benefits	1,193	-	1,193
Gains on valuation of financial assets at fair value through profit or loss	2,337	-	2,337
Others	245	-	245
	10,414	(2,888)	7,526
Offsetting of deferred tax assets and liabilities	(2,888)	2,888	-
	₩ 7,526	₩ -	₩ 7,526

(In millions of Korean won)

	2018		
	Assets	Liabilities	Net amount
Share-based payments	₩ 2,922	₩ -	₩ 2,922
Membership rights	499	-	499
Defined benefit obligation	2,523	-	2,523
Plan assets	-	(1,604)	(1,604)
Short-term employee benefits	748	-	748
Gains on valuation of financial assets at fair value through profit or loss	2,976	-	2,976
Others	120	-	120
	9,788	(1,604)	8,184
Offsetting of deferred tax assets and liabilities	(1,604)	1,604	-
	₩ 8,184	₩ -	₩ 8,184

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million, ₩ 66,162 million and ₩ 51,742 million associated with investments in subsidiaries, tax loss carryforwards and impairment losses on investments in subsidiaries, respectively, as of December 31, 2019, due to the uncertainty that all these will be realized in the future.

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 2,395,805 million associated with investments in subsidiaries as of December 31, 2019, due to the following reasons:

- The Company is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

The changes in cumulative temporary differences for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 10,624	₩ 3,027	₩ 4,259	₩ 11,856
Membership rights	1,814	32	4	1,786
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	9,175	1,833	3,162	10,504
Short-term employee benefits	2,721	2,721	4,338	4,338
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Gains on valuation of financial assets at fair value through profit or loss	10,822	2,323	-	8,499
Others	439	413	865	891
	3,049,663	10,349	12,628	3,051,942
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses on investments in subsidiaries	51,742			51,742
	35,595			37,874
Tax rate (%)	27.5			27.5
Deferred income tax assets from deductible temporary differences	₩ 9,788			₩ 10,414
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(5,835)	(1,833)	(6,502)	(10,504)
	(2,401,640)	(1,833)	(6,502)	(2,406,309)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(5,835)			(10,504)
Tax rate (%)	27.5			27.5
Deferred income tax liabilities from taxable temporary differences	(1,604)			(2,888)

(In millions of Korean won)

	2018			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 15,121	₩ 5,048	₩ 551	₩ 10,624
Membership rights	1,864	50	-	1,814
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,808	1,393	4,760	9,175
Short-term employee benefits	2,077	2,077	2,721	2,721
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Gains on valuation of financial assets at fair value through profit or loss	15,515	4,693	-	10,822
Others	451	416	404	439
	3,054,904	13,677	8,436	3,049,663
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses on investments in subsidiaries	51,742			51,742
	40,836			35,595
Tax rate (%)	27.5			27.5
Deferred income tax assets from deductible temporary differences	₩ 11,230			₩ 9,788
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(3,449)	(1,393)	(3,779)	(5,835)
	(2,399,254)	(1,393)	(3,779)	(2,401,640)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(3,449)			(5,835)
Tax rate (%)	27.5			27.5
Deferred income tax liabilities from taxable temporary differences	₩ (948)			₩ (1,604)

13. Other Assets

Details of other assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	₩		₩	
Other financial assets				
Receivables	₩	-	₩	675
Accrued income		3,654		2,251
Guarantee deposits		16,160		14,190
		19,814		17,116
Other non-financial assets				
Receivables		588,765		838,450
Prepaid expenses		556		1,763
Advanced payments		151		133
		589,472		840,346
	₩	609,286	₩	857,462

14. Debts

Debts as of December 31, 2019 and 2018, consist of:

(In millions of Korean won)

	2019		2018	
	₩	-	₩	300,000
Borrowings				

Details of borrowings as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

Borrowings in Korean won	Other borrowings	Lender	Annual interest rate (%) As of December 31, 2019	2019		2018	
				₩	-	₩	300,000
		MERITZ Securities Co., Ltd	-	₩	-	₩	300,000
				₩	-	₩	300,000

The maturities of debts as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total		
Borrowings in Korean won	₩	-	₩	-	₩	-	₩	-

(In millions of Korean won)

	2018							
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total		
Borrowings in Korean won	₩	300,000	₩	-	₩	-	₩	300,000

15. Debentures

Details of debentures as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rate (%) As of December 31, 2019	2019	2018
Unguaranteed debentures No. 3-3	Aug. 13, 2013	Aug. 13, 2020	3.65	₩ 70,000	₩ 70,000
Unguaranteed debentures No. 5-1	Mar. 19, 2014	Mar. 19, 2019	3.31	-	80,000
Unguaranteed debentures No. 5-2	Mar. 19, 2014	Mar. 19, 2021	3.50	50,000	50,000
Unguaranteed debentures No. 6	Feb. 26, 2015	Feb. 26, 2022	2.38	30,000	30,000
Unguaranteed debentures No. 8	June 23, 2015	June 23, 2020	2.34	100,000	100,000
Unguaranteed debentures No. 9	June 23, 2015	June 23, 2022	2.52	150,000	150,000
Unguaranteed debentures No. 10	Sept. 17, 2015	Sept. 17, 2020	2.16	20,000	20,000
Unguaranteed debentures No. 11	Sept. 23, 2015	Sept. 23, 2020	2.06	30,000	30,000
Unguaranteed debentures No. 12-2	Nov. 27, 2015	Nov. 27, 2020	2.26	110,000	110,000
Unguaranteed debentures No. 12-3	Nov. 27, 2015	Nov. 27, 2022	2.38	50,000	50,000
Unguaranteed debentures No. 14-1	Dec. 09, 2015	Dec. 09, 2020	2.27	140,000	140,000
Unguaranteed debentures No. 14-2	Dec. 09, 2015	Dec. 09, 2022	2.38	30,000	30,000
Unguaranteed debentures No. 15-1	May 12, 2016	May 12, 2019	1.61	-	180,000
Unguaranteed debentures No. 15-2	May 12, 2016	May 12, 2021	1.72	220,000	220,000
Unguaranteed debentures No. 15-3	May 12, 2016	May 12, 2026	2.01	200,000	200,000
Unguaranteed debentures No. 16-1	May 27, 2016	May 27, 2019	1.67	-	240,000
Unguaranteed debentures No. 16-2	May 27, 2016	May 27, 2021	1.78	60,000	60,000
Unguaranteed debentures No. 16-3	May 27, 2016	May 27, 2023	1.91	150,000	150,000
Unguaranteed debentures No. 17	June 27, 2016	June 27, 2021	1.51	50,000	50,000
Unguaranteed debentures No. 18-1	July 25, 2016	July 25, 2019	1.38	-	170,000

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rate (%) As of December 31, 2019	2019	2018
Unguaranteed debentures No. 18-2	July 25, 2016	July 25, 2021	1.45	110,000	110,000
Unguaranteed debentures No. 18-3	July 25, 2016	July 25, 2026	1.69	80,000	80,000
Unguaranteed debentures No. 19-2	Aug. 25, 2016	Aug. 25, 2021	1.46	100,000	100,000
Unguaranteed debentures No. 19-3	Aug. 25, 2016	Aug. 25, 2026	1.69	120,000	120,000
Unguaranteed debentures No. 20-1	Nov. 28, 2016	Nov. 28, 2019	2.13	-	50,000
Unguaranteed debentures No. 20-2	Nov. 28, 2016	Nov. 28, 2021	2.28	50,000	50,000
Unguaranteed debentures No. 21	Jan. 25, 2017	Jan. 23, 2020	1.82	100,000	100,000
Unguaranteed debentures No. 22-1	Feb. 28, 2017	Feb. 28, 2020	1.89	120,000	120,000
Unguaranteed debentures No. 22-2	Feb. 28, 2017	Feb. 28, 2022	2.11	110,000	110,000
Unguaranteed debentures No. 23	Mar. 23, 2017	Mar. 23, 2020	1.95	80,000	80,000
Unguaranteed debentures No. 24	Apr. 06, 2017	Apr. 06, 2020	1.97	70,000	70,000
Unguaranteed debentures No. 25-1	May 24, 2017	May 24, 2019	1.79	-	150,000
Unguaranteed debentures No. 25-2	May 24, 2017	May 24, 2020	1.97	100,000	100,000
Unguaranteed debentures No. 25-3	May 24, 2017	May 24, 2022	2.23	270,000	270,000
Unguaranteed debentures No. 25-4	May 24, 2017	May 24, 2027	2.62	80,000	80,000
Unguaranteed debentures No. 26-1	June 27, 2017	June 27, 2022	2.18	50,000	50,000
Unguaranteed debentures No. 26-2	June 27, 2017	June 27, 2024	2.34	200,000	200,000
Unguaranteed debentures No. 27	July 19, 2017	July 19, 2024	2.41	100,000	100,000
Unguaranteed debentures No. 28-1	Aug. 30, 2017	Aug. 30, 2022	2.30	60,000	60,000
Unguaranteed debentures No. 28-2	Aug. 30, 2017	Aug. 30, 2024	2.43	30,000	30,000
Unguaranteed debentures No. 28-3	Aug. 30, 2017	Aug. 30, 2027	2.60	60,000	60,000
Unguaranteed debentures No. 29-1	Sept. 19, 2017	Sept. 19, 2022	2.29	150,000	150,000
Unguaranteed debentures No. 29-2	Sept. 19, 2017	Sept. 19, 2024	2.44	110,000	110,000
Unguaranteed debentures No. 30	Jan. 25, 2018	Jan. 25, 2021	2.45	80,000	80,000
Unguaranteed debentures No. 31-1	Feb. 28, 2018	Feb. 26, 2021	2.57	150,000	150,000
Unguaranteed debentures No. 31-2	Feb. 28, 2018	Feb. 28, 2023	2.81	50,000	50,000
Unguaranteed debentures No. 31-3	Feb. 28, 2018	Feb. 28, 2028	3.02	60,000	60,000
Unguaranteed debentures No. 32-1	Apr. 06, 2018	Apr. 06, 2021	2.50	60,000	60,000
Unguaranteed debentures No. 32-2	Apr. 06, 2018	Apr. 06, 2023	2.71	80,000	80,000
Unguaranteed debentures No. 32-3	Apr. 06, 2018	Apr. 06, 2028	2.86	20,000	20,000
Unguaranteed debentures No. 33-1	June 12, 2018	June 12, 2023	2.81	100,000	100,000
Unguaranteed debentures No. 33-2	June 12, 2018	June 12, 2028	2.92	30,000	30,000
Unguaranteed debentures No. 34-1	July 25, 2018	July 23, 2021	2.41	40,000	40,000
Unguaranteed debentures No. 34-2	July 25, 2018	July 25, 2023	2.65	70,000	70,000
Unguaranteed debentures No. 34-3	July 25, 2018	July 25, 2025	2.71	20,000	20,000
Unguaranteed debentures No. 34-4	July 25, 2018	July 25, 2028	2.76	20,000	20,000
Unguaranteed debentures No. 35	Oct. 05, 2018	Oct. 05, 2023	2.52	120,000	120,000
Unguaranteed debentures No. 36-1	Feb. 22, 2019	Feb. 22, 2022	2.03	120,000	-
Unguaranteed debentures No. 36-2	Feb. 22, 2019	Feb. 22, 2024	2.11	230,000	-
Unguaranteed debentures No. 36-3	Feb. 22, 2019	Feb. 22, 2029	2.22	60,000	-
Unguaranteed debentures No. 37-1	Mar. 15, 2019	Mar. 15, 2024	2.06	140,000	-
Unguaranteed debentures No. 37-2	Mar. 15, 2019	Mar. 15, 2029	2.16	70,000	-
Unguaranteed debentures No. 38-1	June. 19, 2019	June 19, 2026	1.73	80,000	-
Unguaranteed debentures No. 38-2	June. 19, 2019	June 19, 2029	1.77	120,000	-
Unguaranteed debentures No. 39-1	Oct. 15, 2019	Oct. 15, 2024	1.60	80,000	-
Unguaranteed debentures No. 39-2	Oct. 15, 2019	Oct. 15, 2029	1.67	40,000	-
Unguaranteed debentures No. 40-1	Dec. 04, 2019	Dec. 04, 2024	1.76	70,000	-
Unguaranteed debentures No. 40-2	Dec. 04, 2019	Dec. 04, 2029	1.87	30,000	-
				5,550,000	5,380,000
				(6,554)	(6,734)
				₩ 5,543,446	₩ 5,373,266

The maturities of debentures as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 300,000	₩ 270,000	₩ 370,000	₩ 1,990,000	₩ 2,620,000	₩ 5,550,000

(In millions of Korean won)

	2018					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 80,000	₩ 570,000	₩ 220,000	₩ 1,910,000	₩ 2,600,000	₩ 5,380,000

Changes in debentures based on face value for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,380,000	₩ 1,040,000	₩ (870,000)	₩ 5,550,000

(In millions of Korean won)

	2018			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,170,000	₩ 900,000	₩ (690,000)	₩ 5,380,000

16. Net Defined Benefit Liabilities

Defined benefit plan

The Company operates defined benefit plans which have the following characteristics:

- The Company has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Company.

The net defined benefit liability recognized in the statements of financial position is calculated in accordance with actuarial valuation methods using market data; such as, interest rates, future salary increase rate and mortality rate based on historical data. Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends.

Changes in the defined benefit obligation for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 20,363	₩ (20,180)	₩ 183
Current service cost	2,175	-	2,175
Interest cost(income)	466	(462)	4
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	(20)	-	(20)
Actuarial gains and losses by changes in financial assumptions	599	-	599
Actuarial gains and losses by experience adjustments	(58)	-	(58)
Return on plan assets (excluding amounts included in interest income)	-	195	195

(In millions of Korean won)

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Contributions	-	(2,688)	(2,688)
Payments from plans (benefit payments)	(1,833)	1,833	-
Payments from the Company	-	-	-
Transfer in	1,302	(1,255)	47
Transfer out	(2,682)	2,682	-
Ending	₩ 20,312	₩ (19,875)	₩ 437

(In millions of Korean won)

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 16,594	₩ (16,795)	₩ (201)
Current service cost	1,925	-	1,925
Interest cost (income)	479	(485)	(6)
Remeasurements:			
Actuarial gains and losses by changes in financial assumptions	1,205	-	1,205
Actuarial gains and losses by experience adjustments	1,151	-	1,151
Return on plan assets (excluding amounts included in interest income)	-	280	280
Contributions	-	(4,172)	(4,172)
Payments from plans (benefit payments)	(1,393)	1,393	-
Payments from the Company	(38)	-	(38)
Transfer in	2,883	(2,844)	39
Transfer out	(2,443)	2,443	-
Ending	₩ 20,363	₩ (20,180)	₩ 183

Details of the net defined benefit liabilities as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Present value of defined benefit obligation	₩	20,312	₩	20,363
Fair value of plan assets		(19,875)		(20,180)
Net defined benefit liabilities	₩	437	₩	183

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Current service cost	₩	2,175	₩	1,925
Net interest expenses(income) of net defined benefit liabilities		4		(6)
Post-employment benefits	₩	2,179	₩	1,919

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(195)	₩	(280)
Actuarial gains and losses		(521)		(2,356)
Income tax effects		196		725
Remeasurements after income tax	₩	(520)	₩	(1,911)

Plan assets as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 19,875	₩ 19,875

(In millions of Korean won)

	2018		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 20,180	₩ 20,180

Key actuarial assumptions used as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Discount rate (%)	2.00	2.30
Future salary increase rate (%)	3.75	3.75
Turnover (%)	1	1

Mortality assumptions are based on the experience-based mortality table(retirement pension) of Korea Insurance Development Institute of 2019.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as of December 31, 2019, is as follows:

	Changes in principal assumption	Effect on defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5%p.	-4.86%	5.20%
Salary increase rate (%)	0.5%p.	5.32%	-5.02%
Turnover (%)	0.5%p.	-0.56%	0.58%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits (including expected future benefits) as of December 31, 2019, are as follows:

(In millions of Korean won)

	Up to 1 year	1 ~ 2 years	2 ~ 5 years	5 ~ 10 years	Over 10 years	Total
Pension benefits	₩ 185	₩ 387	₩ 3,349	₩ 13,583	₩ 35,862	₩ 53,366

The weighted average duration of the defined benefit obligation is 10.2 years.

Expected contribution to plan assets for periods after December 31, 2019, is estimated to be approximately ₩ 2,100 million.

17. Other Liabilities

Details of other assets as of December 31, 2019 and 2018, are as follows:

	2019		2018	
				(In millions of Korean won)
Other financial liabilities				
Payables	₩	1,134	₩	7,375
Accrued expenses		13,218		12,578
Lease liability		588		-
		14,940		19,953
Other non-financial liabilities				
Payables		59,263		49,348
Accrued expenses		128,824		116,800
Withholding taxes		413		380
		188,500		166,528
	₩	203,440	₩	186,481

18. Equity

18.1 Share Capital

Details of share capital and number of issued shares as of December 31, 2019 and 2018, are as follows:

	2019		2018	
Type of share		Ordinary share		Ordinary share
Number of authorized shares		1,000,000,000		1,000,000,000
Par value per share	₩	5,000	₩	5,000
Number of issued shares		415,807,920		418,111,537
Share capital ¹	₩	2,090,558	₩	2,090,558

¹ In millions of Korean won. Due to the retirement of shares deducted through profits, it is different from the total par value of the shares issued.

	2019		2018	
				(In number of shares)
Beginning	₩	395,551,297	₩	399,037,583
Increase		-		-
Decrease		(5,916,962)		(3,486,286)
Ending	₩	389,634,335	₩	395,551,297

18.2 Hybrid Securities

Details of hybrid securities classified as equity as of December 31, 2019 and 2018, are as follows:

	Issuance date	Maturity	Interest rate (%)	2019		2018	
The 1-1 st Hybrid securities	May 2, 2019	Perpetual bond	3.23	₩	349,204	₩	-
The 1-2 nd Hybrid securities	May 2, 2019	Perpetual bond	3.44		49,881		-
				₩	399,085	₩	-

The above hybrid securities are early redeemable by the Company after 5 or 10 years from the issuance date

18.3 Capital Surplus

Details of capital surplus as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Share premium	₩	13,190,275	₩	13,190,275
Other capital surplus		1,465,893		1,465,893
Gain on sales of treasury share		86,646		86,646
	₩	14,742,814	₩	14,742,814

18.4 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Remeasurements of net defined benefit liabilities	₩	(7,664)	₩	(7,144)
	₩	(7,664)	₩	(7,144)

Changes in accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019							
	Beginning		Changes		Tax effect		Ending	
Remeasurements of net defined benefit liabilities	₩	(7,144)	₩	(716)	₩	196	₩	(7,664)
	₩	(7,144)	₩	(716)	₩	196	₩	(7,664)

(In millions of Korean won)

	2019							
	Beginning		Changes		Tax effect		Ending	
Remeasurements of net defined benefit liabilities	₩	(5,233)	₩	(2,636)	₩	725	₩	(7,144)
	₩	(5,233)	₩	(2,636)	₩	725	₩	(7,144)

18.5 Retained Earnings

Details of retained earnings as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Legal reserves	₩	482,807	₩	390,216
Voluntary reserves		982,000		982,000
Regulatory reserve for credit losses		4,458		2,374
Retained earnings before appropriation		1,624,029		1,838,966
	₩	3,093,294	₩	3,213,556

With respect to the allocation of net profit earned in a fiscal term, the Company must set aside in its legal reserve an amount equal to at least 10% of its profit for the year after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its share capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

Appropriation of retained earnings

(Expected date of appropriation for 2019: March 20, 2020)

(Date of appropriation for 2018: March 27, 2019)

(In millions of Korean won)

	2019		2018	
Unappropriated retained earnings				
Balance at the beginning of the year	₩	984,555	₩	913,061
Profit for the year		745,987		925,905
Retirement of treasury shares		(100,000)		-
Dividends of hybrid securities		(6,513)		-
		1,624,029		1,838,966
Transfers such as discretionary reserves				
Regulatory reserve for credit losses		283		-
		283		-
Appropriation of retained earnings				
Legal reserve		74,599		92,591
Regulatory reserve for credit losses		-		2,084
Cash dividends		861,092		759,736
(Dividends per common share: ₩ 2,210 (44.2%) in 2019)				
(Dividends per common share: ₩ 1,920 (38.4%) in 2018)				
		935,691		854,411
Unappropriated retained earnings to be carried forward	₩	688,621	₩	984,555

Regulatory reserve for credit losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of the Supervisory Regulations on Financial Holding Companies.

Details of the regulatory reserve for credit losses as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Beginning	₩	4,458	₩	2,374
Estimated amounts subject to provision(reversal)		(283)		2,084
Ending	₩	4,175	₩	4,458

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won, except per share amounts)

	2019		2018	
Provision(reversal) of regulatory reserve for credit losses	₩	(283)	₩	2,084
Adjusted profit after provision(reversal) of regulatory reserve for credit losses ^{1,2}		739,757		923,821
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ¹		1,891		2,330
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ¹	₩	1,877	₩	2,316

¹ Adjusted profit after provision(reversal) of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision(reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit for the year.

² Amount after deducting dividends on hybrid securities.

18.6 Treasury Shares

Changes in treasury shares outstanding for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won and in number of shares)

	2019			
	Beginning	Acquisition	Retirement	Ending
Number of treasury shares ¹	22,560,240	5,916,962	(2,303,617)	26,173,585
Carrying amount ¹	₩ 968,549	₩ 267,639	₩ (100,000)	₩ 1,136,188

¹ For the year ended December 31, 2019, the treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd., which had been signed in 2018, was terminated.

(In millions of Korean won and in number of shares)

	2018			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,073,954	3,486,286	-	22,560,240
Carrying amount ¹	₩ 755,973	₩ 212,576	₩ -	₩ 968,549

¹ For the year ended December 31, 2018, the treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd., which had been signed in 2017, was terminated. In order to increase shareholder value, the Company entered into another treasury stock trust agreement of ₩ 300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2018.

19. Dividends

The dividends paid to the shareholders of the Company in 2019 and 2018 were ₩ 759,736 million (₩ 1,920 per share) and ₩ 766,728 million (₩ 1,920 per share) respectively. The dividends to the shareholders of the Company for the year ended December 31, 2019, amounting to ₩ 861,092 million (₩ 2,210 per share) is to be proposed at the annual general shareholder's meeting on March 20, 2020. The Company's financial statements as of December 31, 2019, do not reflect this dividend payable.

20. Net Interest Income(expense)

Interest income(expense) and net interest income(expense) for the years ended December 31, 2019 and 2018, are as follows:

	2019		2018	
Interest income				
Due from financial institutions	₩	2,580	₩	5,748
Loans at amortized cost		2,333		619
Loans at fair value through profit or loss		2,805		-
Other		302		249
		8,020		6,616
Interest expense				
Debts		2,489		1,458
Debentures		123,560		120,993
Other		16		-
		126,065		122,451
Net interest expense	₩	(118,045)	₩	(115,835)

21. Net Fee and Commission Income(Expense)

Fee and commission income(expense) and net fee and commission income(expense) for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Fee and commission income	₩	847	₩	788
Fee and commission expense				
Fees paid in Korean won		6,891		5,867
Fees paid in foreign currency		239		129
		7,130		5,996
Net fee and commission expense	₩	(6,283)	₩	(5,208)

22. Net Gains on Financial assets at Fair value through Profit or Loss

Net Gains on Financial assets at fair value through profit or loss consist of gains or losses related to financial instrument that includes dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details net gains on financial assets at fair value through profit or loss for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Gains related to financial instruments at fair value through profit or loss		
Dividend income on financial assets designated at fair value through profit or loss	₩ 13,625	₩ 13,625
Gains on valuation on financial assets designated at fair value through profit or loss	3,166	4,694
	16,791	18,319
Losses related to financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss	844	-
Net gains on financial instruments at fair value through profit or loss	844	-
	₩ 15,947	₩ 18,319

23. Net Other Operating Income

Other operating income or other operating expense for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Other operating income		
Dividend income from subsidiaries	₩ 926,934	₩ 1,089,556
Net other operating income	₩ 926,934	₩ 1,089,556

24. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

	(In millions of Korean won)	
	2019	2018
Employee benefits		
Salaries and other short-term employee benefits – Salaries	₩ 28,448	₩ 27,021
Salaries and other short-term employee benefits – Others	4,778	4,508
Post employment benefits – defined benefit plans	2,179	1,919
Post employment benefits – defined contribution plans	286	85
Share-based payments	4,259	551
	39,950	34,084
Depreciation and amortization		
Depreciation and amortization	5,093	864
Other general and administrative expenses		
Travel	1,158	833
Communications	633	520
Tax and dues	496	326
Publication	367	250
Rental expense	835	1,503
Vehicle	150	153
Service fees	12,236	10,122
Advertising	894	909
Training	1,591	1,130
Others	7,768	7,151
	26,128	22,897
	₩ 71,171	₩ 57,845

Share-based Payments

The Company entered into share-based payment plan for executives and employees of the Company and its subsidiaries.

Details of stock grants linked to long-term performance as of December 31, 2019, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions ²
KB Financial Group Inc.			
Series 18	Jul. 17, 2017	7,826	Service fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 19	Nov. 21, 2017	46,890	Service fulfillment, market performance ³ 35% and non-market performance ⁵ 65%
Series 20	Jan. 01, 2018	38,826	Service fulfillment, market performance ³ 30~50% and non-market performance ⁴ 50~70%
Series 21	Jan. 01, 2019	28,926	Service fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 22	Apr. 01, 2019	3,227	Service fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 23	May 27, 2019	1,392	Service fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Series 24	Jul. 17, 2019	11,224	Service fulfillment, market performance ³ 30% and non-market performance ⁴ 70%
Deferred grant in 2015	-	10,043	Satisfied
Deferred grant in 2016	-	12,093	Satisfied
Deferred grant in 2017	-	45,728	Satisfied
Deferred grant in 2018	-	8,057	Satisfied
		214,232	
Kookmin Bank			
Series 72	Aug. 28, 2017	6,742	Service fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 73	Nov. 21, 2017	27,786	Service fulfillment, market performance ³ 30%, and non-market performance ⁶ 70%
Series 74	Jan. 01, 2018	134,465	Service fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 75	Jan. 01, 2019	192,170	Service fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 76	Apr. 01, 2019	5,380	Service fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 77	May 27, 2019	5,569	Service fulfillment, market performance ³ 30~50%, and non-market performance ⁴ 50~70%
Series 78	Nov. 21, 2019	36,443	Service fulfillment, market performance ³ 30%, and non-market performance ⁶ 70%
Deferred grant in 2015	-	4,756	Satisfied
Deferred grant in 2016	-	65,419	Satisfied
Deferred grant in 2017	-	95,697	Satisfied
Deferred grant in 2018	-	97,244	Satisfied
		671,671	
Other subsidiaries and associate			
Stock granted in 2010	-	106	Services fulfillment,
Stock granted in 2011	-	146	market performance ³ 10~50% and non-market performance ⁴ , 50~90%
Stock granted in 2012	-	420	
Stock granted in 2013	-	1,007	
Stock granted in 2014	-	1,223	
Stock granted in 2015	-	4,456	
Stock granted in 2016	-	23,474	
Stock granted in 2017	-	83,459	
Stock granted in 2018	-	257,064	
Stock granted in 2019	-	241,226	
		612,581	
		1,498,484	

¹ Granted shares represent the total number of shares initially granted to directors and employees that have residual shares at the end of reporting period (Deferred grants are residual shares at the end of the reporting period).

² Executives and employees were given the option of deferring payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement when the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return): [(Fair value at the end of the contract - Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract)

⁴ Accomplishment of corporates' and individuals' performance results

⁵ EPS, Asset Quality, HCR0I, Non-banking sector profit

⁶ EPS, Asset Quality

The stock grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual stock granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

Details of stock grants linked to short-term performances as of December 31, 2019, are as follows:

	Estimated number of vested shares ¹	Vesting Conditions
KB Financial Group Inc.		
Stock granted in 2015	9,690	Satisfied
Stock granted in 2016	11,783	Satisfied
Stock granted in 2017	12,273	Satisfied
Stock granted in 2018	20,664	Satisfied
Stock granted in 2019	30,504	Proportional to service period
Kookmin Bank		
Stock granted in 2015	15,831	Satisfied
Stock granted in 2016	52,855	Satisfied
Stock granted in 2017	55,490	Satisfied
Stock granted in 2018	109,296	Satisfied
Stock granted in 2019	112,445	Proportional to service period
Other subsidiaries		
Stock granted in 2015	16,922	Satisfied
Stock granted in 2016	94,201	Satisfied
Stock granted in 2017	238,115	Satisfied
Stock granted in 2018	457,006	Satisfied
Stock granted in 2019	284,888	Proportional to service period
	1,521,963	

¹ Executives and employees were given the option of deferring payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement when the deferred grant has been confirmed.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2019, are as follows:

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance (KB Financial Group Inc.)			
Series 18	1.34	40,362~44,034	43,659~47,631
Series 19	1.34	38,220~41,775	42,493~46,445
Series 20	1.34	41,135~45,035	43,659~47,631
Series 21	1.34	41,489~46,021	42,336~47,631
Series 22	1.34	41,070~44,926	41,070~44,926
Series 23	1.34	41,070~44,926	41,070~44,926
Series 24	1.34	41,070~44,926	41,070~44,926
Deferred grant in 2015	1.34	-	38,616~47,631
Deferred grant in 2016	1.34	-	42,336~47,631
Deferred grant in 2017	1.34	-	43,659~47,631
Deferred grant in 2018	1.34	-	42,336~47,631
(Kookmin Bank)			
Series 72	1.34	43,659~47,631	43,659~47,631
Series 73	1.34	41,253~43,741	43,803~46,445
Series 74	1.34	41,279~45,035	43,659~47,631
Series 75	1.34	41,506~46,021	42,336~47,631
Series 76	1.34	41,070~44,926	41,070~44,926
Series 77	1.34	41,070~44,926	41,070~44,926
Series 78	1.34	38,303~41,900	41,070~44,926
Grant deferred in 2015	1.34	-	44,926~47,631
Grant deferred in 2016	1.34	-	42,336~47,631
Grant deferred in 2017	1.34	-	42,336~47,631
Grant deferred in 2018	1.34	-	42,336~47,631

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
(Other subsidiaries)			
Share granted in 2010	1.34	-	46,281
Share granted in 2011	1.34	-	46,281
Share granted in 2012	1.34	-	44,926~46,281
Share granted in 2013	1.34	-	44,926~47,631
Share granted in 2014	1.34	-	40,065~46,766
Share granted in 2015	1.34	-	41,070~47,676
Share granted in 2016	1.34	-	39,801~47,631
Share granted in 2017	1.34	35,863~46,817	38,616~47,631
Share granted in 2018	1.34	37,446~45,240	39,801~47,631
Share granted in 2019	1.34	39,878~47,631	41,070~47,631
Linked to short-term performance			
(KB Financial Group Inc.)			
Share granted in 2015	1.34	-	38,616~47,631
Share granted in 2016	1.34	-	39,801~47,631
Share granted in 2017	1.34	-	42,336~47,631
Share granted in 2018	1.34	-	42,336~47,631
Share granted in 2019	1.34	-	43,659~46,281
(Kookmin Bank)			
Share granted in 2015	1.34	-	42,336~47,631
Share granted in 2016	1.34	-	41,070~47,631
Share granted in 2017	1.34	-	42,336~47,631
Share granted in 2018	1.34	-	42,336~47,631
Share granted in 2019	1.34	-	43,659~46,281
(Other subsidiaries)			
Share granted in 2015	1.34	-	38,616~47,631
Share granted in 2016	1.34	-	38,616~47,631
Share granted in 2017	1.34	-	38,616~47,631
Share granted in 2018	1.34	-	38,616~47,631
Share granted in 2019	1.34	-	39,801~46,281

The Company used the volatility of the stock price over the previous year as the expected volatility, used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend yield, and used one-year risk-free interest rate in order to calculate fair value.

Share-based payment arrangement for subsidiaries and associate was transferred to the Company in 2010, and the related compensation cost paid to the executives and employees of subsidiaries and associate is reimbursed by these companies. The accrued expenses representing share-based payments as of December 31, 2019 and 2018, are ₩ 124,853 million and ₩ 111,058 million, respectively, and the receivables to be reimbursed by the subsidiaries for the compensation costs are ₩ 112,997 million and ₩100,434 million, respectively. In addition, the compensation costs from share-based payments that amount to ₩ 4,259 million and ₩ 551 million were recognized for the years ended December 31, 2019 and 2018, respectively.

25. Non-operating Income (Expense)

Details of non-operating income and expenses for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019	2018
Non-operating income		
Reversal of impairment losses on intangible assets	₩ -	₩ 50
Others	669	876
	669	926
Non-operating expenses		
Loss on disposal of property, plant and equipment	21	-
Impairment on intangible assets	4	-
Donation	1,177	1,184
Others	8	1
	1,210	1,185
Non-operating expenses	₩ (541)	₩ (259)

26. Income Tax Expense

Details of income tax benefit for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Tax payable				
Current tax expense	₩	-	₩	-
Change in deferred tax assets and liabilities				
Origination and reversal of temporary differences		(658)		(2,098)
Tax expense recognized directly in equity				
Remeasurements of net defined benefit liabilities		(196)		(725)
Income tax expense	₩	(854)	₩	(2,823)

The analysis of profit before tax and income tax benefit for the years ended December 31, 2019 and 2018, follows:

(In millions of Korean won)

	2019		2018	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 746,841		₩ 928,728
Tax at the applicable tax rate ¹	26.11	195,019	26.38	245,038
Non-taxable income	(28.82)	(215,265)	(27.71)	(257,323)
Non-deductible expense	0.11	786	0.08	739
Consolidated tax effect	2.69	20,116	1.47	13,644
Other	0.03	198	0.08	725
Average effective tax rate and tax benefit	0.11	₩ 854	0.30	₩ 2,823

¹ Applicable income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5%.

27. Earnings per Share

Calculations of basic earnings per share on the profit attributable to ordinary shares are as follows:

Weighted average number of ordinary shares outstanding:

(in number of shares)

	2019 ¹		2018	
	Number of shares	Accumulated amount	Number of shares	Accumulated amount
Number of issued ordinary shares	415,807,920	152,564,638,665	418,111,537	152,610,711,005
Number of treasury shares	(26,173,585)	(9,801,574,522)	(22,560,240)	(7,888,226,378)
Average number of ordinary shares outstanding	389,634,335	142,763,064,143	395,551,297	144,722,484,627
Number of days		365		365
Weighted average number of ordinary shares outstanding		391,131,683		396,499,958

¹ Initial date of treasury stock that was deducted by the retirement is December 12, 2019.

Basic earnings per share

(In Korean won and in number of shares)

	2019		2018	
Profit for the year	₩	745,986,900,731	₩	925,904,728,413
Deduction: Dividends on hybrid securities		6,512,500,000		-
Profit attributable to the ordinary equity holders (A)		739,474,400,731		925,904,728,413
Weighted average number of ordinary shares outstanding (B)		391,131,683		396,499,958
Basic earnings per share (A / B)	₩	1,891	₩	2,335

Diluted earnings per share

Diluted earnings per share is calculated using the weighted average number of ordinary shares outstanding which is adjusted by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares include stock grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the year) based on the monetary value of the subscription rights attached to the stock grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of stock grants.

Adjusted profit to calculate diluted earnings per share:

(In Korean won)

	2019		2018	
Profit attributable to the ordinary equity holders ¹	₩	739,474,400,731	₩	925,904,728,413
Adjustment		-		-
Adjusted profit for diluted earnings per share	₩	739,474,400,731	₩	925,904,728,413

¹ The amount is after deducting dividends on hybrid securities.

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share:

(in number of shares)

	2019		2018	
Weighted average number of ordinary shares outstanding		391,131,683		396,499,958
Adjustment				
Stock grants		2,890,513		2,307,630
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,022,196		398,807,588

Diluted earnings per share:

(In Korean won and in number of shares)

	2019		2018	
Adjusted profit for diluted earnings per share	₩	739,474,400,731	₩	925,904,728,413
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		394,022,196		398,807,588
Diluted earnings per share	₩	1,877	₩	2,322

28. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Due from financial institutions	₩	18,537	₩	344,302
Restricted cash from financial institutions		(3)		(3)
	₩	18,534	₩	344,299

Significant non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
Changes in receivables and payables from consolidated tax	₩	262,296	₩	393,380
Changes in receivables and payables relating to stock grants		(12,564)		(18,085)
Other payables due to treasury stock trust agreement, etc		-		6,678

Cash inflows and outflows due to interest and dividends for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	Activity	2019		2018	
Prepaid income tax expense	Operating	₩	1,145	₩	1,222
Interest received	Operating		6,384		5,868
Interest paid	Operating		122,195		116,307
Dividends received	Operating		940,560		1,103,182
Dividends paid	Finance		766,249		766,728

Changes in liabilities arising from financing activities for the year ended December 31, 2019, are as follows:

(In millions of Korean won)

	2019			
	Opening balance	Net cash flows	Non-cash changes	Closing balance
Debts	₩ 300,000	₩ (298,321)	₩ (1,679)	₩ -
Debentures	5,373,266	169,502	678	5,543,446
	₩ 5,673,266	₩ (128,819)	₩ (1,001)	₩ 5,543,446

29. Contingent Liabilities and Commitments

Commitments made with financial institutions as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

	2019		2018	
	Amount of commitment	Amounts borrowed	Amount of commitment	Amounts borrowed
KEB Hana Bank	₩ 50,000	₩ -	₩ 50,000	₩ -
	₩ 50,000	₩ -	₩ 50,000	₩ -

Other Matters

The Company has no pending lawsuit as the defendant.

30. Related Party Transactions

Significant related party transactions for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019	2018
Kookmin Bank	Interest income	₩ 1,580	₩ 5,178
	Fee and commission income	841	778
	Net other operating income	667,225	640,132
	Net non-operating income	70	-
KB Securities Co., Ltd.	General and administrative expenses	6,312	5,452
	Net other operating income	50,000	139,157
	General and administrative expenses	1,119	1,196
KB Insurance Co., Ltd.	Net non-operating income	14	-
	Net other operating income	-	49,875
	General and administrative expenses	1,871	1,031
KB Kookmin Card Co., Ltd.	Net non-operating income	7	-
	Net other operating income	200,008	180,044
	General and administrative expenses	1,042	970
KB Life Insurance Co., Ltd.	Net non-operating income	6	5
	General and administrative expenses	238	79
	Net other operating income	-	50,000
KB Asset Management Co., Ltd.	Net gains on financial assets at fair value through profit or loss	15,947	18,319
	Net other operating income	-	10,746
	General and administrative expenses	116	-
	Net non-operating income	4	-
KB Savings Bank Co., Ltd.	Net other operating income	5,000	8,802
	Net non-operating income	4,700	10,800
KB Real Estate Trust Co., Ltd.	Net other operating income	13	-
	Net non-operating income	2,333	615
KB Investment Co., Ltd.	Interest income	1,953	1,477
KB Data Systems Co., Ltd.	General and administrative expenses		

Significant receivables and payables, and related allowance for loan losses arising from the related party transactions as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019		2018	
Kookmin Bank	Cash and due from financial institutions	₩	18,537	₩	69,621
	Other assets		418,114		643,010
	Other liabilities		35		4,545
	Property and Equipment		152		-
KB Securities Co., Ltd.	Other assets		52,068		62,993
KB Insurance Co., Ltd.	Other assets		14,492		12,774
	Other liabilities		47,580		35,177
KB Kookmin Card Co., Ltd.	Other assets		60,705		79,288
	Other liabilities		1,394		664
KB Asset Management Co., Ltd.	Other assets		15,590		10,666
KB Capital Co., Ltd.	Financial assets at fair value through profit or loss		291,501		289,179
	Other assets		18,995		18,383
	Other liabilities		3,956		3,991
KB Life Insurance Co., Ltd.	Other assets		8,636		5,315
	Other liabilities		13,979		14,259
KB Real Estate Trust Co., Ltd.	Other assets		3,727		1,670
KB Savings Bank Co., Ltd.	Other assets		120,000		50,000
KB Investment Co., Ltd.	Loans at amortized cost		2,904		1,198
	Other assets		59		486
	Other liabilities		438		140
KB Data Systems Co., Ltd.	Property and Equipment		1,145		-
	Intangible assets		2,721		3,357
	Other assets		333		137
	Other liabilities		849		985
KB Credit Information Co., Ltd.	Other assets		241		-
	Other liabilities				

According to Korean IFRS 1024, the Company includes subsidiaries and key management (including family members) in the scope of related parties. Additionally, the Company discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the separate financial statements. Refer to Note 9 for details on subsidiaries and associates, respectively.

Key management includes the directors of the Company, their close family members, and the companies where the directors and/or their close family members have control or joint control.

Right-of-use assets and lease liability with related parties as of December 31, 2019, are as follows:

(In millions of Korean won)

			2019	
Subsidiary	Kookmin Bank	Right-of-use assets	₩	152
		Lease liabilities	₩	-

Unused commitments by a related party as of December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

			2019		2018	
Subsidiary	KB Kookmin Card Co., Ltd.	Unused commitments of credit card	₩	2,255	₩	1,336

Share transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

			2019		2018	
Subsidiary	KB Investment & Securities Co., Ltd.	Paid-in capital increase of ordinary shares	₩	50,000	₩	-
	KB Capital Co., Ltd.	Paid-in capital increase of ordinary shares	₩	50,000	₩	-

Loan transactions with related parties for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean won)

		2019			
		Beginning	Loans	Repayments	Ending
Subsidiary	KB Investment Co., Ltd.	₩ 50,000	₩ 70,000	₩ -	₩ 120,000

(In millions of Korean won)

		2018			
		Beginning	Loans	Repayments	Ending
Subsidiary	KB Investment Co., Ltd.	₩ 10,000	₩ 40,000	₩ -	₩ 50,000

Compensation to key management for the years ended December 31, 2019 and 2018, consists of:

(In millions of Korean won)

		2019			
		Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered director (executive)	₩	798	₩ 28	₩ 984	₩ 1,810
Registered director (non-executive)		628	-	-	628
Non-registered director		3,344	147	3,275	6,766
	₩	4,770	₩ 175	₩ 4,259	₩ 9,204

(In millions of Korean won)

		2018			
		Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered director (executive)	₩	1,397	₩ 21	₩ 454	₩ 1,872
Registered director (non-executive)		623	-	-	623
Non-registered director		2,328	90	97	2,515
	₩	4,348	₩ 111	₩ 551	₩ 5,010

The Company paid ₩ 255 million to KB Securities Co., Ltd., a subsidiary, for the underwriting and arrangement of debentures and hybrid securities.

31. Changes in Accounting Policies – Implementation of Korean IFRS 1116 Leases

The Company applied Korean IFRS 1116 retrospectively as of January 1, 2019. However, the financial statements for the year ended 2018 was not restated using the method allowed by transitional provisions. Therefore reclassification and adjustments under the new IFRS were recognized in the financial statements beginning on January 1, 2019.

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Full retrospective application); or
- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company applied Korean IFRS 1116 retrospectively with recognizing the cumulative effect of initial adoption of the standard as of January 1, 2019. The Company did not restate any comparative financial statements.

For leases previously classified as 'finance leases', the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of Korean IFRS 1116 are only applied after that date. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

(In millions of Korean won)

	January 1, 2019	
Right-of-use asset		
Discounts used lessee's incremental borrowing rate at the date of current initial application	₩	684
Add : Financial leased asset recognized at December 31, 2018		–
Right-of use asset recognized as of the date of initial application	₩	684
Lease liability		
Operating lease commitments disclosed at December 31, 2018	₩	468
Discounted amount using the lessee's incremental borrowing rate ¹ at the date of initial application		460
Add : Financial leased liability recognized at December 31, 2018		–
Lease liability recognized as of the date of initial application	₩	460

¹ Incremental borrowing rate of interest is 1.88% to 2.21%

The difference between the amount of the right-of-use asset and the lease liability is adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

– Lessor accounting

The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of Korean IFRS 1116.

The amounts recognized in statement of financial position

The amounts related to lease recognized in statement of financial position as of December 31, 2019 and January 1, 2019, are as follows:

(In millions of Korean won)

	December 31, 2019		January 1, 2019	
Right-of-use assets ¹				
Real estate	₩	193	₩	263
Vehicles		280		406
Others		15		15
		488		684
Lease liabilities ²	₩	588	₩	460

¹ It is included in property and equipment of financial statements.

² It is included in other liabilities of financial statements

The amounts recognized in statement of profit or loss

The amount related to lease recognized in statement of profit or loss for the year ended December 31, 2019, is as follows:

(In millions of Korean won)

	2019	
Amortization of right-of-use assets		
Real estate	₩	496
Vehicles		627
Others		21
		1,144
Interest expenses on the lease liabilities		16
Short-term lease payments		23
Payments for leases of low-value assets different from short-term leases	₩	3

The total cash outflow for leases in 2019 was ₩ 594 million.

32. Approval of Issuance of the Financial Statements

The issuance of the Company's separate financial statements as of and for the year ended December 31, 2019, was initially approved on February 6, 2020 and re-approved due to revision on March 4, 2020 by the Board of Directors.

Report on Independent Auditor's Audit of Internal Control over Financial Reporting



To the Board of Directors and Shareholders of KB Financial Group Inc.

Opinion on Internal Control over Financial Reporting

We have audited Internal Control over Financial Reporting of KB Financial Group Inc.(the Company) as of December 31, 2019, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We also have audited, in accordance with Korean Standards on Auditing, the financial statements of the Company, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and our report dated March 5, 2020 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Operating Status Report of the Internal Control over Financial Reporting. Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Yeob Yu, Certified Public Accountant.

The logo for Samil PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

Samil PricewaterhouseCoopers

Seoul, Korea

March 5, 2020

This report is effective as of March 5, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Operating Status Report of the Internal Control over Financial Reporting



To the Shareholders, Board of Directors and Audit Committee of KB Financial Group Inc.

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting (“ICFR”) Officer of KB Financial Group Inc. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting for the year ended December 31, 2019.

The Company’s management, including ourselves, is responsible for designing and operating ICFR.

We assessed whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s ICFR. We also conducted an assessment of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Company’s ICFR is designed and operated effectively as of December 31, 2019, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings, and we have reviewed and verified this report with sufficient care.

February 24, 2020

Jong Kyoo Yoon,
Chief Executive Officer

Ki Hwan Kim,
Internal Control over Financial Reporting Officer

Company Directory

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KB Kookmin Bank

● Kookmin Bank Cambodia PLC.

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● Kookmin Bank Auckland Branch

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● Kookmin Bank Cambodia Toul Kork Branch

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Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- KB Financial Group’s ability to successfully implement its strategy;
- future levels of non-performing loans;
- KB Financial Group’s growth and expansion;
- adequacy of allowance for credit and investment losses;
- technological changes;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- KB Financial Group’s exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments;
- Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document.

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