

Shaping the Future of Finance

ANNUAL REPORT 2017



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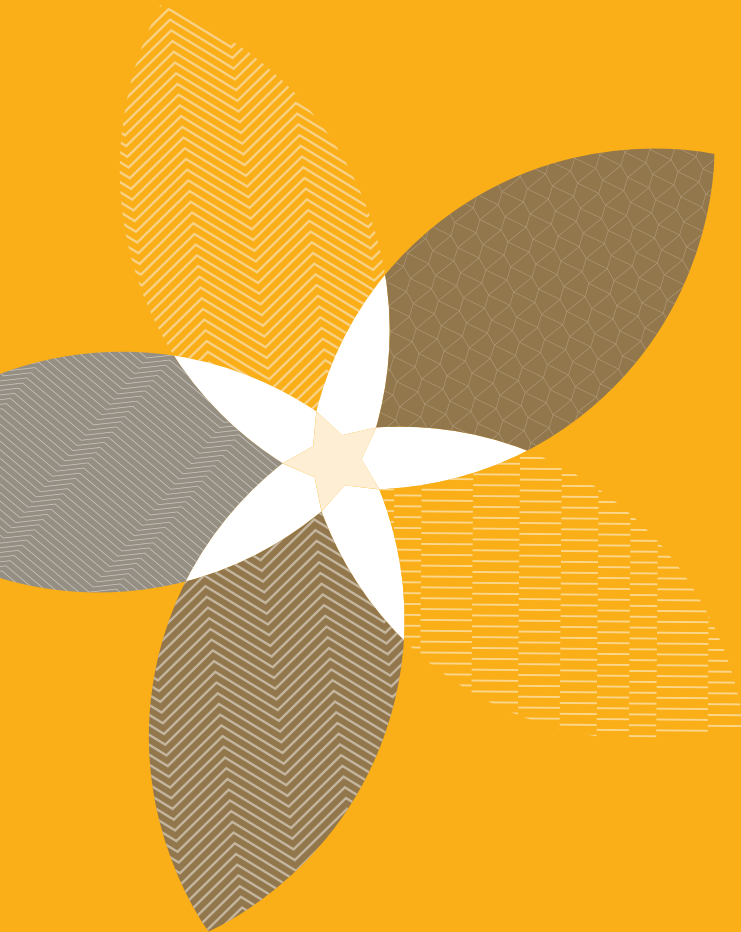
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As Korea's leading financial group, we are committed to maximizing customer value and pursuing sustainable growth with all shareholders.



In 2017, KB Financial Group expanded its market dominance by taking strategic directions such as realizing customer satisfaction through collaboration and synergy among subsidiaries and reinforcing its non-banking portfolio to be more competitive.

Based on organically collaborative system among 12 subsidiaries, we successfully solidified our position as a leading financial group providing quality services tailored to customer needs.

KB Financial Group's total assets (including assets under management) in 2017 increased by KRW 61.1 trillion from the previous year to KRW 436.8 trillion, and net profit reached KRW 3.3 trillion. Moreover, the Group's total number of customers exceeded 33 million, further solidifying its position as Korea's representative financial group.

We set "RACE 2018" as our management strategy for 2018 to maximize customer value as a "lifetime financial partner of customers" and stand firm as a solid leading financial group. To this end, KB Financial Group plans to reinforce its business portfolio and discover new growth engines (**R**einforcement), remain agile in implementations (**A**gile), innovate all services and processes focusing on customers (**C**ustomer Centric), and cultivate human resources and build a pioneering and creative corporate culture (**E**xcellence & Efficiency).

Group at a Glance

KB Kookmin Bank

KB Kookmin Bank has the largest number of branches in the industry and over 30 million customers across the country. The bank also stands as the leader in smart financing with its mobile banking customers surpassing 10 million and plays a key role in creating synergy among affiliates.

KB Kookmin Card

KB Kookmin Card handles the issuance and management of KB credit, check and pre-paid cards and provides card payment services. The company is proactive in launching innovative products, strengthening digital financing services, and entering foreign markets to secure future growth engines and play a role as a digital hub for KB Financial Group.

KB Securities

KB Securities, established in December 2016 through a merger between Hyundai Securities and KB Investment & Securities, is a mega financial investment company with more than KRW 4 trillion in equity capital. As a leading investment firm with competitive strengths in a range of areas, KB Securities aims to become a lifetime partner for customers investing in capital markets.

KB Insurance

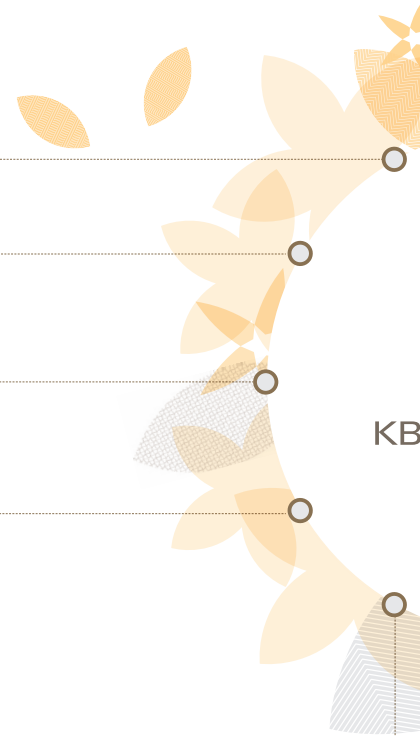
KB Insurance became a wholly-owned subsidiary of KB Financial Group in 2017 and covers all areas of property insurance term, and retirement, and personal pension services at local branches nationwide. The company also conducts business in the financial, real estate and service industries towards more effective management of its assets.

KB Asset Management

KB Asset Management has the most versatile business portfolio of domestic AM firms, extending into stocks, bonds, derivatives, raw materials, foreign assets, real estate, infrastructure, private equity, non-performing loans and other areas. The company also develops and releases a variety of products designed to suit diversifying investor needs.

KB Life Insurance

Since its inception in 2004, KB Life Insurance has provided insurance services through bancassurance, has set up general agencies and channels for financial consulting, direct marketing, and other sales, and established itself as a general insurance company. It is doing its utmost to provide products and services that meet a diversity of consumer demands.



KB



Financial Group

KB Capital

KB Capital became a wholly-owned subsidiary of KB Financial Group in 2017 and provides customers with auto loans and personal and corporate financing. The company maintains top position in terms of assets among bank-affiliated capital firms. It established a local joint venture in Laos with KB Kookmin Card and plans to enter neighboring markets.

KB Investment

KB Investment is a leading venture investment firm which has helped 131 companies be listed on the KOSDAQ for the past 27 years, contributing to nurturing new growth engines for the national economy. The company concentrates on investing in and cultivating FinTech startups by raising venture-specific funds and enhancing collaboration with affiliates.

KB Credit Information

Founded in 1999, KB Credit Information offers services related to debt collection, lease investigation, and other related areas. Based on industry-leading IT system and professionalism, the company engages in handling overdue debts throughout the KB Financial Group. It also endeavors to expand its business portfolio to diversify revenue sources and respond to changes in business environment.

KB Data Systems

KB Data Systems plays a key role in developing next-generation IT systems and improving their efficiency at the Group level. The company not only operates an integrated open API system and conducts IT assessment consulting in cooperation with affiliates but supports IT services needed for overseas business of affiliates.

KB Savings Bank

KB Savings Bank provides loans and deposit services to those with less access to credit loans in the prime banking sector due to their relatively high credit risk and low mortgage capacity. The company endeavors to expand digital-based products and services and maximize synergy through connected loans with affiliates.

KB Real Estate Trust

KB Real Estate Trust focuses exclusively on real estate trusts, efficiently managing and operating customer properties and returning profits earned. Its areas of service include land, mortgages, property management, disposition trusts, agency, REITs and AMC. It demonstrates top position in terms of assets under management in the industry.

CEO's Message

KB Financial Group made a concerted effort to amplify Group-wide synergies and secure future growth engines in 2017.



Dear respected shareholders

I would like to extend my sincere appreciation to our shareholders for your unwavering support and encouragement for KB Financial Group throughout the last year.

Fueled by the growth in advanced economies in 2017, the external economy laid the turning point of escaping from the slowing trajectory. The domestic economy also recovered a much-anticipated growth momentum. KB Financial Group sought to amplify Group-wide synergies while securing future growth engines amid such economic environment.

We fully privatized our two non-banking companies, KB Insurance and KB Capital, into the wholly-owned subsidiaries of KB Financial Group, adding to Group-wide synergies. Also, we expanded our global presence by diversifying business portfolio including: launching KB KOLAO Leasing Co., Ltd. in Laos; launching KB Micro-finance Myanmar Co., Ltd.; opening Tuek Thla branch office in Cambodia; and acquiring Maritime Securities Incorporation in Vietnam.

Moreover, we have been phasing in “Digital KB” by introducing “KB Liiv ON,” a new app that combines KB Kookmin Bank’s real estate information service with its mortgage products, interactive banking platform “Liiv Talk Talk,” “palm vein authentication service,” and “video ARS service.”

Here is a brief summary of our business performance last year.

KB Financial Group posted KRW 3.3 trillion in net profit, up by KRW 1.2 trillion from the previous year, a feat attributable to the improved net interest margins amid interest rate rise and robust loan growth, revenue growth in the non-interest sectors from economic recovery, enhanced cost efficiency and asset quality, and earnings contribution from fully consolidated KB insurance and KB capital into the Group.

Total assets also jumped to KRW 436.79 trillion, up by KRW 61.1 trillion from 2016, due mainly to the full consolidation of KB Insurance, solid loan growth, and enhanced asset quality.

I have every conviction that these remarkable achievements both in profitability and assets growth were attributable to our shareholders’ steadfast trust, continued support from customers, and dedication of the employees. We will continue to focus on change and innovation to become an ever-growing financial group in this fast-changing business environment.

It is anticipated that the economy at home and abroad will post gradual recovery this year out of prolonged low growth. However, uncertainties surrounding the global financial environment will likely continue given the growing household debt issue caused by interest rate increase, concerns over marginal borrowers, and flow in and out of global capital.

We will rise to challenges and secure differentiated competitive edge by putting together knowledge and taking systematic measures, thereby establishing a solid position as the leading financial group and promoting sustainable growth driven by innovation.

As we strive to overcome those challenges and turn crisis into opportunity, KB Financial Group will concentrate all our resources available on achieving the initiative of “establishing a solid position as the leading financial group and promoting sustainable growth driven by innovation” by realizing the following goals:

First, we will fortify the Group’s business portfolio and discover new growth engines.

We will further fortify business portfolio by strengthening the key competitiveness of subsidiaries and ensuring organic collaboration among business divisions. Furthermore, we promise to establish ourselves as the “First Mover” in digital finance by internalizing new technologies and securing competitive edges in the field of customer-friendly digitalization. For global business division, we will expand market presence in Southeast Asia through localized financial models. The “Bold Move” strategy toward advanced economies will be promoted depending on conditions.

Second, we will revamp all our services and processes in a customer-centric way.

We will expand customized products and services lineup by strengthening data analysis organizations and identifying customers’ needs more quickly and precisely. We also pledge to continue to innovate our businesses by accelerating “One-stop service” that combines business areas of subsidiaries, thus securing differentiated competitiveness recognized by customers.

Third, we will nurture “world-class” talents while establishing pioneering and creative corporate culture.

For the purpose of enhancing competence especially in the fields of wealth management, corporate investment banking, capital market, and human resources and cultivating expertise in future core digital finance businesses, we will continue to strengthen HR programs at the Group level by making use of newly opened “Group HRD Center.”

Furthermore, we will continue to nurture core talents with enterprising and creative spirit who can lead



the financial business by promoting human resources exchange between affiliates, thereby bringing dynamism to corporate culture.

Lastly, we promise to bring “results” through “fast execution.”

In a digital financial environment where survival is increasingly dependent upon how fast you move, the first and foremost principle should be the “swift decision and execution.” The diverse types of “Agile” organizations which are being promoted will lead us to become a financial group where swift decision-making and powerful execution are ensured.

Fiercer competition is anticipated this year in an uncertain business environment. We will have to come to grips with the paradigm shift in the financial industry, in particular, the emergence of Internet-only banks and global non-finance ICT businesses. However, KB Financial Group will rise to those challenges and secure differentiated competitive edge by putting together knowledge and taking systematic measures, thereby establishing a solid position as the

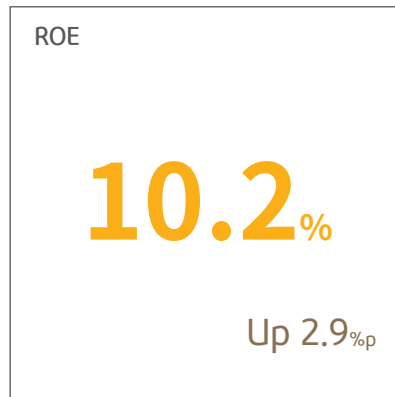
leading financial group and promoting sustainable growth driven by innovation.

We ask for your warm support and encouragement this year and wish shareholders and your families good health and all the very best. Thank you.

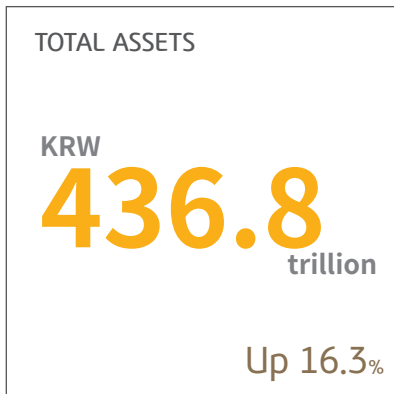
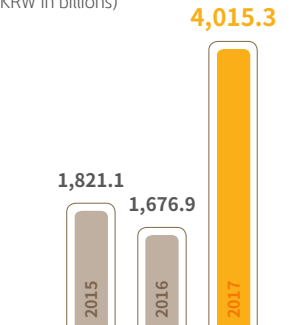
Jong Kyoo Yoon

Chairman and CEO
KB Financial Group Inc.

Financial Highlights



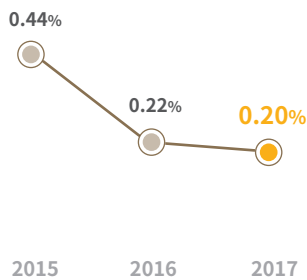
OPERATING PROFIT
(KRW in billions)



KEY FIGURES



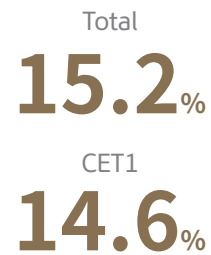
CREDIT COST RATIO



NET PROFIT



BIS RATIO



KB Financial Group achieved remarkable operating performances both in profitability and assets growth in 2017, thus most financial indices improved significantly.

Operating Profit Growth



139.4%

Increased operating profit by KRW 2,338.4 billion

Net Profit Growth



54.5%

Increased net profit from KRW 2,143.7 billion to KRW 3,311.4 billion

Cash Dividend Growth

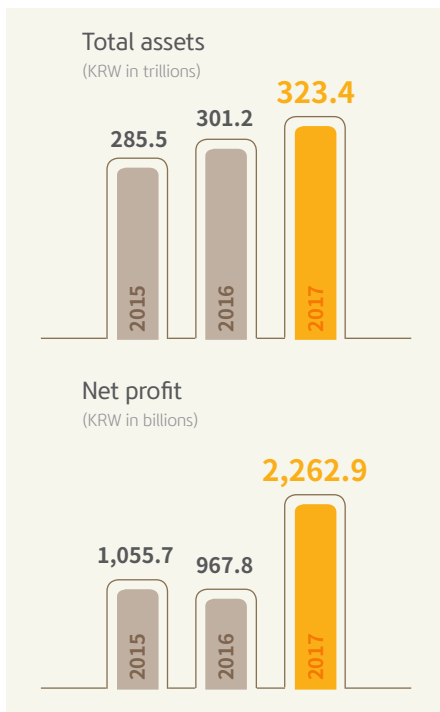


53.6%

Provided KRW 1,920 dividend per share, up KRW 670 from the previous year

*b KB Kookmin Bank

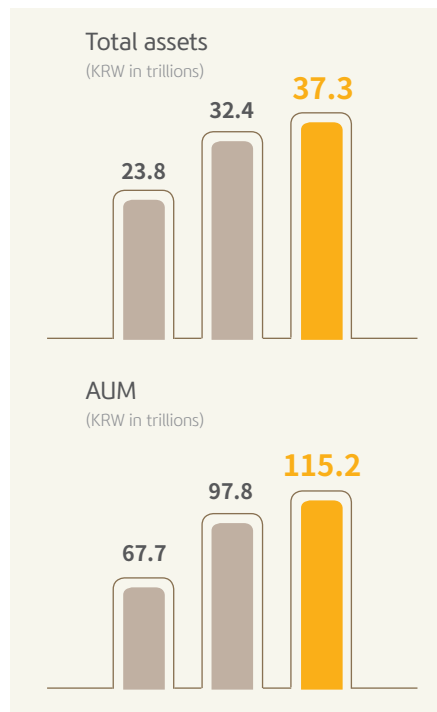
- Asset growth: 7.4%
- Net profit growth: 133.8%



- Officially launched Liiv TalkTalk, an interactive banking application, with enhanced security such as financial transaction through voice recognition and privacy protection
- Successfully issued USD 400 million five-year FRN Formosa Bond and USD 500 million 5.5-year fixed rate senior bond
- Transformed Hong Kong subsidiary into a branch and newly established an IB Unit; expanded the Asian business network by opening subsidiaries and branches in Myanmar and Cambodia
- Maximized synergy among subsidiaries by operating the CIB Partnership RM system, KB's unique cooperative marketing system for corporate banking

*b KB Securities

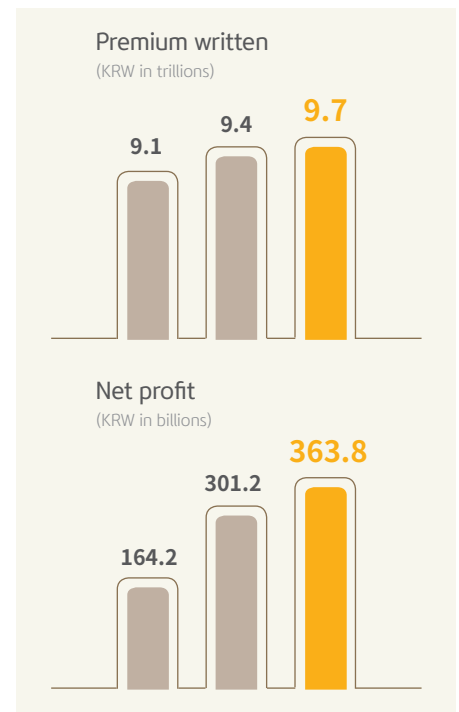
- Asset growth: 15.1%
- AUM growth: 17.8%



- Provided high-quality one-stop asset management service by establishing 26 bank-securities WM multi-service branches and joint sales models
- Generated income of KRW 33.2 billion from the recommendation of KB Kookmin Bank; supplied IB-linked derivatives of KRW 3.6 trillion to bank-securities WM sector; created synergy with non-banking subsidiaries exceeding annual target
- Established a growth base in Vietnam with growth potential by completing the acquisition of Maritime Securities in October 2017
- KB able Account, an integrated asset management platform launched in July, attracted more than KRW 200 billion in five months

*b KB Insurance

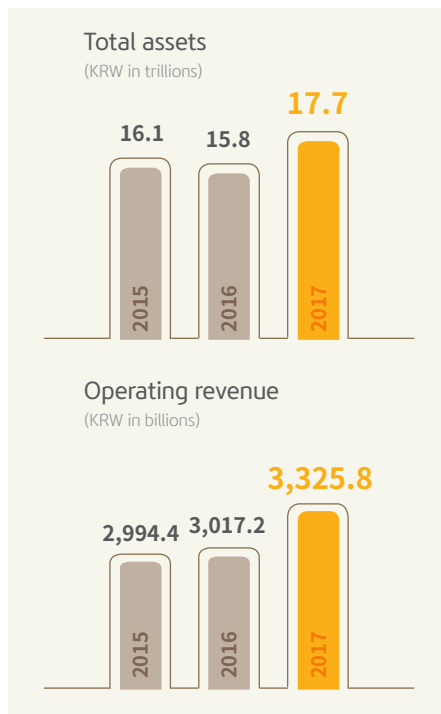
- Premium written growth: 3.2%
- Net profit growth: 20.8%



- Acquired the "A" credit rating (a notch up from A-) from A.M.Best, a U.S.-based global insurance assessment agency, in recognition of excellence in finance and management
- Grew 8.0% year-on-year in asset under management due to increased number of loyal customers driven by synergy creation through sharing and consolidation of Group-wide capabilities
- Focused on diversifying product portfolio and exploring new markets in response to paradigm shifts such as the 4th Industrial Revolution and big data
- Improved customer convenience by adopting the industry-first OCR technology that automatically recognizes accident reports sent via mobile devices

*b KB Kookmin Card

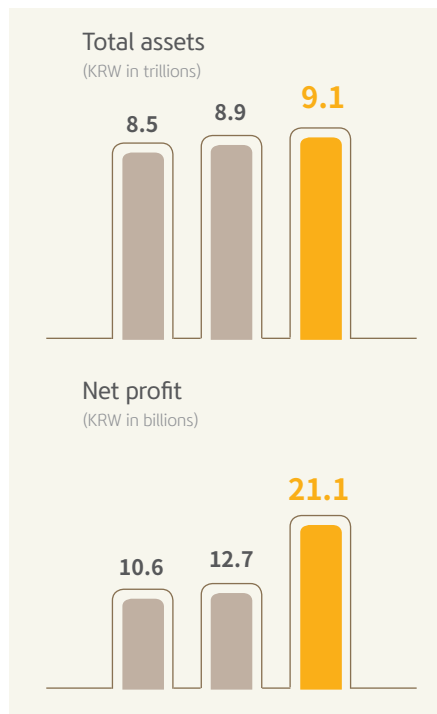
- Asset growth: 12.0%
- Operating revenue growth: 10.0%



- Acquired the "A- (stable)" credit rating, the highest level in the domestic credit finance industry, from Fitch Ratings
- Acquired "Level 1" of "PCI DSS," a global credit card data security certification, and developed the FDS based on AI technology
- Launched "Future 9," a program aimed at developing and nurturing startups in 9 fields of life innovation
- Strengthened customer convenience services by launching an integrated mobile app, easy payment/healthcare card, etc

*b KB Life Insurance

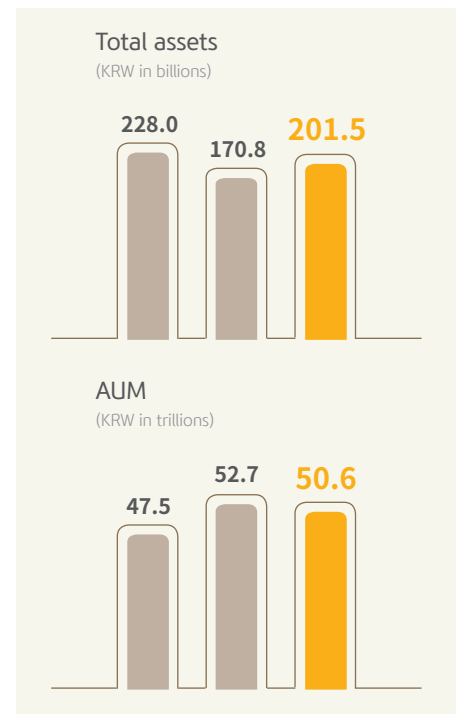
- Asset growth: 2.7%
- Net profit growth: 66.1%



- Expanded the proportion of protection insurance to 60% on the back of value-intensive growth and enhanced customer trust by focusing on field-oriented business
- Upgraded asset management and accounting systems to respond to new regulations such as IFRS9, IFRS17, and K-ICS
- Established organizations dedicated to digital innovation and exploring new business models to meet paradigm shifts in the industry driven by ICT technology progress

*b KB Asset Management

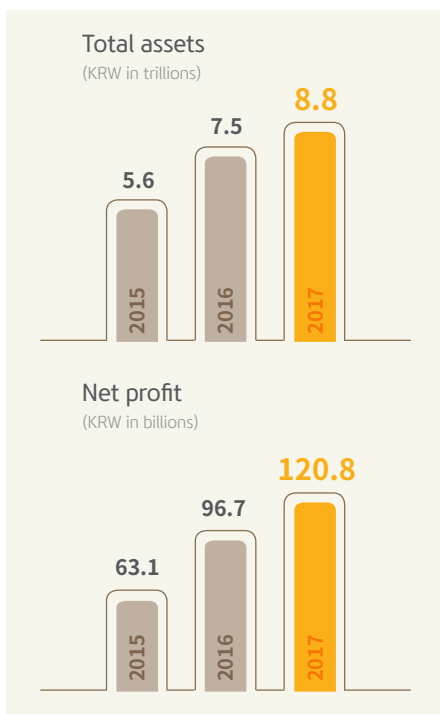
- Asset growth: 18.0%
- AUM: KRW 50.6 trillion



- Selected as a company to manage KRW 400 billion worth of domestic shares of the National Pension Fund on the back of excellence in stock fund management
- Expanded the volume of overseas stock fund assets through diversifying overseas investment portfolio and strengthened Chinese fund management capacity
- Listed 24 new ETF products, the largest scale in the industry in 2017, and launched 33 new overseas investment products to enhance the lineup
- Launched Robo-Advisor service and completed the construction of IT infrastructure

*b KB Capital

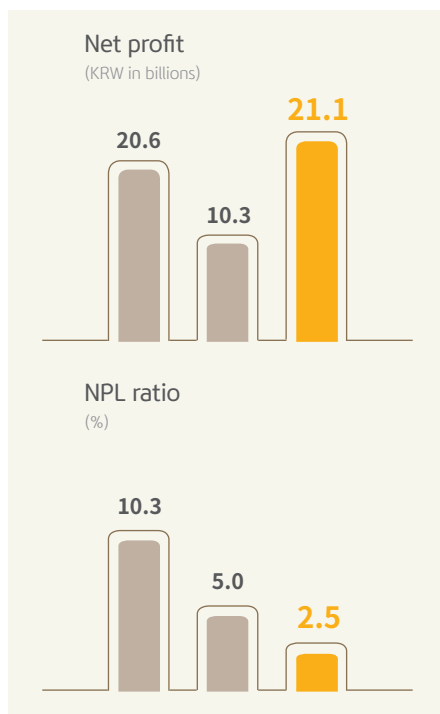
- Asset growth: 17.3%
- Net profit growth: 24.9%



- Laid the foundation for emerging as No.1 in the industry by becoming a fully privatized subsidiary of KB Financial Group in July
- Strengthened market dominance in auto financing by expanding contracts with domestic and overseas automobile companies
- First formed a partnership with the U.S.-based electric car maker Tesla in the industry
- Differentiated digital finance capability by reinforcing O2O Biz platform and upgrading the big data based used car price model
- Established a business base in Laos and promoted to enter new markets including Indonesia

*b KB Savings Bank

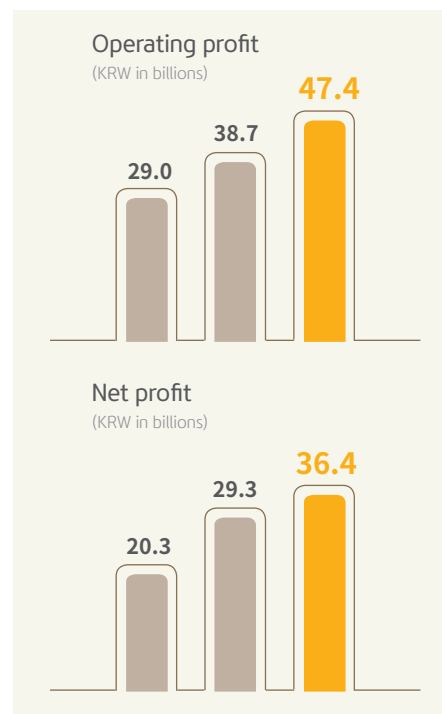
- Net profit growth: 104.9%
- NPL ratio: 2.5%



- Provided financial services comparable to internet-only banks by expanding mobile apps and web services and enhancing non-face-to-face channel sales
- Saw 49% increase YoY in affiliates-linked loans on the back of synergies with KB Financial Group subsidiaries
- Rose by 51% YoY in three kinds of loans for low credit customers such as KB Kind Loans, Saitdol 2, and Sunshine Loans
- First implemented the FinTech-applied easy-to-use authentication service in the industry

*b KB Real Estate Trust

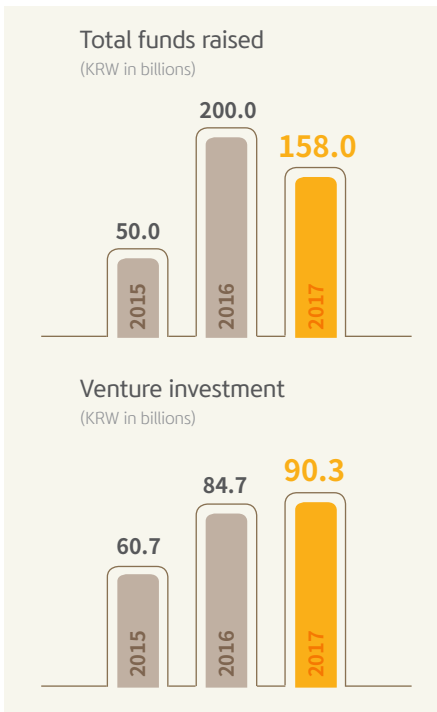
- Operating profit growth: 22.4%
- Net profit growth: 24.4%



- Increased 22% YoY in commission income thanks to aggressive sales activities despite sluggish real estate market
- Created synergies with affiliates, such as conclusion of trust agreements on developing idle real estate of KB Kookmin Bank
- Signed new MOUs for the reconstruction of Gongjak Apartment and Daekyo Apartment in Yeouido
- Advanced the risk management system and established a preemptive crisis response process

*b KB Investment

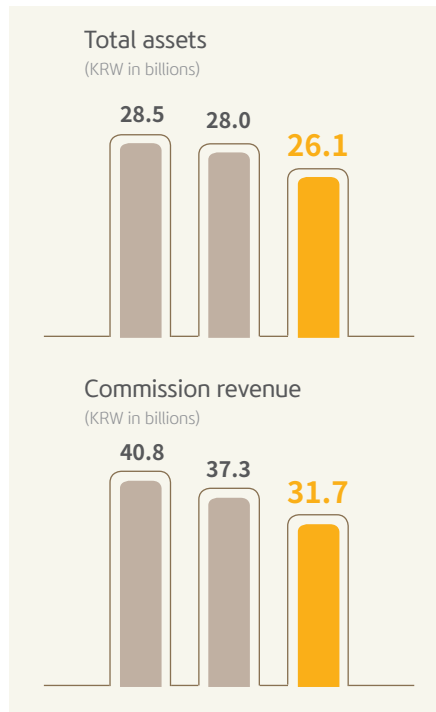
- Total funds raised: KRW 158.0 billion
- Venture investment growth: 6.6%



- Achieved the largest volume of investment in venture firms worth KRW 90.3 billion and expanded the number of LPs to 26
- Raised and invested KRW 63 billion through collaboration with KB Securities and KB Asset Management
- Invested in venture companies, cultural industries, and ICT companies by raising a specialized venture fund
- Invested KRW 4.8 billion in 8 FinTech startups through a government investment matching program

*b KB Credit Information

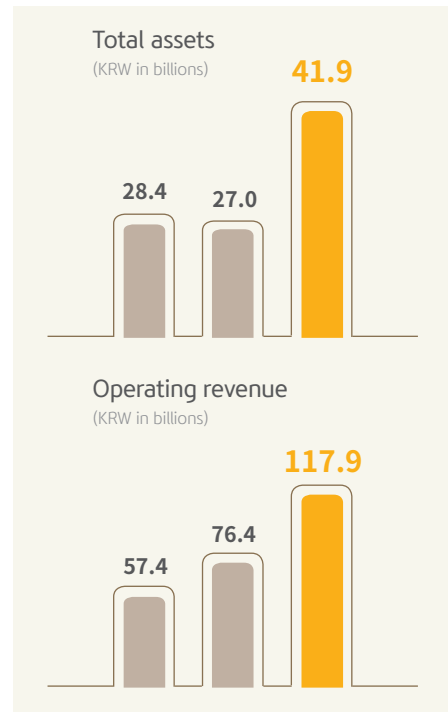
- Asset growth: -6.8%
- Commission revenue: -15.0%



- Increased its role in the Group by receiving KRW 16 billion overdue debts from KB Savings Bank and implementing joint promotions with KB Kookmin Bank and KB Kookmin Card
- Strengthened efficiency and competitiveness in debt collection by recruiting professionals and reinforcing debt-specific management systems
- Recorded sales of KRW 7.6 billion and promoted the entrance into various derived projects in the lease investigation business

*b KB Data Systems

- Asset growth: 55.2%
- Operating revenue growth: 54.3%



- Developed the next-generation system of KB Capital and supported preparation for the next-generation system of KB Kookmin Bank and KB Kookmin Card
- Implemented researches on new technologies in preparation for the 4th Industrial Revolution and supported digital strategies of the Group
- Promoted work optimization and recruitment of professionals to maximize the efficiency of the Group's IT system; reorganized manpower structure for balanced IT services

Vision & Strategy

Phased Strategic Goals of KB Financial Group

KB Financial Group has established phased strategic goals for the next three years in order to shape itself as a robust leading financial group and continue innovative growth.

- Innovating business models to solidify its status as a leading financial group in 2018
- Raising our status to the leading financial group that spearheads financial innovation in 2019
- Laying the foundation to become a financial group leading the Asian financial market in 2020

We aim to become one of Asia's top 20 financial groups in terms of market capitalization in 2020 by achieving the phased strategic goals.

To this end, the Group will channel all of its resources into implementing the following four mid to long-term strategic directions, thereby creating new opportunities and a better future.

First, we will solidify our business portfolio and develop new growth engines.

We will devote ourselves to enhancing fundamental competitiveness of subsidiaries and pursuing organic collaboration among business divisions to ensure robust business portfolio at the Group level. We are also committed to growing into the "First Mover" in the digital finance field by internalizing new technologies and securing customer-friendly digitalization competitiveness. The global business division plans to expand its position in the Southeast Asian market by promoting localized financial models, while taking a "Bold Move" strategy to develop markets in advanced economies.

Second, we will put customers at the center of all the services and processes.

We will continue not only to provide products and services meeting customer needs but to advance the one-stop service that combines different businesses of subsidiaries, thus becoming a financial group recognized for differentiated competitiveness by customers.

Third, we will cultivate "World Class" talents and establish a culture of challenging spirit and creativity.

By sophisticating HR development programs and expanding personal interchange among subsidiaries, we will continue to nurture promising and creative core talents who can lead the financial industry and establish a dynamic corporate culture.

Finally, we will create tangible results through swift execution.

Transformation into an agile organization system will be promoted to make the Group strong on execution. We will emphasize field-centric

business operation and establish a squad-based decision-making system, thereby transforming ourselves into an action-oriented KB with a prompt decision-making process.

Major Activities and Achievements in 2017

Reinforcement of Global Competitiveness through M&A

In 2017, diverse types of financial companies in Singapore, Vietnam, and Myanmar joined KB Financial Group through M&As by subsidiaries, through which we have discovered new business areas and secured hubs for the expansion of global investment capability. These efforts and results will help us seek future growth engines in the world beyond the domestic market which have reached a plateau.

KB Financial Group plans to expand its global business to improve business portfolio, while diversifying its revenue sources through aggressive M&A in the non-banking sector.

Stronger Group Business Portfolio

Launched in January 2017, KB Securities has become a core subsidiary of the Group by securing competitiveness in each business sector and stably generating profits in early stage. The Group also succeeded in fully privatizing non-banking subsidiaries engaging in non-life insurance and capital, thereby securing stronger return on investment and revenue base.

Establishment of a Dynamic Organization System

Our data analysis organization was expanded to boost supports for customer-oriented products and services through systematic data asset establishment and active data analysis. We also launched the Capital Market Division to nurture the capital market business as a major profit center by reinforcing competitiveness and collaboration among subsidiaries. New departments were added as well with the aim of further fulfilling corporate social responsibility, realizing a dynamic corporate culture, and upgrading Group-level talent training.

Management Strategies to Achieve the Goals for 2018

Response to Changes in Business Environment

Although the global economy is expected to recover gradually in 2018, uncertainties remain in the financial market due to critical issues in terms of household debt, insolvency of marginal borrowers, and global capital movements caused by a rise of interest rate. The emergence of internet-only banks and offensive global ICT players bring about a paradigm shift in the financial market. In response to these changes, the Group will implement the following four strategies (RACE 2018).

Reinforcement: solidifying Group business portfolio and developing new growth engines

KB Financial Group will sharpen the core competitiveness of subsidiaries and reinforce collaborative systems among their businesses, while building a KB-focused financial ecosystem through internalization of new technologies and collaboration with FinTech and startup companies. We also plan to expand our global base centered on Asian markets.

Agile: becoming KB that bears fruits through swift execution

We will take "swift judgment and action" as the first decision-making principle. We will also make execution-oriented KB with fast decision-making process by operating diverse types of agile organization units.

Customer-centric: innovating all services and processes for customers

The core of "One Firm, One KB" is to provide customer-oriented services. In that sense, the Group is going to identify customer needs on a timely basis and continue to expand customized products and services. We will also strive to secure distinctive competitiveness recognized by customers by making one-stop service that combines businesses of subsidiaries a routine.

Excellence & Efficiency: cultivating world class talents and establishing a culture of challenging spirit and creativity

We will nurture progressive and creative core talents through enhancing training programs at the Group level, while maximizing organizational efficiency by building a corporate culture of challenging spirit and creativity.

Group Senior Management (As of March 31, 2018)

■ Jong Kyoo Yoon

- Chairman & CEO

■ Kyung Eun Yoon

- Deputy President
- Head of Capital Market Business Unit

■ Ki Heon Kim

- Deputy President
- Chief Information Technology Officer

■ Jeong Rim Park

- Deputy President
- Group Executive, Wealth Management

■ Ki Hwan Kim

- Senior Managing Director
- Chief Finance Officer

■ Young Tae Park

- Senior Managing Director
- Chief Data Officer

■ Pil Kyu Im

- Senior Managing Director
- Chief Compliance Officer

■ Kyung Yup Cho

- Senior Managing Director
- Head of KB Research

■ Bo Youl Oh

- Senior Managing Director
- Group Executive, Corporate & Investment Banking

■ Young Hyuk Cho

- Senior Managing Director
- Internal Audit

■ Chang Kwon Lee

- Managing Director
- Chief Strategy Officer

■ Hyun Jin Shin

- Managing Director
- Chief Risk Management Officer

■ Dong Whan Han

- Managing Director
- Chief Digital Innovation Officer

■ Nam Hoon Cho

- Managing Director
- Chief Global Strategy Officer

■ Soon Bum Kwon

- Managing Director
- Chief Human Resources Officer

■ Chai Hyun Sung

- Managing Director
- Chief Public Relation Officer

Corporate Governance

The Board of Directors (BOD), as the supreme decision-making body at KB Financial Group, deliberates and votes on major management items of the holding company and its subsidiaries. As of the end of 2017, non-executive directors held a majority of the BOD (7 non-executive directors, 1 executive director, and 1 non-standing director), ensuring faithful check function on the management.

The Chairman and CEO of KB Financial Group is appointed at the general meeting of shareholders in accordance with the Articles of Incorporation. Candidates are selected and screened through fair and strict processes by the Corporate Governance Committee consisting solely of non-executive directors in advance.

The BOD has defined “shareholder representative, professionalism, and diversity” as core principles in appointing non-executive directors. To this end, the BOD maintains a pool of candidates with expertise in financial business, accounting, finance, law and regulation, risk management, HR, IT, and consumer protection. We operate a system to give shareholders chances to recommend candidates for the first time in the industry to strengthen communication with them. Moreover, headhunting firms are employed when searching candidates and an advisory panel participates in screening candidates. The Non-Executive Director Nominating Committee recommends candidates to the general meeting of shareholders after evaluating their qualifications in accordance with pre-defined criteria and procedures. The BOD Chairman is appointed among non-executive directors and responsible for presiding over meetings and invigorating the BOD.

Transparent and trustworthy operation of the BOD

Subcommittees under the BOD consist of directors with expertise in each relevant area perform their duties delegated by the BOD which are stipulated in the laws and the Articles of Incorporation.

Audit Committee

The Audit Committee audits the assets and business areas of the holding company and its subsidiaries. It also inspects the performance of directors by deliberating and voting on attendant matters of such audits.

Risk Management Committee

The Risk Management Committee is the top decision-making body dedicated to establishing risk management strategies and policies that can identify, measure, inspect, and control risks associated with all business operations of the Group and its subsidiaries.

Evaluation & Compensation Committee

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

Non-Executive Director Nominating Committee

The committee manages the pool of non-executive director candidates on a regular basis and recommends candidates to the general meeting of shareholders.

Audit Committee Members Nominating Committee

The committee nominates auditor candidates to be appointed at the general meeting of shareholders.

Corporate Governance Committee

The committee is authorized and responsible for establishing and revising plans for the succession of the Chairman and CEO of the Group and the CEOs of subsidiaries.

Major Activities in 2017

In 2017, the BOD held 15 meetings in which 39 resolutions were passed and 31 reporting items were deliberated.

Particularly, in April, the BOD resolved to acquire shares for full privatization of KB Insurance and KB Capital, contributing to maximizing synergy and improving competitiveness.

In September and October, the resolution on recommending and appointing candidates for the Chairman and CEO was made in accordance with the Act on Corporate Governance of Financial Companies, which ensured transparent and stable succession to business control.

At the regular quarterly meetings, the BOD received reports on operating performances and discussed pending management issues. At the ad-hoc meeting in December, the Group’s mid to long-term management strategies and budget plans for 2018 were finalized.

Plans for 2018

KB Financial Group is committed to establishing stable corporate governance and laying the groundwork for substantial management for sustainable growth, corporate value enhancement, and protection of stakeholders’ interest. In 2018, we will do our utmost to further increase the values of the Group and shareholders by ensuring reasonable and transparent decision-making processes.

Board of Directors (As of March 31, 2018)

■ Suk Ryul Yoo

- Chairman, Board of Directors, KB Financial Group
- Chairman, CEO Nominating Committee
- Evaluation and Compensation Committee
- Non-Executive Director Nominating Committee
- Subsidiaries' CEO Director Nominating Committee
- 1998-2000 President & CEO, Samsung Capital
- 2000-2001 President & CEO, Samsung Securities
- 2001-2003 President & CEO, Samsung Life Insurance
- 2003-2009 President & CEO, Samsung Card
- 2006-2007 Chairman, Credit Finance Association
- 2009-2010 President & CEO, Samsung Total
- 2011-2013 Visiting Professor, College of Engineering, Seoul National University
- 2015-2017 Senior Advisor, Samsung Electronics

■ Stuart B. Solomon

- Risk Management Committee
- Evaluation and Compensation Committee
- CEO Nominating Committee
- 1998-2000 Executive Managing Director, MetLife Life Insurance
- 2000-2001 Executive Vice President and Representative, Director, MetLife Life Insurance
- 2001-2009 Representative Director, MetLife Life Insurance
- 2009-2011 Chairman, MetLife Life Insurance

■ Suk Ho Sonu

- Chairman, Risk Management Committee
- Audit Committee
- Non-Executive Director Nominating Committee
- CEO Nominating Committee
- 2007-2007 President, Korea Finance Association
- 2009-2010 President, Korea Money and Finance Association
- 2011-2013 Dean, Hongik Graduate School of Business Administration
- 2017-present Visiting professor, Finance at Business School of Seoul National University

■ Myung Hee Choi

- Chairman, Evaluation and Compensation Committee
- Risk Management Committee
- CEO Nominating Committee
- Subsidiaries' CEO Nominating Committee
- 1974-1991 Senior Operation Officer, Citibank, Seoul Br.
- 2003-2005 Director, Financial Supervisory Service
- 2005-2009 Auditor, Korea Exchange Bank
- 2011-present Vice President, Korea Internal Control Assessment Institute

■ Kou Whan Jeong

- Audit Committee
- Evaluation and Compensation Committee
- CEO Nominating 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 of Korea Medical Dispute Mediation and Arbitration Agency
- 2016-present Nambujeil Law and Notary Office Inc. President Attorney at Law

■ Jae Ha Park

- Chairman, Non-Executive Director Nominating Committee
- Audit Committee
- CEO Nominating Committee
- Subsidiaries' CEO Director Nominating Committee
- 1991-present Senior Research Fellow, Korea Institute of Finance
- 1999-2000 Senior Counselor to the Minister of Economy and Finance
- 2004-2007 Outside Director, Jeonbuk Bank
- 2007-2011 Outside Director, Shinhan Bank
- 2008-2009 Vice Chairman, Korea Money and Finance Association
- 2008-2010 Vice President, Korea Institute of Finance
- 2009-2010 Outside Director, Daewoo Securities
- 2011-2015 Deputy Dean, Asia Development Bank Institute

■ Jong Soo Han

- Chairman, Audit Committee
- Risk Management Committee
- Non-Executive Director Nominating Committee
- CEO Nominating Committee
- 2011-2013 Member, Korea Accounting Deliberating Council, Financial Services Commission
- 2013-2016 Member, Korea Accounting Standards Board
- 2006-present Professor, College of Business Administration, Ewha Womans University
- 2011-present Vice President, Korea Accounting Association
- 2015-present Member, IFRS Interpretations Committee

■ Jong Kyoo Yoon

- Chairman & CEO, KB Financial Group
- Subsidiaries' CEO Director Nominating Committee
- 2002-2004 Senior Executive Vice President of Finance & Strategic Planning Division, Kookmin Bank
- 2004 Senior Executive Vice President & Head of Retail Banking Group, Kookmin Bank
- 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

- Subsidiaries' CEO Director Nominating Committee
- 2013-2014 Managing Director, Credit Analysis Division, Kookmin Bank
- 2015 Chief Financial Officer of the Strategy and Finance Planning Group, Kookmin Bank
- 2016 Senior Executive Vice President of the Sales Group, Kookmin Bank
- 2017-present President & CEO, Kookmin Bank

Synergy Creation

Closer to Customers with KB's Unique Customer Loyalty Services

The KB Star Club system was upgraded for the first time since its implementation in February 2010. Through the upgrading process, it raised points for life-friendly financial transactions (salary transfer, main transfer, etc.), which are counted for selection of excellent customers, ensuring that loyal customers can receive more benefits. What's more, Family Service for all Star Club customers, MVP Service for MVP customers, and Maestro Service for multi-deal MVP customers were created to provide KB's unique differentiated premium benefits to loyal customers.

In particular, Maestro Service is a new service provided to customers who are selected as MVP Stars by two or more subsidiaries in banking, securities, non-life insurance, card, and life insurance. Optional services such as annual hotel memberships and gift certificates worth KRW 100,000 ~ KRW 5,000,000 are provided, depending on the number of MVP Stars by subsidiary.

Furthermore, it added new digital service routes such as Star Banking and KB Liiv Mate app to provide easy and convenient services to more customers. Customers may benefit from coupon and Star Club rating programs as well. For better customer convenience, coupons can be issued from the nearest branch or each subsidiary's website.

As a result of these efforts, KB Kookmin Bank topped the list in the National Customer Satisfaction Index (NCSI) survey for 11 consecutive years for the first time in the banking sector.

The number of KB Financial Group customers increased 562 thousand from the previous year to 33,630 thousand on the back of improving the loyal customer benefit system. The number of cross-transaction customers among subsidiaries increased 426 thousand to 9,516 thousand, greatly expanding its customer base.

Launch of Packaged Financial Products and Service Process Improvement

In order to reflect changes in the financial market environment and various needs of financial customers, KB Financial Group strived to intensify relationship with customers and enhance KB Financial Group's One-Firm image by providing packaged financial products and improving service processes.

Launch of Packaged Products

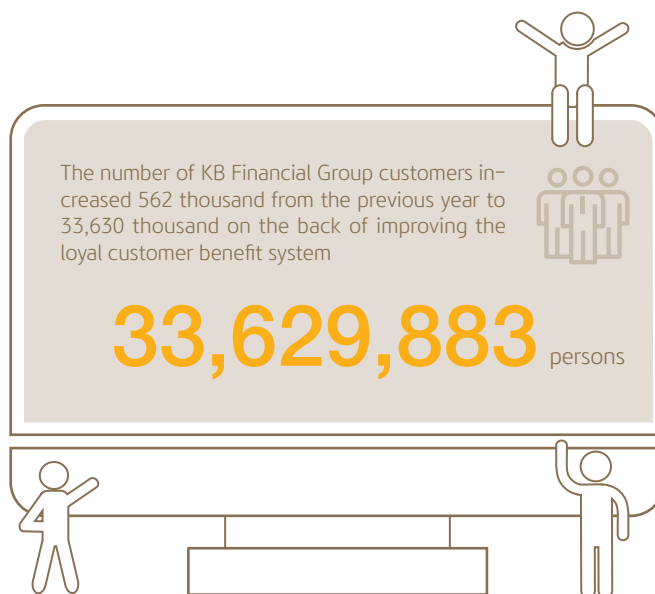
In March, we launched the "KB 1conomy Youth Package (savings/loans/card/insurance/fund/ELS)," which integrated the Group's product capabilities to offer customized financial solu-

tions to the rapidly growing number of single-person households. The "1conomy" is a new word coined by combining "one person" with "economy" to indicate single-person households who tend to enjoy life alone. This first-ever packaged product targeting single-person households has recorded about 150,000 new subscriptions by the end of December since its launch, receiving favorable response from customers.

KB Financial Group also launched the KB petconomy Package product in July for the rapidly increasing number of pet owners. The "petconomy" is a word that combined "pet" with "economy." The KB petconomy Package is a specialized financial product for 5.9 million pet owners, consisting of discount cards that can be used in the pet-related industry and companion animal injury insurance. The product attracted favorable feedback from pet-raising households.

Improvement of Subsidiary-linked Processes

In February 2017, KB Financial Group completed the "integrated subsidiary loan product inquiry and application process" that provides customers whose application for credit loans were denied with one-stop service to inform credit loan limit and interest rate of loan products from four major subsidiaries including KB Insurance and KB Capital and help them apply to appropriate loans. By the end of December 2017, it has contributed to receiving about 1,510 loan applications and lending KRW 24.8 billion.



In September, the Group greatly improved customer convenience by adding non-face-to-face services through Star Banking, a banking app, and unveiled "subsidiaries' one-click loan products" through Liiv Mate, the Group-wide easy-to-use banking platform. Through the platform, users are able to inquire interest rates and limits of the loans from KB Insurance, KB Kookmin Card, KB Capital, and KB Savings Bank at once and apply for the ones they prefer.

To further enhance customer satisfaction in financial services going forward, KB Financial Group will continue to provide group package products and improve processes in collaboration with subsidiaries.

Upgrade of the Integrated Service Channel

In order to build customer-centric business system, KB Financial Group established an integrated sales channel and endeavored to improve the profitability of retirement pensions by upgrading the outbound sales channel operation models for non-life/life insurance and standardizing and advancing the customer post-management system in 2017.

In the aspect of upgrading the outbound sales channel operation models for non-life/life insurance, the insurance planners are now allowed to expect more income than before as cross-selling among card and non-life/life insurance sectors is available. With this structured enabled, KB has successfully built its own ecosystem of providing one-stop outbound financial products to customers.

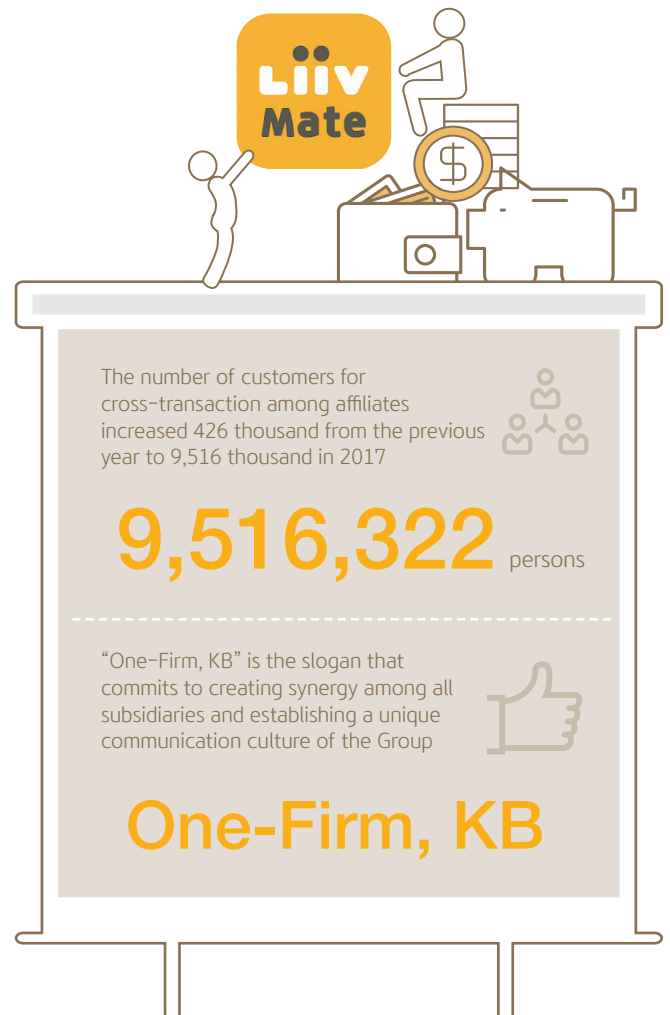
The standardization and advancement of post-management system for retirement pension customers made it possible to easily convert existing business system focused on DB-type pension program to DC and IRP based programs. It also helped improve the management of rate of return and asset rebalancing for customers. This effort enabled us to unify the management system of both personal and retirement pensions and increase the rate of return for customers, laying a foundation for reorganization of our business lineup.

Based on these achievements, KB will continue to expand the linked areas among subsidiaries' sales channels by embedding cross-selling models through outbound channels, enhancing cooperative systems for targeting institutional customers, and invigorating back-end support collaborations, thereby solidifying the culture of "One-Firm, KB."

Total Solution for Corporate Customers

KB Financial Group has enhanced its one-stop service capability to handle various needs of corporate customers through the Co-RM program, a collaborative system between subsidiaries targeting SMEs. Core products and services of KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, and KB Capital are suggested in an integrated manner through the Co-RM program. By doing so, a total solution for different financial needs in businesses such as funding, operation, and risk management is provided.

Moreover, with the aim of reinforcing competitiveness in corporate banking, we promote collaborative marketing campaigns targeting corporate customers of all subsidiaries at the Group level, while expanding integrated marketing activities in alliance with excellent corporate customers such as Engineering Guarantee Insurance (EGI).



Risk Management

Risk Management System and Type-specific Risk Management

KB Financial Group's risk management system focuses on efficiently supporting the mid to long-term strategies and management decision-making processes of the Group. To that end, it pursues enhancing risk transparency of the Group, preventing risk transfer among subsidiaries, and making preemptive responses to the rapidly-changing financial environment.

Risk Governance

The Risk Management Committee establishes risk management strategies, determines the bearable risk appetite, reviews the Group's risk management status, and approves whether to apply the risk management system, methodologies, and major improvements. The Risk Management Council consists of the Risk Management Officers from the holding company and its subsidiaries. The Council deliberates matters delegated by the Risk Management Committee and discusses the details of the risk management. Risk Management Department of the holding company monitors and manages Group risk status and internal capital limits by establishing risk management policies and operating relevant processes.

Credit Risk Management

KB Financial Group defines credit risks as the expected/unexpected losses arising from default of the counterparty or declining creditworthiness.

- **Credit Policy Direction:** With the management strategies set, KB Financial Group establishes the credit policy in consideration of economic outlook, business environment, asset soundness trends, and risk management capabilities, and then implements it in each business division such as households, businesses, and credit cards. The basic direction of the credit policy is to generate stable income and maximize the Group's value by maintaining asset soundness and minimizing mid to long-term credit cost volatility.
- **Credit Risk Measurement and Management:** The company operates a credit risk measurement system that adopted calculation standards of the Internal Ratings Based Approach. The bankruptcy of the borrowers, potential loss of exposure, remaining maturity, and correlation with the economy are reflected in the system to calculate the maximum amount of loss that can be incurred.
- **Total Exposure Limit Management:** The company operates the Total Exposure Limit Management System to prevent excessive credit risk exposure and concentration of assets in spe-

cific sectors and optimize credit portfolio through stable asset management. Risk Management Department in the holding company monitors and reports it to the Risk Management Committee on a periodical basis.

Market Risk Management

KB Financial Group defines market risk as the risk of loss from trading positions mainly due to fluctuating market drivers such as interest rates, exchange rates and stock prices. It recognizes, measures, monitors, controls, and reports market risks inherent in bonds, foreign currencies, stocks, and derivatives. Market Value at Risk (VaR) is a quantification index to measure the risk inherent in a trading account; VaR indicates the maximum amount of loss that can be incurred in a portfolio over a period of time at a certain level of confidence. The Group verifies the adequacy of the VaR model on a daily basis by comparing actual and virtual profit/loss with the VaR calculation results. In the case of assets or subsidiaries where Market VaR cannot be applied, we adopted the standard method of supervision at the group level to manage risk capital.

Interest Rate Risk Management

Interest rate risk is defined as the risk of a decrease in the net asset value or net interest income (NII) caused by adverse fluctuations in market interest rates. The goals of the interest rate risk management are to maximize net interest income within the acceptable risk range by managing assets and liabilities in a comprehensive manner and minimize the loss of net interest margin that can be caused by adverse interest rate fluctuations.

Liquidity Risk Management

Liquidity risk is defined as the risk arising from inconsistency in the maturity of funds and failure to respond to unexpected demand/supply of funds. It manages liquidity risks in a systemic manner in order to secure liquidity for operation of funds such as loans and bonds, while meeting the demand for cash outflows such as deposit withdrawals, maturity of issued financial bonds and repayment of borrowings.

Operational Risk Management

Operational risk is defined as any financial and non-financial risks that negatively affect the capital due to operating activities. The purpose of operational risk management is to meet regulatory objectives of the supervisory agency and to spread the risk management culture companywide through strengthened internal control and improved processes.

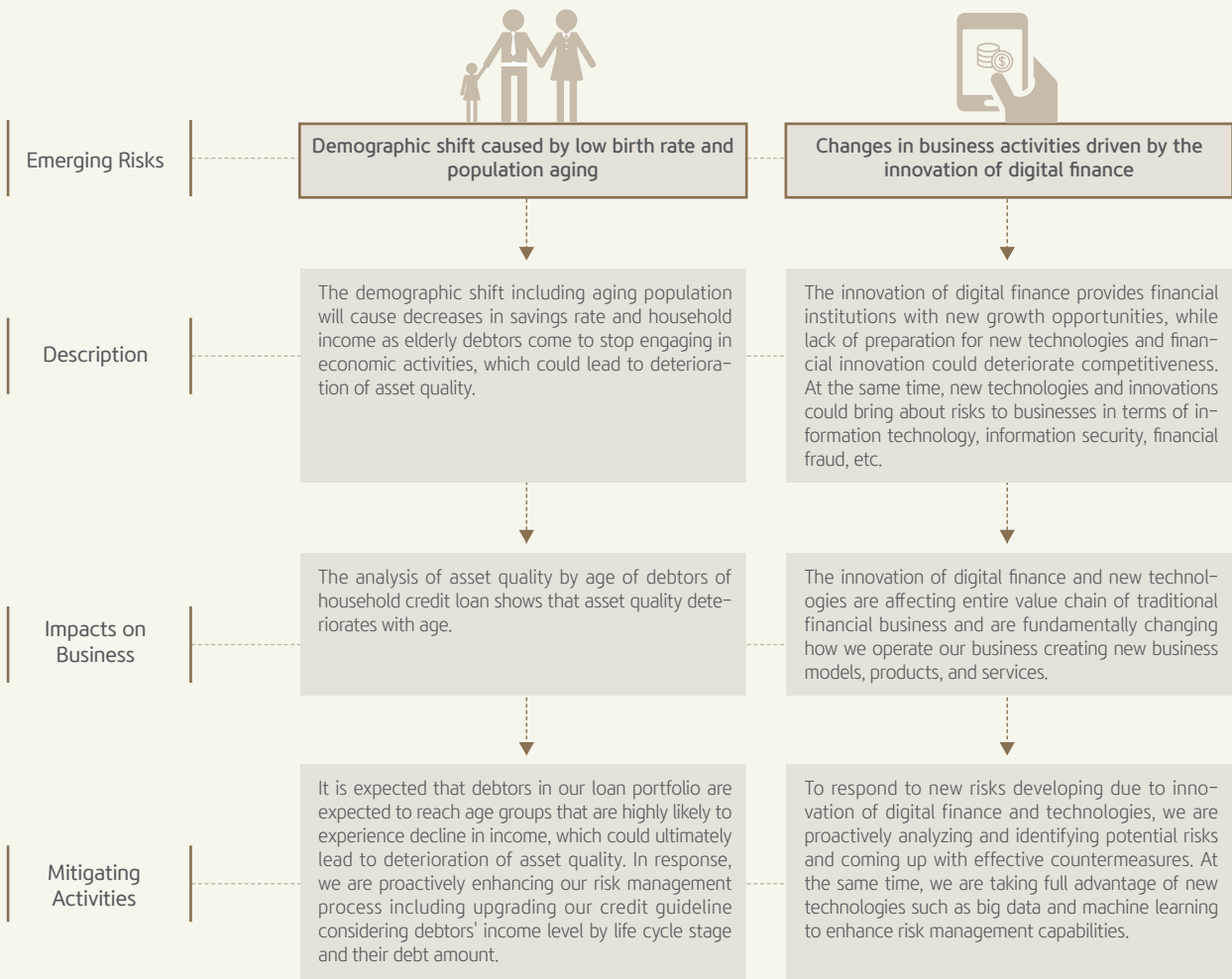
Internal Capital Management

Internal capital is the capital required to prevent economic insolvency due to unexpected losses under the target confidence level. KB Financial Group manages Group capital adequacy by measuring, allocating, and managing internal capital for each

subsidiary by risk types. The Risk Management Committee determines the risk appetite of the Group and allocates internal capital by type of risk and by subsidiary. Each subsidiary then operates businesses within the allocated capital.

Emerging Risk Management

We define emerging risks as risks that are newly developing due to economic, environmental, and social changes and that have significant impacts on our business activities in the long term. We are continuously monitoring emerging risks and come up with preemptive measures to mitigate the risks. We have identified “demographic shift caused by low birth rate and population aging” and “changes in business activities driven by innovation of digital finance” as major emerging risks facing us. Description of the risks, long-term impact on business and our mitigating actions are explained in more detail below.



Risk Management

Stress Testing

Crisis situation analysis is conducted to analyze the potential vulnerabilities of portfolios and establish countermeasures. For analysis, a scenario produced on the basis of the forecasted changes in economic conditions is used. KB Financial Group analyzes how rapidly-changing environment affects the Group and conducts a crisis situation analysis for the Group as a whole once a year. In such process, it takes into consideration business cycle and economic outlook to ensure preemptive response. The results of the analysis are reported to the management and Risk Management Committee, ensuring that they can be properly utilized when setting Group-level risk appetite/limits and making decisions.

Operating the Basel III Internal Ratings Based Approach for Group Credit Risk

Keeping up with the introduction of the Basel III capital regulations by the Financial Services Commission (FSC), KB Financial Group decided to build up human and physical infrastructure and proactively respond to changes in the regulatory environment. As a result, starting from December 2013, the Group's risk-weighted assets and capital adequacy ratio have been calculated in accordance with the Basel III criteria. Furthermore, KB Financial Group established a single-model management system of credit risk internal ratings based approach, which was approved by the Financial Supervisory Service (FSS), for the purpose of enhancing the risk management level of subsidiaries in the Group. It began to apply the management system from calculation of the Group BIS ratio at the end of 2016. Through operation of the Group credit risk internal ratings based approach, KB Financial Group has not only improved the Group's capital adequacy but also advanced its risk management systems, including Group risk management methods, system building, data management and control structure. With a risk management culture settled, the Group expects to further upgrade Group-wide risk management level, international creditworthiness, and management soundness.

Direction of Group Risk Management for 2018

As the US rate hike is expected to accelerate, the global financial market is likely to be increasingly volatile. Domestic risk factors such as household debt and changing real-estate market regulations are present as well. Considering that the potential risks inherent in the domestic and overseas economy can pose a threat to the soundness and profitability of financial institutions, risk management to minimize those risks is critical more than ever. Therefore, the company is set to strengthen monitoring and pre-risk management of its subsidiaries, especially those vulnerable to volatile market drivers such as interest rates, foreign exchange rates, and stock prices. By doing so, it will continue to secure the industry's highest level of asset soundness.

The company will further enhance its risk management skills through preemptive responses and monitoring of its subsidiaries developing overseas markets and launching new businesses.

Information Protection

KB Financial Group is making every effort to respond to the changing needs of customers who want a better protection of their information as digitization of finance accelerates. Major activities and achievements in 2017 are as follows:

- KB Financial Group set the information protection standards by referring to the internal/external regulations and Information Security Management System (ISMS) criteria for each area of information protection such as network, server, DB, application, terminal, encryption, external transmission, and public website. As a result, the Group is able to maintain the coherence of information protection control measures and policies, thereby improving the Group-wide level of information protection;
- By obtaining the ISO27001 certification, an international standard for information security management systems, KB Securities proved that it has a stable information security management system in compliance with the international standards;
- We established a system for joint responses to Group issues, including regulation of information protection, response to new technologies, and sharing customer information among subsidiaries, by activating councils including "Group Information Protection Council";
- In order to raise awareness of information security among employees, the company has increased its support for information security training and hosted a Group-wide Idea/UCC Contest to settle a culture of information protection;
- Meanwhile, in order to strengthen the security of partners, it held a Group joint seminar that covered a differentiated inspection plan according to the security levels of partners and included an external expert training course to enhance awareness of information protection;

KB Financial Group intends to further upgrade the IT security and compliance status of its subsidiaries' electronic financial transaction programs. In line with the changing IT environment, the Group plans to make a paradigm shift in the information protection management system by taking a data-centered perspective, departing from conventional system-centered perspective. What's more, the company will do its best to predict and prevent threat factors by supporting current active and diverse research activities in the Information Security Technology Lab, which began operating in 2017.

Digital Finance

Performances in 2017

Competition in the digital finance market has been getting fiercer due to the entrance of large ICT companies and emergence of Internet-only banks. To cope with this market change, KB Financial Group has intensified its industry-leading digital finance capability by developing customer life-friendly financial platforms, building infrastructure for technology innovation, and establishing an ecosystem for co-prosperity with FinTech companies. Furthermore, we have expanded customer-tailored services based on big data analysis and focused on nurturing data analysis professionals.

Development of Customer Life-friendly Platforms

We launched "Liiv TalkTalk," an interactive platform that connects the Group's platforms and business domains, and "Liiv ON," the first real estate trading platform in the domestic financial industry. In addition, our representative banking platform "Star Banking" became more customer-oriented by improving its UX/UI and the simple financial platform "Liiv" was upgraded.

"Liiv TalkTalk" enables financial transactions such as product inquiry, transfer, extension of loans by simply communicating with "TalkTalk," an artificial intelligence secretary, and provides a security-rich messenger service.

"Liiv ON" not only searches for houses in accordance with customer requirements but also provides a wide range of contents based on its know-how in real estate market such as newly-married couples' house, pre-sale news, and commercial supremacy information for small business owners, differentiating itself from other real estate platforms.

Our representative banking platform "Star Banking" provides an intuitive interface and emotional design. Its new services include "account view" where users can view the balance in their accounts without having to log in, and "fast transfer" that enables wire transfer within a matter of 5 seconds. The three core digital values -Simple, Easy, and Fast- are perfectly implemented in the service. Liiv, an easy-to-use financial platform, also offers a digitally-optimized banking environment by scaling down the signing-up procedure and advancing services.

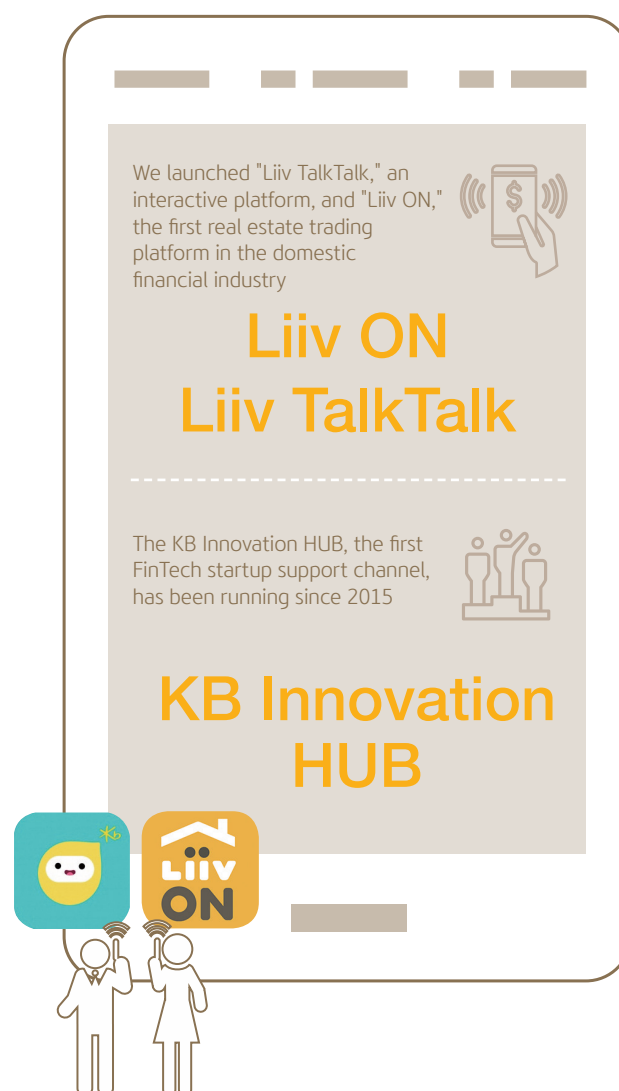
Infrastructure for Technology Innovation

We established the Group-wide joint open API platform to build an innovative technology infrastructure. Through the platform, 108 APIs developed by 7 subsidiaries are being used for different types of business. It has a registered patent on "P2P payment solution using mobile-phone sound wave" and a patent pending on "technology for separation of APP security module

using block chain technology" in an effort to secure its competitive edge over other FinTech solution companies.

Ecosystem for Co-prosperity with FinTech Companies

KB Financial Group has been establishing an ecosystem for co-prosperity with FinTech companies for the purpose of internalizing new technologies. As part of that, the KB Innovation HUB, the first FinTech startup support channel in the domestic financial industry, has been running since 2015. Through the KB Innovation Hub, we are focusing on securing leadership in the FinTech sector. Major activities include arranging business



Digital Finance

opportunities with our subsidiaries, offering working spaces, and conducting joint projects. In 2017, the KB Innovation HUB moved to Gangnam, where FinTech companies are concentrated, to attract more companies to the hub. Currently, new services such as voice authentication and chatbot where start-up's technologies and KB's expertise are combined are going to be materialized.

Customized Services Based on Big Data Analysis

In order to build an environment for targeted trend marketing and personalized marketing, we have formed a microsegment by analyzing customer information (basic and transaction information, asset status, consumption pattern, location, etc.). This enables us not only to improve the accuracy of marketing activities but also to detect changes in market trends that reflect financial needs of customers. Intuitiveness and usability of customer analysis were enhanced as well. Furthermore, it is possible to identify customer groups for diverse campaigns from the micro point of view that the headquarters and branch offices require, which will be applied to product development, discovery of niche customers, and recommendation of products & services tailored to each customer group.

We built a Hadoop-based big data platform for an integrated storage, processing, and analysis of structured & unstructured data from the customer point of view. The models for customer VOC text analysis and business application were also developed. A flexible analysis environment was built, and the analysis speed was improved by more than 10 times. We used this platform and models for evaluating the productivity of sales staff and analyzing the features of Liiv Mate users as well as developing and improving products including the AlphaOne Card.

To expand the base of data analysis staff within the Group and raise analysis competency, we prepared a competency-based segmented courses: Data Analysis COP 2 (beginner), Data Analysis Academy 2 (intermediate) and AI Intensive Course (advanced). In 2017, a total of 116 persons have completed the training courses. The Group continues to enhance the competence of analysis staff and secure more professionals.

Plans in 2018

KB Financial Group will make every effort to provide customers with a new digital financial environment by rapidly responding to technological advances in the era of the 4th Industrial Revolution and internalizing new technologies.

Continuously Upgrading the Financial Platforms

Liiv TalkTalk, a digitally optimized interactive financial platform, will be consistently upgraded to become a gateway platform that covers both a wide range of our financial services and various non-financial services of partner firms. We will also focus on the development of new technologies and incubation of FinTech companies to foster a digital finance ecosystem led by KB Financial Group.

Promoting Data Capitalization through Systematic Data Management

We will establish the Group-wide data governance system, continue to expand data assets by linking with external data, enhance data management efficiency, and secure high-quality data. By doing so, data assets will be distributed more efficiently to a variety of fields such as customer management, product development, and risk management. More sophisticated data will be used to better understand customers and provide product recommendations and services that are better suited to customer characteristics.

Managing the Group's Customers from One-firm Perspective

Forming a master segment of the Group customers and utilizing the personalization estimation model will be promoted to lay the groundwork for Group-wide customer relationship management, through which we will continue to expand customer insight, integrate personalized marketing strategies, and create synergy basis. We will also work on sharing the customer recognition criteria with subsidiaries and build a collaborative customer performance management system to reinforce CRM at the Group level centered on financial needs of customers beyond separated services by each subsidiary.

Securing Competitive Advantage through Advanced Analytics

In order to respond to the big data-based competition in the financial industry, KB Financial Group plans to continue to advance its analytical infrastructure and analytical capabilities needed for using the data-based new financial technologies. To that end, we will promote more systematic data analyst pool management, enhance collaboration for expanding analysis insight, and develop advanced analysis libraries using open sources. More efforts will be made to capitalize on new technologies at field works and develop new business models that feature our competitiveness.

Awards & Recognitions



*b KB Financial Group

- Grand Prize at the 2017 National Brand Award (Ministry of Trade, Industry and Energy)
- Included in the 2017 DJSI World (Dow Jones & Robeco SAM, 2nd in a row)
- Honors Award in the carbon management finance sector at the 2017 CDP Korea Awards (CDP Korea)
- Gold Award at the LACP 2015/16 Vision Awards (League of American Communications Professionals, 2nd in a row)
- Excellent company in the sustainability report sector at the 2017 Global Standard Management Awards (KMR, 6th in a row)
- Grand Prize in the web accessibility innovation sector at the 14th Web Award Korea (KIPFA)

*b KB Kookmin Bank

- Best Brand in the banking sector at the 2017 Korea Top Brand Award (Forbes Korea, 6th in a row)
- Korea's Best Trade Finance Bank at the Asian Banker Financial Markets Awards 2017 (THE ASIAN BANKER, 6th in a row)
- Korea's Best Custodian Bank at the same award (THE ASIAN BANKER, for 3rd in a row)
- No. 1 Brand in the banking sector at the 2016 National Brand Competitiveness Index (NBCI) (Korea Productivity Center, 14th in a row)
- Awarded in the banking sector of 2017 Korea Consumer Confidence Representative Brand Award (KBMA, 11th in a row)
- No. 1 in the banking sector of the National Customer Satisfaction Index (NCSI) (Korea Productivity Center, industry-first 11th top place)
- Excellent Financial Institution Award at the 2016 One-Company, One-School Financial Education Best Practice Award (FSS)
- President Prize at the 17th Korea Digital Innovation Award (Maekyung Media Group, Ministry of Science and ICT)
- CSR Innovation Award at the 2017 Korea Financial Innovation Award (Money Today, FSC)

*b KB Securities

- Grand Prize in the finance & securities sector at the 2017 Customer Satisfaction Management Award (Korea Economic Daily, 11th in a row)
- Awarded in the DCM sector at the 8th Korea IB Award (Korea Economic Daily)
- Excellent IB Award in the KONEX sector at the 2016 KOSDAQ & KONEX Market Excellent IB Award (Korea Exchange)
- Financial Product Service Award in the securities sector at the 2017 Korea Financial Innovation Award (Money Today)
- Best Award in the speed sector at the 7th Asia Mobile Trading System (Asian Economic Daily)
- Commendation by Head of FSC in the financial innovation sector at the 2nd Finance Day (FSC)
- Commendation by the Prime Minister at the 11th Anti-Money Laundering Day (KoFIU)
- Best Research Prize at the 2017 Asian Capital Investment Awards (Asian Economic Daily)

*b KB Insurance

- Grand Prize in the non-life insurance sector at the 2017 Korea Service Award (Korean Standards Association, 3rd in a row)
- Awarded in the 10th Korea Internet Communication Award (KICOA, 3rd in a row)
- Commendation by the Prime Minister at the 11th Anti-Money Laundering Day (FSC)
- Grand Prize in the non-life insurance sector at the 14th App Award Korea (KIPFA)

*b KB Kookmin Card

- Grand Prize in the finance and card sector at the 2017 Customer Satisfaction Management Award (Korea Economic Daily, 10th in a row)
- Best Brand Value Award in the check card sector at the 2017 Korea Brand Star Award (Brandstock, 3rd in a row)
- Grand Prize in the credit card sector at the 2017 Consumer's Most Trusted Brand Award (Digital Chosun Ilbo, 2nd in a row)
- No. 1 in the check card sector at the 2017 Korea Customer Satisfaction Index (KMAC)
- No. 1 in the check card sector at the 2017 Korea Highest Brand Index (KHBI) (Brandstock)

*b KB Life Insurance

- Best Call Center in the 2017 KSQI (KMAC, 12th in a row)
- Commendation by the Mayor of Seoul in the sponsoring group sector at the 2017 Seoul Social Welfare Conference in commemoration of the 18th Social Welfare Day (Seoul Metropolitan City)

*b KB Asset Management

- Gold Prize in the asset management sector at the 2017 Dasan Finance Award (Korea Economic Daily)
- Korea Exchange President's Award at the 2017 Herald Business Fund Award (Herald Business)
- Best Fund Prize in the domestic stocks sector at the 2017 Korea Fund Award (Money Today)

*b KB Savings Bank

- Grand Prize in the finance & savings bank sector at the 2017 Customer Satisfaction Management Award (Korea Economic Daily, 2nd in a row)
- Awarded in the savings bank sector at the 2017 Consumer's Most Trusted Brand (Digital Chosun Ilbo)
- Awarded in the savings bank sector at the 2017 Korea Luxury Brand Award (Korea Economic Daily, 2nd in a row)
- Awarded in the savings bank sector at the 2017 Korea Quality Satisfaction Award (Digital Chosun Ilbo)
- Awarded in the savings bank sector at the 2017 Korea Star Brand Award (Maeil Business)

*b KB Real Estate Trust

- REITs of the Year at the Korea Real Estate Finance Award (Seoul Economic Daily)

*b KB Data Systems

- Commendation for contribution to ICT Promotion & Development (Ministry of Science, ICT and Future Planning)
- Grand Prize at the 14th Korea DA Design Contest (Ministry of Science and ICT)



Social Contribution

KB Financial Group helps those in need and other vulnerable social groups in an effort to create a better future for all. We especially focus on continuing our support for the youth to help them make their dreams come true implementing social contribution projects related to multicultural communities.

KB Star Economy Class

Based on our accumulated know-how as a leading domestic financial group, KB Financial Group decided to conduct "Economic and Financial Training" as a hallmark social contribution project since 2012. We offered training in various forms such as visiting training, invited training, camping, and online education.

So far, more than 833,000 people benefited from the visiting training where professional teachers directly visit schools and local child care centers. Currently, there are a total of 14 educational programs in place targeting elementary, middle, and high school students. In an attempt to expand the base of economic and financial training, it provides educational video clips (89ea), quizzes (296ea), games (12ea), reading materials (125ea), and thought-provoking content (40ea), free of charge, to elementary/middle/high school students as well as citizens via its mobile web KB Star Economic Class (www.kbstarschool.or.kr). KB Financial Group aims to upgrade this service to KB Digital School by developing a differentiated set of digital content such as English Economy VR and Currency AR.

Support for Youth's Growth

KB Financial Group supports a wide range of educational and cultural activities for younger generations, who are responsible for our future, ensuring they can grow into decent, promising members of the society. For instance, KB Youth Music College was designed to give disadvantaged young people an opportunity to develop their musical talent, and KB Hope Camp gives practical help to the disabled youth by mapping out their specific career path and improving their sociality.

Support for Multicultural Communities and the Underprivileged

KB Financial Group also cares about multicultural families for their financial independence and underdeveloped countries in Asia. Some of its representative projects include economic and financial education for children from multicultural families and KB Rainbow Camp that provides opportunities for cultural experiences with KB employees. Furthermore, the Group offers the KB Dementia Prevention Class to help the elderly at risk of developing certain types of dementia to prevent or alleviate it. Through the program, the Group helps them lead happy and healthy later years.

KB Star Dream Volunteer Corps

KB Star Dream Volunteer Corps involving all employees of KB Financial Group is comprised of three small groups: "Theme Volunteer Corps" for activities in core business areas such as youth and multicultural; "Talent Dream Volunteer Corps" for pro bono service by employees; and "Speed Dream Volunteer Corps" to support relief aid in case of natural disaster such as typhoon and flood. In addition, all employees at KB Financial Group are engaged in a variety of activities to contribute to the local community throughout the year, including support for disadvantaged adolescents, elderly people living alone, people with disabilities, and environmental protection. The total number of community service hours in 2017 was 296,000, about 10.6 hours per employee.

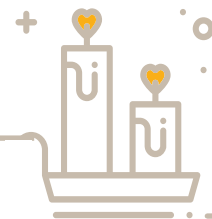
Subsidiaries' Social Contribution

KB Kookmin Bank

Kookmin Bank's mission for social contribution is to become a bank that creates future value for the youth and harmonizes with the local community. For systematic implementation of such strategies, the Bank set out four social contribution strategies: Provision of a Better Life Opportunity, Harmonizing with the Local Community, Social Spread of Sharing Culture, and Global Sharing Practice. Specific activities are as follows.

- KRW 5 billion worth of annual "KB Star Soaring Dream Project," which supports scholarships for low-income and multicultural families and promotes tailored education programs such as learning-mentoring and career design;
- "Sharing Love with Traditional Markets" to help traditional markets as well as neighbors in need by purchasing goods through traditional-market gift cards during Lunar New Year's and Chuseok holidays;
- "Hope Relay," a volunteer activity of meal-service and laundry-service vehicles in eight regions nationwide;
- "Support for Cambodian Children with Heart Disease" that invites Cambodian children with cardiac disease to give them a free surgery and a new life.

In addition, the bank also runs a donation program through its social contribution website at <https://withkb.kbstar.com>, where stories of neighbors in need are posted every month and anyone can make donations. In 2017 alone, a total of 36 stories were shared and 4,248 people joined the donation network.





What's more, Hope Star for the People, a matching grant program intended to promote voluntary community services, allows its employees to support receive one "hope star" per community service hour (one hope star = KRW 5,000) and to donate the star to the stories of the needy.

KB Securities

Under a slogan of Wholehearted, Warm KB Securities, KB Securities practices a range of activities with different themes such as organizational culture of sharing and participation, youth & multicultural, and community-friendly social contribution.

In particular, employees of KB Securities are taking the lead in the sharing efforts in everyday life through the "Hands-on" voluntary service program. They donate the items they made through the program, which consists of "making a diffuser with KB fragrance" for low-income single mother families, "making a filial piety carnation for the elderly living alone," and "making soaps for children and families in the poorest countries."

Rainbow Classroom is a project to provide a good learning environment for educationally-underprivileged youths. The scope of the project includes renovation of learning spaces, creation of library environment, and supply of books. This is to help the potential leaders of the next generation to grow into decent members of the society. Since 2009, a total of 12 Rainbow Classrooms were built: nine in Korea and two overseas until 2016, and its 12th classroom opened last year in Sillym Welfare Center, Seoul. What's more, since it selected "One Company One School" financial education program promoted by the Financial Supervisory Service (FSS) as a key project, it has made alliance with more than 100 schools, providing financial education to 9,000 students in elementary, middle and high schools.

KB Insurance

Under the vision of becoming "a company with hope of the people," KB Insurance implements continuous and systematic sharing-oriented management by combining "hope," which is also consistent with its brand value, with social contribution activities. The company desires to improve the welfare and quality of life of "children," as they are the hope of the future. To that end, it set out three main strategies such as "focused support for children (youth)," "promotion of community-based social contribution," and "organizing culture of sharing and participation." In compliance with the strategies, a variety of social contribution activities are being carried out, including operation of volunteer corps, improvement of residential environment for children and youth, sponsoring medical expenses for children with scoliosis, installation of a mental and physical comfort room for firefighters, and providing scholarships for children of bereaved families after traffic accidents.

In particular, the 198 volunteer groups consisting of employees and sales staff have continued to provide volunteer services in the community. In May and December of each year, a company-wide sharing campaign called "KB Hope Community Service Festival" is held. Furthermore, the company and employees jointly create a grant-matching KB Hope Sharing Fund to support disadvantaged neighbors. Thanks to such active participation of all the members of the company, it achieved about 17,000 hours of volunteer work in 2017.

KB Kookmin Card

KB Kookmin Card's social contributions involve three areas: youth, multicultural, and public interest. The company engages in such activities in an effort to fulfill corporate social responsibilities (CSR).

Youth

Over 9,000 elementary/middle/high school students benefit from economic and financial education services by KB Kookmin Card every year. Qualified instructors having expertise in the field visit schools to deliver the case-based lessons, helping students build financial knowledge and prudent financial habits. Since 2014, it has sponsored a total of 92 disabled youths, half of them for the arts education and another half for physical education, through a "Fine Arts & Physical Education Program for Children with Disability."

In 2015, we organized and began another voluntary service to send a backpack gift set consisting of a backpack, a supplementary pouch, school supplies, and a cheering letter to those of low-income families who are going to enter elementary school. So far, over 4,500 children of low-income families have received the backpack gift sets before starting a new day as a schoolchild.

Public Interest

"Share Thoughts and Add Love" is a charity campaign in which the company implements the ideas suggested by customers online. Through the campaign that began in 2015, experience of sharing has been shared and disseminated and ideas that can lead to constant change have been supported. It has also supported the selected sharing ideas in connection with social contribution activities of KB Kookmin Card employees. For example, 12 sharing projects were implemented in 2015, 8 projects in 2016, and 9 projects in 2017. In addition, it has donated 800 blood donor cards collected through "Employee Love-Sharing Blood Donation Event" to the Korea Childhood Leukemia Foundation (KCLF) since 2014.

KB Life Insurance

All employees of KB Life Insurance are the members of a volunteer corps participating in more than 10 hours of volunteer work per year. It set out the schedule for regular voluntary work, once or twice a month, and special voluntary work on a quarterly basis to encourage continuous participation on the part of its employees.

- Support for play activities of children in need
- Blood donation events and bread-sharing voluntary work in conjunction with the Korean Red Cross Society
- Regular voluntary service at Municipal House of Peace and Gaebyeong Flower Village
- Clean up Hangang Park, Noeul Park, and Saetgang Park

KB Asset Management

- Since 2016, volunteer activities have been conducted by each business division on the last Wednesday of each month, so called Community Service Day.
- Since 2006, it has continued to provide voluntary services for low-income, senior citizens, including support for food expenses and delivery of kimchi.

KB Capital

In an attempt to practice "warm" finance with its neighbors, KB Capital carries out its social contribution activities in three areas: youth, multicultural, and community-based service.

- Provision of school supplies, books, etc. for children in the Local Children's Centers
- Volunteer activities such as briquette donation to support the underprivileged and cleaning up streets
- Provision of daily necessities to support self-reliance of multicultural families and migrant workers

KB Savings Bank

- Regular sponsorship and weekly dish-washing and meal hand-out services at Home of St.Paul Hasang, a soup kitchen in Garak Market
- Clean up streets near branches 3 times a year and Dulle-gil Trail of Namhansanseong Fortress

KB Real Estate Trust

The company's Employee Volunteer Corps launched back in 2005 focuses on providing continuous and practical help in cooperation with local social welfare organizations and NGOs, beyond one-off contribution or donation in kind.

- Through the Youth Dream Project that began in 2008, it has donated books to youths at Dongmyung Child Welfare Center and Seoul SOS Support Center and assisted their learning.
- Periodical visits to the welfare center for people with intellectual and autistic disabilities to provide food distribution and donations
- Donation of blood donor cards to the Korea Pediatric Cancer Foundation

KB Investment

- Volunteer at events for the elderly in nursing homes such as Trip to Folk Village and taking pictures
- Voluntary work to donate briquettes to the underprivileged

KB Credit Information

- Voluntary work such as caring for the underprivileged, donating blood donor cards, environmental cleanup, and hands-on services by each branch

KB Data Systems

Through KDS Social Service Corps it established, KB Data Systems promotes a variety of social contribution projects, giving practical help in a more systemic manner to beneficiaries.

- Meal hand-out services, 2~3 times per month, at Senior Welfare Service Centers; rice-cake sharing events, twice a year; support the elderly with restricted mobility for daily outings, once a year
- Assistance for the work of the disabled at the Vocational Rehabilitation Center for the Disabled, once a month



Operation Review

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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 Kookmin Bank

Retail Banking

Expansion of Services to Improve Customer Value

KB Kookmin Bank expanded the non-financial service lineups of KB Star Club to further improve customer value. Those included KB Maestro Service, KB MVP Service, KB Concierge Service, KB Family Service, and notification of detailed benefits by customer class. In July, the bank designated the online financial center as an office dedicated to services for non-face-to-face channel customers.


The bank launched KB petconomy Installment Deposits, KB Everyday with Liiv Installment Deposits, and KB 1conomy Smart Installment Deposits to enhance non-face-to-face products and services. Particularly, KB 1conomy Smart Installment Deposits, attracted 100,000 accounts within seven months of launch. The bank also collaborated with TMON Inc. to expand customer benefits while launching foreigner-only KB foreign relax Installment Deposits. Other focuses were on improving customer convenience such as enhancing competitiveness of KB Magic Car Loan based on RPA, promoting KB-UNIONPAY Card Remittance by using FinTech, and fully redesigning product leaflets.

In 2018, KB Kookmin Bank plans to further reinforce customer-oriented management system in response to changes in business environment such as internet-only banks' progress and diversified customer needs. Major strategies are improvement of KB Star Club system, setup of customer management system by channel, discovery of loyal customers, expansion of frequency programs, and packaged product development for core target customers.

Supports to Enhance WM Business Competitiveness

The bank established 26 new WM multi-service branches focused on Gangnam region in 2017 to expand the Group's WM channel coverage, operating a total of 50 WM multi-service branches as of the end of 2017. The bank also developed an integrated asset inquiry system



between KB Kookmin Bank and KB Securities and launched the WM multi-service branches brand  GOLD&WISE.

Other efforts included the operation of Bank-Securities One-Team Joint Business Pilot system and introduction of cooperative process for corporate assets management.

KB Kookmin Bank endeavored to enhance WM capability based on Group-wide WM workforce cultivation and One-Firm training systems and the KB WM Star Advisory Group was launched to widen the coverage of WM consulting and advisory service.

Moreover, the bank launched 35 WM-targeted funds that suggest optimal investment themes to customers and reduce commissions and management fees upon the achievement of lower-than-targeted income, attaining KRW 728.3 billion in sales.

In 2018, KB Kookmin Bank plans to turn all PB centers into WM multi-service branches while seeking to redesign GOLD&WISE Lounge into PG-based multi-service branch in order to set up joint sales channels targeting the rich of banking and securities sectors. As part of that, 15 WM multi-service branches will be added. For corporate customers, the bank will create new synergy models by training corporate-specialized WM personnel and PIB partners and introducing PB center-specialized RM system.

Meanwhile, efforts for advancing digital asset management platforms will continue. For example, to provide customers with tailored asset management portfolio based on their transaction patterns and big data, the bank will launch robo-advisor service and sophisticated algorithm.

Moreover, the "KB WM Star Advisory Group" consisting of in-house professionals will operate to offer comprehensive consultations on wealth management, real estate investment at home and abroad, tax, and legal affairs, which will help the bank raise its top-tier competence in asset management and deliver differentiated field-oriented services.

Corporate Banking

Solid Growth Momentum in CIB Business

The domestic financial market failed to post a robust recovery in 2017 due to uncertainties from the U.S. interest rate rise and tumultuous political issues at home and abroad. Amid these circumstances, the CIB business group focused on diversifying business portfolio and securing growth momentum by pursuing qualitative growth in a flexible manner, strengthening fundamental competitiveness in channels for large companies, and improving profitability. The CIB Committee contributed to shaping up collaborating banking and securities sectors and the CIB Partnership RM system helped maximize synergy among affiliates. Moreover, the bank expanded its community coverage system by opening additional CIB centers in Gangbuk, Osan, and Gwangju, thus providing corporate customers with one-stop financial products and services.

In 2018, the CIB business group will continue to improve its portfolio for large companies and IB assets to secure higher capital adequacy as well as respond to market uncertainties. Also, the CIB business will be extended to cover the global market and all affiliates beyond the domestic market by utilizing the CIB matrix system launched in 2017 and global IB networks centered on the regional hub in Hong Kong.

SME Banking

The government's financial policy in 2017 focused on productive financing to induce the flow of capital biased towards loans for household and real estate to SMEs including innovative and venture firms. In a proactive response to the policy, KB Kookmin Bank made special donations aimed at promoting the 4th Industrial Revolution, job creation, and domestic demand boost as well as launched new products for promising start-ups. As a result, the bank attained the highest growth rate of 11.4% in loans to SMEs in the banking sector.

KB Kookmin Bank held the KB Good Job Fair to help address youth unemployment and carried out over 600 free consultation sessions at SOHO



Startup Support Center for start-ups and venture firms with difficulties in management.

Furthermore, a total of KRW 495.3 billion was supported to SMEs with excellent technologies and growth potential by signing agreements on financial assistance for new growth businesses to lead the 4th Industrial Revolution and job creation with Korea Credit Guarantee Fund and Korea Technology Finance Corporation. The bank also launched KB Startup Preference Credit Loan aimed at supporting startups with promising technologies despite unsatisfied financial performances and KB Preferred Credit Loan for Growth Business in Promising Field to help SMEs engaging in businesses with growth potential. These products feature supports based on evaluating their growth potential and technological power instead mortgage requirement.

In 2018, competition in loans to SMEs will be more intensive in line with the enforcement of new regulations. In response, KB Kookmin Bank will push ahead with the following tasks to innovate services for SMEs and promote shared growth with them.

- Pursue dramatic growth in SME banking by attracting outstanding SMEs and upgrading CRM system
- Provide more benefits to values to loyal customers to solidify the foundation for customer-oriented business
- Establish KB Good Job and Biz-Matching platforms to fulfill social responsibility for job creation and SME support
- Maximize customer convenience, business satisfaction, and work reduction by digitalizing corporate banking
- Realize the One-Team, One-Firm KB by focusing corporate banking on PGs and generating synergies with affiliates
- Enhance professionalism by cultivating experts in corporate banking and comprehensive consultation skills
- Advance CMS/TF, develop financial products covering the supply chain, and discover new growth engines

Global Operation

KB Kookmin Bank continued to expand its global network and pursue locally optimized growth strategies. Hong Kong subsidiary completed the conversion into branch office and the establishment of IB Unit to serve as a CIB business hub covering Asian markets. The bank also opened a local subsidiary in Myanmar and a branch office in Cambodia and promoted the improvement of global management infrastructure including HR and IT systems.

Plans for global operation in 2018 are as follows: laying the foundation for asset growth and profit creation by seeking CIB business opportunities in advanced countries, while ensuring competitive edge in digital banking, microfinance, and SME banking and then conducting M&A of local financial firms to phase in market presence in emerging markets.

Leadership in the Foreign Exchange Business

KB Kookmin Bank first launched the Mobile Foreign Currency Account Opening Service in the industry, which allows customers to open account without visiting branches. This service enables customers not only to deposit and withdraw foreign currency regardless of time and place but to use KB My Dealing Room and exchange rate pick trade, meeting needs of customers who want to invest in foreign assets.

The bank took the money transfer market for foreign labors in advance by embarking on the One Asia Money Transfer Service which enables money transfer to 126 banks of 18 Asian countries via some 10,000 ATMs all year round. Non-face-to-face FX system was also established by launching the KB-POST Foreign Currency Delivery Service where real foreign currency is delivered to designated location on desired date after FX request.

Furthermore, the bank started the Customs Law Counseling Service to provide consultation service on customs clearance process, customs refund, and FTA through alliances with licensed customs agents and the KB Paperless Trade Transfer



The Best Trade Finance Bank in South Korea

For 6 consecutive years by The Asian Banker



KRW

2,367.4
billion

Signed an agreement on project financing for the largest-ever PPP expressway construction project worth KRW 2,367.4 billion

Service to ensure convenient trade settlement, enhancing the foundation for trade finance.

KB Kookmin bank made the list of the “Best Trade Finance Bank in South Korea” by The Asian Banker for 6 consecutive years since 2012 for its excellence in FX service, product line-up, and trade finance capability.

Focuses in 2018 will be on building KB Trade Platform, offering world-class products and services, and advancing electronic trade solutions. The bank will endeavor to build more efficient customer-oriented process to carve out the image as a “fast, convenient, and economical” bank, expand customer network, and launch FX products and services meeting customer needs.

Tangible Results in Infrastructure Finance

KB Kookmin Bank signed an agreement on PPP (Public-Private Partnership) project finance for the construction of Western Inland Expressway (Pyeongtaek-Buyeo-Iksan) in December 2017. Building a 4~6 lane express road with a total length of 138.3km, the KRW 2.37 trillion project is the largest-ever private expressway construction which will set a new milestone in infrastructure finance.

Other achievements in infrastructure finance in 2017 included PPP projects for Icheon-Osan Expressway, Shin Pyeongtaek Power Plant, Busan-Gimhae Light Rail Transit, and Incheon bridge. These projects led KB Kookmin Bank to diversify project portfolio spanning expressway, railroad, and power generation, thus taking the lead in the infrastructure finance with differentiated experiences. Collaboration with affiliates in these projects contributed to creating more profits for the Group.

In 2018, the bank plans lead the domestic infrastructure finance market and develop overseas markets by successfully competing large projects including the Gangneung Coal-fired Power Plant, refinancing existing projects, underwriting large SOC and renewable energy projects, and entering overseas infrastructure projects.

Trust

KB Kookmin Bank enjoyed the biggest market share of 24.5% in the domestic money trust market. In 2017, the Trust Division was upgraded to the Trust Pension Group for better product development and marketing activities in response to market changes. Revenue from trust jumped 77.6% from last year's KRW 145.4 billion to KRW 258.3 billion.

The Trust Pension Group focused on revenue growth from the key product ELT and sales increase of ETF Trust.

A variety of products were also launched including Good Trust that puts rate of return first, Precious Descendant Trust, an affordable inheritance/gift product, General Public Interest Trust aimed at boosting micro-donation, Pet-economy Trust for pet animals, 1conomy Trust for single-person household, Robo-Advisor Trust designed with the latest financial engineering technology.

These efforts resulted in the Trust Pension Group winning the Best Product Development at 2017 Korea Best Banker Awards (Sedaily), Grand Prize for Private Pension Product at Korea Pension Awards (Money Today), The Best Trust and Pension Product Award in Korea (The Asian Banker).

In particular, it was a significant feat that the Group became the first Korean financial institution to receive an award by the prestigious Singapore-based financial journal The Asian Banker in the trust pension category.

Pension

As a leader in the retirement pension business, KB Kookmin Bank has pursued the principle of generating profit for customers by offering a variety of products which guarantee deposits and stable dividends. As of the end of 2017, the reserves stood at KRW 16 trillion, up by KRW 2.4 trillion from the previous year.

Excellence in this business were proved as follows: No. 1 in terms of DC type reserves for 11



consecutive years, No. 1 in private IRP reserves for eight consecutive years, No. 1 in the Retirement Pension Evaluation by the Ministry of Employment and Labor, and Grand Prize at the 2017 Korea Retirement Pension Award hosted by Maeil Business News Korea.

For personal pension, "My Pension" service for non-face-to-face pension asset management was introduced and an integrated pension report was published to offer differentiated services. Newly launched services for senior customers were "KB Golden Life Kakao Plus Friend" that allows senior customers to receive tailored information via Kakao Talk and industry-first healthcare mobile app "KB Golden Life Healthcare." The bank also introduced "KB Latte Pension Fund," a non-face-to-face channel-only pension fund aimed at preparation for golden age and "Pension Savings Fund for My Kid," a low-fee TDF (Target Date Fund) for parents with children aged under 18.

In 2018, the bank plans to expand product lineup, carry out preemptive marketing activities, establish an integrated management system, and revamp non-face-to-face channels in order to further sharpen competitiveness and offer differentiated services.

Major strategies for personal pension sector are carrying out target marketing with age-specific pension products and improving customer accessibility and strengthening customer management by invigorating non-face-to-face channels. Moreover, the bank will redefine "KB Golden Life" as a signature post-retirement pension brand and continue to develop new convergence products for senior customers.

Capital Market

Amid the intensifying geopolitical risks in 2017, KB Kookmin Bank promoted stably raising capital at low cost by capturing the right point of time, diversifying funding sources, and spreading the maturity of long-term bonds, thereby reducing repayment risks.

Issuance of USD 400 million Formosa Bond

KB Kookmin Bank issued USD 400 million of 5-year FRN Formosa Bonds in May 2017, marking the first time for a Korean commercial bank to issue dollar-denominated Formosa bonds in Taiwan.

A total of USD 1.1 billion was subscribed from 58 different institutions and USD 400 million worth of bonds were issued, an increase of USD 100 million compared with the scheduled amount. 56% of investors were from Taiwan, while 44% were from offshore.

Despite increased market fluctuations due to intensive geopolitical risks, KB Kookmin Bank successfully issued the bonds thanks to outstanding operating performances, stable credit ratings, and abundant liquidity in the Taiwanese market. This success triggered the issue of Formosa Bonds by other domestic banks, resulting in being selected as the Best Deal of 2017 in Taiwan by IFR Asia.

Issuance of USD 500 million Senior Bond

In September 2017, KB Kookmin Bank issued USD 500 million of 5.5-year maturity fixed rate senior bonds. Issuance rate was 2.979%, 115bp added to 5-year U.S. Treasury Bonds. The issuance was meaningful in that we succeeded in raising capital at the lowest possible rate in terms of absolute rate despite the rising geopolitical tensions over North Korea's 6th nuclear test (Sep. 3, 2017).

A total of USD 1.1 billion, 2.2 times larger than the issuance volume, was subscribed and investors were broken down to 71% in Asia, 18% in Europe, and 11% in the US.

Investments in securities will be controlled in 2018 depending on ALM (Asset-Liability Management) policy direction and market interest rate. The bank will expand the size of treasury bonds in response to the toughening evaluation on liquidity regulation and reduce duration as domestic rate will likely rise gradually. In details, the bank will increase AC accounts while easing the fluctuations in capital adjustment by controlling the weight of maturity buckets.



Best Deal

The Formosa Bond issued in May 2017 was selected as the Best Deal of the year in Taiwan by IFR Asia



Human-centric Digitalization

KB Kookmin Bank unveiled an interactive banking platform "Liiv TalkTalk" and bio-authentication services using iris, palm vein, and voice verification.

Smart Banking

In 2017, KB Kookmin Bank focused on improving IT governance, strengthening IT capability, and refining digital competence to secure top-tier IT technology and lead the era of convergence between finance and IT.

The bank faithfully carried out the improvement tasks identified by the IT capability evaluation of an external consulting agency ATKearny and gained deepened knowledge on AI, block chain, big data, cloud, and IoT through benchmarking global advanced financial IT projects.

Other efforts included process innovation at retail branches by applying digital forms and the launching of a real estate platform Liiv ON, a messenger platform Liiv Talk Talk, and HRD cloud system.

Proactive Response to Changes in Digital Finance

Amid increasingly competitive digital finance market due to the launch of internet-only banks, entrance of FinTech firms into financial business, and advent of new financial services, KB Kookmin Bank strived to realize the vision of "Human-centric Digitalization" in 2017.

As part of that, the bank unveiled an interactive banking platform "Liiv TalkTalk" and bio-authentication services using iris, palm vein, and voice verification. KB Star Banking was further improved to ensure user convenience by simplifying its menu structure.

In addition, the Smart Finance Expert Training course was initiated to cultivate experts in digital finance and the squad units featuring innovative thinking and horizontal culture were newly implemented to ensure swift work flow.

Launch of Interactive Banking Platform Liiv TalkTalk

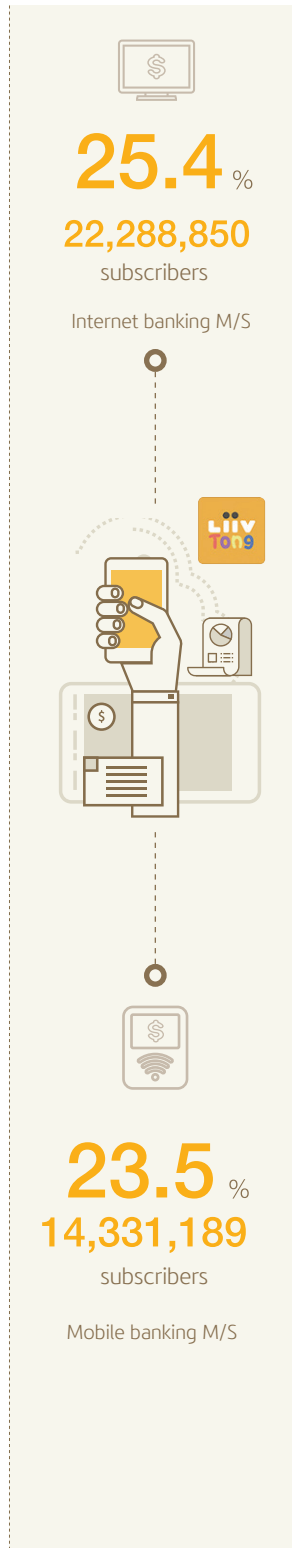
Liiv TalkTalk, an interactive app that supports banking via chatting on the messenger window and boasts excellent privacy protection, was officially launched in September 2017 after pilot service. Liiv TalkTalk became the first banking app to offer voice verification. Equipped with scheduler and in-house messenger, Liiv TalkTalk is expected to evolve into a leading interactive banking platform by being combined with advanced technologies for cloud, AI, and chatbot.

Upgrade of KB Star Banking Service

KB Kookmin Bank upgraded its mobile banking service to deliver customer-oriented emotional and intuitive services. Major features were as follows: ① Intuitive menu structure and UI for user convenience ② Quick money transfer without verification process; ③ Account View to check balance upon app's execution without having to log in; ④ Integrated Transfer combining 11 transfer menus; ⑤ Transaction information query within KB Financial Group based on the integrated Open API; and ⑥ Online mall consisting of representative products.

Differentiated Financial Services

The bank launched differentiated financial services. Those include Play Asset which helps customers easily manage their assets like comparing the rate of return with others by playing games; Korea's first IoT-based digital moneybox Liiv Tong where parents can save money and share everyday life with their kids through smartphone app; and voice recognition-based financial services that offer F/X information and recommend customized financial products through the AI speaker developed by SK Telecom, one of KB's partner companies.



Plans in 2018

The competition among banking businesses to secure customers is expected to be intense in 2018 due to the expansion of internet-only banks. In response, KB Kookmin Bank will focus not only on strengthening mobile platform competitiveness by improving UI/UX and securing innovative contents but also on developing new business opportunities by collaborating with other sectors to find future growth engines and diversify revenue sources.

On top of that, the bank plans to redesign its IT system and set up a flexible platform based on new IT technology, thereby ensuring customer-oriented and timely digital finance services.

To carry out these projects more efficiently and economically, devising detailed strategies, specifying business terms, setting up new technology roadmap, and establishing change management measures will be thoroughly promoted in advance.

KB Securities

Performances in 2017

Synergy Creation with Affiliates

KB Securities opened 26 new WM multi-service branches (a total of 50 stores as of the end of 2017) for the expansion of WM business coverage and built joint business models between branches of banking and securities sectors to provide higher-quality one-stop asset management services. Efforts for enhancing CIB cooperation system resulted in generating KRW 33.2 billion in CIB revenue from the introduction of banking sector. Supply of IB-linked derivatives to the bank-securities WM sector reached a whopping KRW 3.6 trillion. The company was also proactive in cooperation with non-banking affiliates, achieving higher-than-planned revenues from Group-wide synergy effects.

Acquisition of Vietnam-based Maritime Securities

KB Securities is proactively promoting its global business to overcome the growth limits in the domestic market and emerge as a leading financial group in Asia. To that end, based on a research on Asian emerging markets conducted in cooperation with the holding company, it chose Vietnam as a priority area; the Vietnamese market is rapidly growing based on the stabilized macroeconomic conditions and is considered to have sufficient growth potential. Then, the company selected a pool of target companies to acquire and conducted a due diligence to pick Maritime Securities in the end. Maritime Securities was finally acquired by KB Securities in November 2017 and was renamed into KB SECURITIES VIETNAM JOINT STOCK COMPANY in January 2018. Now, KB Securities Vietnam is strengthening its local competitiveness after taking over the excellent IT systems and IB capabilities of its headquarters in Korea. Ultimately, it plans to grow into a hub in Southeast Asia by creating synergies with other subsidiaries of KB Financial Group such as bank and credit card.

KRW 
33.2 billion

Achieved KRW 33.2 billion in bank-lined CIB revenues by further enhancing CIB cooperation system



**KB SECURITIES
VIETNAM JOINT
STOCK COMPANY**

Completed the acquisition of a local securities firm in Vietnam to lay a groundwork for global business expansion

Growth of KB able Account Service

In July 2017, KB Securities launched the KB able Account, a discretionary asset management service that invests in a portfolio of different assets, such as ELS, bonds, funds, alternative investment products, as well as stocks using a single account through an integrated asset management platform. KB able Account lowered the minimum subscription amount to the industry's lowest level of KRW 10 million to 30 million by type to provide the "asset management service for all." The commission fee was set to the lowest level in the industry to improve customer returns. Based on this strategy, the account balance exceeded KRW 200 billion within five months of its launch. KB able Account will be cultivated as a prestigious asset management service for all.

Launch of the "Ola Choice & Care" service

Ola Choice & Care Service, a digital total-care asset management service, was officially launched on July 31, 2017. It provides premium investment information and specialized consultation services through its online platform to customers who want to manage assets themselves. This service attracted over 12,000 customers in five months. Key items of this service include premium investment information, my stock analysis, investment pattern analysis, desirable investment habit program, suggestion on asset management methods, stock curation, and collective intelligence community.

Enhancement of Global Competitiveness

KB Securities expanded its services for overseas investors in 2017 and sharpened its global sales competitiveness. It continued to offer educations and seminars to employees working at branches in an effort to improve their consulting capacity and make them qualified to advise global asset allocation investment. The company also carried out differentiated strategies such as expanding foreign stock research contents, providing investment guides and regular analysis reports on 40 representative stocks of the U.S. and China, and hosting one of the largest overseas investment contest in the industry.

Establishment of CIB Center

The CIB center of KB Securities is a branch that combined the functions of corporate banking and IB. KB Securities operates 8 CIB centers in Pangyo, Gangnam, Gasan, Ochang, Busan, Gangbuk, Osan and Gwangju. The CIB centers contribute to establishing a region-based sales coverage system and providing corporate customers with one-stop financial services that combine loans, fund management, financial advices, and corporate insurance.

Customer Evaluation Group

In order to collect various opinions on the company's online service, the company launched the Customer Evaluation Group consisting of 30 customers who are familiar with online trading and have rich investment experiences in April 2017. The evaluation group will contribute to strengthening the competitiveness of KB Securities' on-line service through a range of activities such as making comments on new online trading channels after testing, reporting activities by theme, suggesting improvement directions, online customer surveys, and information gathering. The opinions of the evaluation group will be reflected in the upcoming home trading system as well.

Launch of Renewed KB WM CAST

A renewal version of "KB WM CAST," an informative broadcasting app for efficient asset management, was released in March 2017. KB WM CAST is KB's unique asset management contents that provide diverse information ranging from financial market status at home and abroad, asset allocation, investment strategy, and financial products to tax and real estate. This renewal version has further enhanced customer convenience with upgraded functions such as easier service subscription and push notification service of my favorite content.



8 CIB Centers

Operating 8 CIB centers in Pangyo, Gangnam, Gasan, Ochang, Busan, Gangbuk, Osan and Gwangju



KB WM CAST

Released the renewal version of "KB WM CAST," KB's informative broadcasting app for efficient asset management, in March 2017

Plans in 2018

In 2018, amid a tentative prospect of slight recovery of the domestic economy, the domestic stock market is expected to show gradual increase. The securities industry will face fierce competition due to the expansion of non-face-to-face channels, active business restructuring centered on mega securities companies, and increasing requirements on digital competitiveness and operational efficiency. In response, KB Securities intends to preemptively adjust business portfolio in consideration of macroeconomic conditions and level up competitiveness of each business division.

The WM division will focus on enhancing its leading position in the WM market by reinforcing synergy between banking and securities sectors, nurturing flagship products, and expanding customer service. The S&T division plans to secure product sourcing capability and operational expertise by improving infrastructure.

The IB division seeks to lay the cornerstone to become a global IB player by expanding customer-centric CIB business, strengthening IB base, and fostering future growth engines. To this end, major strategies are set at pursuing balanced growth between corporate banking Biz models, expanding promising PF deals, and building channels for global business. The wholesale division will focus on providing institutional customers with total banking services and customized solutions.

Major strategies for the global business include expanding networks, discovering a variety of linked businesses, introducing the agile organization system to better respond to changes in digital environment, and launching a division dedicated to digital finance innovation.

KB Insurance

Performances in 2017

General Insurance

Operating revenue from general insurance in 2017 increased 3.8% from the previous year to KRW 916.5 billion, which was mainly attributable to 4.8% growth to KRW 867.1 billion in the domestic market despite 10.2% decrease to KRW 49.4 billion in the global market due to product restructuring.

Meanwhile, the loss ratio in 2017 decreased 2.4%p from the previous year to 71.3% on the back of continuous efforts to implement strategy to expand possession of domestic general insurance and improve the structure of product portfolio.

Long-term Insurance

The long-term insurance market in 2017 experienced significant changes in business environment driven by the 4th Industrial Revolution, big data, and the introduction of IFRS17 and K-ICS principles aimed at tightening supervision over financial soundness. In response, KB Insurance improved the structure of product portfolio by expanding sales of 10-year maturity and renewable products and continuing to develop products to explore new markets for diabetes and senior people in preparation for demographic changes.

The revenue from long-term insurance in 2017 increased 2.4% to KRW 422.8 billion. The revenue from risk margin, the key revenue in long-term insurance, in particular, grew by KRW 129 billion from the previous year to KRW 326.5 billion with loss ratio falling by 5.8%p to 81.8%. The improvement of loss ratio came from revamped product portfolio such as the stabilized actual losses for medical expense through price stabilization and sales expansion of property insurance and drivers' insurance.

Car Insurance

Premiums written in the domestic car insurance market in 2017 stood at KRW 16.82 trillion, up 2.7% from the previous year while direct channel grew by 10.3% to KRW 5.94 trillion. Operating revenue of the company increased 3.3% year-on-year to



up **3.8** %

Achieved KRW 916.5 billion, up 3.8% year-on-year, in revenue from general insurance in 2017



KRW **422.8** billion

Revenue from long-term insurance increased 2.4% from the previous year to KRW 422.8 billion in 2017

KRW 2.1 trillion with the market share of 12.5%, up 0.1%p. In particular, direct CM channel showed a sharp growth by realizing KRW 247.8 billion.

Loss ratio in 2017 was 80.7%, a decrease of 1.2%p from the previous year's 81.9%. Loss ratio gap compared to rival companies was +0.7%p. Net loss ratio excluding loss adjustment expenses was 73.5% and the loss ratio gap compared to rival companies was +0.1%p.

Asset Management

Despite sluggish global economy and prolonged low interest rate trend, KB Insurance focused on growing assets and return on investment. The company's investment profit reached KRW 787.7 billion in 2017 and the year-on-year return on assets climbed 0.06%p to 3.31%. Assets under management also increased 8.0% or KRW 1.86 trillion from the previous year to KRW 25.11 trillion.

In response to tightening capital market regulations such as the introduction of K-ICS, KB Insurance strived to expand asset duration by purchasing long-term bonds in terms of ALM and reduce risk assets, mitigating the burden on capital requirement. As a result, asset duration increased 2.1 to 8.6 compared to the previous year while the proportion of interest-earning assets in the portfolio rose 0.5%p to 91.7%. The proportion of risk asset fell 0.5%p to 8.3%. Foreign currency-denominated asset rose 8.8%p to 18.9% or KRW 4.74 while structured notes and alternative investment such as SOC investment are on a constant increase.

Risk Management

Net profit of the company recorded KRW 363.8 billion in 2017 even though accumulated other comprehensive income decreased due to valuation loss of available-for-sale securities led by interest rate rise. Risk-based capital (RBC) ratio on a consolidated basis rose by 21.6%p year-on-year to 190.3%. With the aim of reinforcing financial soundness and systematically responding to tightening regulations, KB Insurance has convened the Risk Management Council to check and review risk management status and major

issues every month. Moreover, by the line of balance (LOB), the Product Deliberation Council, Interest Rate Deliberation Council, and Asset Management Deliberation Council have been convened to discuss major agendas including the development of new products, which contributed to embedding risk management system in decision-making process at the company level.

Establishment of Dynamic Organization System

In December 2017, KB Insurance carried out re-organization to lay the foundation for sustainable business models and establish dynamic organization system.

Two divisions and one department were newly launched. The Co-Marketing Division aims to further develop discover new business models based on partnerships with other business sectors, while the Long-Term Product Division is dedicated to enhancing long-term product development competence and sophisticating channel-specific product supports and takeover strategy. The Data Analysis Department is exclusively responsible for a systemic Group-wide customer data analysis and management.

KB Insurance also reorganized team units within supporting divisions of the head office in order to streamline and optimize existing organizational management system. Furthermore, for teams responsible for digital tasks whose primary purpose is to secure platform competitiveness, the company intended to build an agile structure to ensure flexible and swift response to fast-changing customer needs.

KB Insurance also expanded the smart indemnity team in order to enhance the efficiency of digital-based task and simplified the sales management system of RFC Division to maximize the efficiency of field management.

Efforts to Improve Customer Convenience

The company unveiled an app featuring OCR which supports automatic accident document registration for the first time in the industry.



This app enables customers to register accidents without having to go through separate verification, member registration, or information consent. Other efforts to improve customer convenience included industry-first emergency towing car location information service, mobile app which supports iris and fingerprint identification, financial customer protection clinic, and industry-first video ARS service.

Plans in 2018

Amid increasingly intensive competition, the domestic insurance business will face a variety of changes such as the expansion of non-face-to-face channels, acceleration of digitalization by the 4th Industrial Revolution, and emergence of new forms of insurance products. In response, KB Insurance plans to carry out the following strategies for the purpose of securing market dominance and diversifying revenue structure:

In the general insurance business, differentiated marketing strategies tailored to respective features of large, mid, and small-sized enterprises will be carried out to elevate the proportion of domestic corporate customers in the long run. Particularly, for SME customer, KB Insurance will establish a responsible team, restructure sales organization, and promote strategic product development.

In the long-term insurance business, the company will continue to expand the scope of products by developing new risk ratios, offering differentiated products through a lot of affiliated benefits, and redefining underwriting standards based on loss ratio analysis through medical statistics.

Major plans in the automobile insurance business include increasing sales from non-face-to-face direct channels, expanding smart indemnification system, and preventing premium leakage by training and educating experts on a regular basis and improving IT system.

KB Kookmin Card

Performances in 2017

The Highest Credit Rating among the Domestic Credit-Specialized Firms

KB Kookmin Card acquired the A- (stable) rating from Fitch Ratings, one of the three major credit rating agencies. The A- rating was the highest level among those of the domestic credit-specialized financial firms including credit card and capital sectors that have received from Fitch Ratings. This result was mainly attributable to KB Kookmin Card's excellence in management performance and contributions to the Group's synergy generation as a main subsidiary since it was spun off in 2011.

Global Credit Card Data Security Certificate 'PCI DSS'

KB Kookmin Card obtained the PCI DSS (Payment Card Industry Data Security Standard) certification in July 2017. Jointly developed by five global credit card companies including VISA and Master in 2004, the PCI DSS is an international security standard aiming to bolster customer information security and conduct standardized information security evaluation.

The company was examined for 415 items in 12 categories including storage, transmission, process procedure of sensitive data, reliability of card payment process, information protection measures, security management and more for the certification for six months from January 2017.

Advancement into Myanmar Credit Card Market

Having been authorized to set up a regional representative office by the central bank of Myanmar in September 2017, KB Kookmin Card is promoting the entrance into Myanmar's credit card market. The company pursues playing a role as a comprehensive credit loan-specialized financial institution with the coverage of installment finance and credit card businesses in Myanmar beyond just the microfinance business.

KB Kookmin Card plans to kick off installment finance for consumable products such as auto-

mobile and cell phones by converting its regional representative office to a local subsidiary just in time for the opening of market to foreign companies while expanding business areas into credit loan based on localized credit evaluation models.

A Startup Discovery and Incubation Program "Future 9"

KB Kookmin Card launched "Future 9" program, an acceleration program aimed at discovering and supporting startups in 9 living-related future businesses such as housing and shopping.

The program focuses on seeking and cultivating startups with business models and service competence that can lead the future lifestyle by capitalizing on innovative technologies in the fields of block chain, IoT, AI, big data, cloud, VR and AR beyond just FinTech or O2O.

Moreover, the company will continue to cooperate with the Innovation Hub, an in-house startup development organization of KB Financial Group, in order to connect business models of major affiliates and attract follow-up investments.

Launch of an Integrated Mobile App "KB Kookmin Card App"

KB Kookmin Card launched the KB Kookmin Card App. The integrated card app brings together two mobile apps—Mobile Home and E-Wallet, which so far had been separated serviced. The KB Kookmin Card App gives users an integrated access to KB Kookmin Card's varied services including payment history, statement information, benefits, star shop, and O2O in a single app.

The integrated card app has further improved user experience by adding quick log-in, integrating the previously overlapping menus from the two apps, and simplifying transaction procedures with user-oriented menus and interfaces optimized for mobile devices.



A- (stable)

Acquired 'A-' rating and 'Stable' opinion, the highest grade among credit-specific firms in Korea, from Fitch Ratings



PCI DSS

certification

Obtained PCI DSS (Payment Card Industry Data Security Standard) certification in July 2017

Diverse Premium Cards

The company launched a range of premium cards to suit the evolving consumer needs and their lifestyle. KB Kookmin Toc Toc Pay Card, only issued via non-face-to-face channel, offers up to 40% discount per payment made with KB Kookmin app card, Samsung Pay, etc. KB Kookmin Gaon Walking Up Card is a healthcare-specialized card that gives card holders credit for every step taken. H.Point KB Kookmin Card saves up to 2% of H.Point, the integrated membership point for Hyundai Department Store Group. BeV III Card is a premium card with enhanced benefits for gasoline filling and shopping.

Petconomy Service for Petfams

KB Kookmin Card unveiled the KB petconomy Service in September 2017. The service offers discount of up to 20% to all members in theme park, pet shops, and other pet-related businesses regardless of payment amount.

This service is available to all card holders who pay with KB Kookmin Card regardless of card product and payment history in the previous month.

Plans in 2018

The business environment of the card industry in 2018 will still be in the grip of uncertainties. Card companies are faced with emerging threat factors such as service fee cut mandated by financial authorities, intensifying competition resulting from card market maturity, and quick payment service. In response, the company is set to push ahead with the four management strategies in 2018 to ensure sustainable growth as follows:

First, KB Kookmin Card will respond to the changes in the payment market by enhancing quick payment capability while proactively expanding partnerships.

Second, the company will strengthen its global presence through equity investment and strategic partnership and secure the foundation for future growth by undertaking new businesses.

The infographic is set against a light beige background with a vertical dashed line on the left. At the top, a globe icon with a plug symbol is positioned above the text 'Establishment of a local office in Myanmar' in a bold, orange font. Below this, the words 'Global expansion' are written in a smaller, grey font. A vertical dashed line with a small circle at the top leads down to a target icon with an arrow in the center. Below the target are several upward-pointing arrows of varying heights. Underneath these is a laptop displaying a bar chart and a tablet displaying a line graph. A second vertical dashed line with a circle at the top leads down to an icon of a city skyline with a tree in front. Below this icon, the text 'Future 9 program' is written in a bold, orange font, with 'program' in a smaller, grey font. At the bottom, a short paragraph describes the program: 'Launched "Future 9" program, an acceleration program aimed at discovering and supporting start-ups in 9 living-related future industries'.

Establishment of a local office in Myanmar

Global expansion

Future 9 program

Launched "Future 9" program, an acceleration program aimed at discovering and supporting start-ups in 9 living-related future industries

Third, by reinforcing customer management system and digital channel capability, the company will deliver new values and differentiated experiences to customers.

Fourth, the company will streamline work process through digitalization and maximize productivity through process improvement and digital technology.

KB Life Insurance

Performances in 2017

Total assets rose by 2.7% compared with the previous year to KRW 9.13 trillion in 2017 and net profit soared 66.1% to KRW 21.1 billion. ROE and RBC stood at 3.87% and 195.56%, respectively.

Value-Oriented Growth

The sales strategy centered around protection insurance products to pursue value-oriented growth has led the proportion of protection insurance product to increase to 60% in the portfolio. KB Life Insurance also expanded the lineup of protection insurance products and their added functions to bolster product competitiveness.

Field-First Business Culture

The field-first business culture was successfully established by systemizing the feedback process to field requirements, enhancing trainings by channel, and expanding automatic underwriting, which resulted not only in improving persistency rate and consultant retention rate but in invigorating sales activities and new contracts.

Moreover, the company built a complex financial operation system to control FC commissions and trainings in an integrated manner, through which differentiated one-stop financial service has been offered. The call center has been recognized for its excellent services by joining the KSQI for 12 consecutive years by continuous efforts for cultivating job competence.

Response to Changing Regulations

The company already adopted the IFRS9 Financial Instrument to be introduced in 2018 to its asset management and accounting systems and restricts the expansion of assets with high volatility in profitability.

Preparation for the IFRS17 Financial Instrument is conducted by analyzing the impact on products, checking the direction of development, and introducing actuarial software.

In preparation for the K-ICS, the company is building long-term asset and liability management plans and engaging in the project guided by the Financial



up

66.1%

Recorded KRW 21.1 billion, up 66.1% from the previous year, in net profit in 2017



12

consecutive years

Selected as an excellent call center in the KSQI (Korea Service Quality Index) for 12 consecutive years

Supervisory Service to minimize impacts on the company.

Digital Transformation

KB Life Insurance has set up the digital revolution organization to cope with the ICT-driven paradigm shift in the insurance industry. And then, the company is implementing quick-start tasks aimed at carrying out digitalization projects and big data analysis while endeavoring to identify new business models in connection with InsureTech in order to secure future growth engines.

Plans in 2018

Life insurance market will likely face unfavorable circumstances due to prolonged low economic growth, market saturation, and institutional factors. Protection insurance market is predicted to experience low growth of premium income caused by market maturity and changes in the government's health insurance policy. Savings insurance market also seems to shrink due to increasing capital volatility resulting from the IFRS17 Financial Instrument, decrease in tax breaks, and changes in commission system. Amid these prospects, KB Life Insurance will strive to emerge as a value-oriented life insurance company by realizing the goals as follows:

First, the company will continue to focus on developing protection insurance products and relevant marketing competence while expanding the sales of protection and variable insurance products in order to create more values.

Second, entire value chain and business models will be redefined to prepare for changes in digital environment and establish differentiated digital-based business models that satisfy rapidly-changing customer needs.

Third, the company will strengthen monitoring activities and continuously operate the TF team in response to possible increases in volatility of assets, capital, and profitability upon the introduction of IFRS9 and IFRS17 Financial Instrument, while seeking preemptive management measures to prepare for K-ICS.

Lastly, field-first and customer-centric management will be promoted to establish a sustainable company-wide innovation system.

*b KB Asset Management

Performances in 2017

In 2017, total assets grew by 18.0% year-on-year to KRW 201.5 billion while operating revenue and net profit went down by 7.6% and 11.5% to KRW 117.7 billion and KRW 52.0 billion, respectively. AUM decreased by 3.9% from the previous year to KRW 50.6 trillion.

Selected as a Stock Fund Management Company of National Pension Fund

KB Asset Management was selected as a domestic stock fund management company of the National Pension Fund in May 2017 on the back of both short and long-term remarkable performances of KB Korea Representative Group Stock Fund, KB Gross Focus Fund, and KB Active Dividend Fund which are representative funds of the company. Domestic stock funds consist of large-cap stocks and dividend-focused stocks. KB Asset Management was commissioned to manage KRW 200 billion in each of the stocks, thus KRW 400 billion in total.

Expansion of Overseas Investment

The company joined hands with the world's No. 1 global bond management company PIMCO to launch KB PIMCO Global Income Fund and launched 7 KB All People TDFs by signing an MOU with Vanguard, the global top TDF management company. Overseas stock fund assets increased 44.9% year-on-year on the back of investment portfolio diversification. Efforts for enhancing the management capability of Chinese funds resulted in being selected as a management firm of the KIC Active Chinese Fund.

Leadership in the ETF Market

Managing ETF worth KRW 2.98 trillion, KB Asset Management secured its top 3 place in the ETF market, bigger by KRW 935.7 billion than the 4th player. The company also ensured higher competitiveness in the ETF business by enriching its ETF line-up and listing a total of 24 new ETF products (worth KRW 912.5 billion) in 2017. KB Asset Management advanced into the EMP (ETF Managed Portfolio) market by expanding product line-up and integrating solution capacity. As of the end of 2017, EMP assets of the company stood at KRW 240.9 billion.



up
44.9%

Overseas stock fund assets increased 44.9% from the previous year by promoting the diversification of overseas investment portfolio



KRW
400 billion

Selected as a domestic stock fund management company to handle KRW 400 billion of the National Pension Fund in May 2017

Establishment of a Solution Platform

Having set up a server and IT infrastructure dedicated to Robo-advisor, KB Asset Management secured an upgraded solution platform. The company expanded customer-tailored asset allocation capacity to craft three strategies for domestic stocks, overseas stocks and all asset while completing a total of 600 portfolios including general, installment, and retirement pension.

Robo-Advisor Business

KB Asset Management embedded in-house developed deep-learning robo-algorithm and its system in KB Kookmin Bank's Kbot SAM Robo-Advisor service, letting customers manage funds for different investment purposes. In December 2017, KB Asset Management signed an agreement with KB Securities to provide robo-wrap consultation advisory service for next 10 years. Therefore, the company plans to provide face-to-face/non-face-to-face fund portfolio recommendation and follow-up management service via both on- and off-line mobile devices while supporting the launch of securities wrap products which will be managed through the company's algorithm.

Expansion of Overseas Product Lineup

KB Asset Management expanded overseas product line-up by launching 27 overseas investment stocks and bonds and 6 new alternative investments. Key products included "KB PIMCO Global Income Selection Fund," "KB All People TDF," and "China Value Stocks and 4th Industrial Revolution-related ETF." The company also raised a variety of overseas infrastructure funds in the U.S, Saudi Arabia, and Europe.

Plans in 2018

In 2018, with the aim of enhancing overseas business, KB Asset Management will focus on expanding overseas investment product line-up and sharpening capabilities for direct overseas investments. Alternative investment will be guided by expanding infrastructure investment and nurturing capabilities to manage overseas real estate. While focusing on growth stock funds and dividend funds in the domestic stock fund business, KB Asset Management will enhance competitive edge by continuing to develop new products and managing national pension fund performance.

KB Capital

Performances in 2017

Total assets amounted to KRW 8.77 trillion in 2017, exceeding the goal by 101%. The financing operations of new businesses recorded KRW 7.26 trillion, or 100% of the goal. KB Capital achieved operating income of KRW 317.1 billion and net income of KRW 120.8 billion, respectively, the highest ever since its establishment. As of the end of 2017, the company is the second largest in the industry in terms of total assets.

Attained Record High Net Profit

KB Capital has pulled off remarkable outcomes on the back of the sharpest growth in the industry since 2014 when it became a subsidiary of KB Financial Group. Total assets doubled while net profit quadrupled compared to 2014. The company climbed from the 5th place in terms of total assets in 2014 and 2015 to the 2nd in the third quarter of 2016. The full privatization by KB Financial Group allowed the company to lay the foundation for evolving into the No. 1 player in the industry.

Enhanced Dominance in the Automotive Finance Market

KB Capital solidified its position as the second largest player in the domestic automotive finance market by securing a captive with Ssangyong Motor Company and GM Korea. In the imported car market, the company maintained the largest market share by succeeding in renewing the captive auto financing contract with Jaguar Land Rover Limited and tightening partnership with key strategic brands such as Mercedes-Benz and Maserati. Moreover, KB Capital became the only Korean company to partner with an electric car maker Tesla, strengthening its corporate image as the market leader. For used car market, the company secured a national hub by signing captive automotive finance contracts with 8 used car marts and continues the captive strategy with the aim of evolving into the largest player in this market by 2020.

Enhanced O2O Biz Platform

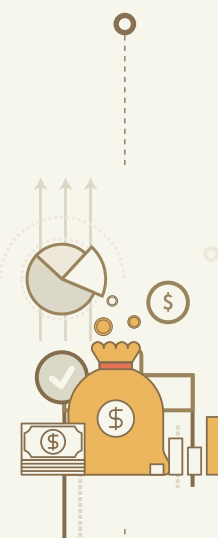
The “KB Car Easy,” a mobile & web-based credit check and terms process for automotive finance products, was first introduced in the industry in March 2017, which helped secure a foundation for non-face-to-face business and improve business convey-



KRW

317.1 billion

Realized record-high KRW 317.1 billion in operating profit and KRW 120.8 billion in net profit



2nd largest

Maintained the 2nd place in terms of total assets since the third quarter of 2016

nience. Furthermore, the used car trade site “KB Cha Cha Cha” became one of the most popular websites in the used car market because of its rich content. KB Capital secured the global sales route by partnering with Japan’s largest used car exporter Be Forward. The company will continue to promote diverse strategies such as advancing big data-based price model through collaboration with KAIST with the aim of sharpening differentiated competitive edge in the era of the 4th Industrial Revolution.

Entered the Global Market

Laos subsidiary, which went into operation in March 2017, secured sales foundation by signing partnerships with multiple makers. Having started sales in three cities including Vientiane, the capital city of Laos, the subsidiary recorded the accumulated handling amount of USD 32.41 million, establishing a stable business basis through fast localization. What’s more, KB Capital is seeking additional opportunities to expand overseas markets by dispatching regional experts to Indonesia in July. The company plans to select candidates for takeover through market analysis with the schedule of completion in the second half of 2018.

Risk Management System to Ensure Industry-leading Asset Quality

KB Capital has reinforced asset quality management by first introducing machine learning-based application scoring model for total management of multiple debtors in the industry and improving portfolio reliability regarding potential low-credit risk group. Going forward, the company plans to upgrade evaluation functions of behavior score and anticipation model of remaining value retention while enhancing the effectiveness of short-term delinquency management by sophisticating management probation group.

Plans in 2018

In response to market changes such as the emergence of new rivals including Internet-only banks, fierce competition due to the full opening of automotive finance market, and rapid digitalization of finance, KB Capital will stay committed to leveling up key biz market status, customer-oriented management, and advancement of management capability.

KB Savings Bank

Performances in 2017

Total assets in 2017 grew 7.5% year-on-year to KRW 1.16 trillion, while operating income and net income increased 111.5% and 104.9% to KRW 27.7 billion and KRW 21.1 billion, respectively. As of the end of 2017, the NPL ratio was 2.49%, an improvement of 2.46%p from the previous year.

Improvement of Financial Convenience

KB Savings Bank provides one-stop service ranging from loan applications to contracts through mobile app and web for remote customers and office worker who have difficulties in visiting branches which is equivalent to internet-only banks, taking the lead in improving financial convenience for customers with poor credit.

The company handles "KB Kind Loan," a loan product with mid-range interest rate, "Sunshine Loan" of the Citizen's Finance Promotion Foundation, and "Saitdol 2" of Seoul Guarantee Insurance. Loans from these products were KRW 220.2 billion, up KRW 74.8 billion from the previous year. The company expanded organizations responsible for digital finance for better competitiveness in non-face-to-face channel and reorganized sales workforce to strengthen the efficiency of sales division.

Synergy Creation with Affiliates

KB Savings Bank handles KB Kind Loan, Sunshine Loan, Saitdol 2, and mortgage loan in collaboration with KB Kookmin Bank. The company continues to generate synergies through the revitalization of lending in conjunction with Group subsidiaries. As a result, linked loans with affiliates in 2017 increased 49% from the previous year.

Enhancement of Digital Finance

KB Savings Bank is a leader in introducing FinTech technologies to improve financial convenience for customers with poor credit. Its mobile web service allows customers to check their loan limits without installing mobile app and provides the limits of KB Kind Loan and Saitdol 2 Loan at once, helping customers choose loan products they want. The 24/7 chatbot service also takes the quality of financial services for people with poor credit to the next level.



The company not only offers financial convenience to customers who have difficulties in visiting banks through digital services but strives to maintain low interest rates and high deposit rates by reducing costs. KB Savings Bank is committed to providing convenient financial products and services equivalent to those of internet-only banks, thus fulfilling its responsibilities as Korea's representative financial institution for people with poor credit.

Launch of the First "Easy PIN Authentication Service"

In June 2017, "Security FinTech Based Easy Authentication Service", which allows the use of smart phone banking only with PIN without official certificate and security medium, was unveiled. The FinTech technology passed the security inspection by the Financial Security Institute and became the first security FinTech to converge public key-based algorithm applied to public certificate and block chain with mobile OTP generation algorithm.

This service does not require the registration of security certificates and possession of OTP devices, making it easier for customers to open accounts and use banking services through smartphones.

Plans in 2018

In order to build a sustainable financial infrastructure in 2018, KB Savings Bank plans to expand digital-based products and services and operate a 24/7 business system. In addition, the company will actively satisfy the government's inclusive financial policies through the revitalization of loans with mid-range interest rate, while strengthening risk management capacity to prevent insolvency in advance. Other efforts will be focused on expanding synergy in the field of personal credit loan in conjunction with KB Kookmin Bank and elevating productivity based on management efficiency.

KB Real Estate Trust

Performances in 2017

Total assets grew 13.8% year-on-year to KRW 246.7 billion in 2017. Operating profit and net profit increased 22.4% and 24.4% to KRW 47.4 billion and KRW 36.4 billion, respectively. As of the end of 2017, the total amount of trust funds reached KRW 25.8 trillion, the largest in the industry.

Steady Growth of Commission Revenue

The real estate markets in Korea slowed down largely due to the government's real estate regulations, household debt issue, decreased housing construction license, and increase in the amount of moving-in. Despite unfavorable conditions, KB Real Estate Trust achieved KRW 72.2 billion, up 21.7% from the previous year, in commission revenue in 2017 on the back of proactive sales activities such as organizing land management trust projects premised on responsible completion.

Profit-oriented Projects and Risk Management

KB Real Estate Trust focused on land management trust projects premised on responsible completion. The company also won two types of land trust project orders through strict risk management: low-risk, high-grade leveraged land trust which is subject to a certain pre-sale rate and leveraged land trust without a pre-sale risk. KB Real Estate Trust has also strived to generate synergy with its affiliates, for instance, by signing a trust contract for the development idle real estate with KB Kookmin Bank.

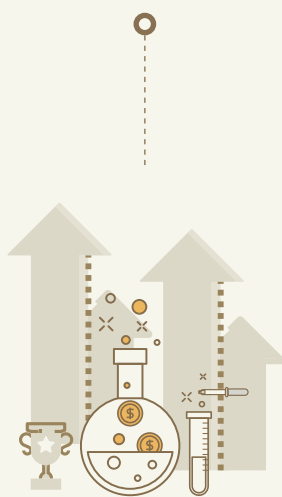
In response to the government's New Stay policy, the REITs division launched NewStay REITs for rental housing in Munrae-dong and Doksan-dong and additional REITs for high-quality logistics facilities and retail properties (e.g. Yangsan Logistics Center, Sadang-dong Mart).

In the reconstruction sector, the company signed MOUs on the reconstruction projects of Gongjak Apartment and Daekyo Apartment in Yeouido in February and July 2017, respectively. Activities to win new orders for promising projects, such as making bid proposals and holding briefing sessions, continued throughout the year.



KRW
25.8 trillion

Attained trust funds of KRW 25.8 trillion at the end of 2017, the largest in the industry



up
24.4 %

Achieved KRW 36.4 billion, up 24.4% from the previous year, in net profit

In terms of risk management, KB Real Estate Trust sophisticated the land trust risk control and established a process to preemptively respond to possible credit risk. Moreover, the company regularly monitored major issues of constructors and checked the progress of construction process on a monthly basis.

Plans in 2018

The real estate market in 2018 is expected to remain sluggish due mainly to the government's policy to stabilize the property prices, downtrend of land supply, interest rate hikes, and increasing amount of moving-in. In response to these circumstances, KB Real Estate Trust will promote the following strategies to pursue substantial management.

First, the company will strictly manage projects based on risk management capability and stably create profits. To this end, efforts will be focused on preventing the insolvency of projects through preemptive risk management, winning quality projects, and expanding market share in the field of low-risk non-leveraged land trust management.

Second, a variety of differentiated REITs products will be launched to strengthen sales force in response to intensifying competition in the indirect real estate investment market.

Third, the company will secure leadership in the growing reconstruction trust market by striving to win new reconstruction projects and thoroughly comply with the schedule of existing projects.

Lastly, the company will advance HR management system to respond to rapidly-changing business environment and upgrade IT infrastructure aimed at better supporting business activities and increasing productivity.

KB Investment

Performances in 2017

As a leading corporate investment company that has nurtured 131 KOSDAQ-listed firms for the past 27 years, KB Investment is committed to developing new growth engines for the national economy by incubating and supporting venture firms.

In 2017, KB Investment ranked 5th in the industry in terms of venture fund assets under management (KRW 603.0 billion) by raising a variety of venture funds and attained record-high investments in venture firms by capitalizing on rich financial resources.

Moreover, the company buckled down to investment in FinTech venture firms to reinforce future competitiveness of the Group and took its capability as the startup accelerator to the next level by becoming the TIPS (Tech Incubator Program for Startup) operator.

Expansion of Investments in Startups through Collaboration with Affiliates

The domestic venture investment market enjoyed an unprecedented boom in 2017. The amount of annual venture investments has surpassed KRW 2 trillion for three years in a row on the back of massive inflow of private capital and newly raised investment funds also exceeded KRW 4 trillion. The figures were the largest ever. Competition in fund-raising and deal discovery became fiercer in 2017 as five new venture capitals and new technology financing firms went into sales in earnest by organizing new funds.

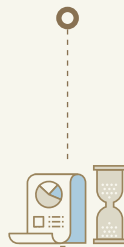
Amid those challenges, KB Investment focused on increasing collaboration with affiliates, raising specialized venture funds, and reinforcing investments in FinTech startups. Major performances by category were as follows.

- KB Capital formed KRW 32 billion of KB KONEX Revitalization Fund in cooperation with KB Securities and invested the fund in a firm scheduled to be listed in KONEX. We also invested around KRW 200 billion of KB New Farmers Fund in agricultural food industry. Furthermore, we provided the Group's PB customers with



KRW
603.0
billion

Recorded KRW 603.0 billion in venture fund AUM, the fifth largest in the industry



KRW
63.0
billion

Invested in companies listed on the KONEX and agrifood businesses by raising KRW 63.0 billion fund

KRW 11 billion of KB PreIPO Secondary Fund as venture fund product in cooperation with KB Securities and KB Asset Management;

- For specialized venture funds, we formed and invested KRW 40 billion of KB Ship-building Industry Fund, KRW 25 billion of KB New Contents Fund (cultural industry including film and animation and other related ICT firms), and KRW 30 billion of KB Youth Start-up 3.0 Fund (young entrepreneurs and initial VCs);
- We invested KRW 4.8 billion in eight fintech start-ups after registering as a TIPS management company and supported initial venture firm incubation through the Government's investment capital matching.

Plans in 2018

In 2018, the venture investment market will likely post a growth trajectory similar to that in the previous year due to the Government's policy which emphasizes productive finance.

KB Investment aims to secure the second place in the industry within three years by implementing talent nurturing and investment capability enhancement policies based on long-term growth strategy. Towards that goal, KB Investment will stay focused on advancing into global investment market by reinforcing market dominance through creation of medium and large funds while forming global investment funds.

KB Credit Information

Performances in 2017

2017 was a tough year due to tightened asset quality management, record-low delinquency rate, about 20% decrease in entrusted debts from the termination of credit contract with KAMCO, and sluggish lease investigation orders driven by the government's stronger mortgage loan regulations. Amid adverse conditions, KB Credit Information endeavored to upgrade organizational capability and sharpen competitiveness in debt collection.

Revenue from debt collection in 2017 recorded KRW 24.1 billion and total amount of retrieved debts within the Group reached KRW 306.3 billion, which were fair performances given adverse business environments. Efficiency of and competitiveness in debt collection were further improved by actively recruiting experts in collecting bank and credit card debts, operating reasonable performance management system, and strengthening debt-specific management systems. The company signed a new KRW 16 billion worth of debt collection contract with KB Savings Bank and conducted joint promotions with KB Kookmin Bank and KB Kookmin Card. These efforts allowed the company to strengthen its role in the Group.

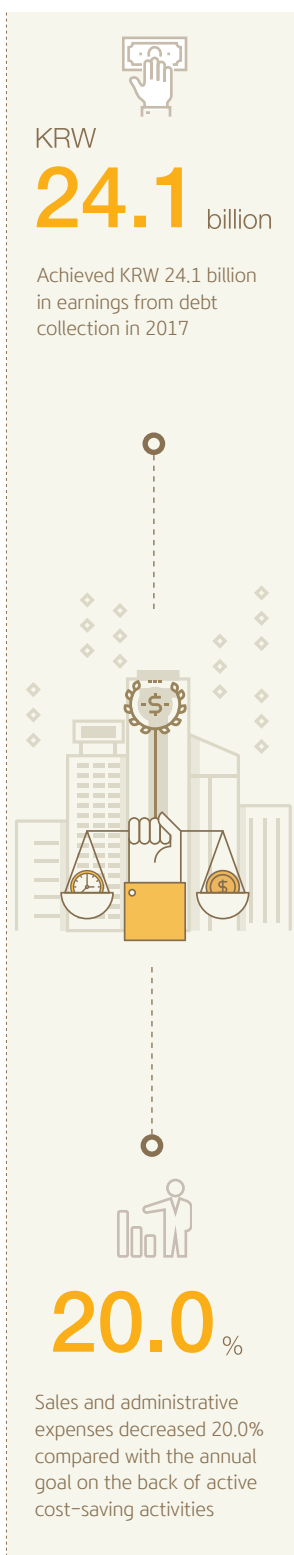
Debt collection results in 2017 could be broken down into KB Kookmin Bank's bonds of KRW 155.6 billion, credit card debts of KRW 144.8 billion, and KRW 5.8 billion worth of debts from KB Insurance and KB Capital. Performance in debt collection increased more than 16% in the second half compared to the first half of the year.

Recruitment of Experts in Debt Collection

In 2017, the company made extra efforts to recruit experts in debt collection. As a result, a total of 13 talents in collecting bank and credit card debts joined the company and most of them attained outstanding performances overwhelming existing debt managers. They are expected to play a pivotal role in outperforming rival companies going forward.

Expansion of the Role of Lease Investigation

The lease investigation business, which has shown stable growth since its launch in 2000, performed KRW 7.6 billion in sales in 2017. The company has advanced into



a variety of derivative projects such as field investigation on KB Kookmin Bank's chattel property, reception of non-face-to-face mortgage lending documents, and field survey of used cars for KB Capital, thereby promoting lease investigation as a key business.

Establishment of an Efficient Organizational System

In 2017, KB Credit Information strived to lay the foundation to proactively respond to changes in external conditions from the perspective of organization, human resources, and system. While reducing 20% in sales and administrative expenses compared with the annual goal, the company improved the cost structure from the long perspective by maintaining appropriate rate of commission fee and dramatically raised per capita productivity.

Plans in 2018

Business environments in 2018 are anticipated to be unfavorable due to sluggish macroeconomy, tightening regulations on mortgage debts driven by the government, and uncertainties in a variety of fields. New orders for lease investigation may shrink as well. However, the company is still required to be prepared about the possible changes in the debt collection market because of an increase in the rate of disposable income against household debt.

Amid these conditions, KB Credit Information will strive to raise asset quality as a top priority while staying focused on improving financial structure aimed at enhancing profitability.

The company will continue to focus on recruiting more experts in debt collection, retrieving overdues of the Group by strengthening collaboration with affiliates and debt-specific management systems, and actively responding to decrease in debt products. Efforts for developing new revenue sources from KB Insurance, KB Capital, KB Savings Bank, and lease investigation will also continue. Other directions include upgrading IT systems, improving productivity, and strengthening the management of domestic delinquents in compliance with the policy for financial customer protection.

KB Data Systems

Performances in 2017

With the advent of the 4th Industrial Revolution, a variety of cutting-edge IT technologies such as big data, AI, machine learning, and block chain are introduced to the financial business. At the same time, the expansion of non-face-to-face channels through internet and mobile environments and strategies for ensuring security are emerging as key issues. These changes have triggered more investments within the Group in SI projects and outsourcing, through which KB Data Systems attained KRW 117.9 billion in sales in 2017.

Developed Next Generation Systems of Affiliates

KB Data Systems participated in the development of KB Capital's next-generation system in 2017 while supporting the pre-preparation for next-generation systems of KB Kookmin Bank and KB Kookmin Card. What's more, intensifying competition with FinTech companies and internet-only banks provokes investments in new technologies such as big data, AI, and block chain and needs for relevant businesses. The company has participated in related IT projects undertaken within the Group and helped KB Financial Group establish and implement digital finance strategies by enhancing R&D activities.

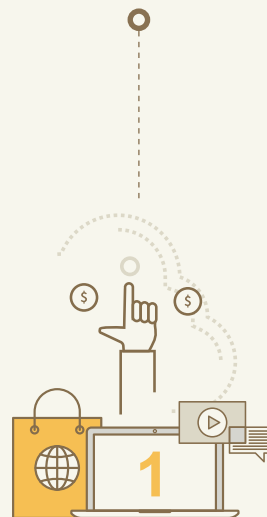
Enhanced Expertise in IT Operation Service

While seeking to maximize IT efficiency of the Group by developing and operating Group-wide IT systems such as the Group portal and Open API, KB Data Systems endeavored to further expand the scope of IT operation services and enhance expertise with the increase of outsourcing projects. The number of employees rose from 330 in the previous year to 380 in 2017 to meet the Group's increasing demand for IT operation service and SI development. The company also redistributed IT workforce, which had been concentrated on services for KB Kookmin Bank, to non-banking affiliates including KB Securities, KB Insurance, and KB Kookmin Card, promoting a balanced growth of IT services within the Group.



up
54.4 %

Attained KRW 117.9 billion in sales, an increase of 54.4% from the previous year, on the back of the Group's investment expansion



380 persons

The number of employees increased from 330 in 2016 to 380 in 2017 to meet increasing demands for maintenance services

Moreover, KB Data Systems has not only enhanced IT and financial business capability by carrying out training programs and supporting voluntary learning groups, but also encouraged knowledge and information sharing through expert groups in order to sharpen individual and Group-wide IT capability and competence.

Plans in 2018

In 2018, the projects to build the next-generation systems of KB Kookmin Bank and KB Kookmin Card will begin in earnest while the next-generation system of KB Capital will be completed by the end of the year. To that end, KB Data Systems plans to secure additional talents to ensure the successful completion of the system and strive to maximize customer satisfaction on its IT services through preemptive capability enhancement and marketing activities. The company will also be proactive in supporting the ERP system redevelopment project of KB Real Estate Trust and other affiliates' IT projects, playing a pivotal role in enhancing IT capabilities of the Group.

Financial Section

053 Consolidated Financial Statements

240 Separate Financial Statements



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

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 of December 31, 2017 and 2016, 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 and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

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.

Samil PricewaterhouseCoopers
Seoul, Korea
March 12, 2018

This report is effective as of March 12, 2018, 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

As of December 31, 2017 and 2016

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Notes	2017	2016
Assets			
Cash and due from financial institutions	4,6,7,8,39	₩ 19,817,825	₩ 17,884,863
Financial assets at fair value through profit or loss	4,6,8,12	32,227,345	27,858,364
Derivative financial assets	4,6,9	3,310,166	3,381,935
Loans	4,6,8,10,11	290,122,838	265,486,134
Financial investments	4,6,8,12	66,608,243	45,147,797
Investments in associates and joint ventures	13	335,070	1,770,673
Property and equipment	14	4,201,697	3,627,268
Investment property	14	848,481	755,011
Intangible assets	15	2,943,060	652,316
Net defined benefit assets	24	894	-
Current income tax assets	33	6,324	65,738
Deferred income tax assets	16,33	3,991	133,624
Assets held for sale	17	155,506	52,148
Other assets	4,6,18	16,204,169	8,857,785
Total assets		₩ 436,785,609	₩ 375,673,656
Liabilities			
Financial liabilities at fair value through profit or loss	4,6,19	₩ 12,023,058	₩ 12,122,836
Derivative financial liabilities	4,6,9	3,142,765	3,807,128
Deposits	4,6,20	255,800,048	239,729,695
Debts	4,6,21	28,820,928	26,251,486
Debentures	4,6,22	44,992,724	34,992,057
Provisions	23	568,033	537,717
Net defined benefit liabilities	24	154,702	96,299
Current income tax liabilities	33	433,870	441,812
Deferred income tax liabilities	37	533,069	103,482
Insurance contract liabilities	16,33	31,801,275	7,290,844
Other liabilities	4,6,25	24,470,308	19,038,897
Total liabilities		402,740,780	344,412,253
Equity			
Share capital	26	2,090,558	2,090,558
Capital surplus	26	17,122,228	16,994,902
Accumulated other comprehensive income	26,35	537,668	405,329
Retained earnings	26	15,044,204	12,229,228
Treasury shares	26	(755,973)	(721,973)
Equity attributable to shareholders of the Parent Company		34,038,685	30,998,044
Non-controlling interests		6,144	263,359
Total equity		34,044,829	31,261,403
Total liabilities and equity		₩ 436,785,609	₩ 375,673,656

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2017 and 2016

KB Financial Group Inc. and Subsidiaries

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

	Notes	2017	2016
Interest income		₩ 11,382,452	₩ 10,021,882
Interest expense		(3,672,443)	(3,619,353)
Net interest income	5,27	7,710,009	6,402,529
Fee and commission income		3,988,250	3,150,877
Fee and commission expense		(1,938,226)	(1,565,985)
Net fee and commission income	5,28	2,050,024	1,584,892
Insurance income		8,970,992	1,201,352
Insurance expense		(8,377,282)	(1,319,155)
Net insurance income(expense)	5,37	593,710	(117,803)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	5,29	740,329	(8,768)
Net other operating expenses	5,30	(901,890)	(415,908)
General and administrative expenses	5,14,15,24,31	(5,628,664)	(5,228,711)
Operating profit before provision for credit losses	5	4,563,518	2,216,231
Provision for credit losses	5,11,18,23	(548,244)	(539,283)
Net operating income	5	4,015,274	1,676,948
Share of profit of associates and joint ventures	5,13	84,274	280,838
Net other non-operating income	5,32	38,876	670,869
Net non-operating income		123,150	951,707
Profit before income tax	5	4,138,424	2,628,655
Income tax expense	5,33	(794,963)	(438,475)
Profit for the period	5	3,343,461	2,190,180
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	24	22,605	12,671
Share of other comprehensive income of associates and joint ventures		(145)	3,623
		22,460	16,294
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(110,037)	20,148
Valuation losses on financial investments		89,117	(47,871)
Share of other comprehensive gain(loss) of associates and joint ventures		100,880	(10,716)
Cash flow hedges		20,959	4,303
Losses on hedges of a net investment in a foreign operation		26,614	(7,095)
Other comprehensive income of separate account		(13,767)	-
		113,766	(41,231)
Other comprehensive income for the period, net of tax		136,226	(24,937)
Total comprehensive income for the period		₩ 3,479,687	₩ 2,165,243
Profit attributable to:			
Shareholders of the Parent Company	5	₩ 3,311,438	₩ 2,143,744
Non-controlling interests	5	32,023	46,436
		₩ 3,343,461	₩ 2,190,180
Total comprehensive income for the period attributable to:			
Shareholders of the Parent Company		3,445,285	2,118,829
Non-controlling interests		34,402	46,414
		₩ 3,479,687	₩ 2,165,243
Earnings per share			
Basic earnings per share	36	₩ 8,305	₩ 5,588
Diluted earnings per share	36	8,257	5,559

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2017 and 2016

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Equity attributable to shareholders of the Parent Company							Total Equity
	Share Capital	Capital Surplus	Accumulated Other			Non-controlling Interests		
			Comprehensive Income	Retained Earnings	Treasury Shares			
Balance at January 1, 2016	₩ 1,931,758	₩ 15,854,510	₩ 430,244	₩ 10,464,109	₩ -	₩ 222,101	₩ 28,902,722	
Comprehensive income								
Profit for the period	-	-	-	2,143,744	-	46,436	2,190,180	
Remeasurements of net defined benefit liabilities	-	-	12,821	-	-	(150)	12,671	
Exchange differences on translating foreign operations	-	-	20,148	-	-	-	20,148	
Change in value of financial investments	-	-	(47,794)	-	-	(77)	(47,871)	
Share of other comprehensive income of associates	-	-	(7,093)	-	-	-	(7,093)	
Cash flow hedges	-	-	4,098	-	-	205	4,303	
Losses on hedges of a net investment in a foreign operation	-	-	(7,095)	-	-	-	(7,095)	
Total comprehensive income	-	-	(24,915)	2,143,744	-	46,414	2,165,243	
Transactions with shareholders								
Dividends paid to shareholders of the Parent Company	-	-	-	(378,625)	-	(5,156)	(383,781)	
Acquisition of treasury shares	-	-	-	-	(721,973)	-	(721,973)	
Issue of ordinary shares related to business combination	158,800	1,142,359	-	-	-	-	1,301,159	
Others	-	(1,967)	-	-	-	-	(1,967)	
Total transactions with shareholders	158,800	1,140,392	-	(378,625)	(721,973)	(5,156)	193,438	
Balance at December 31, 2016	₩ 2,090,558	₩ 16,994,902	₩ 405,329	₩ 12,229,228	₩ (721,973)	₩ 263,359	₩ 31,261,403	
Balance at January 1, 2017	₩ 2,090,558	₩ 16,994,902	₩ 405,329	₩ 12,229,228	₩ (721,973)	₩ 263,359	₩ 31,261,403	
Comprehensive income								
Profit for the period	-	-	-	3,311,438	-	32,023	3,343,461	
Remeasurements of net defined benefit liabilities	-	-	22,685	-	-	(80)	22,605	
Exchange differences on translating foreign operations	-	-	(109,727)	-	-	(310)	(110,037)	
Change in value of financial investments	-	-	86,176	-	-	2,941	89,117	
Shares of other comprehensive income of associates and joint ventures	-	-	100,735	-	-	-	100,735	
Cash flow hedges	-	-	21,055	-	-	(96)	20,959	
Losses on hedges of a net investment in a foreign operation	-	-	26,614	-	-	-	26,614	
Other comprehensive income of separate account	-	-	(13,692)	-	-	(75)	(13,767)	
Transfer to other accounts	-	-	(1,507)	1,507	-	-	-	
Total comprehensive income	-	-	132,339	3,312,945	-	34,403	3,479,687	
Transactions with shareholders								
Dividends paid to shareholders of the Parent Company	-	-	-	(497,969)	-	(5,156)	(503,125)	
Acquisition of treasury shares	-	-	-	-	(202,051)	-	(202,051)	
Disposal of treasury shares	-	87,212	-	-	168,051	-	255,263	
Changes in interest in subsidiaries	-	41,352	-	-	-	(288,802)	(247,450)	
Others	-	(1,238)	-	-	-	2,340	1,102	
Total transactions with shareholders	-	127,326	-	(497,969)	(34,000)	(291,618)	(696,261)	
Balance at December 31, 2017	₩ 2,090,558	₩ 17,122,228	₩ 537,668	₩ 15,044,204	₩ (755,973)	₩ 6,144	₩ 34,044,829	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

KB Financial Group Inc. and Subsidiaries

(In millions of Korean won)

	Note	2017	2016
Cash flows from operating activities			
Profit for the period		₩ 3,343,461	₩ 2,190,180
Adjustment for non-cash items			
Net loss(gain) on financial assets/liabilities at fair value through profit or loss		(106,868)	401,556
Net loss(gain) on derivative financial instruments for hedging purposes		(135,363)	69,573
Adjustment of fair value of derivative financial instruments		(1,000)	338
Provision for credit loss		548,244	539,283
Net loss(gain) on financial investments		110,156	(139,800)
Share of profit of associates and joint ventures		(84,274)	(280,838)
Depreciation and amortization expense		550,343	289,438
Other net losses on property and equipment/intangible assets		30,893	5,259
Share-based payments		73,370	38,190
Policy reserve appropriation		1,644,389	366,145
Post-employment benefits		233,501	197,696
Net interest expense		363,803	421,679
Loss(Gain) on foreign currency translation		(70,399)	15,931
Gains on bargain purchase		(122,986)	(628,614)
Net other expense		204,122	65,412
		3,237,931	1,361,248
Changes in operating assets and liabilities			
Financial asset at fair value through profit or loss		(3,946,805)	(1,463,824)
Derivative financial instruments		(295,795)	147,137
Loans		(22,465,758)	(16,423,939)
Current income tax assets		59,334	(8,868)
Deferred income tax assets		3,186	(87,701)
Other assets		(3,938,297)	1,393,689
Financial liabilities at fair value through profit or loss		66,222	356,880
Deposits		18,858,210	12,042,422
Deferred income tax liabilities		108,355	(150,333)
Other liabilities		133,931	1,768,096
		(11,417,417)	(2,426,441)
Net cash flow from operating activities		(4,836,025)	1,124,987
Cash flows from investing activities			
Disposal of financial investments		38,050,549	28,066,113
Acquisition of financial investments		(46,538,295)	(30,737,148)
Disposal of investments in associates and joint ventures		141,052	106,658
Acquisition of investments in associates and joint ventures		(53,375)	(1,558,731)
Disposal of property and equipment		31,167	809

(In millions of Korean won)

	Note	2017	2016
Acquisition of property and equipment		(298,368)	(397,157)
Disposal of investment property		1,593	-
Acquisition of investment property		(262)	(1,254)
Disposal of intangible assets		7,603	8,330
Acquisition of intangible assets		(111,894)	(111,603)
Net cash flows from the change in subsidiaries		(405,817)	95,304
Others		446,628	90,141
Net cash flow from investing activities		(8,729,419)	(4,438,538)
Cash flows from financing activities			
Net cash flows from derivative financial instruments for hedging purposes		63,827	11,035
Net increase in debts		4,272,011	1,849,513
Increase in debentures		139,700,967	99,305,813
Decrease in debentures		(129,235,557)	(98,484,764)
Increase in other payables from trust accounts		587,523	1,639,104
Dividends paid to shareholders of the Parent Company		(497,969)	(378,625)
Disposal of treasury shares		3,515	-
Acquisition of treasury shares		(185,532)	(716,808)
Dividends paid to non-controlling interests		(5,156)	(5,156)
Increase in non-controlling interests		(163,658)	-
Others		148,775	(38,786)
Net cash flow from financing activities		14,688,746	3,181,326
Effect of exchange rate changes on cash and cash equivalents		(133,240)	89,142
Net increase(decrease) in cash and cash equivalents		990,062	(43,083)
Cash and cash equivalents at the beginning of the period	39	7,414,836	7,457,919
Cash and cash equivalents at the end of the period	39	₩ 8,404,898	₩ 7,414,836

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

As of December 31, 2017 and 2016

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. 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, 2017, 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 (Hangul) 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 has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

– Amendments to Korean IFRS 1007 *Statement of Cash Flows*

Amendments to Korean IFRS 1007 Statement of Cash flows requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

– Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

– Amendments to Korean IFRS 1112 *Disclosure of Interests in Other Entities*

Amendments to Korean IFRS 1112 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2017 and have not been early adopted by the Group are set out below.

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

When an investment in an associate or a joint venture is held by, or it held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendments clarify that an entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. The Group will apply these amendments retrospectively for annual periods beginning on or after January 1, 2018, and early adoption is permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements because the Group is not a venture capital organization.

– Amendments to Korean IFRS 1040 *Transfers of Investment Property*

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The amendment will be effective for annual periods beginning on or after January 1, 2018. With early adoption permitted. The Group does not expect the amendment to have a significant impact on the financial statements.

– Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

– Enactments to Interpretation 2122 *Foreign Currency Transactions and Advance Consideration*

According to these enactments, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the enactments to have a significant impact on the consolidated financial statements.

– Korean IFRS 1109 *Financial Instruments*

The new standard for financial instruments issued on September 25, 2015 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 Financial Instruments: Recognition and Measurement. The Group will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior periods in relation to classification, measurement and impairment of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 Financial Instruments requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Group's financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Group and macroeconomic variables.

Within the Group, Korean IFRS 1109 Task Force Team ("TFT") has been set up to prepare for implementation of Korean IFRS 1109 since October 2015. There are three stages for implementation of Korean IFRS, such as analysis, design and implementation, and preparation for application. The Group analyzed the financial impacts of Korean IFRS 1109 on its consolidated financial statements.

Stage	Period	Process
1	From Oct. to Dec. 2015 (for 3 months)	Analysis of GAAP differences and development of methodology
2	From Jan. to Dec. 2016 (for 12 months)	Development of methodology, definition of business requirement, and the system development and test.
3	From Jan. 2017 to Mar. 2018 (for 15 months)	Preparation for opening balances of the financial statements

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on available information as at December 31, 2017, and the results of the assessment are explained as below. The results of the assessment in the financial effects as at December 31, 2017 may change due to additional information and decisions that the Group may obtain in the future.

(a) Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Group's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. For hybrid (combined) instruments, the Group does not measure an embedded derivative separately from its host contract, financial assets with embedded derivatives are classified in their entirety.

Business model	Contractual cash flows characteristics	
	Solely represent payments of principal and interest	All other
Hold the financial asset for the collection of the contractual cash flows	Measured at amortized cost ¹	
Hold the financial asset for the collection of the contractual cash flows and sale	Measured at fair value through other comprehensive income ¹	Recognized at fair value through profit or loss ²
Hold for sale and others	Measured at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² A designation at fair value through other comprehensive income is allowed only if the financial instrument is the equity investment that is not held for trading (irrevocable).

With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

The following table presents the impact of the change in classification and measurement of financial instrument (excluding derivatives) held by the Group as at December 31, 2017, using the financial instrument accounting system developed by the Group with applying Korean IFRS 1109.

(In millions of Korean won)

Classification in accordance with		Amount in accordance with	
Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039 ¹	Korean IFRS 1109 ¹
Cash and due from financial institutions	Measured at amortized cost	₩ 19,817,825	₩ 17,020,727
	Recognized at fair value through profit or loss ²	-	2,782,821
		19,817,825	19,803,548
Financial assets at fair value through profit or loss			
Trading Securities-Debt		25,168,338	
Trading Securities-Equity	Recognized at fair value through profit or loss	4,935,100	
Trading Securities-Others		73,855	32,227,345
Financial assets designated at fair value through profit and loss ³		2,050,052	
		32,227,345	32,227,345
Loans	Measured at amortized cost	290,122,838	288,970,214
	Recognized at fair value through profit or loss ²	-	629,223
		290,122,838	289,599,437
Financial investments			
Available-for-sale Securities-Debt	Recognized at fair value through other comprehensive income	38,959,401	33,611,908
	Recognized at fair value through profit or loss ²	-	2,511,902
	Measured at amortized cost	-	2,839,709
Available-for-sale Securities-Equity	Recognized at fair value through other comprehensive income	9,156,862	2,367,745
	Recognized at fair value through profit or loss ²	-	6,800,632
Financial assets held-to-maturity	Measured at amortized cost	18,491,980	18,222,076
	Recognized at fair value through profit or loss ²	-	269,661
		66,608,243	66,623,633
Other assets	Measured at amortized cost	10,195,015	10,188,309
		₩ 418,971,266	₩ 418,442,272

¹ Loans and other financial assets are net of allowance.

² In accordance with Korea IFRS 1104, the Group applied Overlay approach to the financial instruments related to insurance contracts (cash and due from financial institutions ₩ 186,293 million, Loans ₩ 587 million, Available-for-sale securities ₩ 6,349,091 million, and Held-to-maturity securities ₩ 57,386 million). For the financial assets designated as fair value through profit or loss, the Group reclassifies the amount reported in profit or loss for the designated financial assets applying Korean IFRS 1109 to the amount that would have been reported in profit or loss for the designated financial assets of the insurer has applied Korean IFRS 1039.

³ The financial assets amounting to ₩ 2,050,052 million that was previously classified as financial assets designated at fair value through profit or loss in accordance with Korean IFRS 1039, will be reclassified as financial assets recognized at fair value through profit or loss, even if the financial assets are not designated at fair value through profit or loss.

With the implementation of Korean IFRS 1109, as at December 31, 2017, ₩ 2,782,821 million of cash and due from financial institutions, ₩ 629,223 million of loans, ₩ 9,312,534 million of financial assets available-for-sales and ₩ 269,661 million of assets held-to-maturity are classified to financial assets recognize at fair value through profit or loss. These classifications will increase the financial assets recognized at fair value through profit or loss from 7.7% to 10.8% over the total financial assets (excluding derivatives) of ₩ 418,442,272 million and may result an extended fluctuation in profit or loss.

(b) Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires that the amount of the change of fair value attributable to changes in the credit risk in the financial liabilities designated at fair value through profit or loss will be recognized in other comprehensive income, not in profit or loss, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Under Korean IFRS 1039, all financial liabilities designated at fair value through profit or loss recognized their fair value change in profit or loss. However, under Korean IFRS 1109, certain fair value change will be recognized in other comprehensive income and as a result, profit or loss from fair value change may decrease. Based on results from the impact assessment, the amount of change in the fair value of the financial liabilities designated at fair value through profit or loss in applying Korean IFRS 1109 is ₩ 10,078,288 million and ₩ 10,438 million is attributable to changes in the credit risk of that liability.

(c) Impairment: Financial Assets and Contract Assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under Korean IFRS 1039. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and certain financial guarantee contracts.

Under Korean IFRS 1109, a credit event (or impairment "trigger") no longer has to occur before credit losses are recognized. The Group will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

	Stage	Loss allowance
1	No significant increase in credit risk after initial recognition	12-month expected credit losses: expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date
2	Significant increase in credit risk after initial recognition	Lifetime expected credit losses: expected credit losses that result from all possible default events over the life of the financial instrument
3	Credit-impaired	

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance.

According to the financial assessment, the Group owns loss allowance set out below.

(In millions of Korean won)

Classification in accordance with		Loss allowance in accordance with		Difference
Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039(a)	Korean IFRS 1109(b)	(b)-(a)
Loans and receivables				
Due from financial institutions	Measured at amortized cost	₩ -	₩ 1,797	₩ 1,797
Loans	Measured at amortized cost	2,064,469	2,608,937	544,468
	Recognized at fair value through profit or loss	45,763	-	(45,763)
Other assets	Measured at amortized cost	104,813	109,899	5,086
Available-for-sale Securities				
Debt Securities	Recognized at fair value through other comprehensive income	-	4,433	4,433
	Measured at amortized cost	-	176	176
Financial assets held-to-maturity				
Debt Securities	Measured at amortized cost	-	1,530	1,530
		2,215,045	2,726,772	511,727
Unused Commitment and Guarantee				
		267,011	295,648	28,637
		267,011	295,648	28,637
Financial Guarantee Contract				
		2,682	4,857	2,175
		2,682	4,857	2,175
		₩ 2,484,738	₩ 3,027,277	₩ 542,539

(d) Hedge Accounting

Hedge accounting mechanics (fair value hedges, cash flow hedges and hedge of net investments in a foreign operations) required by Korean IFRS 1039 remains unchanged in Korean IFRS 1109, however, the new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests that are a prospective test to ensure that the hedging relationship is expected to be highly effective and a quantitative retrospective test (within range of 80-125%) to ensure that the hedging relationship has been highly effective throughout the reporting period.

With implementation of Korean IFRS 1109, volatility in profit or loss may be reduced as some items that were not eligible as hedged items or hedging instruments under Korean IFRS 1039 are now eligible under Korean IFRS 1109.

Furthermore, when the Group first applies Korean IFRS 1109, it may choose as its accounting policy to continue to apply all of the hedge accounting requirements of Korean IFRS 1039 instead of the requirements of Korean IFRS 1109.

Meanwhile, as at December 31, 2017, the Group has not applied hedge accounting more for the risk management practices which can be applied hedge accounting by Korean IFRS 1109 but cannot be satisfied with hedge accounting requirements by Korean IFRS 1039.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

Korean IFRS 1115 Revenue from Contracts with Customers issued on November 6, 2015 replaces Korean IFRS 1018 Revenue, Korean IFRS 1011 Construction Contracts, Interpretation 2031 Revenue-Barter Transactions Involving Advertising Services, Interpretation 2113 Customer Loyalty Programs, Interpretation 2115 Agreements for the Construction of Real Estate and Interpretation 2118 Transfers of assets from customers.

Korean IFRS 1018 and other, the current standard, provide revenue recognition criteria by type of transactions; such as, sales goods, the rendering of services, interest income, royalty income, dividend income, and construction contracts. However, Korean IFRS 1115, the new standard, is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

The Group will apply new standard for annual reporting periods beginning on or after January 1, 2018 and early adoption is permitted. The Group performed a preliminary impact assessment on the employees of the accounting department based on the current situation and available information as at December 31, 2017 to identify potential financial effects of applying Korean IFRS 1115. As a result, the Group does not expect that enactment of this statement will not have a significant impact on the consolidated financial statements. The results of the assessment as at December 31, 2017, may change due to additional information that the Group may obtain after the assessment.

- Korean IFRS 1116 *Leases*

Korean IFRS 1116 Leases issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lease is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The classification criteria between a financial lease and an operating lease for a lessor under Korean IFRS 1116 are similar to Korean IFRS 1017.

The Group is currently in progress of analyzing the potential impact on its consolidated financial statements resulting from the application of Korean IFRS 1116.

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 (Notes 3.2.1 and 3.2.2).

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, or dividends in accordance with the Tax System for 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 2015. 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 dividends, 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 (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)

The Group determines and recognizes allowances for losses on loans through impairment testing and recognizes provisions for guarantees, and unused loan commitments. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for individually assessed allowances of loans, 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 applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

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 and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit 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 in their capacity as owners. 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. This may mean that 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 recognised in other comprehensive income shall be recognised 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 and joint ventures are entities over which the Group has significant influence in the financial and operating policy decisions. If the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence.

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 use 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 associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

After the carrying amount of the investment 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 investee.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates and joint ventures 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 statements 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 are translated at the closing rate at the end of the reporting period. Income and expenses in the statement of comprehensive income presented are translated at 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.

3.3 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, held-to-maturity financial assets, available-for-sale financial assets, or loans and receivables, or other financial assets. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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 at initial recognition and adjusted to reflect principal repayments, cumulative amortization using the effective interest method and any reduction (directly or through the use of an allowance account) for 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.

The Group's Fair Value Evaluation Committee, which consists of the risk management department, trading department and accounting department, reviews the appropriateness of internally developed valuation models, and approves the selection and changing of the external valuation institution and other considerations related to fair value measurement. The review results on the fair valuation models are reported to the Market Risk Management subcommittee by the Fair Value Evaluation Committee on a regular basis.

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.

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 statements 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 Cash Equivalents

Cash and cash equivalents 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.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A non-derivative financial asset is classified as held for trading if either:

- It is acquired for the purpose of selling in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group may designate certain financial assets, other than held for trading, upon initial recognition as at fair value through profit or loss when one of the following conditions is met:

- It 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.
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.
- A contract contains one or more embedded derivatives; the Group may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss if allowed by Korean IFRS 1039 *Financial Instruments: Recognition and measurement*.

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, dividend income, and gains or losses from sale and repayment from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income as net gains on financial instruments at fair value through profit or loss.

3.5.2 Financial Investments

Available-for-sale and held-to-maturity financial assets are presented as financial investments.

Available-for-sale financial assets

Profit or loss of financial assets classified as available for sale, except for impairment loss and foreign exchange gains and losses resulting from changes in amortized cost of debt securities, is recognized as other comprehensive income, and cumulative profit or loss is reclassified from equity to current profit or loss at the derecognition of the financial asset, and it is recognized as part of other operating profit or loss in the statement of comprehensive income.

However, interest income measured using the effective interest method is recognized in current profit or loss, and dividends of financial assets classified as available-for-sale are recognized when the right to receive payment is established.

Available-for-sale financial assets denominated in foreign currencies are translated at the closing rate. For available-for-sale debt securities denominated in foreign currency, exchange differences resulting from changes in amortized cost are recognized in profit or loss as part of other operating income and expenses. For available-for-sale equity securities denominated in foreign currency, the entire change in fair value including any exchange component is recognized in other comprehensive income.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3.5.3 Loans and receivables

Non-derivative financial assets which meet the following conditions are classified as loans and receivables:

- Those with fixed or determinable payments.
- Those that are not quoted in an active market.
- Those that the Group does not intend to sell immediately or in the near term.
- Those that the Group, upon initial recognition, does not designate as available-for-sale or as at fair value through profit or loss.

After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

If the financial asset is purchased under an agreement to resale the asset at a fixed price or at a price that provides a lender's return on the purchase price, the consideration paid is recognized as loans and receivables.

3.6 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets except for financial assets at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. However, losses expected as a result of future events, no matter how likely, are not recognized.

Objective evidence that a financial asset or group of assets is impaired includes the following loss events:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will declare bankruptcy or undergo financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

In addition to the types of events in the preceding paragraphs, objective evidence of impairment for an investment in an equity instrument classified as an available-for-sale financial asset includes a significant or prolonged decline in the fair value below its cost. The Group considers the decline in the fair value of over 30% against the original cost as a "significant decline". A decline is considered as prolonged if the period, in which the fair value of the financial asset has been below its original cost at initial recognition, is same as or more than six months.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized in profit or loss as either provisions for credit loss or other operating income and expenses.

3.6.1 Loans and receivables

The amount of the loss on loans and receivables carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant (individual assessment of impairment).

Financial assets that are not individually significant assess objective evidence of impairment individually or collectively. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (collective assessment of impairment).

Individual assessment of impairment

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

A methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective assessment of impairment. Such methodology incorporates factors such as type of collateral, product and borrowers, credit rating, loss emergence period, recovery period and applies probability of default on a group of assets and loss given default by type of recovery method. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for collective assessment of impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment loss on loans reduces the carrying amount of the asset through use of an allowance account, and when a loan becomes uncollectable, it is written off against the related allowance account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

3.6.2 Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) that had been recognized in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses. The impairment loss on available-for-sale financial assets is directly from the carrying amount.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, a portion of the impairment loss is reversed up to but not exceeding the previously recorded impairment loss, with the amount of the reversal recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income. However, impairment losses recognized in profit or loss for an available-for-sale equity instrument classified as available for sale are not reversed through profit or loss.

3.6.3 Held-to-maturity financial assets

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortized cost has been incurred, the amount of the loss 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 amount of the loss is recognized in profit or loss as part of other operating income and expenses. The impairment loss on held-to-maturity financial assets is directly deducted from the carrying amount.

In the case of a financial asset classified as held to maturity, if, in a subsequent period, the amount of the impairment loss decreases and it is objectively related to an event occurring after the impairment is recognized, a portion of the previously recognized impairment loss is reversed up to but not exceeding the extent of amortized cost at the date of recovery. The amount of reversal is recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income.

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. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

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. 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 portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in 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 financial liabilities 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 1039, *Financial Instruments: Recognition and Measurement*.

3.7.5 Embedded derivatives

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. As for leased assets, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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
Buildings and structures	Straight-line	40 years
Leasehold improvements	Declining-balance/ Straight-line	4 years
Equipment and vehicles	Declining-balance/ Straight-line	3 ~ 8 years
Finance leased assets	Declining-balance	8 months ~ 5 years and 8 months

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least 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 property	Depreciation method	Estimated useful life
Buildings	Straight-line	40 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end and, 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 life
Industrial property rights	Straight-line	3~10 years
Software	Straight-line	3~5 years
Finance leased assets	Straight-line	8 months ~ 5 years and 8 months
VOBA	Declining-Balance	60 years
Others	Straight-line	2~30 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least 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 finite 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 for above estimated useful life using declining balance method, the depreciation is recognized as insurance expense.

3.10.2 Goodwill

Recognition and measurement

Goodwill acquired 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 Leases

3.11.1 Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is fully depreciated over the shorter of the lease term and its useful life.

3.1.1.2 Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Leases in the financial statements of lessors

Lease income from operating leases are recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Leases in the financial statements of lessees

Lease payments under an operating lease (net of any incentives received from the lessor) are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the asset's benefit.

3.12 Greenhouse Gas Emission Rights and Liabilities

The Group measured at zero the emission rights received free of charge from the government following the Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances. Emission rights purchased are measured initially at cost and subsequently carried at their costs less any accumulated impairment losses. Emission liabilities are measured as the sum of the carrying amount of emission allowances held by the Group and best estimate of the expenditure required to settle the obligation for any excess emissions at the end of reporting period. The emission rights and liabilities are classified as 'intangible assets' and 'provisions', respectively, in the consolidated statement of financial position.

The emission rights held for trading are measured at fair value and the changes in fair value are recognized in profit or loss. The changes in fair value and gain or loss on disposal are classified as non-operating income and expenses.

3.13 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 acquired 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.

3.14 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.

3.15 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and gains or losses arising from changes in the fair value, and gains or losses from sale and repayment of financial liabilities at fair value through profit or loss are recognized as net gains on financial instruments at fair value through profit or loss in the statement of comprehensive income.

3.16 Insurance Contracts

KB Life Insurance Co., Ltd., and KB Insurance Co., of the subsidiaries of the Group, issues 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 1039, Financial Instruments: Recognition and measurement 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 statements of financial position, and as other operating income (expenses) in the statements of comprehensive income, respectively.

3.16.1 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 unmaturing at the end of the reporting period is recognized as unearned premium.

3.16.2 Insurance liabilities

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

Premium reserve

A 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.

Reserve for outstanding claims

A 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

Unearned premium refers to the portion of the premium that has been paid in advance for insurance that has not yet been provided. An unearned premium reserve refers to the amount maintained by the insurer to refund in the event of either party cancelling the contract.

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.

3.16.3 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 inadequate in light of the estimated future cash flows, the entire deficiency is recognized in profit or loss and reserved as insurance liabilities. 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 a model that best reflects the trend of paid claims among several statistical methods to perform the adequacy test.

3.16.4 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.

3.17 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 a contract that is onerous, 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.

3.18 Financial Guarantee Contracts

A financial guarantee contract is a contract that 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. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets* and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IFRS 1018, *Revenue*.

3.19 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.

3.19.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from the equity.

3.19.2 Treasury shares

If entities of the Group acquire the Parent Company's equity instruments, those instruments ('treasury shares') are deducted from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

3.20 Revenue Recognition

3.20.1 Interest income and expense

Interest income and expense are recognized 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 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.

3.20.2 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. The fees include fees charged for servicing a financial instrument and charged for managing investments.

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.

3.20.3 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income from financial assets at fair value through profit or loss and financial investment is recognized in profit or loss as part of net gains on financial assets at fair value through profit or loss and other operating income and expenses, respectively.

3.21 Employee Compensation and Benefits

3.21.1 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 year.

Defined contribution plans

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

3.21.2 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 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.

3.21.3 Share-based payment

The Group has share option and share grant programs to directors and employees of the Group. When the options are exercised, the Group can either select to issue new shares or distribute treasury shares, or compensate the difference in fair value of shares and exercise price.

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.

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 year.

3.21.4 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.

3.22 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.

3.22.1 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.

3.22.2 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 and associates, 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.

3.22.3 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.

3.23 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.

3.24 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.

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.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Financial assets				
Due from financial institutions	₩	17,219,661	₩	15,326,173
Financial assets at fair value through profit or loss				
Financial assets held for trading ¹		25,242,193		23,058,919
Financial assets designated at fair value through profit or loss		1,982,224		1,693,255
Derivatives		3,310,166		3,381,935
Loans ²		290,122,838		265,486,134
Financial investments				
Available-for-sale financial assets		38,959,401		27,445,752
Held-to-maturity financial assets		18,491,980		11,177,504
Other financial assets ²		10,195,015		7,322,335
		405,523,478		354,892,007
Off-balance sheet items				
Acceptances and guarantees contracts		6,977,468		7,822,124
Financial guarantee contracts		3,683,875		4,746,292
Commitments		102,183,167		97,005,556
		112,844,510		109,573,972
	₩	518,367,988	₩	464,465,979

¹ Financial instruments indexed to the price of gold amounting to ₩ 73,855 million and ₩ 72,349 million as of December 31, 2017 and 2016, respectively, are included.

² Loans 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 recognizes an impairment loss on loan carried at amortized cost when there is any objective indication of impairment. Impairment loss is defined as incurred loss in accordance with Korean IFRS; therefore, a loss that might be occur due to a future event is not recognized in spite of its likelihood. The Group measures inherent incurred losses on loans and presents them in the consolidated financial statements through the use of an allowance account which is offset against the related loans.

Loans as of December 31, 2017 and 2016, are classified as follows:

(In millions of Korean won)

Loans	2017											
	Retail		Corporate		Credit card		Total					
	Amount	%	Amount	%	Amount	%	Amount	%				
Neither past due nor impaired	₩	144,705,621	98.93	₩	129,130,466	98.76	₩	14,496,109	95.34	₩	288,332,196	98.67
Past due but not impaired		1,069,813	0.73		206,925	0.16		359,468	2.36		1,636,206	0.56
Impaired		495,546	0.34		1,419,851	1.08		349,270	2.30		2,264,667	0.77
		146,270,980	100.00		130,757,242	100.00		15,204,847	100.00		292,233,069	100.00
Less: Allowances ¹		(429,299)	0.29		(1,231,666)	0.94		(449,266)	2.95		(2,110,231)	0.72
Carrying amount	₩	145,841,681		₩	129,525,576		₩	14,755,581		₩	290,122,838	

(In millions of Korean won)

Loans	2016											
	Retail		Corporate		Credit card		Total					
	Amount	%	Amount	%	Amount	%	Amount	%				
Neither past due nor impaired	₩	133,491,252	98.86	₩	117,346,453	98.44	₩	13,001,473	96.09	₩	263,839,178	98.53
Past due but not impaired		961,370	0.71		202,474	0.17		226,648	1.68		1,390,492	0.52
Impaired		575,711	0.43		1,656,387	1.39		302,122	2.23		2,534,220	0.95
		135,028,333	100.00		119,205,314	100.00		13,530,243	100.00		267,763,890	100.00
Less: Allowances ¹		(481,289)	0.36		(1,382,172)	1.16		(414,295)	3.06		(2,277,756)	0.85
Carrying amount	₩	134,547,044		₩	117,823,142		₩	13,115,948		₩	265,486,134	

¹ Collectively assessed allowances for loans are included as they are not impaired individually.

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

(In millions of Korean won)

	2017											
	Retail		Corporate		Credit card		Total					
	Amount	%	Amount	%	Amount	%	Amount	%				
Grade 1	₩	124,133,056		₩	67,575,021		₩	8,095,629		₩	199,803,706	
Grade 2		16,790,644			53,842,610			4,920,767			75,554,021	
Grade 3		2,701,697			5,703,159			1,379,409			9,784,265	
Grade 4		851,446			1,390,131			71,207			2,312,784	
Grade 5		228,778			619,545			29,097			877,420	
	₩	144,705,621		₩	129,130,466		₩	14,496,109		₩	288,332,196	

(In millions of Korean won)

	2016											
	Retail		Corporate		Credit card		Total					
	Amount	%	Amount	%	Amount	%	Amount	%				
Grade 1	₩	110,720,263		₩	57,754,882		₩	6,804,763		₩	175,279,908	
Grade 2		18,400,111			49,531,423			4,774,368			72,705,902	
Grade 3		3,188,861			7,722,663			1,147,814			12,059,338	
Grade 4		935,265			1,728,631			249,529			2,913,425	
Grade 5		246,752			608,854			24,999			880,605	
	₩	133,491,252		₩	117,346,453		₩	13,001,473		₩	263,839,178	

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

Loans that are past due but not impaired are as follows:

(In millions of Korean won)

	2017				
	1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	90 days or more	Total
Retail	₩ 890,759	₩ 117,057	₩ 59,632	₩ 2,365	₩ 1,069,813
Corporate	162,668	27,065	17,192	-	206,925
Credit card	302,871	35,774	20,823	-	359,468
	₩ 1,356,298	₩ 179,896	₩ 97,647	₩ 2,365	₩ 1,636,206

(In millions of Korean won)

	2016				
	1 ~ 29 days	30 ~ 59 days	60 ~ 89 days	90 days or more	Total
Retail	₩ 782,262	₩ 119,667	₩ 57,187	₩ 2,254	₩ 961,370
Corporate	134,432	44,086	23,956	-	202,474
Credit card	176,390	31,880	18,378	-	226,648
	₩ 1,093,084	₩ 195,633	₩ 99,521	₩ 2,254	₩ 1,390,492

Impaired loans are as follows:

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Loans	₩ 495,546	₩ 1,419,851	₩ 349,270	₩ 2,264,667
Allowances under				
Individual assessment	(788)	(791,205)	-	(791,993)
Collective assessment	(178,337)	(90,771)	(212,729)	(481,837)
	(179,125)	(881,976)	(212,729)	(1,273,830)
	₩ 316,421	₩ 537,875	₩ 136,541	₩ 990,837

(In millions of Korean won)

	2016			
	Retail	Corporate	Credit card	Total
Loans	₩ 575,711	₩ 1,656,387	₩ 302,122	₩ 2,534,220
Allowances under				
Individual assessment	(3)	(860,829)	-	(860,832)
Collective assessment	(217,535)	(133,507)	(183,211)	(534,253)
	(217,538)	(994,336)	(183,211)	(1,395,085)
	₩ 358,173	₩ 662,051	₩ 118,911	₩ 1,139,135

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017									
	Impaired Loans			Non-impaired Loans			Total			
	Individual	Collective	Past due	Not past due						
Guarantees	₩	17,257	₩	113,551	₩	209,180	₩	57,828,611	₩	58,168,599
Deposits and savings		11,857		5,461		40,833		4,149,157		4,207,308
Property and equipment		2,676		30,455		53,647		9,720,857		9,807,635
Real estate		189,480		282,327		688,502		148,183,907		149,344,216
	₩	221,270	₩	431,794	₩	992,162	₩	219,882,532	₩	221,527,758

(In millions of Korean won)

	2016									
	Impaired Loans			Non-impaired Loans			Total			
	Individual	Collective	Past due	Not past due						
Guarantees	₩	21,168	₩	131,752	₩	207,493	₩	52,994,315	₩	53,354,728
Deposits and savings		10,849		6,114		51,815		2,115,376		2,184,154
Property and equipment		7,083		25,035		28,053		5,380,329		5,440,500
Real estate		262,340		341,803		590,196		137,263,717		138,458,056
	₩	301,440	₩	504,704	₩	877,557	₩	197,753,737	₩	199,437,438

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	₩		₩	
Securities that are neither past due nor impaired		84,597,074		63,298,248
Impaired securities		4,869		4,833
	₩	84,601,943	₩	63,303,081

The credit quality of securities, excluding equity securities, that are neither past due nor impaired as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017											
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total						
Securities that are neither past due nor impaired												
Financial assets held for trading	₩	21,002,043	₩	3,958,261	₩	93,887	₩	28,232	₩	85,915	₩	25,168,338
Financial assets designated at fair value through profit or loss		1,550,617		200,633		63,856		60,332		106,786		1,982,224
Available-for-sale financial assets		36,471,247		2,433,685		47,079		2,521		-		38,954,532
Held-to-maturity financial assets		18,466,624		21,113		4,243		-		-		18,491,980
	₩	77,490,531	₩	6,613,692	₩	209,065	₩	91,085	₩	192,701	₩	84,597,074

(In millions of Korean won)

	2016						Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Securities that are neither past due nor impaired							
Financial assets held for trading	₩ 20,101,364	₩ 2,752,038	₩ 46,113	₩ 18,397	₩ 68,658	₩ 22,986,570	
Financial assets designated at fair value through profit or loss	1,563,152	120,925	8,176	-	1,002	1,693,255	
Available-for-sale financial assets	26,082,139	1,310,782	47,998	-	-	27,440,919	
Held-to-maturity financial assets	11,177,504	-	-	-	-	11,177,504	
	₩ 58,924,159	₩ 4,183,745	₩ 102,287	₩ 18,397	₩ 69,660	₩ 63,298,248	

The credit qualities of securities, excluding equity securities, according to the credit ratings by external rating agencies 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 debit securities denominated in Korean won are based on the lowest credit rating by the domestic credit rating agencies above, and those denominated in foreign currencies are based on the lowest credit rating by the foreign credit rating agencies above.

4.2.6 Credit risk mitigation of derivative financial instruments

A quantification of the extent to which collateral and other credit enhancements mitigate credit risk of derivative financial instruments as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Deposits and savings, securities and others	₩	1,277,851	₩	478,567
	₩	1,277,851	₩	478,567

4.2.7 Credit Risk Concentration Analysis

Details of the Group's regional loans as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 146,149,814	₩ 127,298,283	₩ 15,200,843	₩ 288,648,940	98.77	₩ (2,063,919)	₩ 286,585,021
Europe	-	192,980	310	193,290	0.07	(2,327)	190,963
China	-	1,879,030	1,458	1,880,488	0.64	(31,017)	1,849,471
Japan	539	127,009	339	127,887	0.04	(6,269)	121,618
United States	-	866,867	1,001	867,868	0.30	(1,600)	866,268
Others	120,627	393,073	896	514,596	0.18	(5,099)	509,497
	₩ 146,270,980	₩ 130,757,242	₩ 15,204,847	₩ 292,233,069	100.00	₩ (2,110,231)	₩ 290,122,838

(In millions of Korean won)

	2016						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 134,956,004	₩ 116,271,176	₩ 13,526,026	₩ 264,753,206	98.88	₩ (2,234,971)	₩ 262,518,235
Europe	1	206,580	245	206,826	0.08	(1,719)	205,107
China	-	1,328,525	2,570	1,331,095	0.50	(23,500)	1,307,595
Japan	1,352	90,977	205	92,534	0.03	(10,385)	82,149
United States	-	984,472	566	985,038	0.37	(2,032)	983,006
Others	70,976	323,584	631	395,191	0.14	(5,149)	390,042
	₩ 135,028,333	₩ 119,205,314	₩ 13,530,243	₩ 267,763,890	100.00	₩ (2,277,756)	₩ 265,486,134

Details of the Group's industrial corporate loans as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 11,093,682	8.48	₩ (47,531)	₩ 11,046,151
Manufacturing	40,201,037	30.74	(449,439)	39,751,598
Service	54,268,271	41.50	(288,521)	53,979,750
Wholesale & Retail	15,061,632	11.52	(90,390)	14,971,242
Construction	3,021,889	2.31	(269,535)	2,752,354
Public sector	1,056,520	0.81	(15,341)	1,041,179
Others	6,054,211	4.64	(70,909)	5,983,302
	₩ 130,757,242	100.00	₩ (1,231,666)	₩ 129,525,576

(In millions of Korean won)

	2016			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 10,603,474	8.90	₩ (20,870)	₩ 10,582,604
Manufacturing	36,505,044	30.62	(539,512)	35,965,532
Service	48,529,236	40.71	(307,132)	48,222,104
Wholesale & Retail	14,246,756	11.95	(116,233)	14,130,523
Construction	3,381,470	2.84	(357,439)	3,024,031
Public sector	886,583	0.74	(6,318)	880,265
Others	5,052,751	4.24	(34,668)	5,018,083
	₩ 119,205,314	100.00	₩ (1,382,172)	₩ 117,823,142

Types of the Group's retail and credit card loans as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Loans	%	Allowances	Carrying amount
Housing	₩ 64,140,941	39.72	₩ (18,646)	₩ 64,122,295
General	82,130,039	50.86	(410,653)	81,719,386
Credit card	15,204,847	9.42	(449,266)	14,755,581
	₩ 161,475,827	100.00	₩ (878,565)	₩ 160,597,262

(In millions of Korean won)

	2016			
	Loans	%	Allowances	Carrying amount
Housing	₩ 59,015,452	39.73	₩ (22,787)	₩ 58,992,665
General	76,012,881	51.17	(458,502)	75,554,379
Credit card	13,530,243	9.10	(414,295)	13,115,948
	₩ 148,558,576	100.00	₩ (895,584)	₩ 147,662,992

Details of the Group's industrial securities, excluding equity securities, and derivative financial instruments as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	
	Amount	%
Financial assets held for trading		
Government and government funded institutions	₩ 8,345,463	33.16
Banking and insurance	11,486,321	45.64
Others	5,336,554	21.20
	25,168,338	100.00
Financial assets designated at fair value through profit or loss		
Banking and insurance and others	1,982,224	100.00
	1,982,224	100.00
Derivative financial assets		
Government and government funded institutions	12,099	0.37
Banking and insurance	3,098,350	93.60
Others	199,717	6.03
	3,310,166	100.00
Available-for-sale financial assets		
Government and government funded institutions	9,498,819	24.38
Banking and insurance	23,314,336	59.84
Others	6,146,246	15.78
	38,959,401	100.00
Held-to-maturity financial assets		
Government and government funded institutions	8,449,839	45.69
Banking and insurance	6,765,593	36.59
Others	3,276,548	17.72
	18,491,980	100.00
	₩ 87,912,109	

(In millions of Korean won)

	2016	
	Amount	%
Financial assets held for trading		
Government and government funded institutions	₩ 7,875,106	34.26
Banking and insurance	11,408,503	49.63
Others	3,702,961	16.11
	<u>22,986,570</u>	<u>100.00</u>
Financial assets designated at fair value through profit or loss		
Banking and insurance and others	1,693,255	100.00
	<u>1,693,255</u>	<u>100.00</u>
Derivative financial assets		
Government and government funded institutions	104,025	3.08
Banking and insurance	2,998,412	88.66
Others	279,498	8.26
	<u>3,381,935</u>	<u>100.00</u>
Available-for-sale financial assets		
Government and government funded institutions	10,579,880	38.55
Banking and insurance	13,901,908	50.65
Others	2,963,964	10.80
	<u>27,445,752</u>	<u>100.00</u>
Held-to-maturity financial assets		
Government and government funded institutions	5,373,994	48.08
Banking and insurance	5,471,443	48.95
Others	332,067	2.97
	<u>11,177,504</u>	<u>100.00</u>
	<u>₩ 66,685,016</u>	

Details of the Group's regional securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	
	Amount	%
Financial assets held for trading		
Korea	₩ 23,462,909	93.22
United States	643,249	2.56
Others	1,062,180	4.22
	<u>25,168,338</u>	<u>100.00</u>
Financial assets designated at fair value through profit or loss		
Korea	1,178,197	59.44
United States	120,000	6.05
Others	684,027	34.51
	<u>1,982,224</u>	<u>100.00</u>

(In millions of Korean won)

	2017	
	Amount	%
Derivative financial assets		
Korea	1,743,201	52.66
United States	325,909	9.85
Others	1,241,056	37.49
	3,310,166	100.00
Available-for-sale financial assets		
Korea	36,705,979	94.22
United States	1,110,157	2.85
Others	1,143,265	2.93
	38,959,401	100.00
Held-to-maturity financial assets		
Korea	16,243,987	87.84
United States	1,076,331	5.82
Others	1,171,662	6.34
	₩ 18,491,980	100.00
	₩ 87,912,109	

(In millions of Korean won)

	2016	
	Amount	%
Financial assets held for trading		
Korea	₩ 22,359,665	97.27
United States	141,022	0.61
Others	485,883	2.12
	22,986,570	100.00
Financial assets designated at fair value through profit or loss		
Korea	1,232,226	72.77
United States	72,837	4.30
Others	388,192	22.93
	1,693,255	100.00
Derivative financial assets		
Korea	2,323,198	68.69
United States	291,160	8.61
Others	767,577	22.70
	3,381,935	100.00
Available-for-sale financial assets		
Korea	26,855,024	97.85
United States	141,473	0.52
Others	449,255	1.63
	27,445,752	100.00
Held-to-maturity financial assets		
Korea	10,029,429	89.73
United States	193,360	1.73
Others	954,715	8.54
	11,177,504	100.00
	₩ 66,685,016	

The counterparties to the financial assets under due from financial institutions and financial instruments indexed to the price of gold within financial assets held for trading and derivatives are in the financial and insurance industries which have high credit ratings.

4.3 Liquidity Risk

4.3.1 Overview of Liquidity Risk

Liquidity risk is a risk that the Group becomes insolvency 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 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 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 every 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2016						
	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	₩ 6,431,488	₩ 815,026	₩ 414,076	₩ 629,696	₩ 353,581	₩ -	₩ 8,643,867
Financial assets held for trading ²	26,099,518	-	-	-	-	-	26,099,518
Financial assets designated at fair value through profit or loss ²	1,758,846	-	-	-	-	-	1,758,846
Derivatives held for trading ²	3,263,115	-	-	-	-	-	3,263,115
Derivatives held for fair value hedging ³	-	4,075	1,719	1,791	(584)	53,185	60,186
Loans	25,333	24,246,878	27,731,932	88,710,331	73,969,738	90,290,586	304,974,798
Available-for-sale financial assets ⁴	6,444,890	617,457	1,734,077	6,027,364	17,804,826	3,916,630	36,545,244
Held-to-maturity financial assets	-	280,822	552,875	1,423,078	6,478,050	4,457,977	13,192,802
Other financial assets	138,840	5,316,491	34,215	1,188,493	42,957	10,408	6,731,404
	₩ 44,162,030	₩ 31,280,749	₩ 30,468,894	₩ 97,980,753	₩ 98,648,568	₩ 98,728,786	₩ 401,269,780
Financial liabilities							
Financial liabilities held for trading ²	₩ 1,143,510	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,143,510
Financial liabilities designated at fair value through profit or loss ²	10,979,326	-	-	-	-	-	10,979,326
Derivatives held for trading ²	3,712,015	-	-	-	-	-	3,712,015
Derivatives held for fair value hedging ³	(1,145)	3,462	(5,114)	8,081	(37,880)	-	(32,596)
Deposits ⁵	118,054,880	13,886,329	24,840,830	72,178,631	10,393,616	3,790,933	243,145,219
Debts	8,473,706	5,830,600	3,567,985	5,124,571	4,195,123	116,023	27,308,008
Debentures	52,188	2,078,866	2,403,874	7,493,938	20,673,639	3,273,158	35,975,663
Other financial liabilities	1,656,767	10,969,703	29,248	114,381	354,976	895,950	14,021,025
	₩ 144,071,247	₩ 32,768,960	₩ 30,836,823	₩ 84,919,602	₩ 35,579,474	₩ 8,076,064	₩ 336,252,170
Off- balance sheet items							
Commitments ⁶	₩ 97,005,556	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 97,005,556
Financial guarantee contract ⁷	4,746,292	-	-	-	-	-	4,746,292
	₩ 101,751,848	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 101,751,848

¹ The amounts of ₩ 10,669,956 million and ₩ 9,307,958 million, which are restricted due from the financial institutions as of December 31, 2017 and 2016, respectively, are excluded.

² Financial assets/liabilities held for trading, financial assets/liabilities 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. However, the cash flows of the embedded derivatives (e.g. conversion options and others) which are separated from their host contracts in accordance with the requirement of Korean IFRS 1039, are considered in the cash flows of the host contracts.

³ Cash flows of derivative instruments held for fair value hedging are shown at net cash flow by remaining contractual maturity.

⁴ Equity investments in financial assets classified as available-for-sale are generally included in the 'On demand' category as most are available for sale at anytime. However, in the case of equity investments restricted for sale, they are shown in the period in which the restriction is expected to expire.

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 December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net settlement derivatives	₩ (224)	₩ (1,556)	₩ (3,044)	₩ (442)	₩ 16	₩ (5,250)
Cash flow to be received of total settlement derivatives	196,795	298,108	745,490	1,404,317	-	2,644,710
Cash flow to be paid of total settlement derivatives	(188,698)	(285,397)	(698,054)	(1,324,504)	-	(2,496,653)

(In millions of Korean won)

	2016					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net settlement derivatives	₩ (283)	₩ (1,078)	₩ (3,088)	₩ (3,141)	₩ -	₩ (7,590)
Cash flow to be received of total settlement derivatives	302	948	245,909	121,152	-	368,311
Cash flow to be paid of total settlement derivatives	(522)	(1,080)	(224,600)	(110,373)	-	(336,575)

4.4 Market Risk

4.4.1 Overview of Market Risk

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 or future cash flows of financial instruments; such as, securities and derivatives amongst others. The most significant risks associated with trading positions are 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.

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; such as, 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 Financial Planning 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; such as, 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 Financial Planning Department. Also, the Risk Management Department independently reports related information to the management.

4.4.2 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 hold 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, from this year, 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, 2017 and 2016, are as follows:

Kookmin Bank

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 22,682	₩ 14,313	₩ 42,155	₩ 23,758
Stock price risk	1,002	757	1,345	1,255
Foreign exchange rate risk	32,709	12,405	44,322	24,315
Deduction of diversification effect	-	-	-	(29,727)
Total VaR	₩ 23,312	₩ 16,498	₩ 30,247	₩ 19,601

(In millions of Korean won)

	2016			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 15,683	₩ 10,817	₩ 19,538	₩ 14,906
Stock price risk	1,757	726	2,269	1,201
Foreign exchange rate risk	16,493	10,123	22,206	10,123
Deduction of diversification effect	-	-	-	(6,477)
Total VaR	₩ 19,018	₩ 11,558	₩ 28,519	₩ 19,753

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, 2017 and 2016, are as follows:

Kookmin Bank

(In millions of Korean won)

	2017		2016	
	Interest rate risk	₩ 98,236	₩ 15,161	
Stock price risk	1,646	4,816		
Foreign exchange rate risk	810	-		
	₩ 100,691	₩ 19,977		

KB Securities Co., Ltd.

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 421,275	₩ 347,369	₩ 498,631	₩ 457,470
Stock price risk	193,791	138,044	239,685	200,101
Foreign exchange rate risk	11,113	7,599	15,446	7,674
Commodity risk	5	-	34	3
	₩ 626,184	₩ 493,012	₩ 753,796	₩ 665,248

(In millions of Korean won)

	2016 ¹			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 79,205	₩ 41,116	₩ 312,094	₩ 312,094
Stock price risk	57,816	36,140	199,182	199,182
Foreign exchange rate risk	1,766	471	10,790	10,790
Commodity risk	80	-	125	-
	₩ 138,867	₩ 77,727	₩ 522,191	₩ 522,066

¹ Including Hyundai Securities Co., Ltd.(included as a subsidiary in fourth quarter, 2016)

KB Insurance Co., Ltd.

(In millions of Korean won)

	2017 ¹			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 47,569	₩ 40,546	₩ 55,875	₩ 41,467
Stock price risk	81	-	133	-
Foreign exchange rate risk	18,002	12,313	23,099	18,695
	₩ 65,653	₩ 52,859	₩ 79,107	₩ 60,162

¹ Including KB Insurance Co., Ltd.(included as a subsidiary in second quarter, 2017)

KB Life Insurance Co., Ltd.

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 1,381	₩ 593	₩ 1,961	₩ 1,596
	₩ 1,381	₩ 593	₩ 1,961	₩ 1,596

(In millions of Korean won)

	2016			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 1,428	₩ 1,123	₩ 2,440	₩ 1,675
	₩ 1,428	₩ 1,123	₩ 2,440	₩ 1,675

KB Investment Co., Ltd.

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Stock price risk	₩ 3,904	₩ -	₩ 4,766	₩ 3,897
Foreign exchange rate risk	1,053	746	1,797	1,797
	₩ 4,957	₩ 746	₩ 6,563	₩ 5,694

(In millions of Korean won)

	2016			
	Average	Minimum	Maximum	Ending
Stock price risk	₩ 2,852	₩ 1,571	₩ 4,516	₩ 4,516
Foreign exchange rate risk	592	357	792	792
	₩ 3,444	₩ 1,928	₩ 5,308	₩ 5,308

KB Asset Management Co., Ltd.

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 19	₩ -	₩ 215	₩ 8
Stock price risk	241	-	1,634	1,634
Foreign exchange rate risk	93	-	1,049	1,049
	₩ 353	₩ -	₩ 2,898	₩ 2,692

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.

4.4.3 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

Interest rate risk occurs due to mismatches on maturities and interest rate reset periods between interest-bearing assets and liabilities. The Group manages the risk through measuring and managing interest rate VaR and EaR that are maximum expected decreases in net asset value (NPV) and net interest income (NII) for one year, respectively, arising from unfavorable changes in market interest rate.

Interest Rate VaR

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, 2017 and 2016, are as follows:

	2017		2016	
Kookmin Bank	₩	350,178	₩	75,990
KB Securities Co., Ltd. ¹		39,717		33,345
KB Insurance Co., Ltd. ²		451,335		-
KB Kookmin Card Co., Ltd.		12,775		43,730
KB Life Insurance Co., Ltd.		51,677		21,510
KB Savings Bank Co., Ltd.		6,447		5,694
KB Capital Co., Ltd.		10,912		4,794

¹ Including Hyundai Securities Co., Ltd. (included as a subsidiary in fourth quarter, 2016)

² Including KB Insurance Co., Ltd. (included as a subsidiary in second quarter, 2017)

4.4.4 Financial Instruments in Foreign Currencies

Details of financial instruments presented in foreign currencies translated into Korean won as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							Total
	USD	JPY	EUR	GBP	CNY	Others		
Financial Assets								
Cash and due from financial institutions	₩ 1,820,651	₩ 268,482	₩ 309,890	₩ 20,062	₩ 872,650	₩ 356,242	₩ 3,647,977	
Financial assets held for trading	3,021,509	84,980	81,394	8,922	15,492	20,767	3,233,064	
Financial assets designated at fair value through profit or loss	826,906	-	-	-	-	-	826,906	
Derivatives held for trading	124,434	446	10,172	-	96	56,362	191,510	
Derivatives held for hedging	29,489	-	-	-	-	-	29,489	
Loans	10,689,732	228,747	1,503,493	9,549	795,302	287,591	13,514,414	
Available-for-sale financial assets	6,061,404	101,003	124,045	-	38,606	21,123	6,346,181	
Held-to-maturity financial assets	2,313,099	-	44,267	-	4,905	4,242	2,366,513	
Other financial assets	1,615,795	453,029	406,793	13,382	226,301	708,965	3,424,265	
	₩ 26,503,019	₩ 1,136,687	₩ 2,480,054	₩ 51,915	₩ 1,953,352	₩ 1,455,292	₩ 33,580,319	
Financial liabilities								
Financial liabilities designated at fair value through profit or loss	₩ 1,840,217	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,840,217	
Derivatives held for trading	109,197	1,399	73,298	-	3,563	183,461	370,918	
Derivatives held for hedging	49,962	-	-	-	-	-	49,962	
Deposits	8,469,129	759,394	389,049	39,993	1,093,998	590,793	11,342,356	
Debts	7,570,727	44,885	102,005	737	-	24,185	7,742,539	
Debentures	3,473,284	-	-	-	-	219,376	3,692,660	
Other financial liabilities	2,361,161	44,137	887,561	3,339	224,675	302,596	3,823,469	
	₩ 23,873,677	₩ 849,815	₩ 1,451,913	₩ 44,069	₩ 1,322,236	₩ 1,320,411	₩ 28,862,121	
Off-balance sheet items	₩ 12,852,959	₩ 705	₩ 2,404	₩ -	₩ 257,940	₩ 233,509	₩ 13,347,517	

(In millions of Korean won)

	2016							Total
	USD	JPY	EUR	GBP	CNY	Others		
Financial Assets								
Cash and due from financial institutions	₩ 2,562,178	₩ 209,264	₩ 353,841	₩ 17,224	₩ 601,317	₩ 343,825	₩ 4,087,649	
Financial assets held for trading	1,078,304	123,733	2,927	-	6,275	-	1,211,239	
Financial assets designated at fair value through profit or loss	458,422	-	-	-	-	-	458,422	
Derivatives held for trading	84,938	13	24,616	-	-	90,626	200,193	
Derivatives held for hedging	5,917	-	-	-	-	-	5,917	
Loans	10,824,626	342,100	895,208	5,799	552,966	180,445	12,801,144	
Available-for-sale financial assets	2,214,244	150,510	-	-	35,873	1,033	2,401,660	
Held-to-maturity financial assets	1,148,075	-	-	-	-	-	1,148,075	
Other financial assets	930,606	245,827	35,981	30,793	176,833	648,089	2,068,129	
	₩ 19,307,310	₩ 1,071,447	₩ 1,312,573	₩ 53,816	₩ 1,373,264	₩ 1,264,018	₩ 24,382,428	
Financial liabilities								
Financial liabilities designated at fair value through profit or loss	₩ 457,766	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 457,766	
Derivatives held for trading	105,918	-	129,349	-	-	315,403	550,670	
Derivatives held for hedging	63,634	-	-	-	-	-	63,634	
Deposits	7,259,601	597,173	457,447	52,710	791,825	399,683	9,558,439	
Debts	7,273,597	169,507	83,105	279	85,123	37,491	7,649,102	
Debentures	3,830,709	-	-	-	-	-	3,830,709	
Other financial liabilities	1,453,669	52,275	534,224	1,429	176,382	294,933	2,512,912	
	₩ 20,444,894	₩ 818,955	₩ 1,204,125	₩ 54,418	₩ 1,053,330	₩ 1,047,510	₩ 24,623,232	
Off-balance sheet items	₩ 14,570,708	₩ 822	₩ 39,000	₩ -	₩ 131,210	₩ 470,900	₩ 15,212,640	

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 6.25%(2016: 5.375%), a minimum Tier 1 ratio of 7.75%(2016: 6.875%) and a minimum Total Regulatory Capital of 9.75%(2016: 8.875%) as of December 31, 2017.

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, 2017 and 2016, are as follows:

	2017		2016	
Equity Capital:	₩	32,401,579	₩	31,103,291
Tier 1 Capital		31,059,475		29,264,494
Common Equity Tier 1 Capital		31,059,475		29,013,954
Additional Tier 1 Capital		-		250,540
Tier 2 Capital		1,342,105		1,838,797
Risk-weighted assets:		212,777,226		203,649,442
Equity Capital (%):		15.23		15.27
Tier 1 Capital (%)		14.60		14.37
Common Equity Tier 1 Capital (%)		14.60		14.25

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	The activities within this segment include providing credit, deposit products and other related financial services to large, small and medium-sized enterprises and SOHOs.
	Retail Banking	The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.
	Other Banking Services	The activities within this segment include trading activities in securities and derivatives, funding and other supporting activities.
Securities Business		The activities within this segment include 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		The activities within this segment include life insurance and other supporting activities.

Financial information by business segment for the year ended December 31, 2017, is as follows:

(In millions of Korean won)

	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating income from external customers	₩ 2,128,913	₩ 2,710,798	₩ 1,405,605	₩ 6,245,316	₩ 1,074,365	₩ 1,121,108	₩ 1,276,803	₩ 129,513	₩ 345,077	₩ -	₩ 10,192,182
Intra-segment operating income(expenses)	(18,447)	-	203,310	184,863	(1,157)	18,039	(194,167)	(20,515)	171,422	(158,485)	-
	₩ 2,110,466	₩ 2,710,798	₩ 1,608,915	₩ 6,430,179	₩ 1,073,208	₩ 1,139,147	₩ 1,082,636	₩ 108,998	₩ 516,499	(₩ 158,485)	₩ 10,192,182
Net interest income	2,555,780	2,647,768	190,767	5,394,315	251,967	465,016	1,083,665	215,743	296,920	2,383	7,710,009
Interest income	3,584,021	3,935,895	818,508	8,338,424	452,862	465,144	1,341,150	215,768	582,864	(13,760)	11,382,452
Interest expense	(1,028,241)	(1,288,127)	(627,741)	(2,944,109)	(200,895)	(128)	(257,485)	(25)	(285,944)	16,143	(3,672,443)
Net fee and commission income	235,210	595,322	394,157	1,224,689	551,619	(97,828)	132,686	(3,612)	252,813	(10,343)	2,050,024
Fee and commission income	315,994	668,227	487,259	1,471,480	637,630	1,532	1,901,112	69	299,783	(323,356)	3,988,250
Fee and commission expense	(80,784)	(72,905)	(93,102)	(246,791)	(86,011)	(99,360)	(1,768,426)	(3,681)	(46,970)	313,013	(1,938,226)
Net insurance income	-	-	-	-	-	699,873	19,948	(141,421)	-	15,310	593,710
Insurance income	-	-	-	-	-	7,947,262	33,579	1,008,329	-	(18,178)	8,970,992
Insurance expenses	-	-	-	-	-	(7,247,389)	(13,631)	(1,149,750)	-	33,488	(8,377,282)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(1,750)	-	101,012	99,262	526,023	41,079	-	7,795	19,749	46,421	740,329
Net other operating income (expense)	(678,774)	(532,292)	922,979	(288,087)	(256,401)	31,007	(153,663)	30,493	(52,983)	(212,256)	(901,890)
General and administrative expenses	(974,096)	(1,946,640)	(745,086)	(3,665,822)	(734,024)	(629,469)	(370,508)	(72,423)	(291,240)	134,822	(5,628,664)
Operating profit before provision for credit losses	1,136,370	764,158	863,829	2,764,357	339,184	509,678	712,128	36,575	225,259	(23,663)	4,563,518
Provision (reversal) for credit losses	6,918	(122,107)	23	(115,166)	(23,080)	(8,987)	(336,884)	(1,692)	(62,894)	459	(548,244)
Net operating income	1,143,288	642,051	863,852	2,649,191	316,104	500,691	375,244	34,883	162,365	(23,204)	4,015,274
Share of profit of associates and joint ventures	-	-	37,571	37,571	535	-	(462)	-	6,076	40,554	84,274
Net other non-operating income (expense)	1,873	-	(75,340)	(73,467)	1,794	11,167	(6,882)	(289)	6,582	99,971	38,876
Segment profits before income tax	1,145,161	642,051	826,083	2,613,295	318,433	511,858	367,900	34,594	175,023	117,321	4,138,424
Income tax expense	(181,936)	(102,059)	(154,595)	(438,590)	(46,732)	(181,488)	(71,069)	(13,508)	(61,610)	18,034	(794,963)
Profit for the period	963,225	539,992	671,488	2,174,705	271,701	330,370	296,831	21,086	113,413	135,355	3,343,461
Profit attributable to shareholders of the Parent Company	963,225	539,992	671,488	2,174,705	271,701	330,286	296,831	21,086	113,798	103,031	3,311,438
Profit attributable to non-controlling interests	-	-	-	-	-	84	-	-	(385)	32,324	32,023
Total assets ¹	117,904,269	129,438,168	82,423,490	329,765,927	37,351,680	32,351,778	17,658,310	9,125,741	37,439,753	(26,907,580)	436,785,609
Total liabilities ¹	102,224,405	147,870,309	54,347,779	304,442,493	32,936,024	29,128,747	13,616,481	8,586,328	15,137,421	(1,106,714)	402,740,780

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, 2016, is as follows:

(In millions of Korean won)

	Banking business				Securities	Credit Card	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total						
Operating income from external customers	₩1,803,204	₩2,248,035	₩1,402,861	₩5,454,100	₩184,856	₩1,269,573	₩ 139,847	₩ 396,566	₩ -	₩ 7,444,942
Intra-segment operating income(expenses)	9,274	-	249,235	258,509	3,268	(261,747)	(26,528)	159,944	(133,446)	-
	₩1,812,478	₩2,248,035	₩1,652,096	₩5,712,609	₩188,124	₩1,007,826	₩ 113,319	₩ 556,510	₩ (133,446)	₩ 7,444,942
Net interest income	2,286,347	2,353,232	189,331	4,828,910	73,205	981,342	233,742	283,158	2,172	6,402,529
Interest income	3,297,791	3,740,601	855,764	7,894,156	142,960	1,261,787	233,764	501,675	(12,460)	10,021,882
Interest expense	(1,011,444)	(1,387,369)	(666,433)	(3,065,246)	(69,755)	(280,445)	(22)	(218,517)	14,632	(3,619,353)
Net fee and commission income	231,182	504,259	352,410	1,087,851	193,384	92,070	(927)	212,723	(209)	1,584,892
Fee and commission income	293,336	583,048	433,998	1,310,382	220,938	1,658,034	85	252,031	(290,593)	3,150,877
Fee and commission expense	(62,154)	(78,789)	(81,588)	(222,531)	(27,554)	(1,565,964)	(1,012)	(39,308)	290,384	(1,565,985)
Net insurance income	-	-	-	-	-	20,825	(166,095)	-	27,467	(117,803)
Insurance income	-	-	-	-	-	33,874	1,167,478	-	-	1,201,352
Insurance expenses	-	-	-	-	-	(13,049)	(1,333,573)	-	27,467	(1,319,155)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(1,166)	-	198,064	196,898	(212,522)	-	8,154	7,851	(9,149)	(8,768)
Net other operating income (expense)	(703,885)	(609,456)	912,291	(401,050)	134,057	(86,411)	38,445	52,778	(153,727)	(415,908)
General and administrative expenses	(950,038)	(2,102,384)	(1,216,527)	(4,268,949)	(316,958)	(348,121)	(94,753)	(266,124)	66,194	(5,228,711)
Operating profit before provision for credit losses	862,440	145,651	435,569	1,443,660	(128,834)	659,705	18,566	290,386	(67,252)	2,216,231
Provision (reversal) for credit losses	(278,277)	(2,615)	26,563	(254,329)	9,083	(249,809)	(1,663)	(42,893)	328	(539,283)
Net operating income	584,163	143,036	462,132	1,189,331	(119,751)	409,896	16,903	247,493	(66,924)	1,676,948
Share of profit of associates and joint ventures	-	-	17,615	17,615	106,423	(20)	-	156,820	-	280,838
Net other non-operating income (expense)	(1,300)	-	50,611	49,311	634,863	2,262	(148)	(440)	(14,979)	670,869
Segment profits before income tax	582,863	143,036	530,358	1,256,257	621,535	412,138	16,755	403,873	(81,903)	2,628,655
Income tax expense	(140,910)	(34,614)	(116,477)	(292,001)	20,765	(95,035)	(4,041)	(66,262)	(1,901)	(438,475)
Profit for the period	441,953	108,422	413,881	964,256	642,300	317,103	12,714	337,611	(83,804)	2,190,180
Profit attributable to shareholders of the Parent Company	441,953	108,422	413,881	964,256	642,300	317,103	12,714	291,175	(83,804)	2,143,744
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	46,436	-	46,436
Total assets ¹	109,500,342	122,806,490	74,759,538	307,066,370	32,382,795	15,772,036	8,887,413	36,646,767	(25,081,725)	375,673,656
Total liabilities ¹	91,685,643	140,082,958	51,972,767	283,741,368	28,198,439	11,807,038	8,337,849	12,468,290	(140,731)	344,412,253

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 year ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Banking service	₩	6,245,316	₩	5,454,100
Securities service		1,074,365		184,856
Non-life insurance service		1,121,108		-
Credit card service		1,276,803		1,269,573
Life insurance service		129,513		139,847
Other service		345,077		396,566
	₩	10,192,182	₩	7,444,942

5.2.2 Geographical information

Geographical operating revenues from external customers for the year ended December 31, 2017 and 2016, and major non-current assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				2016			
	Revenues from external customers		Major non-current assets		Revenues from external customers		Major non-current assets	
Domestic	₩	10,078,253	₩	7,472,597	₩	7,354,698	₩	4,952,552
United States		17,596		363,330		10,522		299
New Zealand		5,855		57		5,422		128
China		44,531		4,585		47,360		5,038
Cambodia		7,475		1,753		6,109		1,216
United Kingdom		11,547		319		10,987		149
Others		26,925		78,142		9,844		2,242
adjustment		-		72,455		-		72,971
	₩	10,192,182	₩	7,993,238	₩	7,444,942	₩	5,034,595

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value of Financial Instruments

Carrying amount and fair value of financial assets and liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from financial institutions	₩ 19,817,825	₩ 19,805,138	₩ 17,884,863	₩ 17,878,714
Financial assets held for trading	30,177,293	30,177,293	26,099,518	26,099,518
Debt securities	25,168,338	25,168,338	22,986,570	22,986,570
Equity securities	4,935,100	4,935,100	3,040,599	3,040,599
Others	73,855	73,855	72,349	72,349
Financial assets designated at fair value through profit or loss	2,050,052	2,050,052	1,758,846	1,758,846
Debt securities	368,820	368,820	331,664	331,664
Equity securities	67,828	67,828	65,591	65,591
Derivative-linked securities	1,613,404	1,613,404	1,361,591	1,361,591
Derivatives held for trading	2,998,042	2,998,042	3,298,328	3,298,328
Derivatives held for hedging	312,124	312,124	83,607	83,607
Loans	290,122,838	289,807,038	265,486,134	265,144,250
Available-for-sale financial assets	48,116,263	48,116,263	33,970,293	33,970,293
Debt securities	38,959,401	38,959,401	27,445,752	27,445,752
Equity securities	9,156,862	9,156,862	6,524,541	6,524,541
Held-to-maturity financial assets	18,491,980	18,483,065	11,177,504	11,400,616
Other financial assets	10,195,015	10,195,015	7,322,335	7,322,335
	₩ 422,281,432	₩ 421,944,030	₩ 367,081,428	₩ 366,956,507
Financial liabilities				
Financial liabilities held for trading	₩ 1,944,770	₩ 1,944,770	₩ 1,143,510	₩ 1,143,510
Financial liabilities designated at fair value through profit or loss	10,078,288	10,078,288	10,979,326	10,979,326
Derivatives held for trading	3,054,614	3,054,614	3,717,819	3,717,819
Derivatives held for hedging	88,151	88,151	89,309	89,309
Deposits	255,800,048	256,222,490	239,729,695	240,223,353
Debts	28,820,928	28,814,801	26,251,486	26,247,768
Debentures	44,992,724	44,400,325	34,992,057	35,443,751
Other financial liabilities	18,330,004	18,328,276	16,286,578	16,257,142
	₩ 363,109,527	₩ 362,931,715	₩ 333,189,780	₩ 334,101,978

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly 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	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 assets 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.

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 statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements 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.

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.

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, 2017 and 2016, is as follows:

(In millions of Korean won)

	2017							
	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
Financial assets								
Financial assets held for trading								
Debt securities	₩	7,814,921	₩	17,353,417	₩	-	₩	25,168,338
Equity securities		2,340,497		2,594,603		-		4,935,100
Others		73,855		-		-		73,855
		10,229,273		19,948,020		-		30,177,293
Financial assets designated at fair value through profit or loss								
Debt securities		-		66,969		301,851		368,820
Equity securities		-		-		67,828		67,828
Derivative-linked securities		-		668,739		944,665		1,613,404
		-		735,708		1,314,344		2,050,052
Derivatives held for trading		80,678		2,720,285		197,079		2,998,042
Derivatives held for hedging		-		311,349		775		312,124
Available-for-sale financial assets ¹								
Debt securities		10,446,001		28,464,019		49,381		38,959,401
Equity securities		1,550,766		1,789,501		5,816,595		9,156,862
		11,996,767		30,253,520		5,865,976		48,116,263
	₩	22,306,718	₩	53,968,882	₩	7,378,174	₩	83,653,774
Financial liabilities								
Financial liabilities held for trading	₩	1,944,770	₩	-	₩	-	₩	1,944,770
Financial liabilities designated at fair value through profit or loss		843		1,389,553		8,687,892		10,078,288
Derivatives held for trading		272,766		2,717,862		63,986		3,054,614
Derivatives held for hedging		-		88,081		70		88,151
	₩	2,218,379	₩	4,195,496	₩	8,751,948	₩	15,165,823

(In millions of Korean won)

	2016					
	Fair value hierarchy			Total		
	Level 1	Level 2	Level 3			
Financial assets						
Financial assets held for trading						
Debt securities	₩ 7,426,480	₩ 15,560,090	₩ -	₩		22,986,570
Equity securities	1,137,531	1,903,068	-			3,040,599
Others	72,349	-	-			72,349
	8,636,360	17,463,158	-			26,099,518
Financial assets designated at fair value through profit or loss						
Debt securities	-	237,595	94,069			331,664
Equity securities	-	-	65,591			65,591
Derivative-linked securities	-	757,979	603,612			1,361,591
	-	995,574	763,272			1,758,846
Derivatives held for trading	128,236	3,033,156	136,936			3,298,328
Derivatives held for hedging	-	82,144	1,463			83,607
Available-for-sale financial assets ¹						
Debt securities	10,456,882	16,978,619	10,251			27,445,752
Equity securities	1,112,502	2,349,998	3,062,041			6,524,541
	11,569,384	19,328,617	3,072,292			33,970,293
	₩ 20,333,980	₩ 40,902,649	₩ 3,973,963	₩		65,210,592
Financial liabilities						
Financial liabilities held for trading	₩ 1,143,510	₩ -	₩ -	₩		1,143,510
Financial liabilities designated at fair value through profit or loss	566	3,181,621	7,797,139			10,979,326
Derivatives held for trading	474,921	3,041,052	201,846			3,717,819
Derivatives held for hedging	-	89,123	186			89,309
	₩ 1,618,997	₩ 6,311,796	₩ 7,999,171	₩		15,929,964

¹ The amounts of equity securities carried at cost in "Level 3", which do not have a quoted market price in an active market and cannot be measured reliably at fair value, are ₩ 116,629 million and ₩ 223,398 million as of December 31, 2017 and 2016, respectively. These equity securities are carried at cost because it is practically difficult to quantify the intrinsic values of the equity securities issued by unlisted public and non-profit entities. In addition, due to significant fluctuations in estimated cash flows arising from entities being in its initial stages, which further results in varying and unpredictable probabilities, unlisted equity securities issued by project financing cannot be reliably and reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in the near future.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	2017	2016		
Financial assets				
Financial assets held for trading				
Debt securities	₩ 17,353,417	₩ 15,560,090	DCF Model, option model	Underlying asset Index, Discount rate, Volatility
Equity securities	2,594,603	1,903,068	DCF Model, Net Asset Value, Option Model	Underlying asset Index, Volatility, Discount rate, Fair value of underlying asset
	19,948,020	17,463,158		
Financial assets designated at fair value through profit or loss				
Debt securities	66,969	237,595	DCF Model, Hull and White Model,	Discount rate, Volatility
Derivative-linked securities	668,739	757,979	DCF Model, Closed Form, Monte Carlo Simulation, Option Model	Underlying asset Index, Discount rate, Volatility
	735,708	995,574		
Derivatives held for trading	2,720,285	3,033,156	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and Others	Underlying asset Index, Discount rate, Volatility, Foreign exchange rate, Dividend rate and others
Derivatives held for hedging	311,349	82,144	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets				
Debt securities	28,464,019	16,978,619	DCF Model, option model, Net Asset Value	Discount rate
Equity securities	1,789,501	2,349,998	DCF Model, Option Model, Net Asset Value	Discount rate, Fair value of underlying asset
	30,253,520	19,328,617		
	₩ 53,968,882	₩ 40,902,649		
Financial liabilities				
Financial liabilities designated at fair value through profit or loss				
Derivative-linked securities	₩ 1,389,553	₩ 3,181,621	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of Underlying asset, Discount rate, Dividend rate, Volatility
	1,389,553	3,181,621		
Derivatives held for trading	2,717,862	3,041,052	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Option Valuation Model and others	Discount rate, Price of Underlying asset, Volatility, Foreign exchange rate, Credit Spread, Stock price and others
Derivatives held for hedging	88,081	89,123	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	₩ 4,195,496	₩ 6,311,796		

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

The fair value hierarchy of financial assets and liabilities whose the fair values are disclosed as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
Financial assets								
Cash and due from financial institutions ¹	₩	2,754,086	₩	15,281,705	₩	1,769,347	₩	19,805,138
Loans		-		569,625		289,237,413		289,807,038
Held-to-maturity financial assets		4,825,393		13,653,429		4,243		18,483,065
Other financial assets ²		-		-		10,195,015		10,195,015
	₩	7,579,479	₩	29,504,759	₩	301,206,018	₩	338,290,256
Financial liabilities								
Deposits ¹	₩	-	₩	125,154,284	₩	131,068,206	₩	256,222,490
Debts ³		-		853,615		27,961,186		28,814,801
Debentures		-		41,058,076		3,342,249		44,400,325
Other financial liabilities ⁴		-		-		18,328,276		18,328,276
	₩	-	₩	167,065,975	₩	180,699,917	₩	347,765,892

(In millions of Korean won)

	2016							
	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
Financial assets								
Cash and due from financial institutions ¹	₩	2,625,516	₩	13,390,534	₩	1,862,664	₩	17,878,714
Loans		-		-		265,144,250		265,144,250
Held-to-maturity financial assets		1,505,288		9,895,328		-		11,400,616
Other financial assets ²		-		-		7,322,335		7,322,335
	₩	4,130,804	₩	23,285,862	₩	274,329,249	₩	301,745,915
Financial liabilities								
Deposits ¹	₩	-	₩	116,068,290	₩	124,155,063	₩	240,223,353
Debts ³		-		1,444,983		24,802,785		26,247,768
Debentures		-		33,504,039		1,939,712		35,443,751
Other financial liabilities ⁴		-		-		16,257,142		16,257,142
	₩	-	₩	151,017,312	₩	167,154,702	₩	318,172,014

¹ The amounts included in Level 2 are the carrying amounts which are reasonable approximations of the fair values.

² Other financial assets of ₩ 10,195,015 million and ₩ 7,322,335 million are included in Level 3, the carrying amounts that are reasonable approximations of fair values as of December 31, 2017 and 2016, respectively.

³ Debts of ₩ 19,820 million and ₩ 70,624 million included in Level 2 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2017 and 2016, respectively.

⁴ Other financial liabilities of ₩ 17,882,909 million and ₩ 15,890,765 million included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of December 31, 2017 and 2016, respectively.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation technique	Inputs
	2017	2016		
Financial assets				
Loans	₩ 569,625	₩ -	DCF Model	Discount rate
Held-to-maturity financial assets	13,653,429	9,895,328	DCF Model	Discount rate
Financial liabilities				
Debts	833,795	1,374,359	DCF Model	Discount rate
Debentures	41,058,076	33,504,039	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, 2017 and 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation technique	Inputs
	2017	2016		
Financial assets				
Cash and due from financial institutions	₩ 1,769,347	₩ 1,862,664	DCF Model	Credit spread, Other spread, Interest rates
Loans	289,237,413	265,144,250	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rates
Held-to-maturity financial assets	4,243	-	DCF Model	Interest rates
	₩ 291,011,003	₩ 267,006,914		
Financial liabilities				
Deposits	₩ 131,068,206	₩ 124,155,063	DCF Model	Other spread, Prepayment rate, Interest rates
Debts	27,961,186	24,802,785	DCF Model	Other spread, Interest rates
Debentures	3,342,249	1,939,712	DCF Model	Other spread, Implied default probability, Interest rates
Other financial liabilities	445,367	366,377	DCF Model	Other spread, Interest rates
	₩ 162,817,008	₩ 151,263,937		

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 professional valuer's valuation 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 the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017									
	Financial assets at fair value through profit or loss		Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives financial instruments				
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging					
Beginning balance	₩	763,272	₩	3,072,292	₩	(7,797,139)	₩	(64,910)	₩	1,277
Total gains or losses										
- Profit or loss		52,936		(20,827)		(846,704)		504,627		(408)
- Other comprehensive income		-		6,356		-		-		-
Purchases		1,315,500		1,713,098		-		35,649		-
Sales		(1,076,928)		(916,778)		-		(270,435)		-
Issues		-		-		(11,528,433)		(67,958)		-
Settlements		(264,816)		-		11,484,384		(3,760)		(164)
Transfers into Level 3 ¹		-		14,168		-		-		-
Transfers out of Level 3 ¹		-		(922)		-		(642)		-
Business combination		524,380		2,038,779		-		522		-
Changes from replacement of assets Of disposal group as held for sale		-		(40,190)		-		-		-
Ending balance	₩	1,314,344	₩	5,865,976	₩	(8,687,892)	₩	133,093	₩	705

(In millions of Korean won)

	2016									
	Financial assets at fair value through profit or loss		Financial investments	Financial liabilities at fair value through profit or loss		Net derivatives financial instruments				
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging					
Beginning balance	₩	386,838	₩	1,888,439	₩	(1,819,379)	₩	(89,042)	₩	714
Total gains or losses										
- Profit or loss		62,717		(12,038)		(382,798)		25,649		676
- Other comprehensive income		-		86,320		-		-		-
Purchases		278,743		744,221		-		33,664		-
Sales		(345,846)		(288,082)		-		(178,670)		-
Issues		-		-		(4,085,714)		(26,049)		-
Settlements		(118,913)		-		4,182,978		282,671		(113)
Transfers into Level 3 ¹		-		-		-		8,815		-
Transfers out of Level 3 ¹		(337,217)		(24,816)		2,388,485		(72,571)		-
Business combination		836,950		678,248		(8,080,711)		(49,377)		-
Ending balance	₩	763,272	₩	3,072,292	₩	(7,797,139)	₩	(64,910)	₩	1,277

¹ The Changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for the period 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Net income(loss) from financial investments at fair value through profit or loss	Other operating income(loss)	Net interest income
Total gains or losses included in profit or loss for the period	₩ (289,141)	₩ (21,235)	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	48,333	(90,103)	-

(In millions of Korean won)

	2016		
	Net income(loss) from financial investments at fair value through profit or loss	Other operating income(loss)	Net interest income
Total gains or losses included in profit or loss for the period	₩ (294,432)	₩ (11,375)	₩ 13
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	(89,797)	(15,306)	-

6.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

Information about fair value measurements using unobservable inputs as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets designated at fair value through profit or loss					
Debt securities	₩ 301,851	Tree Model, DCF Model, Hull and White Model	Volatility of the underlying asset	9.96 ~ 29.53	The higher the volatility, the higher the fair value fluctuation
Equity securities	67,828	Tree Model	Volatility of the underlying asset	11.45 ~ 24.01	The higher the volatility, the higher the fair value fluctuation
Derivative-linked securities	944,665	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Option Model, Tree Model	Volatility of the underlying asset	10.00 ~ 30.07	The higher the volatility, the higher the fair value fluctuation
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Correlation between underlying assets	8.27 ~ 90.00	The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	138,972	DCF Model, FDM, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility of the underlying asset	1.00 ~ 39.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	3.00 ~ 67.00	The higher the value of correlation, the higher the fair value fluctuation

(In millions of Korean won)

	2017				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Currency, Interest rate and others	58,107	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model, Option Model	Loss given default	0.56	The higher the loss given default, the lower the fair value
			Volatility of the interest rate	0.47	The higher the volatility, the higher the fair value fluctuation
			Volatility of the underlying asset	3.00 ~ 51.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-13.00 ~ 90.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	775	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Volatility of the underlying asset	3.02	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets					
Debt securities	49,381	DCF Model, Option Model, Net asset value method, Market approach	Discount rate	2.57 ~ 11.08	The lower the discount rate, the higher the fair value
			Volatility	15.26 ~ 30.07	The Volatility is different for each item
			Correlation between underlying assets	48.82 ~ 82.16	The coefficient of correlation is different for each item
			Growth rate	0.00 ~ 2.20	The higher the growth rate, the higher the fair value
Equity securities	5,816,595	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Net asset value method, Discounted cash flows to equity, Income approach, Market approach, One Factor Hull-White Model, Usage of past transactions, Cost methods, Asset value approach, Tree Model, Net asset value Valuation and others	Growth rate	-1.00 ~ 1.00	The higher the growth rate, the higher the fair value
			Discount rate	-1.00 ~ 52.68	The lower the discount rate, the higher the fair value
			Asset value	-1.00 ~ 1.00	The higher the asset value, the higher the fair value
			Correlation between underlying assets	48.82 ~ 82.16	The coefficient of correlation is different for each item
			Volatility	15.26 ~ 30.07	The Volatility is different for each item
	₩ 7,378,174				
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 8,687,892	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Volatility of the underlying asset	1.00 ~ 52.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-13.42 ~ 90.24	The higher the absolute value of correlation, the higher the fair value fluctuation

(In millions of Korean won)

2017					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Derivatives held for trading					
Stock and index	14,796	DCF Model, Closed Form, Monte Carlo Simulation, FDM	Volatility of the underlying asset	1.00 ~ 33.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	7.00 ~ 67.00	The higher the correlation, the higher the fair value fluctuation
Others	49,190	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Option Model	Volatility of the stock price	15.84	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.47	The higher the volatility, the higher the fair value fluctuation
			Discount rate	2.57 ~ 2.69	The lower the discount rate, the higher the fair value
			Volatility of the underlying asset	1.00 ~ 49.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	25.00 ~ 90.00	The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	70	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Volatility of the underlying asset	2.64	The higher the volatility, the higher the fair value fluctuation
	₩ 8,751,948				

(In millions of Korean won)

2016					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets designated at fair value through profit or loss					
Debt securities	₩ 94,069	Black-Scholes Model	Volatility of the underlying asset	10.51 ~ 27.70	The higher the volatility, the higher the fair value fluctuation
Equity securities	65,591	Black-Scholes Model	Volatility of the underlying asset	10.51 ~ 30.97	The higher the volatility, the higher the fair value fluctuation
Derivative-linked securities	603,612	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model	Volatility of the underlying asset	15.00 ~ 49.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	4.00 ~ 73.07	The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	124,888	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility of the underlying asset	5.60 ~ 55.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	4.00 ~ 69.00	The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

2016					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Currency, interest rate and others	12,048	DCF Model, Hull and White Model, Closed Form, Monte Carlo Simulation, Tree Model	Loss given default	0.80 ~ 0.84	The higher the loss given default, the lower the fair value
			Volatility of the stock price	14.82 ~ 30.97	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.57	The higher the volatility, the higher the fair value fluctuation
			Volatility of the underlying asset	18.00 ~ 59.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-5.00 ~ 47.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	1,463	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Volatility of the underlying asset	5.04	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets					
Debt securities	10,251	DCF Model	Discount rate	6.55	The lower the discount rate, the higher the fair value
Equity securities	3,062,041	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Net asset value method, Dividend discount model, Hull and White model, Discounted cash flows to equity, Income approach	Growth rate	0.00 ~ 1.00	The higher the growth rate, the higher the fair value
			Discount rate	1.49 ~ 22.01	The lower the discount rate, the higher the fair value
			Liquidation value	0.00	The higher the liquidation value, the higher the fair value
			Recovery rate of receivables' acquisition cost	155.83	The higher the recovery rate of receivables' acquisition cost, the higher the fair value
₩ 3,973,963					
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 7,797,139	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Volatility of the underlying asset	1.00 ~ 49.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-5.00 ~ 77.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	153,419	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Volatility of the underlying asset	17.00 ~ 43.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	4.00 ~ 59.00	The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

2016					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
Others	48,427	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Tree Model	Volatility of the stock price	14.82	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.57 ~ 37.15	The higher the volatility, the higher the fair value fluctuation
			Discount rate	2.09	The lower the discount rate, the higher the fair value
			Volatility of the underlying asset	18.00 ~ 30.15	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-5.00 ~ 47.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	186	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Volatility of the underlying asset	2.74	The higher the volatility, the higher the fair value fluctuation
₩ 7,999,171					

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 equity-related derivatives, currency-related derivatives and interest rate-related derivatives whose fair value changes are recognized in profit or loss as well as debt securities and unlisted equity securities (including private equity funds) whose fair value changes are recognized in profit or loss or other comprehensive income.

The results of the sensitivity analysis from changes in inputs are as follows:

(In millions of Korean won)

	2017			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss ¹				
Debt securities	₩ 3,220	₩ (2,563)	₩ -	₩ -
Equity securities	654	(626)	-	-
Derivative-linked securities	6,906	(6,820)	-	-
Derivatives held for trading ²	25,616	(28,488)	-	-
Derivatives held for hedging ²	-	-	-	-
Available-for-sale financial assets				
Debt securities ³	-	-	205	(51)
Equity securities ⁴	-	-	126,916	(71,396)
	₩ 36,396	₩ (38,497)	₩ 127,121	₩ (71,447)

(In millions of Korean won)

	2017							
	Recognition in profit or loss		Other comprehensive income					
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes				
Financial liabilities								
Financial liabilities designated at fair value through profit or loss ¹	₩	40,020	₩	(36,757)	₩	-	₩	-
Derivatives held for trading ²		11,091		(10,827)		-		-
Derivatives held for hedging ²		2		(2)		-		-
	₩	51,113	₩	(47,586)	₩	-	₩	-

(In millions of Korean won)

	2016							
	Recognition in profit or loss		Other comprehensive income					
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes				
Financial assets								
Financial assets designated at fair value through profit or loss ¹								
Debt securities	₩	1,029	₩	(866)	₩	-	₩	-
Equity securities		840		(521)		-		-
Derivative-linked securities		5,666		(5,463)		-		-
Derivatives held for trading ²		28,334		(29,486)		-		-
Derivatives held for hedging ²		9		(6)		-		-
Available-for-sale financial assets								
Debt securities ³		-		-		69		(45)
Equity securities ⁴		-		-		168,225		(87,529)
	₩	35,878	₩	(36,342)	₩	168,294	₩	(87,574)
Financial liabilities								
Financial liabilities designated at fair value through profit or loss ¹	₩	97,429	₩	(97,571)	₩	-	₩	-
Derivatives held for trading ²		31,759		(33,715)		-		-
Derivatives held for hedging ²		3		(3)		-		-
	₩	129,191	₩	(131,289)	₩	-	₩	-

¹ For financial assets designated at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such Volatility of the underlying asset or Correlation between underlying asset by $\pm 10\%$.

² For stock and index-related derivatives, the changes in fair value are calculated by shifting principal unobservable input parameters such as the correlation of rates of return on stocks and the volatility of the underlying asset by $\pm 10\%$. For currency-related derivatives, the changes in fair value are calculated by shifting the unobservable input parameters, such as the loss given default ratio by $\pm 1\%$. For interest rate-related derivatives, the correlation of the interest rates or the volatility of the underlying asset is shifted by $\pm 10\%$ to calculate the fair value changes.

³ For debt securities, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, discount rate by $\pm 1\%$.

⁴ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (0~0.5%) and discount rate, liquidation value (-1~1%) and discount rate, or recovery rate of receivables' acquisition cost (-1~1%). 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 period and a reconciliation of changes in the balance of this difference for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Balance at the beginning of the period	₩	39,033	₩	4,055
New transactions and others		58,445		37,819
Changes during the period		(74,664)		(2,841)
Balance at the end of the year	₩	22,814	₩	39,033

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each class of financial assets and liabilities are disclosed in Note 3, 'Significant accounting policies'.

The carrying amounts of financial assets and liabilities by category as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017													
	Financial assets at fair value through profit or loss						Total							
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging								
Financial assets														
Cash and due from financial institutions	₩	-	₩	-	₩	19,817,825	₩	-	₩	19,817,825				
Financial assets at fair value through profit or loss	30,177,293	2,050,052	-	-	-	-	-	-	32,227,345					
Derivatives	2,998,042	-	-	-	-	-	312,124	-	3,310,166					
Loans	-	-	290,122,838	-	-	-	-	-	290,122,838					
Financial investments	-	-	-	48,116,263	18,491,980	-	-	-	66,608,243					
Other financial assets	-	-	10,195,015	-	-	-	-	-	10,195,015					
	₩	33,175,335	₩	2,050,052	₩	320,135,678	₩	48,116,263	₩	18,491,980	₩	312,124	₩	422,281,432

(In millions of Korean won)

	2017									
	Financial liabilities at fair value through profit or loss						Total			
	Held for trading	Designated at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives held for hedging						
Financial liabilities										
Financial liabilities at fair value through profit or loss	₩	1,944,770	₩	10,078,288	₩	-	₩	-	₩	12,023,058
Derivatives		3,054,614		-		-		88,151		3,142,765
Deposits		-		-		255,800,048		-		255,800,048
Debts		-		-		28,820,928		-		28,820,928
Debentures		-		-		44,992,724		-		44,992,724
Other financial liabilities		-		-		18,330,004		-		18,330,004
	₩	4,999,384	₩	10,078,288	₩	347,943,704	₩	88,151	₩	363,109,527

(In millions of Korean won)

	2016													
	Financial assets at fair value through profit or loss					Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total				
	Held for trading	Designated at fair value through profit or loss												
Financial assets														
Cash and due from financial institutions	₩	-	₩	-	₩	17,884,863	₩	-	₩	-	₩	17,884,863		
Financial assets at fair value through profit or loss		26,099,518		1,758,846		-		-		-		27,858,364		
Derivatives		3,298,328		-		-		-		83,607		3,381,935		
Loans		-		-		265,486,134		-		-		265,486,134		
Financial investments		-		-		-		33,970,293		11,177,504		45,147,797		
Other financial assets		-		-		7,322,335		-		-		7,322,335		
	₩	29,397,846	₩	1,758,846	₩	290,693,332	₩	33,970,293	₩	11,177,504	₩	83,607	₩	367,081,428

(In millions of Korean won)

	2016											
	Financial liabilities at fair value through profit or loss					Financial liabilities at amortized cost	Derivatives held for hedging	Total				
	Held for trading	Designated at fair value through profit or loss										
Financial liabilities												
Financial liabilities at fair value through profit or loss	₩	1,143,510	₩	10,979,326	₩	-	₩	-	₩	-	₩	12,122,836
Derivatives		3,717,819		-		-		89,309		-		3,807,128
Deposits		-		-		239,729,695		-		-		239,729,695
Debts		-		-		26,251,486		-		-		26,251,486
Debentures		-		-		34,992,057		-		-		34,992,057
Other financial liabilities		-		-		16,286,578		-		-		16,286,578
	₩	4,861,329	₩	10,979,326	₩	317,259,816	₩	89,309	₩	89,309	₩	333,189,780

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, while the maximum exposure to loss(carrying amount) from its continuing involvement in the derecognized financial assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
Discovery ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	₩ 6,022	₩ 6,022
EAK ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	5,339	5,339
FK1411 Co., Ltd.	Subordinate debt	Available-for-sale financial assets	9,601	9,601
AP 3B ABS Ltd.	Subordinate debt	Available-for-sale financial assets	9,902	9,902
AP 4D ABS Ltd.	Senior debt	Loans and receivables	2,248	2,251
	Subordinated debt	Available-for-sale financial assets	14,160	14,160
			₩ 47,272	₩ 47,275

¹ In addition to the above, the 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 2,989 million as of December 31, 2017.

(In millions of Korean won)

	2016			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
EAK ABS Co., Ltd.	Subordinate debt	Available-for-sale financial assets	₩ 7	₩ 7
AP ABS First Co., Ltd.	Subordinate debt	Available-for-sale financial assets	1,393	1,393
Discovery ABS First Co., Ltd.	Subordinate debt	Available-for-sale financial assets	6,876	6,876
EAK ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	12,302	12,302
FK1411 Co., Ltd.	Subordinate debt	Available-for-sale financial assets	15,212	15,212
AP 3B ABS Ltd.	Subordinate debt	Available-for-sale financial assets	14,374	14,374
AP 4D ABS Ltd.	Senior debt	Loans and receivables	13,626	13,689
	Subordinated debt	Available-for-sale financial assets	14,450	14,450
			₩ 78,240	₩ 78,303

¹ Recognized net gain from transferring loans to the SPEs amounts to ₩ 6,705 million.

² In addition to the above, the 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 ₩ 4,394 million during 2016.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Carrying amount of underlying assets	Carrying amount of senior debentures	Carrying amount of underlying assets	Carrying amount of senior debentures
KB Kookmin Card Second Securitization Co., Ltd. ¹	₩ 495,545	₩ 107,093	₩ 605,958	₩ 361,769
KB Kookmin Card Third Securitization Co., Ltd. ¹	600,813	324,425	-	-
KB Kookmin Card Fourth Securitization Co., Ltd. ¹	561,495	320,892	-	-
Wise Mobile Eighth Securitization Specialty ²	-	-	11,209	-
Wise Mobile Ninth Securitization Specialty ²	-	-	6,027	-
Wise Mobile Tenth Securitization Specialty ²	-	-	17,485	9,999
Wise Mobile Eleventh Securitization Specialty ²	-	-	16,830	9,998
Wise Mobile Twelfth Securitization Specialty ²	-	-	27,107	19,995
Wise Mobile Thirteenth Securitization Specialty ²	7,284	-	31,873	24,996
Wise Mobile Fourteenth Securitization Specialty ²	8,504	-	52,583	44,991
Wise Mobile Fifteenth Securitization Specialty ²	4,105	-	68,270	64,983
Wise Mobile Sixteenth Securitization Specialty ²	5,500	-	114,213	109,966
Wise Mobile Seventeenth Securitization Specialty ²	10,407	4,999	118,767	114,955
Wise Mobile Eighteenth Securitization Specialty ²	9,340	4,999	97,910	94,950
	₩ 1,702,993	₩ 762,408	₩ 1,168,232	₩ 856,602

¹ The Company 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. In addition, the Company can entrust additional eligible card transaction accounts and deposits. To avoid such early redemption, the Company entrusts accounts and deposits in addition to the previously entrusted card accounts. Accordingly, as asset-backed debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

² According to the liquidity facility agreement entered between the Special Purpose Companies (SPC) and Woori Bank and NH Bank, if the senior debentures cannot be redeemed by the underlying assets, the senior debentures should be redeemed by borrowings from the liquidity facilities. Accordingly, as senior debenture holders' recourse is not limited to the underlying assets, the fair value is not disclosed.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	₩ 10,111,732	₩ 10,666,315
Loaned securities		
Government bond	418,966	-
Stock	729,702	-
Others	-	-
	₩ 11,260,400	₩ 10,666,315

(In millions of Korean won)

	2016	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	₩ 9,302,087	₩ 8,815,027
Loaned securities		
Government bond	108,062	-
Stock	552,872	-
Others	16,250	-
	₩ 9,979,271	₩ 8,815,027

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading and Derivatives linked securities	₩ 2,981,437	₩ -	₩ 2,981,437	₩ (2,195,210)	₩ (191,349)	₩ 594,878
Derivatives held for hedging	312,124	-	312,124	(21,990)	(21,830)	268,304
Payable spot exchange	3,443,674	-	3,443,674	(3,443,298)	-	376
Repurchase agreements	2,617,700	-	2,617,700	(2,617,700)	-	-
Domestic exchange settlement credits	30,904,611	(29,959,914)	944,697	-	-	944,697
Other financial instruments	1,542,035	(1,531,622)	10,413	(9,525)	-	888
	₩ 41,801,581	₩ (31,491,536)	₩ 10,310,045	₩ (8,287,723)	₩ (213,179)	₩ 1,809,143

(In millions of Korean won)

	2016					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading and Derivatives linked securities	₩ 3,800,978	₩ -	₩ 3,800,978	₩ (2,390,096)	₩ (2,711)	₩ 1,408,171
Derivatives held for hedging	80,718	-	80,718	(10,980)	-	69,738
Payable spot exchange	2,557,424	-	2,557,424	(2,555,485)	-	1,939
Repurchase agreements	2,926,515	-	2,926,515	(2,926,515)	-	-
Domestic exchange settlement credits	19,854,611	(19,323,418)	531,193	-	-	531,193
Other financial instruments	1,055,379	(829,137)	226,242	(7,222)	-	219,020
	₩ 30,275,625	₩ (20,152,555)	₩ 10,123,070	₩ (7,890,298)	₩ (2,711)	₩ 2,230,061

Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						
	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	₩ 3,193,238	₩ -	₩ 3,193,238	₩ (1,540,336)	₩ (32,585)	₩	₩ 1,620,317
Derivatives held for hedging	88,151	-	88,151	(11,770)	(9,139)		67,242
Payable spot exchange	3,445,098	-	3,445,098	(3,443,298)	-		1,800
Repurchase agreements ¹	10,666,315	-	10,666,315	(10,666,315)	-		-
Securities borrowing agreements	1,870,579	-	1,870,579	(1,870,579)	-		-
Domestic exchange settlement credits	29,999,359	(29,959,914)	39,445	(39,445)	-		-
Other financial instruments	1,721,862	(1,530,488)	191,374	(194)	-		191,180
	₩ 50,984,602	₩ (31,490,402)	₩ 19,494,200	₩ (17,571,937)	₩ (41,724)	₩	₩ 1,880,539

(In millions of Korean won)

	2016						
	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	₩ 4,622,729	₩ -	₩ 4,622,729	₩ (3,005,000)	₩ (207,797)	₩	₩ 1,409,932
Derivatives held for hedging	88,506	-	88,506	(22,795)	(11,922)		53,789
Payable spot exchange	2,556,009	-	2,556,009	(2,555,485)	-		524
Repurchase agreements ¹	8,815,027	-	8,815,027	(8,815,027)	-		-
Securities borrowing agreements	1,063,056	-	1,063,056	(1,063,056)	-		-
Domestic exchange settlement credits	20,655,999	(19,323,418)	1,332,581	(1,332,503)	-		78
Other financial instruments	953,137	(829,137)	124,000	(7,252)	-		116,748
	₩ 38,754,463	₩ (20,152,555)	₩ 18,601,908	₩ (16,801,118)	₩ (219,719)	₩	₩ 1,581,071

¹ Includes repurchase agreements sold to customers.

7. Due from Financial Institutions

Details of due from financial institutions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate(%)		
				2017	2016
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00 ~1.53	₩ 8,511,295	₩ 7,259,264
	Due from banks	KEB Hana Bank and others	0.00 ~1.86	2,267,778	1,233,368
	Due from others	Kyobo Securities Co., Ltd. and others	0.00 ~1.64	3,377,102	3,276,913
				14,156,175	11,769,545
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	-	1,670,935	2,025,373
	Time deposits in foreign currencies	AOZORA BANK and others	0.11 ~6.40	775,917	808,253
	Due from others	Societe Generale and others	0.00 ~5.02	616,634	723,002
				3,063,486	3,556,628
			₩ 17,219,661	₩ 15,326,173	

Restricted cash from financial institutions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		Financial Institutions	2017	2016	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 8,511,295	₩ 7,259,264	Bank of Korea Act
	Due from banks	Citibank Korea Inc. and others	572,132	209,676	Deposits related to securitization and others
	Due from others	NH Investment Securities and others	371,398	580,655	Derivatives margin account and others
			9,454,825	8,049,595	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	619,130	564,099	Bank of Korea Act and others
	Time deposits in foreign currencies	China Construction Bank NY Branch and others	29,650	24,170	Bank Act of the State of New York and others
	Due from others	Societe Generale and others	509,484	664,082	Derivatives margin account and others
			1,158,264	1,252,351	
		₩ 10,613,089	₩ 9,301,946		

8. Assets pledged as collateral

Details of assets pledged as collateral as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	2017	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 165,026	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	7,699,857	Repurchase agreements
	Korea Securities Depository and others	4,941,912	Securities borrowing transactions
	Samsung Futures Inc. and others	1,047,758	Derivatives transactions
		13,689,527	
Available-for-sale financial assets	Korea Securities Depository and others	2,401,388	Repurchase agreements
	Korea Securities Depository and others	838,149	Securities borrowing transactions
	Bank of Korea	651,284	Borrowings from Bank of Korea
	Bank of Korea	750,254	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	221,004	Derivatives transactions
	4,862,079		
Held-to-maturity financial assets	Korea Securities Depository and others	35,026	Repurchase agreements
	Bank of Korea	1,326,558	Borrowings from Bank of Korea
	Bank of Korea	1,204,990	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	330,316	Derivatives transactions
	Others	163,960	Others
	3,060,850		
Mortgage loans	Others	4,950,490	Covered bond
Real estate	Natixis Real Estate Capital, LLC and others	778,789	Borrowings from Bank and others
		₩ 27,506,761	

The Group provides ₩ 3,185,601 million of its borrowing securities and securities held as collateral with KSFC and others as at December 31, 2017

(In millions of Korean won)

Assets pledged	Pledgee	2016	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 159,736	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	5,977,536	Repurchase agreements
	Korea Securities Depository and others	2,392,945	Securities borrowing transactions
	Samsung Futures Inc. and others	2,170,588	Derivatives transactions
		10,541,069	
Available-for-sale financial assets	Korea Securities Depository and others	3,314,106	Repurchase agreements
	Korea Securities Depository and others	193,028	Securities borrowing transactions
	Bank of Korea	490,297	Borrowings from Bank of Korea
	Bank of Korea	493,896	Settlement risk of Bank of Korea
	KEB Hana bank and other	1,084,500	Derivatives transactions
	Others	19,956	Others
	5,595,783		

(In millions of Korean won)

Assets pledged	Pledgee	2016	
		Carrying amount	Reason of pledge
Held-to-maturity financial assets	Korea Securities Depository and others	44,988	Repurchase agreements
	Bank of Korea	1,251,011	Borrowings from Bank of Korea
	Bank of Korea	1,185,267	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	209,022	Derivatives transactions
	Others	296,632	Others
		2,986,920	
Mortgage loans	Others	2,252,315	Covered bond
Real estate	Natixis Real Estate Capital, LLC and others	791,873	Borrowings from Bank and others
		₩ 22,327,696	

The fair values of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 2,677,878	₩ -	₩ 2,677,878

(In millions of Korean won)

	2016		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 2,990,908	₩ -	₩ 2,990,908

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 interest rate swaps, currency forwards and others to hedge the risk of changes in fair values due to the changes in interest rates and foreign exchange rates of structured debentures in Korean won, financial debentures in foreign currencies, structured deposits in foreign currencies and others. And the Group applies cash flow hedge using interest rate swaps, cross currency swaps and others to hedge the risk of changes in cash flows of floating rate notes in Korean won, borrowings in foreign currencies and others. In addition, the Group applies net investment hedge accounting using currency forwards and 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Notional amount	Assets	Liabilities
Interest rate			
Futures ¹	₩ 4,770,568	₩ 4,952	₩ 528
Swaps	190,186,189	434,316	399,674
Options	13,560,861	137,958	234,474
	208,517,618	577,226	634,676
Currency			
Forwards	64,308,472	1,261,491	1,233,633
Futures ¹	622,711	52	1,163
Swaps	29,769,290	847,506	759,757
Options	695,617	4,099	6,994
	95,396,090	2,113,148	2,001,547
Stock and index			
Futures ¹	1,013,846	3,599	1,132
Swaps	5,623,391	112,929	96,894
Options	6,408,019	116,215	274,544
	13,045,256	232,743	372,570
Credit			
Swaps	5,799,606	42,000	36,963
	5,799,606	42,000	36,963
Commodity			
Futures ¹	4,791	112	19
Swaps	67,008	4,221	118
Options	245	1	-
	72,044	4,334	137
Other	1,955,581	28,591	8,721
	₩ 324,786,195	₩ 2,998,042	₩ 3,054,614

(In millions of Korean won)

	2016					
	Notional amount			Assets		Liabilities
Interest rate						
Futures ¹	₩	4,352,216	₩	130	₩	620
Swaps		138,697,962		695,474		676,887
Options		6,376,707		48,323		161,747
		149,426,885		743,927		839,254
Currency						
Forwards		58,662,586		1,343,953		1,206,539
Futures ¹		482,323		1,210		-
Swaps		30,929,704		756,936		919,549
Options		487,937		4,955		4,557
		90,562,550		2,107,054		2,130,645
Stock and index						
Futures ¹		823,202		9,438		170
Swaps		6,276,026		105,437		175,679
Options		10,641,997		259,896		511,218
		17,741,225		374,771		687,067
Credit						
Swaps		5,219,740		55,207		49,653
		5,219,740		55,207		49,653
Commodity						
Futures ¹		320		-		7
Swaps		12,240		766		4,765
Options		2,168		20		-
		14,728		786		4,772
Other		1,145,195		16,583		6,428
	₩	264,110,323	₩	3,298,328	₩	3,717,819

¹ A gain or loss from daily mark-to-market futures is reflected in the margin accounts.

Fair Value Hedge

Details of derivative instruments designated as fair value hedge as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	2,919,935	₩	47,856	₩	49,962
Currency						
Forwards		2,818,527		108,144		872
Other		50,000		775		70
	₩	5,788,462	₩	156,775	₩	50,904

(In millions of Korean won)

	2016					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	3,130,646	₩	48,424	₩	63,634
Currency						
Forwards		433,831		1,912		17,454
Other		140,000		1,463		186
	₩	3,704,477	₩	51,799	₩	81,274

The fair value of non-derivative financial instruments designated as hedging instruments is as follows:

(In millions of Korean won)

	2017		2016	
Deposits in foreign currencies	₩	32,051	₩	-

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Gains(losses) on hedging instruments	₩	93,112	₩	(88,999)
Gains(losses) on the hedged items attributable to the hedged risk		(56,461)		91,167
	₩	36,651	₩	2,168

Cash Flow Hedge

Details of derivative instruments designated as cash flow hedge as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	2,393,491	₩	15,796	₩	3,905
Currency						
Swaps		2,396,957		117,597		33,342
	₩	4,790,448	₩	133,393	₩	37,247

(In millions of Korean won)

	2016					
	Notional amount		Assets		Liabilities	
Interest rate						
Swaps	₩	1,078,000	₩	907	₩	8,035
Currency						
Swaps		362,550		29,888		-
	₩	1,440,550	₩	30,795	₩	8,035

Gains and losses from hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Gains(losses) on hedging instruments	₩	(112,513)	₩	16,759
Effective gains(losses) from cash flow hedging instruments		(100,949)		16,238
Ineffective gains(losses) from cash flow hedging instruments	₩	(11,564)	₩	521

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Amount recognized in other comprehensive income	₩	(100,949)	₩	16,238
Amount reclassified from equity to profit or loss		126,239		(10,447)
Tax effect		(4,331)		(1,488)
	₩	20,959	₩	4,303

Hedge on Net Investments in Foreign Operations

Details of derivative instruments designated as foreign operations net investments hedge as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Notional amount	Assets	Liabilities
Currency			
Forwards	₩ 484,033	₩ 21,956	₩ -

(In millions of Korean won)

	2016		
	Notional amount	Assets	Liabilities
Currency			
Forwards	₩ 12,502	₩ 1,013	₩ -

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Effective portion of gain(loss) on hedges of net investments in foreign operations	₩	34,800	₩	(9,360)
Ineffective portion of gain on hedges of net investments in foreign operations		1,129		-
Gains(losses) on hedging instruments	₩	35,929	₩	(9,360)

The effective portion of gain (loss) on hedging instruments recognized in other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Amount recognized in other comprehensive income	₩	34,800	₩	(9,360)
Tax effect		(8,186)		2,265
Amount recognized in other comprehensive income, net of tax	₩	26,614	₩	(7,095)

The fair value of non-derivative financial instruments designated as hedging instruments is as follows:

(In millions of Korean won)

	2017		2016	
Financial debentures in foreign currencies	₩	99,994	₩	199,478

10. Loans

Details of loans as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Loans	₩	291,513,253	₩	267,045,265
Deferred loan origination fees and costs		719,816		718,625
Less: Allowances for loan losses		(2,110,231)		(2,277,756)
Carrying amount	₩	290,122,838	₩	265,486,134

Details of loans for other banks as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Loans	₩	5,314,577	₩	5,542,989
Less: Allowances for loan losses		(77)		(66)
Carrying amount	₩	5,314,500	₩	5,542,923

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 140,630,735	₩ 112,014,669	₩ -	₩ 252,645,404
Loans in foreign currencies	121,166	3,078,907	-	3,200,073
Domestic import usance bills	-	2,128,868	-	2,128,868
Off-shore funding loans	-	730,817	-	730,817
Call loans	-	335,200	-	335,200
Bills bought in Korean won	-	4,168	-	4,168
Bills bought in foreign currencies	-	3,875,550	-	3,875,550
Guarantee payments under payment guarantee	105	6,373	-	6,478
Credit card receivables in Korean won	-	-	15,200,843	15,200,843
Credit card receivables in foreign currencies	-	-	4,004	4,004
Reverse repurchase agreements	-	1,197,700	-	1,197,700
Privately placed bonds	-	1,994,932	-	1,994,932
Factored receivables	51,401	1,419	-	52,820
Lease receivables	1,773,901	60,527	-	1,834,428
Loans for installment credit	3,693,672	13,535	-	3,707,207
	146,270,980	125,442,665	15,204,847	286,918,492
Proportion (%)	50.98	43.72	5.30	100.00
Less: Allowances	(429,299)	(1,231,589)	(449,266)	(2,110,154)
	₩ 145,841,681	₩ 124,211,076	₩ 14,755,581	₩ 284,808,338

(In millions of Korean won)

	2016			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 130,381,597	₩ 101,541,864	₩ -	₩ 231,923,461
Loans in foreign currencies	72,329	2,685,932	-	2,758,261
Domestic import usance bills	-	2,962,676	-	2,962,676
Off-shore funding loans	-	559,915	-	559,915
Call loans	-	263,831	-	263,831
Bills bought in Korean won	-	5,568	-	5,568
Bills bought in foreign currencies	-	2,834,171	-	2,834,171
Guarantee payments under payment guarantee	172	11,327	-	11,499
Credit card receivables in Korean won	-	-	13,525,992	13,525,992
Credit card receivables in foreign currencies	-	-	4,251	4,251
Reverse repurchase agreements	-	1,244,200	-	1,244,200
Privately placed bonds	-	1,468,179	-	1,468,179
Factored receivables	810,582	17,898	-	828,480
Lease receivables	1,470,503	66,764	-	1,537,267
Loans for installment credit	2,293,150	-	-	2,293,150
	135,028,333	113,662,325	13,530,243	262,220,901
Proportion (%)	51.49	43.35	5.16	100.00
Less: Allowances	(481,289)	(1,382,106)	(414,295)	(2,277,690)
	₩ 134,547,044	₩ 112,280,219	₩ 13,115,948	₩ 259,943,211

The changes in deferred loan origination fees and costs for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Beginning	Increase	Decrease	Business combination	Others	Ending
Deferred loan origination costs						
Loans in Korean won	₩ 663,041	₩ 334,438	₩ (358,721)	₩ 12,532	₩ (18,610)	₩ 632,680
Other origination costs	99,878	101,656	(75,267)	-	(2)	126,265
	762,919	436,094	(433,988)	12,532	(18,612)	758,945
Deferred loan origination fees						
Loans in Korean won	19,845	7,904	(16,188)	-	-	11,561
Other origination fees	24,449	19,356	(16,228)	-	(9)	27,568
	44,294	27,260	(32,416)	-	(9)	39,129
	₩ 718,625	₩ 408,834	₩ (401,572)	₩ 12,532	₩ (18,603)	₩ 719,816

(In millions of Korean won)

	2016					
	Beginning	Increase	Decrease	Business combination	Others	Ending
Deferred loan origination costs						
Loans in Korean won	₩ 659,553	₩ 368,551	₩ 383,926	₩ 18,863	₩ -	₩ 663,041
Other origination costs	77,908	80,535	58,565	-	-	99,878
	737,461	449,086	442,491	18,863	-	762,919
Deferred loan origination fees						
Loans in Korean won	43,720	13,204	37,442	363	-	19,845
Other origination fees	17,465	23,371	16,389	-	2	24,449
	61,185	36,575	53,831	363	2	44,294
	₩ 676,276	₩ 412,511	₩ 388,660	₩ 18,500	₩ (2)	₩ 718,625

11. Allowances for Loan Losses

Changes in the allowances for loan losses for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Beginning	₩ 481,289	₩ 1,382,172	₩ 414,295	₩ 2,277,756
Written-off	(341,506)	(395,272)	(400,385)	(1,137,163)
Recoveries from written-off loans	145,606	280,324	132,665	558,595
Sale and repurchase	(40,267)	(26,105)	-	(66,372)
Provision ¹	233,262	38,644	312,248	584,154
Business combination	9,679	50,227	-	59,906
Other changes	(58,764)	(98,324)	(9,557)	(166,645)
Ending	₩ 429,299	₩ 1,231,666	₩ 449,266	₩ 2,110,231

(In millions of Korean won)

	2016			
	Retail	Corporate	Credit card	Total
Beginning	₩ 491,352	₩ 1,692,352	₩ 398,350	₩ 2,582,054
Written-off	(295,459)	(747,151)	(356,705)	(1,399,315)
Recoveries from written-off loans	167,033	214,915	133,456	515,404
Sale and repurchase	(23,046)	(55,151)	-	(78,197)
Provision ¹	82,035	252,195	244,569	578,799
Business combination	59,615	76,755	-	136,370
Other changes	(241)	(51,743)	(5,375)	(57,359)
Ending	₩ 481,289	₩ 1,382,172	₩ 414,295	₩ 2,277,756

¹ Provision for credit losses in statements of comprehensive income also include 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)).

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Financial assets held for trading				
Debt securities:				
Government and public bonds	₩	6,232,514	₩	5,389,757
Financial bonds		11,324,330		11,186,427
Corporate bonds		5,133,226		4,594,741
Asset-backed securities		161,991		222,076
Others		2,316,277		1,593,569
Equity securities:				
Stocks and others		1,009,190		424,637
Beneficiary certificates		3,925,910		2,615,962
Others		73,855		72,349
		30,177,293		26,099,518
Financial assets designated at fair value through profit or loss				
Debt securities:				
Corporate bonds		66,969		237,595
Equity securities:				
Stocks and others		67,828		65,591
Derivative-linked securities		1,613,404		1,361,591
Privately placed bonds		301,851		94,069
		2,050,052		1,758,846
Total financial assets at fair value through profit or loss	₩	32,227,345	₩	27,858,364
Available-for-sale financial assets				
Debt securities:				
Government and public bonds	₩	3,629,479	₩	7,110,899
Financial bonds		20,946,100		11,172,159
Corporate bonds		10,570,501		5,904,414
Asset-backed securities		2,402,437		2,729,749
Others		1,410,884		528,531
Equity securities:				
Stocks		3,077,748		2,590,989
Equity investments and others		459,808		402,659
Beneficiary certificates		5,619,306		3,530,893
		48,116,263		33,970,293
Held-to-maturity financial assets				
Debt securities:				
Government and public bonds		5,448,471		2,218,274
Financial bonds		2,474,841		1,868,928
Corporate bonds		6,218,723		3,487,787
Asset-backed securities		4,305,678		3,602,515
Others		44,267		-
		18,491,980		11,177,504
Total financial investments	₩	66,608,243	₩	45,147,797

The impairment losses and the reversal of impairment losses in financial investments for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (47,917)	₩ -	₩ (47,917)

(In millions of Korean won)

	2016		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (35,216)	₩ 328	₩ (34,888)

13. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	December 31, 2017					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates and Joint ventures						
KB Pre IPO Secondary Venture Fund 1st ²	15.19	₩ 1,671	₩ 1,601	₩ 1,601	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	134,891	131,420	Investment finance	Korea
KB-KDBC New Technology Business Fund ¹²	66.66	5,000	4,972	4,972	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,122	19,709	Investment finance	Korea
Sun Surgery Center Inc.	28.00	2,682	2,682	2,682	Hospital	United States of America
Dae-A Leisure Co.,Ltd. ⁷	49.36	-	1,017	-	Earth works	Korea
Doosung Metal Co., Ltd. ⁷	26.52	-	(20)	-	Manufacture of metal products	Korea
RAND Bio Science Co., Ltd.	24.24	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ²	12.61	101,794	105,190	105,190	Investment finance	Korea
Bungaejangter Inc.	22.69	3,484	3,484	3,484	Portals and other internet information media service activities	Korea
Aju Good Technology Venture Fund	38.46	8,230	7,856	8,230	Investment finance	Korea
Acts Co.,Ltd.	27.78	500	500	500	Manufacture of optical lens and elements	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	14,099	8,070	Installment loan	Korea
Wise Asset Management Co., Ltd. ⁹	33.00	-	-	-	Asset management	Korea
Incheon Bridge Co., Ltd. ²	14.99	9,158	(16,202)	-	Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁷	42.88	-	(436)	-	Wholesale of primary metal	Korea
Kendae Co., Ltd. ⁷	41.01	-	(223)	127	Screen printing	Korea
Daesang Techlon Co.,Ltd. ⁷	47.73	-	97	-	Manufacture of plastic wires, bars, pipes, tubes and hoses	Korea
Dongjo Co.,Ltd. ⁷	29.29	-	691	-	Wholesale of agricultural and forestry machinery and equipment	Korea

(In millions of Korean won)

	December 31, 2017					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Dpaps Co., Ltd. ⁷	38.62	-	155	-	Wholesale of paper products	Korea
Big Dipper Co., Ltd.	29.33	440	325	440	Big data consulting	
Builton Co., Ltd.	22.22	800	800	800	Software development and supply	Korea
Shinla Construction Co., Ltd. ⁷	20.24	-	(553)	-	Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁷	26.24	-	(103)	138	Manufacture of underwears and sleepwears	Korea
A-PRO Co., Ltd. ²	12.61	1,500	1,500	1,500	Manufacture of electric power storage system	
MJT&I Co., Ltd. ⁷	22.89	-	(601)	127	Wholesale of other goods	Korea
Inno Lending Co.,Ltd. ²	19.90	398	230	230	Credit rating model development	Korea
Jaeyang Industry Co., Ltd. ⁷	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Jungdo Co.,Ltd. ⁷	25.53	-	1,664	-	Office, commercial and institutional building construction	Korea
Jinseung Tech Co.,Ltd. ⁷	30.04	-	(173)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Terra Co., Ltd. ⁷	24.06	-	36	20	Manufacture of hand-operated kitchen appliances and metal ware	Korea
Paycoms Co.,Ltd.	24.06	800	800	800	System software publishing	Korea
Food Factory Co., Ltd.	30.00	1,000	1,000	1,000	Farm product distribution industry	Korea
Korea NM Tech Co.,Ltd. ⁷	22.41	-	580	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
KB IGen Private Equity Fund No.1 ^{2,11}	0.03	3	3	3	Investment finance	Korea
KB No.8 Special Purpose Acquisition Company ^{2,3}	0.10	10	20	20	SPAC	Korea
KB No.9 Special Purpose Acquisition Company ^{2,4}	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company ^{2,5}	0.19	10	20	20	SPAC	Korea
KB No.11 Special Purpose Acquisition Company ^{2,6}	0.31	10	19	19	SPAC	Korea
KB Private Equity FundIII ²	15.68	8,000	7,899	7,899	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ²	9.00	4,500	5,056	5,056	Credit information	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	6,485	7,506	7,120	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No.2	25.00	12,970	17,213	17,213	Investment finance	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund ²	5.64	1,842	1,761	1,761	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	2,500	2,345	2,345	Investment finance	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	82	543	543	Investment finance	Korea
		₩ 319,573	₩ 329,875	₩ 335,070		

(In millions of Korean won)

	December 31, 2016					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates						
JSC Bank CenterCredit						
Ordinary share ¹⁰	29.56					
Preference share ¹⁰	93.15	₩ 954,104	₩ (32,191)	₩ -	Banking	Kazakhstan
KB GwS Private Securities Investment Trust	26.74	113,880	133,150	129,678	Investment finance	Korea
KB-Glenwood Private Equity Fund ^{2,11}	0.03	10	10	10	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,220	19,807	Investment finance	Korea
Doosung Metal Co., Ltd. ⁷	26.52	-	(51)	-	Manufacture of metal products	Korea
RAND Bio Science Co., Ltd.	24.24	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ²	12.61	130,189	133,200	133,200	Investment finance	Korea
IMM Investment 5 th PRIVATE EQUITY FUND ⁸	98.88	10,000	9,999	9,999	Private equity fund	Korea
Aju Good Technology Venture Fund	38.46	1,998	1,949	1,998	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	26,311	5,693	Installment loan	Korea
Wise Asset Management Co., Ltd. ⁹	33.00	-	-	-	Asset management	Korea
isMedia Co., Ltd.	22.87	3,978	3,978	3,978	Semiconductor instrument manufacture	Korea
Incheon Bridge Co., Ltd. ²	14.99	24,677	728	728	Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁷	42.88	-	(423)	-	Wholesale of primary metal	Korea
KB Insurance Co., Ltd. ¹	39.81	1,052,759	1,393,320	1,392,194	Non-life insurance	Korea
Kendae Co., Ltd. ⁷	41.01	-	(351)	-	Screen printing	Korea
Dpaps Co., Ltd. ⁷	38.62	-	151	-	Wholesale of paper products	Korea
Shinla Construction Co., Ltd. ⁷	20.24	-	(545)	-	Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁷	26.24	-	(138)	103	Manufacture of underwears and sleepwears	Korea
MJT&I Co., Ltd. ⁷	22.89	-	(542)	232	Wholesale of other goods	Korea
Inno Lending Co., Ltd. ²	19.90	398	378	378	Credit rating model development	Korea
Ejade Co., Ltd. ⁷	25.81	-	(523)	-	Wholesale of underwears	Korea
Jaeyang Industry Co., Ltd. ⁷	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Terra Co., Ltd. ⁷	24.06	-	44	28	Manufacture of hand-operated kitchen appliances and metal ware	Korea
KBIC Private Equity Fund No. 3 ²	2.00	2,050	2,396	2,396	Investment finance	Korea
KB No.8 Special Purpose Acquisition Company ^{2,3}	0.10	10	19	19	SPAC	Korea
KB No.9 Special Purpose Acquisition Company ^{2,4}	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company ^{2,5}	0.19	10	20	20	SPAC	Korea

(In millions of Korean won)

	December 31, 2016						Industry	Location
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount				
KB No.11 Special Purpose Acquisition Company ²	4.76	10	13	13	SPAC		Korea	
KB Private Equity FundIII ²	15.68	8,000	8,000	8,000	Investment finance		Korea	
Korea Credit Bureau Co., Ltd. ²	9.00	4,500	4,853	4,853	Credit information		Korea	
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	23,985	25,105	24,719	Investment finance		Korea	
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	25.00	22,701	24,789	24,789	Investment finance		Korea	
Keystone-Hyundai Securities No. 1 Private Equity Fund ²	5.64	1,842	1,850	1,850	Investment finance		Korea	
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	4,645	3,957	3,957	Investment finance		Korea	
		₩ 2,391,570	₩ 1,761,185	₩ 1,770,673				

¹ The market value of KB Insurance Co., Ltd., reflecting the quoted market price, as of December 31, 2016, amounts to ₩ 522,288 million.

² As of December 31, 2017 and 2016, the Group is represented in 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.

³ The market value of KB No.8 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017, and 2016 amounts to ₩ 20 million and ₩ 20 million.

⁴ The market value of KB No.9 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017 and 2016, amounts to ₩ 31 million and ₩ 31 million, respectively

⁵ The market value of KB No.10 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017 and 2016, amounts to ₩ 20 million and ₩ 20 million, respectively

⁶ The market value of KB No.11 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017, amounts to ₩ 20 million.

⁷ The investment in associates was reclassified from available-for-sale financial assets due to termination of rehabilitation procedures.

⁸ Although the Group holds a majority of the investee's voting rights, other limited partners have a right to replace general partners. Therefore, the Group has been classified the entity as investment in associates.

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 Market values of ordinary shares of JSC Bank CenterCredit, reflecting the published market price, as of December 31, 2016, are ₩ 29,358 million. The Group determined that ordinary shares and convertible preference shares issued by JSC Bank CenterCredit are the same in economic substance except for the voting rights, and therefore, the equity method accounting is applied on the basis of single ownership ratio of 41.93%, which is calculated based on ordinary and convertible preference shares held by the Group against the total outstanding ordinary and convertible preference shares issued by JSC Bank CenterCredit. On April 18, 2017, the Group transferred the entire shares of JSC Bank CenterCredit held by the Group.

¹¹ KB-Glenwood Private Equity Fund changed the name to KB IGen Private Equity Fund No. 1.

¹² In order to take control over the related operations, the agreement from two operative members are required. As such, the group cannot control the investee alone, and the equity method is applied.

Summarized financial information on major associates, adjustments to carrying amount of investment in associates and joint ventures and dividends received from the associates and joint ventures are as follows:

(In millions of Korean won)

	2017 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	₩ 10,908	₩ 30	₩ 11,000	₩ 10,878	₩ 1,601	₩ -	₩ 1,601
KB GwS Private Securities Investment Trust	505,115	741	425,814	504,374	134,891	(3,471)	131,420
KB-KDBC New Technology Business Investment Fund	7,503	45	7,500	7,458	4,972	-	4,972
KB Star office Private real estate Investment Trust No.1	216,041	120,462	95,000	95,579	20,122	(413)	19,709
Sun Surgery Center Inc	9,579	-	43	9,579	2,682	-	2,682
RAND Bio Science Co., Ltd.	1,876	7	71	1,869	2,000	-	2,000
Balhae Infrastructure Company	836,309	1,800	807,567	834,509	105,190	-	105,190
Bungaejangter Inc.	5,592	3,450	43	2,142	3,484	-	3,484
Aju Good Technology Venture Fund	20,676	250	21,400	20,426	7,856	374	8,230
Acts Co., Ltd.	6,741	6,894	117	(153)	500	-	500
SY Auto Capital Co., Ltd.	79,845	51,071	20,000	28,774	14,099	(6,029)	8,070
Incheon Bridge Co., Ltd.	646,811	754,900	61,096	(108,089)	(16,202)	16,202	-
Big Dipper Co., Ltd.	1,138	30	1,500	1,108	325	115	440
Builton Co., Ltd.	1,418	808	321	610	800	-	800
A-PRO Co., Ltd.	8,692	5,681	43	3,011	1,500	-	1,500
Inno Lending Co.,Ltd.	1,184	28	2,000	1,156	230	-	230
Paycoms Co.,Ltd.	1,898	1,374	810	524	800	-	800
Food Factory Co., Ltd.	3,501	3,552	-	(51)	1,000	-	1,000
KB IGen Private Equity Fund No. 1	7,666	9	11,230	7,657	3	-	3
KB No.8 Special Purpose Acquisition Company	22,920	2,369	1,031	20,551	20	-	20
KB No.9 Special Purpose Acquisition Company	29,963	2,566	1,382	27,397	31	-	31
KB No.10 Special Purpose Acquisition Company	11,858	1,675	521	10,183	20	-	20
KB No.11 Special Purpose Acquisition Company	6,730	717	321	6,013	19	-	19
KB Private Equity FundIII	50,357	-	51,000	50,357	7,899	-	7,899
Korea Credit Bureau Co., Ltd.	75,504	19,323	10,000	56,181	5,056	-	5,056
KoFC KBIC Frontier Champ 2010-5(PEF)	15,017	3	12,970	15,014	7,506	(386)	7,120
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	70,166	1,315	51,880	68,851	17,213	-	17,213
Keystone-Hyundai Securities No. 1 Private Equity Fund	170,155	133,034	34,114	37,121	1,761	-	1,761
POSCO-KB Shipbuilding Fund	7,752	247	8,000	7,505	2,345	-	2,345
Hyundai-Tongyang Agrifood Private Equity Fund	2,466	339	320	2,127	543	-	543

(In millions of Korean won)

	2017				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
Associates and Joint ventures					
KB Pre IPO Secondary Venture Fund 1st	₩ 394	₩ (60)	₩ (62)	₩ (122)	₩ -
KB GwS Private Securities Investment Trust	35,002	34,004	-	34,004	7,350
KB-KDBC New Technology Business Investment Fund	3	(42)	-	(42)	-
KB Star office Private real estate Investment Trust No.1	13,071	5,684	-	5,684	1,295
Sun Surgery Center Inc.	-	-	-	-	-
RAND Bio Science Co., Ltd.	-	(607)	-	(607)	-
Balhae Infrastructure Company	113,441	104,942	-	104,942	12,842
Bungaejangter Inc.	406	48	-	48	-
Aju Good Technology Venture Fund	660	(841)	-	(841)	-
Acts Co.,Ltd.	3,537	(578)	-	(578)	-
SY Auto Capital Co., Ltd.	15,783	2,490	(27)	2,463	-
Incheon Bridge Co., Ltd.	90,691	(8,719)	-	(8,719)	-
Big Dipper Co., Ltd.	140	(392)	-	(392)	-
Builton Co., Ltd.	1,433	58	-	58	-
A-PRO Co., Ltd.	12,226	661	-	661	-
Inno Lending Co., Ltd.	(751)	(749)	-	(749)	-
Paycoms Co.,Ltd.	303	(170)	-	(170)	-
Food Factory Co., Ltd.	3,324	(1,036)	-	(1,036)	-
KB IGen Private Equity Fund No. 1	-	172	-	172	-
KB No.8 Special Purpose Acquisition Company	-	73	-	73	-
KB No.9 Special Purpose Acquisition Company	-	223	-	223	-
KB No.10 Special Purpose Acquisition Company	-	29	-	29	-
KB No.11 Special Purpose Acquisition Company	-	(262)	-	(262)	-
KB Private Equity FundIII	-	(545)	-	(545)	-
Korea Credit Bureau Co., Ltd.	68,750	3,580	-	3,580	149
KoFC KBIC Frontier Champ 2010-5(PEF)	2,728	(294)	142	(152)	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	21,916	8,624	129	8,753	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	5,391	(1,507)	-	(1,507)	-
POSCO-KB Shipbuilding Fund	23	(495)	-	(495)	-
Hyundai-Tongyang Agrifood Private Equity Fund	4,159	3,231	-	3,231	407

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.

(In millions of Korean won)

	2016 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount
Associates							
JSC Bank CenterCredit	₩ 4,510,673	₩ 4,578,854	₩ 546,794	₩ (68,181)	₩ (32,191)	₩ 32,191	₩ -
KB GwS Private Securities Investment Trust	498,606	741	425,814	497,865	133,150	(3,472)	129,678
KB-Glenwood Private Equity Fund	30,558	3,204	31,100	27,354	10	-	10
KB Star office Private real estate Investment Trust No.1	216,988	120,943	95,000	96,045	20,220	(413)	19,807
RAND Bio Science Co., Ltd.	2,720	5	83	2,715	2,000	-	2,000
Balhae Infrastructure Fund	1,059,008	2,288	1,061,216	1,056,720	133,200	-	133,200
IMM Investment 5 th PRIVATE EQUITY FUND	10,114	1	10,114	10,113	9,999	-	9,999
Aju Good Technology Venture Fund	5,249	181	5,200	5,068	1,949	49	1,998
SY Auto Capital Co., Ltd.	65,292	38,981	20,000	26,311	26,311	(20,618)	5,693
isMedia Co., Ltd. ²	41,192	20,925	2,520	20,267	3,978	-	3,978
Incheon Bridge Co., Ltd.	660,858	656,000	164,621	4,858	728	-	728
KB Insurance Co., Ltd. (initial acquisition 22.59%)	30,949,859	27,357,084	33,250	3,592,775	810,704		
(additional acquisition 10.70%)	31,071,846	27,386,605	33,250	3,685,241	393,678	(1,126)	1,392,194
(additional acquisition 6.52%) ³	30,038,426	27,136,518	33,250	2,901,908	188,938		
Inno Lending Co., Ltd.	1,903	1	2,000	1,902	378	-	378
KBIC Private Equity Fund No. 3	119,885	76	102,500	119,809	2,396	-	2,396
KB No.8 Special Purpose Acquisition Company	22,743	2,265	1,031	20,478	19	-	19
KB No.9 Special Purpose Acquisition Company	29,677	2,503	1,382	27,174	31	-	31
KB No.10 Special Purpose Acquisition Company	11,795	1,628	521	10,167	20	-	20
KB No.11 Special Purpose Acquisition Company	991	714	21	277	13	-	13
KB Private Equity FundIII ²	51,000	-	51,000	51,000	8,000	-	8,000
Korea Credit Bureau Co., Ltd.	71,245	17,322	10,000	53,923	4,853	-	4,853
KoFC KBIC Frontier Champ 2010-5(PEF)	50,213	2	47,970	50,211	25,105	(386)	24,719
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	100,252	1,094	90,800	99,158	24,789	-	24,789
Keystone-Hyundai Securities No. 1 Private Equity Fund	112,865	73,429	34,114	39,436	1,850	-	1,850
Hyundai-Tongyang Agrifood Private Equity Fund	15,910	375	15,360	15,535	3,957	-	3,957

(In millions of Korean won)

	2016 ¹				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
Associates					
JSC Bank CenterCredit	₩ 157,996	₩ (13,912)	₩ (15,374)	₩ (29,286)	₩ 1
KB GwS Private Securities Investment Trust	36,502	35,513	-	35,513	7,355
KB-Glenwood Private Equity Fund	-	(542)	-	(542)	-
KB Star office Private real estate Investment Trust No.1	16,314	7,460	-	7,460	1,679

(In millions of Korean won)

	2016 ¹				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
RAND Bio Science Co., Ltd.	-	(112)	-	(112)	-
Balhae Infrastructure Fund	55,541	46,428	-	46,428	5,654
IMM Investment 5 th PRIVATE EQUITY FUND	-	(1)	-	(1)	-
Aju Good Technology Venture Fund	50	(128)	-	(128)	-
SY Auto Capital Co., Ltd.	20,340	6,962	-	6,962	-
Incheon Bridge Co., Ltd.	98,341	17,449	-	17,449	-
KB Insurance Co., Ltd. (initial acquisition 22.59%)	11,229,942	253,362	(19,150)	234,212	7,989
(additional acquisition 10.70%)	11,247,685	274,678	(39,203)	235,475	
Inno Lending Co., Ltd.	-	(98)	-	(98)	-
KBIC Private Equity Fund No. 3	2,641	2,361	-	2,361	-
KB No.8 Special Purpose Acquisition Company	-	317	276	593	-
KB No.9 Special Purpose Acquisition Company	-	129	25,392	25,521	-
KB No.10 Special Purpose Acquisition Company	-	(22)	-	(22)	-
KB No.11 Special Purpose Acquisition Company	-	(12)	-	(12)	-
Korea Credit Bureau Co., Ltd.	59,868	3,517	-	3,517	135
KoFC KBIC Frontier Champ 2010-5(PEF)	3,045	2,001	2,390	4,391	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	22,411	15,002	872	15,874	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	197	(626)	-	(626)	-
Hyundai-Tongyang Agrifood Private Equity Fund	519	(5,258)	-	(5,258)	-

¹ The amounts included in the financial statements of the associates 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 Details of profit or loss are not disclosed as the entity is classified as an associate during the fourth quarter.

³ Details of profit or loss are not disclosed as the 3rd share acquisition of KB Insurance Co., Ltd. occurred on December 29, 2016.

Changes in investments in associates and joint ventures for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity method accounting	Other comprehensive income	Others	Ending
Associates and Joint ventures								
KB Pre IPO Secondary Venture Fund 1st	₩ -	₩ 1,671	₩ -	₩ -	₩ (60)	₩ (10)	₩ -	₩ 1,601
KB GwS Private Securities Investment Trust	129,678	-	-	(7,350)	9,092	-	-	131,420
KB-KDBC New Technology Business Investment Fund	-	5,000	-	-	(28)	-	-	4,972
KB Star office Private real estate Investment Trust No.1	19,807	-	-	(1,295)	1,197	-	-	19,709

(In millions of Korean won)

	2017							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity method accounting	Other comprehensive income	Others	Ending
Sun Surgery Center Inc.	-	2,682	-	-	-	-	-	2,682
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	10	(10)	-	-	-	-	-
RAND Bio Science Co., Ltd.	2,000	-	-	-	-	-	-	2,000
Balhae Infrastructure Company	133,200	806	(29,202)	(12,842)	13,228	-	-	105,190
Bungaejanter Inc.	-	3,484	-	-	-	-	-	3,484
IMM Investment 5 th PRIVATE EQUITY FUND	9,999	25,200	(35,185)	-	(14)	-	-	-
Aju Good Technology Venture Fund	1,998	6,232	-	-	-	-	-	8,230
Acts Co.,Ltd.	-	500	-	-	-	-	-	500
SY Auto Capital Co., Ltd.	5,693	-	-	-	2,390	(13)	-	8,070
isMedia Co. Ltd	3,978	-	(5,409)	-	1,431	-	-	-
Incheon Bridge Co., Ltd.	728	-	(728)	-	-	-	-	-
KB Insurance Co., Ltd. ¹	1,392,194	-	(1,417,397)	(15,884)	38,873	2,214	-	-
Kendae Co., Ltd.	-	-	-	-	127	-	-	127
Big Dipper Co.Ltd.	-	440	-	-	-	-	-	440
Builton Co., Ltd.	-	800	-	-	-	-	-	800
Shinhwa Underwear Co., Ltd.	103	-	-	-	35	-	-	138
A-PRO Co., Ltd.	-	1,500	-	-	-	-	-	1,500
MJT&I Co., Ltd.	232	-	-	-	(105)	-	-	127
Inno Lending Co.,Ltd	378	-	-	-	(148)	-	-	230
Korbi Co., Ltd.	-	750	(750)	-	-	-	-	-
Terra Co., Ltd.	28	-	-	-	(8)	-	-	20
Paycoms Co., Ltd.	-	800	-	-	-	-	-	800
Food Factory Co., Ltd.	-	1,000	-	-	-	-	-	1,000
KBIC Private Equity Fund No. 3	2,396	-	(2,763)	-	367	-	-	-
KB IGen Private Equity Fund No. 1	10	-	(7)	-	-	-	-	3
KB No.8 Special Purpose Acquisition Company	19	-	-	-	1	-	-	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 ²	13	-	-	-	(2)	(3)	11	19
KB Private Equity FundIII	8,000	-	-	-	(101)	-	-	7,899
Korea Credit Bureau Co., Ltd.	4,853	-	-	(149)	352	-	-	5,056
KoFC KBIC Frontier Champ 2010-5(PEF)	24,719	-	(17,500)	-	(170)	71	-	7,120
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	24,789	-	(9,730)	-	2,121	33	-	17,213
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,850	-	-	-	(85)	(4)	-	1,761
POSCO-KB Shipbuilding Fund	-	2,500	-	-	(155)	-	-	2,345
Hyundai-Tongyang Agrifood Private Equity Fund	3,957	-	(3,830)	(407)	823	-	-	543
	₩1,770,673	₩ 53,375	₩ (1,522,511)	₩ (37,927)	₩ 69,161	₩ 2,288	₩ 11	₩ 335,070

¹ KB Insurance Co., Ltd. is included as a subsidiary in 2nd quarter of 2017.² Other gain of KB No.11 Special Purpose Acquisition Company amounting to ₩11 million represents the changes in interests due to unequal share capital increase in the associate.³ Gain on disposal of investments in associates and joint ventures for year ended December 31, 2017, amounts to ₩ 15,113million.

(In millions of Korean won)

	2016															
	Beginning		Acquisition and others		Disposal and others		Dividends		Gains (losses) on equity method accounting		Other comprehensive income (loss)		Others		Ending	
Associates	₩	-	₩	-	₩	-	₩	(1)	₩	1	₩	-	₩	-	₩	-
JSC Bank CenterCredit																
KB GwS Private Securities Investment Trust		127,539		-		-		(7,355)		9,494		-		-		129,678
KB-Glenwood Private Equity Fund		10		-		-		-		-		-		-		10
KB Star office Private real estate Investment Trust No.1		19,915		-		-		(1,679)		1,571		-		-		19,807
RAND Bio Science Co., Ltd.		-		2,000		-		-		-		-		-		2,000
Balhae Infrastructure Fund		128,275		4,727		-		(5,654)		5,852		-		-		133,200
IMM Investment 5 th PRIVATE EQUITY FUND		-		10,000		-		-		(1)		-		-		9,999
Aju Good Technology Venture Fund		-		2,000		(2)		-		-		-		-		1,998
SY Auto Capital Co., Ltd.		9,481		-		-		-		(3,788)		-		-		5,693
UAMCO., Ltd.		129,707		-		(101,740)		(26,961)		(1,006)		-		-		-
United PF 1st Recovery Private Equity Fund		183,117		-		(190,863)		-		7,746		-		-		-
isMedia Co. Ltd		-		3,978		-		-		-		-		-		3,978
Incheon Bridge Co., Ltd.		-		-		-		-		728		-		-		728
Jungdong Steel Co., Ltd.		33		-		-		-		(33)		-		-		-
KB Insurance Co., Ltd.		1,077,014		170,625		-		(7,989)		160,954		(8,410)		-		1,392,194
Shinhwa Underwear Co., Ltd.		56		-		-		-		47		-		-		103
Sawnics Co., Ltd.		1,397		-		(1,223)		-		(174)		-		-		-
MJT&I Co., Ltd.		149		-		-		-		83		-		-		232
Inno Lending Co.,Ltd.		-		398		-		-		(20)		-		-		378
Terra Co., Ltd.		21		-		-		-		7		-		-		28
KBIC Private Equity Fund No. 3		2,348		-		-		-		48		-		-		2,396
KB No.5 Special Purpose Acquisition Company		20		-		(20)		-		-		-		-		-
KB No.6 Special Purpose Acquisition Company		78		-		(78)		-		-		-		-		-
KB No.7 Special Purpose Acquisition Company		88		-		(88)		-		-		-		-		-
KB No.8 Special Purpose Acquisition Company		19		-		-		-		-		-		-		19
KB No.9 Special Purpose Acquisition Company ²		15		4,082		(4,074)		-		-		-		8		31
KB No.10 Special Purpose Acquisition Company ³		-		10		-		-		-		-		10		20
KB No.11 Special Purpose Acquisition Company		-		10		-		-		(1)		4		-		13
KB Private Equity FundIII		-		8,000		-		-		-		-		-		8,000
Korea Credit Bureau Co., Ltd.		4,580		-		-		(135)		408		-		-		4,853

(In millions of Korean won)

	2016							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity method accounting	Other comprehensive income (loss)	Others	Ending
KoFC KBIC Frontier Champ 2010-5(PEF)	25,508	-	(2,900)	-	916	1,195	-	24,719
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	28,470	3,751	(12,000)	-	4,578	(10)	-	24,789
Keystone-Hyundai Securities No. 1 Private Equity Fund ⁴	-	-	-	-	(3)	11	1,842	1,850
Hyundai-Tongyang Agrifood Private Equity Fund ⁵	-	-	-	-	(688)	-	4,645	3,957
Hyundai Securities Co., Ltd. ⁶	-	1,349,150	(1,459,604)	-	112,931	(2,477)	-	-
	₩ 1,737,840	₩ 1,558,731	₩ (1,772,592)	₩ (49,774)	₩ 299,650	₩ (9,687)	₩ 6,505	₩ 1,770,673

¹ Among the gain on valuation of equity method investments, ₩ 75,097 million includes the gains on bargain purchase

² Other gain of KB No.9 Special Purpose Acquisition Company amounting to ₩8 million represents the changes in interests due to unequal share capital increase in the associate.

³ Other gain of KB No.10 Special Purpose Acquisition Company amounting to ₩10 million represents the changes in interests due to unequal share capital increase in the associate.

⁴ Other gain of Keystone-Hyundai Securities No. 1 Private Equity Fund amounting ₩ 1,842 million represents the Hyundai Securities Co., Ltd.'s inclusion of the consolidation scope.

⁵ Other gain of Hyundai-Tongyang Agrifood Private Equity Fund amounting ₩ 4,645 million represents the Hyundai Securities Co., Ltd.'s inclusion of the consolidation scope.

⁶ Hyundai Securities Co., Ltd. is included as a subsidiary in fourth quarter, 2016.

⁷ Loss on disposal of investments in associates for the year ended December 31, 2016, amounts to ₩ 18,812 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Unrecognized loss	Accumulated unrecognized loss	Unrecognized loss	Accumulated unrecognized loss
Doosung Metal Co., Ltd	₩ (31)	₩ 23	₩ 5	₩ 54
Incheon Bridge Co., Ltd.	16,202	16,202	(1,879)	-
Jungdong Steel Co., Ltd.	13	489	476	476
Dpaps Co., Ltd.	(4)	184	188	188
Shinla Construction Co., Ltd.	7	183	27	175
Ejade Co., Ltd.	(1,118)	-	1,112	1,112
JSC Bank CenterCredit	(108,761)	-	5,308	108,761
Myeongwon Tech Co., Ltd	-	-	(43)	-

14. Property and Equipment, and Investment Properties

Details of property and equipment as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,475,372	₩ -	₩ (1,018)	₩ 2,474,354
Buildings	2,061,717	(684,705)	(5,859)	1,371,153
Leasehold improvements	783,446	(693,717)	-	89,729
Equipment and vehicles	1,699,563	(1,456,358)	-	243,205
Construction in progress	14,808	-	-	14,808
Financial lease assets	34,789	(26,341)	-	8,448
	₩ 7,069,695	₩ (2,861,121)	₩ (6,877)	₩ 4,201,697

(In millions of Korean won)

	2016			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,325,568	₩ -	₩ (1,018)	₩ 2,324,550
Buildings	1,469,894	(482,319)	(5,859)	981,716
Leasehold improvements	711,316	(637,588)	-	73,728
Equipment and vehicles	1,591,143	(1,353,935)	(6,938)	230,270
Construction in progress	4,205	-	-	4,205
Financial lease assets	34,111	(21,312)	-	12,799
	₩ 6,136,237	₩ (2,495,154)	₩ (13,815)	₩ 3,627,268

The changes in property and equipment for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩ 2,324,550	₩ 35,242	₩ (89,338)	₩ (11,203)	₩ -	₩ 215,274	₩ (171)	₩ 2,474,354
Buildings	981,716	14,611	31,608	(12,314)	(48,280)	403,816	(4)	1,371,153
Leasehold improvement	73,728	10,973	57,663	(858)	(66,279)	497	14,005	89,729
Equipment and vehicles	230,270	124,702	(16,695)	(452)	(138,317)	42,703	994	243,205
Construction in-progress	4,205	112,840	(102,352)	-	-	127	(12)	14,808
Financial lease assets	12,799	679	-	-	(5,030)	-	-	8,448
	₩ 3,627,268	₩ 299,047	₩ (119,114)	₩ (24,827)	₩ (257,906)	₩ 662,417	₩ 14,812	₩ 4,201,697

(In millions of Korean won)

	2016									
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending		
Land	₩ 2,080,686	₩ 98,566	₩ 71,086	₩ (127)	₩ -	₩ 74,319	₩ 20	₩ 2,324,550		
Buildings	936,813	4,008	34,811	(545)	(33,385)	39,950	64	981,716		
Leasehold improvement	54,844	7,843	48,504	(1,033)	(50,200)	3,431	10,339	73,728		
Equipment and vehicles	194,492	141,546	-	(1,553)	(131,926)	21,196	6,515	230,270		
Construction in-progress	635	144,589	(141,020)	-	-	-	1	4,205		
Financial lease assets	19,913	605	-	-	(7,719)	-	-	12,799		
	₩ 3,287,383	₩ 397,157	₩ 13,381	₩ (3,258)	₩ (223,230)	₩ 138,896	₩ 16,939	₩ 3,627,268		

¹ Including transfers with investment property and assets held for sale.² Including depreciation cost and others ₩ 157 million and ₩ 212 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

2017						
Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending	
₩ (13,815)	₩ -	₩ -	₩ -	₩ (6,938)	₩ (6,877)	

(In millions of Korean won)

2016						
Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending	
₩ (6,877)	₩ -	₩ 3,383	₩ (10,321)	₩ -	₩ (13,815)	

Details of investment property as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 252,234	₩ -	₩ (738)	₩ 251,496
Buildings	719,920	(122,935)	-	596,985
	₩ 972,154	₩ (122,935)	₩ (738)	₩ 848,481

(In millions of Korean won)

	2016			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 203,795	₩ -	₩ (1,404)	₩ 202,391
Buildings	616,085	(63,465)	-	552,620
	₩ 819,880	₩ (63,465)	₩ (1,404)	₩ 755,011

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2017, are as follows:

(In millions of Korean won)

	2017			
	Fair value	Valuation technique	Inputs	
Land and buildings	₩ 35,886	Cost Approach Method	- Price per square meter - Replacement cost	
	178,083	Market comparison method	- Price per square meter	
	679,614	Income approach	- Discount rate - Capitalization rate - Vacancy rate	

As of December 31, 2017 and 2016, fair values of the investment properties amount to ₩ 893,583 million and ₩ 786,506 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, 2017 and 2016, amounts to ₩ 59,259 million and ₩ 12,884 million, respectively.

The changes in investment property for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017								
	Beginning	Acquisition	Transfers	Disposal	Depreciation	Business combination	Others	Ending	
Land	₩ 202,391	₩ -	₩ (39,533)	₩ (330)	₩ -	₩ 91,618	₩ (2,650)	₩ 251,496	
Buildings	552,620	262	(33,737)	(1,263)	(20,096)	141,106	(41,907)	596,985	
	₩ 755,011	₩ 262	₩ (73,270)	₩ (1,593)	₩ (20,096)	₩ 232,724	₩ (44,557)	₩ 848,481	

(In millions of Korean won)

	2016								
	Beginning	Acquisition	Transfers	Depreciation	Business combination	Others	Ending		
Land	₩ 124,553	₩ -	₩ (17,184)	₩ -	₩ 92,826	₩ 2,196	₩ 202,391		
Buildings	87,262	1,254	(8,108)	(2,531)	441,905	32,838	552,620		
	₩ 211,815	₩ 1,254	₩ (25,292)	₩ (2,531)	₩ 534,731	₩ 35,034	₩ 755,011		

15. Intangible Assets

Details of intangible assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Other		Carrying Amount
Goodwill	₩ 344,799	₩ -	₩ (70,517)	₩ (832)		₩ 273,450
Other intangible assets	4,012,563	(1,299,879)	(43,074)	-		2,669,610
	₩ 4,357,362	₩ (1,299,879)	₩ (113,591)	₩ (832)		₩ 2,943,060

(In millions of Korean won)

	2016							
	Acquisition cost		Accumulated amortization		Accumulated impairment losses		Carrying amount	
Goodwill	₩	331,707	₩	-	₩	(69,315)	₩	262,392
Other intangible assets		1,312,732		(877,881)		(44,927)		389,924
	₩	1,644,439	₩	(877,881)	₩	(114,242)	₩	652,316

Details of goodwill as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				2016			
	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		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 Securites Vietnam joint stock company ²		13,092		12,260		-		-
	₩	344,799	₩	273,450	₩	331,707	₩	262,392

¹ The amount occurred from formerly known as KB Investment&Securities Co., Ltd.² MARITIME SECURITIES INCORPORATION changed the name to KB Securites Vietnam joint stock company

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						
	Beginning	Impairment	Others	Ending			
₩	(69,315)	₩	(1,202)	₩	-	₩	(70,517)

(In millions of Korean won)

	2016						
	Beginning	Impairment	Others	Ending			
₩	(69,315)	₩	-	₩	-	₩	(69,315)

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2017, are as follows:

(In millions of Korean won)

	Housing & Commercial Bank						KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.	Total						
	Retail Banking	Corporate Banking	KB Cambodia Bank	KB Securities Co., Ltd. ¹	KB Capital Co., Ltd.									
Carrying amounts	₩	49,315	₩	15,973	₩	-	₩	58,889	₩	79,609	₩	57,404	₩	261,190
Recoverable amount exceeded carrying amount		8,957,260		3,448,191		-		145,177		623,381		51,402		13,225,411
Discount rate (%)		20.47		20.81		27.57		25.71		13.00		14.91		
Permanent growth rate (%)		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 Goodwill occurred from a business combination during 2017 has not been tested for impairment.

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, excluding goodwill, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 9,497	₩ (2,399)	₩ -	₩ 7,098
Software	1,062,699	(885,133)	-	177,566
Other intangible assets	501,874	(211,321)	(43,074)	247,479
Value of Business Aquired (VOBA)	2,395,291	(179,193)	-	2,216,098
Finance leases assets	43,202	(21,833)	-	21,369
	₩ 4,012,563	₩ (1,299,879)	₩ (43,074)	₩ 2,669,610

(In millions of Korean won)

	2016			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 4,617	₩ (1,612)	₩ -	₩ 3,005
Software	887,098	(749,997)	-	137,101
Other intangible assets	378,608	(111,814)	(44,927)	221,867
Finance leases assets	42,409	(14,458)	-	27,951
	₩ 1,312,732	₩ (877,881)	₩ (44,927)	₩ 389,924

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017								
	Beginning	Acquisition	Disposal	Transfer	Amortization ¹	Business combination	Others	Ending	
Industrial property rights	₩ 3,005	₩ 4,772	₩ (8)	₩ -	₩ (683)	₩ -	₩ 12	₩ 7,098	
Software	137,101	86,768	(48)	1,404	(66,655)	20,396	(1,400)	177,566	
Other intangible assets ²	221,867	20,354	(7,054)	14,401	(18,437)	18,362	(2,014)	247,479	
Value of Business Acquired (VOBA)	-	-	-	-	(179,193)	2,395,291	-	2,216,098	
Finance leases assets	27,951	792	-	-	(7,374)	-	-	21,369	
	₩ 389,924	₩ 112,686	₩ (7,110)	₩ 15,805	₩ (272,342)	₩ 2,434,049	₩ (3,402)	₩ 2,669,610	

(In millions of Korean won)

	2016								
	Beginning	Acquisition	Disposal	Transfer	Amortization ¹	Business combination	Others	Ending	
Industrial property rights	₩ 320	₩ 3,073	₩ -	₩ -	₩ (388)	₩ -	₩ -	₩ 3,005	
Software	75,009	91,631	-	-	(41,540)	11,998	3	137,101	
Other intangible assets ²	94,816	16,900	(7,234)	1,926	(14,701)	132,461	(2,301)	221,867	
Finance leases assets	34,291	708	-	-	(7,048)	-	-	27,951	
	₩ 204,436	₩ 112,312	₩ (7,234)	₩ 1,926	₩ (63,677)	₩ 144,459	₩ (2,298)	₩ 389,924	

¹ Including ₩ 179,809 million and ₩ 607 million recorded in insurance expenses and other operating expenses and others in the statements of comprehensive income for the years ended December 31, 2017 and 2016.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (44,927)	₩ (601)	₩ 954	₩ 1,500	₩ (43,074)

(In millions of Korean won)

	2016				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (26,211)	₩ (2,704)	₩ 482	₩ (16,494)	₩ (44,927)

The changes in emissions rights for year ended December 31, 2017 and 2016, are as follows:

(KAU, in millions of Korean won)

	Applicable under 2016		Applicable under 2017		Total	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Beginning	₩ 99,283	₩ -	₩ 104,920	₩ -	₩ 204,203	₩ -
Additional Allocation	578	-	17,046	-	17,624	-
Borrowing	18,306	-	(18,306)	-	-	-
Surrendered to government	(117,484)	-	-	-	(117,484)	-
Cancel	(683)	-	(398)	-	(1,081)	-
Ending	-	₩ -	103,262	₩ -	103,262	₩ -

(KAU, in millions of Korean won)

	Applicable under 2015		Applicable under 2016		Applicable under 2017		Total	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Beginning	₩ 116,799	₩ -	₩ 112,137	₩ -	₩ 109,140	₩ -	₩ 338,076	₩ -
Borrowing	8,518	-	(8,518)	-	-	-	-	-
Surrendered to government	(121,261)	-	-	-	-	-	(121,261)	-
Cancel	(4,056)	-	(4,336)	-	(4,220)	-	(12,612)	-
Ending	-	₩ -	99,283	₩ -	104,920	₩ -	204,203	₩ -

16. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Assets	Liabilities	Net amount
Other provisions	₩ 115,518	₩ -	₩ 115,518
Allowances for loan losses	1,142	-	1,142
Impairment losses on property and equipment	36,598	(407)	36,191
Interest on equity index-linked deposits	43	-	43
Share-based payments	23,238	-	23,238
Provisions for guarantees	24,341	-	24,341
Losses(gains) from valuation on derivative financial instruments	6,258	(17,479)	(11,221)
Present value discount	25,332	(4,498)	20,834
Losses(gains) from fair value hedged item	-	(15,698)	(15,698)
Accrued interest	243	(111,514)	(111,271)
Deferred loan origination fees and costs	332	(180,401)	(180,069)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains from revaluation	648	(350,801)	(350,153)
Investments in subsidiaries and others	24,834	(103,268)	(78,434)
Gains on valuation of security investment	86,290	(225,158)	(138,868)
Defined benefit liabilities	436,706	-	436,706
Accrued expenses	194,399	-	194,399
Retirement insurance expense	-	(369,300)	(369,300)

(In millions of Korean won)

	2017		
	Assets	Liabilities	Net amount
Adjustments to the prepaid contributions	-	(16,236)	(16,236)
Derivative-linked securities	27,992	(5,679)	22,313
Others	321,453	(452,303)	(130,850)
	1,325,367	(1,854,445)	(529,078)
Offsetting of deferred income tax assets and liabilities	(1,321,376)	1,321,376	-
	₩ 3,991	₩ (533,069)	₩ (529,078)

(In millions of Korean won)

	2016		
	Assets	Liabilities	Net amount
Other provisions	₩ 91,201	₩ -	₩ 91,201
Allowances for loan losses	7,297	-	7,297
Impairment losses on property and equipment	7,920	(359)	7,561
Interest on equity index-linked deposits	41	-	41
Share-based payments	13,709	-	13,709
Provisions for guarantees	30,569	-	30,569
Losses(gains) from valuation on derivative financial instruments	9,761	(46,765)	(37,004)
Present value discount	11,358	(6,160)	5,198
Losses(gains) from fair value hedged item	-	(14,335)	(14,335)
Accrued interest	-	(84,676)	(84,676)
Deferred loan origination fees and costs	1,247	(158,914)	(157,667)
Gains from revaluation	803	(286,119)	(285,316)
Investments in subsidiaries and others	12,014	(109,925)	(97,911)
Gains on valuation of security investment	109,071	(8,279)	100,792
Defined benefit liabilities	319,467	-	319,467
Accrued expenses	273,092	-	273,092
Retirement insurance expense	-	(283,771)	(283,771)
Adjustments to the prepaid contributions	-	(15,142)	(15,142)
Derivative-linked securities	30,102	(42,825)	(12,723)
Others	365,616	(195,856)	169,760
	1,283,268	(1,253,126)	30,142
Offsetting of deferred income tax assets and liabilities	(1,149,644)	1,149,644	-
	₩ 133,624	₩ (103,482)	₩ 30,142

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 49,179 million associated with investments in subsidiaries and others as of December 31, 2017, 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 ₩ 80,204 million and ₩ 112,030 million associated with SPE repurchase and others, respectively, as of December 31, 2017, 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 ₩ 28,407 million associated with investment in subsidiaries and associates as of December 31, 2017, 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, 2017, 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Beginning	Business Combination	Decrease	Increase	Ending
Deductible temporary differences					
Other provisions	₩ 380,863	₩ 30,180	₩ 395,138	₩ 407,923	₩ 423,828
Allowances for loan losses	30,154	-	26,134	202	4,222
Impairment losses on property and equipment	32,726	107,755	139,743	132,346	133,084
Deferred loan origination fees and costs	5,154	-	5,154	1,207	1,207
Interest on equity index-linked deposits	168	-	168	155	155
Share-based payments	56,650	-	49,333	77,185	84,502
Provisions for guarantees	126,319	-	126,319	88,512	88,512
Gains(losses) from valuation on derivative financial instruments	40,334	-	40,334	22,758	22,758
Present value discount	46,961	-	18,417	63,573	92,117
Loss on SPE repurchase	80,204	-	-	-	80,204
Investments in subsidiaries and others	810,719	-	753,918	76,902	133,703
Gains on valuation of security investment	447,388	-	447,388	299,082	299,082
Defined benefit liabilities	1,320,135	255,375	256,580	271,857	1,590,787
Accrued expenses	1,128,492	-	1,123,713	701,756	706,535
Derivative linked securities	124,388	-	124,388	101,789	101,789
Others	1,402,646	-	629,002	501,901	1,275,545
	6,033,301	393,310	₩ 4,135,729	₩ 2,747,148	5,038,030
Unrecognized deferred income tax assets:					
Other provisions	-	-	-	-	2,879
Loss on SPE repurchase	80,204	-	-	-	80,204
Investments in subsidiaries and others	774,259	-	-	-	49,179
Others	119,334	-	-	-	112,030
	5,059,504	393,310			4,793,738
Tax rate (%) ¹	24.2	24.2			27.5
Total deferred income tax assets from deductible temporary differences	₩ 1,283,268	₩ 95,181			₩ 1,325,367
Taxable temporary differences					
Losses(gains) from fair value hedged item	₩ (59,235)	₩ -	₩ (59,235)	₩ (57,083)	₩ (57,083)
Accrued interest	(349,899)	(72,117)	(377,010)	(360,536)	(405,542)
Impairment losses on property and equipment	(1,481)	-	-	-	(1,481)
Deferred loan origination fees and costs	(660,945)	(15,846)	(665,209)	(657,081)	(668,663)
Advanced depreciation provision	-	(6,192)	-	-	(6,192)

(In millions of Korean won)

	2017				
	Beginning	Business Combination	Decrease	Increase	Ending
Gains(losses) from valuation on derivative financial instruments	(193,243)	-	(192,491)	(61,077)	(61,829)
Present value discount	(25,454)	(8,766)	(34,220)	(16,357)	(16,357)
Goodwill	(65,288)	-	-	-	(65,288)
Gains on revaluation	(1,182,310)	(99,244)	(59,030)	(53,117)	(1,275,641)
Investments in subsidiaries and others	(387,267)	-	(72,284)	(72,484)	(387,467)
Gains on valuation of security investment	(37,252)	(236,137)	(273,171)	(764,891)	(765,109)
Retirement insurance expense	(1,170,514)	(168,714)	(200,722)	(203,506)	(1,342,012)
Adjustments to the prepaid contributions	(62,569)	-	(61,034)	(57,505)	(59,040)
Derivative linked securities	(176,962)	-	(176,962)	(20,650)	(20,650)
Others	(794,141)	(1,215,733)	(429,645)	(95,568)	(1,675,797)
	(5,166,560)	(1,822,749)	₩ (2,601,013)	₩ (2,419,855)	(6,808,151)
Unrecognized deferred income tax assets:					
Goodwill	(65,288)	-			(65,288)
Investments in subsidiaries and others	(17,205)	(4,546)			(28,407)
Others	(906)	-			(677)
	(5,083,161)	(1,818,203)			(6,713,779)
Tax rate (%) ¹	24.2	24.2			27.5
Total deferred income tax assets from deductible temporary differences	₩ (1,253,126)	₩ (442,206)			₩ (1,854,445)

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the rate of 27.5% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2017.

(In millions of Korean won)

	2016			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Losses(gains) from fair value hedged item	₩ 11,882	₩ 11,882	₩ -	₩ -
Other provisions	449,239	466,913	398,537	380,863
Allowances for loan losses	5,079	26,492	51,567	30,154
Impairment losses on property and equipment	21,476	31,914	43,164	32,726
Deferred loan origination fees and costs	23,491	24,937	6,600	5,154
Interest on equity index-linked deposits	287	287	168	168
Share-based payments	44,922	39,600	51,328	56,650
Provisions for guarantees	157,954	157,954	126,319	126,319
Gains(losses) from valuation on derivative financial instruments	118,745	180,332	101,921	40,334
Present value discount	42,288	14,693	19,366	46,961
Loss on SPE repurchase	80,204	-	-	80,204
Investments in subsidiaries and others	821,059	59,354	49,014	810,719
Gains on valuation of security investment	298,796	394,580	543,172	447,388
Defined benefit liabilities	1,153,686	75,269	241,718	1,320,135
Accrued expenses	271,463	358,583	1,215,612	1,128,492

(In millions of Korean won)

	2016			
	Beginning	Decrease	Increase	Ending
Derivative linked securities	3,090,264	3,098,449	132,573	124,388
Others	1,220,133	557,068	739,581	1,402,646
	7,810,968	₩ 5,498,307	₩ 3,720,640	6,033,301
Unrecognized deferred income tax assets:				
Other provisions	67			-
Loss on SPE repurchase	80,204			80,204
Investments in subsidiaries and others	797,862			774,259
Others	170,214			119,334
	6,762,621			5,059,504
Tax rate (%) ¹	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ 1,636,968			₩ 1,283,268
Taxable temporary differences				
Losses(gains) from fair value hedged item	₩ -	₩ -	₩ (59,235)	₩ (59,235)
Accrued interest	(338,402)	(333,121)	(344,618)	(349,899)
Impairment losses on property and equipment	(1,481)	-	-	(1,481)
Deferred loan origination fees and costs	(629,161)	(649,107)	(680,891)	(660,945)
Gains(losses) from valuation on derivative financial instruments	(128,985)	(457,371)	(521,629)	(193,243)
Present value discount	(37,741)	(38,009)	(25,722)	(25,454)
Goodwill	(65,288)	-	-	(65,288)
Gains on revaluation	(1,136,143)	(61,094)	(107,261)	(1,182,310)
Investments in subsidiaries and others	(408,490)	(68,158)	(46,935)	(387,267)
Gains on valuation of security investment	(93,510)	(114,227)	(57,969)	(37,252)
Retirement insurance expense	(996,448)	(63,979)	(238,045)	(1,170,514)
Adjustments to the prepaid contributions	(90,653)	(90,653)	(62,569)	(62,569)
Derivative linked securities	(3,222,110)	(3,401,273)	(356,125)	(176,962)
Others	(426,328)	(663,284)	(1,031,097)	(794,141)
	(7,574,740)	₩ (5,940,276)	₩ (3,532,096)	(5,166,560)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(66,345)			(17,205)
Others	(1,914)			(906)
	(7,441,193)			(5,083,161)
Tax rate (%) ¹	24.2			24.2
Total deferred income tax assets from deductible temporary differences	₩ (1,807,838)			₩ (1,253,126)

¹ The rate of 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized.

17. Assets Held for Sale

Details of assets held for sale as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 133,445	₩ (1,492)	₩ 131,953	₩ 251,520
Buildings held for sale	34,862	(11,309)	23,553	24,548
	₩ 168,307	₩ (12,801)	₩ 155,506	₩ 276,068

(In millions of Korean won)

	2016			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 31,310	₩ (8,179)	₩ 23,131	₩ 24,704
Buildings held for sale	50,086	(21,069)	29,017	29,300
	₩ 81,396	₩ (29,248)	₩ 52,148	₩ 54,004

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, 2017, are as follows:

(In millions of Korean won)

	2017				
	Fair value	Valuation technique ¹	Unobservable input ²	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Land and buildings	₩ 276,068	Market comparison approach model and others	Adjustment index	0.20~1.10	Fair value increases as the adjustment index rises.
			Adjustment ratio	-20.00~0.00	Fair value decreases as the absolute value of 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Beginning	Provision ¹	Reversal	Disposal and others ¹	Ending
₩	(29,248)	₩ (24,192)	₩ 5,138	₩ 35,501	₩ (12,801)

¹ Including the amount of assets of disposal group as held for sale sold during 2017

(In millions of Korean won)

	2016				
	Beginning	Provision	Reversal	Others	Ending
₩	(24,484)	₩ (5,269)	₩ 96	₩ 409	₩ (29,248)

As of December 31, 2017, assets held for sale consist of Kookmin bank Myeongdong head office and ten real estates of closed offices, which the management of the Group was committed to sell, were not yet sold by December 31, 2017. As of the reporting date, the Group will complete its sale of the Myeongdong head office building during 2018, three out of the above assets held for sale are under sale negotiations and the remaining assets are also being actively marketed.

18. Other Assets

Details of other assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other financial assets				
Other receivables	₩	6,447,405	₩	4,326,183
Accrued income		1,594,455		1,305,680
Guarantee deposits		1,211,841		1,230,400
Domestic exchange settlement debits		949,897		535,237
Others		101,909		25,226
Less: Allowances for loan losses		(104,813)		(95,629)
Less: Present value discount		(5,679)		(4,762)
		10,195,015		7,322,335
Other non-financial assets				
Other receivables		3,640		17,727
Prepaid expenses		153,650		188,135
Guarantee deposits		4,904		3,934
Insurance assets		1,180,980		128,146
Separate account assets		4,119,203		866,310
Others		578,795		356,380
Less: Allowances on other asset		(32,018)		(25,182)
		6,009,154		1,535,450
	₩	16,204,169	₩	8,857,785

Changes in allowances for loan losses on other assets for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 95,629	₩ 25,182	₩ 120,811
Written-off	(14,546)	(1,970)	(16,516)
Provision	9,840	1,410	11,250
Business combination	21,293	-	21,293
Others	(7,403)	7,396	(7)
Ending	₩ 104,813	₩ 32,018	₩ 136,831

(In millions of Korean won)

	2016		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 308,699	₩ 23,977	₩ 332,676
Written-off	(271,522)	(540)	(272,062)
Provision	2,445	1,745	4,190
Business combination	13,537	-	13,537
Others	42,470	-	42,470
Ending	₩ 95,629	₩ 25,182	₩ 120,811

19. Financial Liabilities at Fair Value through Profit or Loss

Details of financial liabilities at fair value through profit or loss as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Financial liabilities held for trading		
Securities sold	₩ 1,870,579	₩ 1,070,272
Other	74,191	73,238
	1,944,770	1,143,510
Financial liabilities designated at fair value through profit or loss		
Derivative-linked securities	10,078,288	10,979,326
Total financial liabilities at fair value through profit or loss	₩ 12,023,058	₩ 12,122,836

The details of credit risk of financial liabilities designated at fair value through profit or loss as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Financial liabilities designated at fair value through profit or loss	₩ 10,078,288	₩ 10,979,326
Changes in fair value resulting from changes in the credit risk	12,236	12,131
Accumulated changes in fair value resulting from changes in the credit risk	(5,745)	(17,981)

20. Deposits

Details of deposits as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Demand deposits		
Demand deposits in Korean won	₩ 113,676,999	₩ 104,758,222
Demand deposits in foreign currencies	6,911,782	5,305,313
	120,588,781	110,063,535
Time deposits		
Time deposits in Korean won	127,562,153	122,532,476
Time deposits in foreign currencies	4,481,607	4,314,783
Fair value adjustments on valuation of fair value hedged items	(51,033)	(61,657)
	4,430,574	4,253,126
	131,992,727	126,785,602
Certificates of deposits	3,218,540	2,880,558
Total deposits	₩ 255,800,048	₩ 239,729,695

21. Debts

Details of debts as of December 31, 2017 and 2016, consist of:

(In millions of Korean won)

	2017		2016	
Borrowings	₩	16,846,072	₩	14,485,789
Repurchase agreements and others		10,676,219		8,825,564
Call money		1,298,637		2,940,133
	₩	28,820,928	₩	26,251,486

Details of borrowings as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		Lender	Annual interest rate (%)	2017		2016	
Borrowings in Korean won	Borrowings from the Bank of Korea	Bank of Korea	0.50 ~ 0.75	₩	1,888,880	₩	1,644,260
	Borrowings from the government	SEMAS and others	0.00 ~ 3.00		1,726,543		1,331,688
	Borrowings from banks	Industrial & Commercial Bank of China and others	2.56 ~ 3.11		36,806		-
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	0.20 ~ 2.70		1,631,376		889,433
	Other borrowings	The Korea Development Bank and others	0.00 ~ 3.90		4,409,261		4,284,108
					9,692,866		8,149,489
Borrowings in foreign currencies	Due to banks	Commerzbank AG and Others	-		19,820		70,624
	Borrowings from banks	Central Bank of Uzbekistan and Others	0.15 ~ 2.30		5,470,569		3,949,376
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	1.90 ~ 2.83		76,134		121,104
	Other borrowings	Standard Chartered Bank and others	0.00 ~ 7.00		1,586,683		2,195,196
						7,153,206	
				₩	16,846,072	₩	14,485,789

The details of repurchase agreements and others as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		Lenders	Annual interest rate (%)	2017		2016	
Repurchase agreements	Individuals, Groups and Corporations		1.19 ~ 2.22	₩	10,666,315	₩	8,815,027
Bills sold	Counter sale		0.40 ~ 1.00		9,904		10,537
				₩	10,676,219	₩	8,825,564

The details of call money as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Lenders	Annual interest rate (%)	2017		2016	
Call money in Korean won	Deutsche Bank AG, Seoul and others	1.33 ~ 1.75	₩	890,000	₩	1,755,200
Call money in foreign currencies	Central Bank of Uzbekistan and others	1.20 ~ 2.20		408,637		1,184,933
			₩	1,298,637	₩	2,940,133

22. Debentures

Details of debentures as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	2017		2016	
Debentures in Korean won					
Structured debentures	0.29~6.00	₩	869,294	₩	1,146,300
Subordinated fixed rate debentures in Korean won	3.08~5.70		2,913,411		3,271,693
Fixed rate debentures in Korean won	1.29~3.79		36,823,365		25,627,695
Floating rate debentures in Korean won	1.74~2.37		728,000		1,108,000
			41,334,070		31,153,688
Fair value adjustments on fair value hedged financial debentures in Korean won			19,891		26,724
Less: Discount on debentures in Korean won			(53,897)		(19,064)
			41,300,064		31,161,348
Debentures in foreign currencies					
Floating rate debentures	1.79 ~ 2.49		1,371,392		1,063,480
Fixed rate debentures	1.63 ~ 2.88		2,363,486		2,803,720
			3,734,878		3,867,200
Fair value adjustments on fair value hedged debentures in foreign currencies			(25,941)		(24,302)
Less: Discount on debentures in foreign currencies			(16,277)		(12,189)
			3,692,660		3,830,709
		₩	44,992,724	₩	34,992,057

Changes in debentures based on face value for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					Ending
	Beginning	Issues	Repayments	Others		
Debentures in Korean won						
Structured debentures	₩ 1,146,300	₩ 3,876,080	₩ (4,153,086)	₩ -	₩	869,294
Subordinated fixed rate debentures in Korean won	3,271,693	-	(358,282)	-		2,913,411
Fixed rate debentures in Korean won	25,627,695	133,283,400	(122,087,730)	-		36,823,365
Floating rate debentures in Korean won	1,108,000	410,000	(790,000)	-		728,000
	31,153,688	137,569,480	(127,389,098)	-		41,334,070
Debentures in foreign currencies						
Floating rate debentures	1,063,480	1,338,239	(911,936)	(118,391)		1,371,392

(In millions of Korean won)

	2017				
	Beginning	Issues	Repayments	Others	Ending
Fixed rate debentures	2,803,720	795,150	(945,394)	(289,990)	2,363,486
	3,867,200	2,133,389	(1,857,330)	(408,381)	3,734,878
	₩ 35,020,888	₩ 139,702,869	₩(129,246,428)	₩ (408,381)	₩ 45,068,948

(In millions of Korean won)

	2016					
	Beginning	Issues	Repayments	Business combination	Others	Ending
Debentures in Korean won						
Structured debentures	₩ 909,788	₩ 892,100	₩ (1,540,488)	₩ 884,900	₩ -	₩ 1,146,300
Subordinated fixed rate debentures in Korean won	4,586,829	-	(1,314,836)	-	(300)	3,271,693
Fixed rate debentures in Korean won	22,500,223	96,455,800	(93,898,928)	570,600	-	25,627,695
Floating rate debentures in Korean won	448,000	760,000	(100,000)	-	-	1,108,000
	28,444,840	98,107,900	(96,854,252)	1,455,500	(300)	31,153,688
Debentures in foreign currencies						
Floating rate debentures	1,829,124	35,595	(806,459)	-	5,220	1,063,480
Fixed rate debentures	2,325,537	1,185,480	(817,096)	-	109,799	2,803,720
	4,154,661	1,221,075	(1,623,555)	-	115,019	3,867,200
	₩ 32,599,501	₩ 99,328,975	₩ (98,477,807)	₩ 1,455,500	₩ 114,719	₩ 35,020,888

23. Provisions

Details of provisions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	₩		₩	
Provisions for unused loan commitments	₩	178,202	₩	189,349
Provisions for payment guarantees		88,809		126,428
Provisions for financial guarantee contracts		2,682		4,333
Provisions for restoration cost		95,194		84,854
Others		203,146		132,753
	₩	568,033	₩	537,717

Changes in provisions for unused loan commitments, payment guarantees for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Provisions for unused loan commitments	Provisions for payment guarantees	Total
Beginning	₩ 189,349	₩ 126,428	₩ 315,777
Effects of changes in foreign exchange rate	(1,316)	(3,369)	(4,685)
Provision(reversal)	(9,850)	(34,250)	(44,100)
Business combination	19	-	19
Ending	₩ 178,202	₩ 88,809	₩ 267,011

(In millions of Korean won)

	2016				
	Provisions for unused loan commitments		Provisions for payment guarantees		Total
Beginning	₩	195,385	₩	158,454	₩ 353,839
Effects of changes in foreign exchange rate		204		737	941
Provision(reversal)		(6,240)		(32,763)	(39,003)
Ending	₩	189,349	₩	126,428	₩ 315,777

Changes in provisions for financial guarantee contracts for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Beginning	₩	4,333	₩	3,809
Provision (Reversal)		(1,651)		(2,958)
Business combination		-		3,482
Ending	₩	2,682	₩	4,333

Changes in provisions for restoration cost for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Beginning	₩	84,854	₩	75,351
Provision		5,150		3,886
Reversal		(1,211)		(967)
Used		(7,049)		(5,940)
Unwinding of discount		2,078		1,890
Effects of changes in discount rate		10,510		6,941
Business combination		862		3,693
Ending	₩	95,194	₩	84,854

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						Total
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities ¹	Others ²		
Beginning	₩ 8,790	₩ 50,396	₩ 20,623	₩ 358	₩ 52,586	₩ 132,753	
Increase	81,171	5,133	6,046	-	45,164	137,514	
Decrease	(74,849)	(50,479)	(2,906)	(181)	(10,469)	(138,884)	
Business Combination	-	-	-	-	₩ 71,763	₩ 71,763	
Ending	₩ 15,112	₩ 5,050	₩ 23,763	₩ 177	₩ 159,044	₩ 203,146	

(In millions of Korean won)

	2016						Total
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities ¹	Others		
Beginning	₩ 8,630	₩ 41,091	₩ 71,240	₩ 69	₩ 53,831	₩ 174,861	
Increase	26,336	32,464	1,589	434	9,007	69,830	
Decrease	(26,176)	(23,159)	(52,206)	(145)	(10,252)	(111,938)	
Ending	₩ 8,790	₩ 50,396	₩ 20,623	₩ 358	₩ 52,586	₩ 132,753	

¹ As of December 31, 2017 and 2016, the estimated greenhouse gas emission is 112,121 tons 117,831 tons, respectively.

² As of December 31, 2017, the group's provision on incomplete sales on cardsurance are ₩ 26,926 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 1,576,003	₩ (1,479,704)	₩ 96,299
Current service cost	208,037	-	208,037
Past service cost	21,356	-	21,356
Interest cost (income)	40,351	(36,243)	4,108
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	22,878	-	22,878
Actuarial gains and losses by changes in financial assumptions	(86,459)	-	(86,459)
Actuarial gains and losses by experience adjustments	17,541	-	17,541

(In millions of Korean won)

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Return on plan assets (excluding amounts included in interest income)	-	16,220	16,220
Contributions:			
The Group	-	(230,785)	(230,785)
Payments from plans (benefit payments)	(216,817)	216,698	(119)
Payments from the Group	(23,779)	-	(23,779)
Transfer in	8,604	(8,383)	221
Transfer out	(8,712)	8,672	(40)
Effect of exchange rate changes	(25)	-	(25)
Effect of business combination and disposal of business	282,988	(177,832)	105,156
Others	25	3,174	3,199
Ending ¹	₩ 1,841,991	₩ (1,688,183)	₩ 153,808

1 The net defined benefit liabilities of ₩ 153,808 million is calculated by subtracting ₩ 894 million net defined benefit assets from ₩ 154,702 million net defined benefit liabilities

(In millions of Korean won)

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 1,413,600	₩ (1,340,403)	₩ 73,197
Current service cost	192,010	-	192,010
Past service cost	4,408	-	4,408
Gain or loss on settlement	(396)	-	(396)
Interest cost (income)	34,885	(33,211)	1,674
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	2,281	-	2,281
Actuarial gains and losses by changes in financial assumptions	(37,085)	-	(37,085)
Actuarial gains and losses by experience adjustments	7,017	-	7,017
Return on plan assets (excluding amounts included in interest income)	-	11,071	11,071
Contributions:			
The Group	-	(162,547)	(162,547)
Employees	-	(3,106)	(3,106)
Payments from plans (benefit payments)	(52,508)	52,508	-
Payments from the Group	(9,837)	-	(9,837)
Transfer in	4,408	(4,325)	83
Transfer out	(4,897)	4,880	(17)
Effect of exchange rate changes	18	-	18
Effect of business combination and disposal of business	22,099	(4,571)	17,528
Ending	₩ 1,576,003	₩ (1,479,704)	₩ 96,299

Details of the net defined benefit liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Present value of defined benefit obligation	₩	1,841,991	₩	1,576,003
Fair value of plan assets		(1,688,183)		(1,479,704)
Net defined benefit liabilities	₩	153,808	₩	96,299

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2017 and 2016, are as follows:

	2017		2016	
Current service cost	₩	208,037	₩	192,010
Past service cost		21,356		4,408
Net interest expenses of net defined benefit liabilities		4,108		1,674
Gain or loss on settlement		-		(396)
Post-employment benefits ¹	₩	233,501	₩	197,696

¹ Post-employment benefits amounting to ₩ 1,755 million and ₩ 42 million for the years ended December 31, 2017 are recognized as other operating expense and advance payments in the statements of comprehensive income, and Post-employment benefits amounting to ₩ 1,577 million for the years ended December 31, 2016 are recognized as other operating expense in the statements of comprehensive income.

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

	2017		2016	
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)	₩	(16,220)	₩	(11,071)
Actuarial gains and losses		46,040		27,787
Income tax effects		(7,216)		(4,045)
Remeasurements after income tax	₩	22,604	₩	12,671

The details of fair value of plan assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	1,686,012	₩	1,686,012
Investment fund		-		2,171		2,171
	₩	-	₩	1,688,183	₩	1,688,183

(In millions of Korean won)

	2016					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	1,479,419	₩	1,479,419
Investment fund		-		285		285
	₩	-	₩	1,479,704	₩	1,479,704

Key actuarial assumptions used as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Discount rate (%)	2.10~2.90	1.80 ~ 3.46
Salary increase rate (%)	0.00~7.50	0.00 ~ 7.50
Turnover (%)	0.00~50.00	0.00 ~ 29.00

Mortality assumptions are based on the experience-based mortality table of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2017, are as follows:

(In millions of Korean won)

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5 p.	3.96 decrease	4.19 increase
Salary increase rate (%)	0.5 p.	3.00 increase	4.58 decrease
Turnover (%)	0.5 p.	0.46 decrease	0.43 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, 2017, is 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	₩ 74,145	₩ 143,846	₩ 545,808	₩ 1,158,892	₩ 3,316,815	₩ 5,239,506

¹ Excluded payments settled according to pension equity plan.

The weighted average duration of the defined benefit obligation is 1.0 ~ 11.1 years.

Expected contribution to plan assets for periods after December 31, 2017, is estimated to be ₩ 202,738 million.

25. Other Liabilities

Details of other liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other financial liabilities				
Other payables	₩	8,806,967	₩	6,526,330
Prepaid card and debit card		21,767		19,076
Accrued expenses		2,654,345		2,613,445
Financial guarantee liabilities		34,114		26,449
Deposits for letter of guarantees and others		798,207		561,664
Domestic exchange settlement credits		48,133		1,338,103
Foreign exchanges settlement credits		124,728		116,226
Borrowings from other business accounts		5,408		5,204
Other payables from trust accounts		5,018,031		4,430,508
Liability incurred from agency relationships		518,955		386,670
Account for agency businesses		257,761		248,257
Dividend payables		474		475
Other payables from factored receivables		-		-
Others		41,114		14,171
		18,330,004		16,286,578
Other non-financial liabilities				
Other payables		196,142		842,902
Unearned revenue		271,787		226,096
Accrued expenses		634,236		395,933
Deferred revenue on credit card points		176,840		145,457
Withholding taxes		179,903		140,258
Separate account liabilities		4,463,687		875,015
Others		217,709		126,658
		6,140,304		2,752,319
	₩	24,470,308	₩	19,038,897

26. Equity

26.1 Share Capital

Details of outstanding shares of the Parent Company as of December 31, 2017 and 2016, are as follows:

	2017		2016	
Type of share	Ordinary share		Ordinary share	
Number of authorized shares	1,000,000,000		1,000,000,000	

	2017		2016	
Par value per share	₩	5,000	₩	5,000
Number of issued shares		418,111,537		418,111,537
Share capital ¹	₩	2,090,558	₩	2,090,558

¹ In millions of Korean won.

Changes in outstanding shares for the years ended December 31, 2017 and 2016, are as follows:

(In number of shares)

	2017		2016	
Beginning		398,285,437		386,351,693
Increase		4,513,969		31,759,844
Decrease		(3,761,823)		(19,826,100)
Ending		399,037,583		398,285,437

26.2 Capital Surplus

Details of capital surplus as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Share premium	₩	13,190,274	₩	13,190,274
Loss on sales of treasury shares		(481,332)		(568,544)
Other capital surplus		4,413,286		4,373,172
	₩	17,122,228	₩	16,994,902

26.3 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Remeasurements of net defined benefit liabilities	₩	(96,385)	₩	(121,055)
Exchange differences on translating foreign operations		(56,589)		53,138
Change in value of available-for-sale financial assets		694,321		601,620
Change in value of held-to-maturity financial assets		(78)		6,447
Shares of other comprehensive income of associates and joint ventures		1,069		(96,174)
Cash flow hedges		14,980		(6,075)
Hedges of net investments in foreign operations		(5,958)		(32,572)
Other comprehensive income of separate account		(13,692)		-
	₩	537,668	₩	405,329

26.4 Retained Earnings

Details of retained earnings as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Legal reserves ¹	₩	334,873	₩	275,860
Voluntary reserves		982,000		982,000
Unappropriated retained earnings		13,727,331		10,971,368
	₩	15,044,204	₩	12,229,228

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Regulatory reserve for credit losses attributable to:				
Shareholders of the Parent Company	₩	3,148,332	₩	2,670,478
Non-controlling interests		2,536		34,650
	₩	3,150,868	₩	2,705,128

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2017 and 2016, are as follows:

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

	2017		2016	
Provision of regulatory reserve for credit losses ¹	₩	385,064	₩	195,890
Adjusted profit after provision of regulatory reserve for credit losses ²		2,926,374		1,947,854
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ²		7,339		5,078
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ²		7,297		5,051

¹ The ₩ 92,790 million increase in regulatory reserve for credit losses due to the business combination of KB Insurance Co., Ltd. and the acquisition of additional non-controlling interest of KB Capital Co., Ltd. was excluded.

² Adjusted profit after provision of regulatory reserve for credit losses is not in accordance with Korean IFRS, and calculated with the assumption that provision (reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit.

26.5 Treasury Shares

Changes in treasury shares outstanding for the year ended December 31, 2017 and 2016, are as follows:

(In number of shares and millions of Korean won)

	2017			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,826,100	3,761,823	(4,513,969)	19,073,954
Carrying amount ¹	₩ 721,973	₩ 202,051	₩ (168,051)	₩ 755,973

¹ During the 2nd quarter, the Group terminated the treasury share trust agreement with Samsung Securities Co., Ltd., and reentered into trust agreement in the 4th quarter.

(In number of shares and millions of Korean won)

	2016			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	-	19,826,100	-	19,826,100
Carrying amount ¹	₩ -	₩ 721,973	₩ -	₩ 721,973

¹ For the year ended December 31, 2017, the treasury stock trust agreement of ₩800,000 million with Samsung Securities Co., Ltd., which was signed in previous year, was terminated. In order to increase shareholder value, the Group entered in to another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2017.

27. Net Interest Income

Details of interest income and interest expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Interest income		
Due from financial institutions	₩ 127,434	₩ 111,433
Loans	9,990,792	8,905,769
Financial investments		
Available-for-sale financial assets	678,716	426,762
Held-to-maturity financial assets	480,595	463,200
Others	104,915	114,718
	11,382,452	10,021,882
Interest expenses		
Deposits	2,345,885	2,476,579
Debts	367,587	229,475
Debentures	880,709	853,430
Others	78,262	59,869
	3,672,443	3,619,353
Net interest income	₩ 7,710,009	₩ 6,402,529

Interest income recognized on impaired loans is ₩ 54,235 million (2016: ₩ 60,212 million) for the year ended December 31, 2017. Interest income recognized on impaired financial investments does not exist for the year ended December 31, 2017 (2016: ₩ 226 million)

28. Net Fee and Commission Income

Details of fee and commission income, and fee and commission expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Fee and commission income		
Banking activity fees	₩ 188,405	₩ 176,968
Lending activity fees	74,858	79,287
Credit card related fees and commissions	1,447,560	1,258,704
Debit card related fees and commissions	400,183	369,329
Agent activity fees	152,028	172,220
Trust and other fiduciary fees	353,903	219,215
Fund management related fees	132,889	119,745
Guarantee fees	49,546	40,710

(In millions of Korean won)

	2017	2016
Foreign currency related fees	106,038	99,022
Commissions from transfer agent services	195,556	166,371
Other business account commission on consignment	33,793	33,707
Commissions received on securities business	450,199	154,966
Lease fees	144,221	75,737
Others	259,071	184,896
	3,988,250	3,150,877
Fee and commission expense		
Trading activity related fees ¹	29,547	15,555
Lending activity fees	23,253	15,010
Credit card related fees and commissions	1,482,221	1,209,553
Outsourcing related fees	127,542	91,700
Foreign currency related fees	27,394	17,205
Management fees of written-off loans	4,176	4,456
Others	244,093	212,506
	1,938,226	1,565,985
Net fee and commission income	₩ 2,050,024	₩ 1,584,892

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 held for trading includes interest income, 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 held for trading for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Gains related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	₩ 717,006	₩ 457,570
Equity securities	546,169	120,289
	1,263,175	577,859
Derivatives held for trading		
Interest rate	1,753,449	1,162,058
Currency	5,777,818	3,751,706
Stock or stock index	2,094,667	899,185
Credit	76,700	52,988
Commodity	17,278	4,284
Others	23,397	4,808
	9,743,309	5,875,029
Financial liabilities held for trading	29,726	100,246
Other financial instruments	109	238
	₩ 11,036,319	₩ 6,553,372

(In millions of Korean won)

	2017		2016	
Losses related to financial instruments held for trading				
Financial assets held for trading				
Debt securities	₩	315,506	₩	265,760
Equity securities		353,864		114,052
		669,370		379,812
Derivatives held for trading				
Interest rate		1,625,541		1,164,423
Currency		5,661,323		3,827,928
Stock or stock index		1,445,714		658,832
Credit		76,483		46,251
Commodity		8,481		3,545
Others		20,053		1,291
		8,837,595		5,702,270
Financial liabilities held for trading		58,267		99,024
Other financial instruments		117		173
		9,565,349		6,181,279
Net gains or losses on financial instruments held for trading	₩	1,470,970	₩	372,093

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 interest income, 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Gains related to financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss	₩	139,515	₩	118,721
Financial liabilities designated at fair value through profit or loss		474,736		91,357
		614,251		210,078
Losses related to financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss		78,113		8,447
Financial liabilities designated at fair value through profit or loss		1,266,779		582,492
		1,344,892		590,939
Net gains or losses on financial instruments designated at fair value through profit or loss	₩	(730,641)	₩	(380,861)

30. Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other operating income				
Revenue related to available-for-sale financial assets				
Gain on redemption of available-for-sale financial assets	₩	884	₩	226
Gain on sale of available-for-sale financial assets		113,001		236,344
Reversal for impairment on available-for-sale financial assets		-		328
		113,885		236,898

(In millions of Korean won)

	2017	2016
Revenue related to held-to-maturity financial assets		
Gain on redemption of held-to-maturity financial assets	374	-
	374	-
Gain on foreign exchange transactions	2,520,168	3,567,560
Dividend income	276,829	134,989
Others	325,745	278,827
	3,237,001	4,218,274
Other operating expenses		
Expense related to available-for-sale financial assets		
Loss on redemption of available-for-sale financial assets	1,403	-
Loss on sale of available-for-sale financial assets	174,543	44,360
Impairment on available-for-sale financial assets	47,917	35,216
	223,863	79,576
Loss on foreign exchanges transactions	2,472,657	3,303,205
Others	1,442,371	1,251,401
	4,138,891	4,634,182
Net other operating expenses	₩ (901,890)	₩ (415,908)

31. General and Administrative Expenses

31.1 General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Employee Benefits		
Salaries and short-term employee benefits – salaries	₩ 2,465,132	₩ 1,874,396
Salaries and short-term employee benefits – others	822,536	734,119
Post-employment benefits – defined benefit plans	231,704	196,119
Post-employment benefits – defined contribution plans	15,046	9,361
Termination benefits	160,798	903,435
Share-based payments	73,370	38,190
	3,768,586	3,755,620
Depreciation and amortization	370,378	288,620
Other general and administrative expenses		
Rental expense	320,920	280,888
Tax and dues	195,965	134,892
Communication	44,516	37,114
Electricity and utilities	31,158	29,921
Publication	17,383	17,300
Repairs and maintenance	20,524	15,722

(In millions of Korean won)

	2017	2016
Vehicle	11,587	9,624
Travel	17,407	8,059
Training	26,664	23,426
Service fees	179,311	129,032
Electronic data processing expenses	172,007	160,863
Advertising	199,676	142,186
Others	252,582	195,444
	1,489,700	1,184,471
	₩ 5,628,664	₩ 5,228,711

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, 2017, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
KB Financial Group Inc.			
Series 14	July 17, 2015	11,363	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,6}
Series 15	Jan. 01, 2016	72,843	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Series 17	Jan. 01, 2017	42,032	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Series 18	July. 17, 2017	7,444	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Deferred grant in 2012	-	5,415	Satisfied
Deferred grant in 2013	-	588	Satisfied
Deferred grant in 2014	-	3,769	Satisfied
Deferred grant in 2015	-	21,780	Satisfied
Deferred grant in 2016	-	15,338	Satisfied
Deferred grant in 2017	-	36,054	Satisfied
		216,626	
Kookmin Bank			
Series 64	July 24, 2015	11,133	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Series 65	Aug. 26, 2015	11,587	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Series 67	Jan. 01, 2016	135,934	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,4}

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
Series 68	July 05, 2016	9,621	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,4}
Series 69	Jan. 01, 2017	323,777	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Series 70	July 24, 2017	1,449	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Series 71	Aug. 26, 2017	4,372	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Series 72	Aug. 28, 2017	5,601	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,5}
Deferred grant in 2014	-	35,312	Satisfied
Deferred grant in 2015	-	61,328	Satisfied
Deferred grant in 2016	-	155,407	Satisfied
Deferred grant in 2017	-	31,547	Satisfied
		787,068	
Other subsidiaries			
Stock granted in 2010	-	2,096	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2011	-	2,633	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2012	-	7,788	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2013	-	21,289	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2014	-	45,426	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2015	-	197,689	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2016	-	187,066	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2017	-	289,348	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
		753,335	
		1,757,029	

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 as of December 31, 2017).

² During the year, 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 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and financial results of Kookmin Bank, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 50% is determined upon the accomplishment of Performance Results.

⁴ 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and Evaluation of the Bank president's performance, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 50% is determined upon the accomplishment of Performance Results.

⁵ 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and Evaluation of the Bank president's performance, respectively. 30% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 70% is determined upon the accomplishment of Performance Results.

⁶ 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, financial results of the Group and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 50% is determined upon the accomplishment of relative TSR.

⁷ 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, financial results of the Group and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 50% is determined upon the accomplishment of relative TSR.

⁸ 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 60% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 40% is determined upon the accomplishment of relative TSR. 40%, 30% and 30% of the number of certain granted shares to be compensated are determined upon accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 50% is determined upon the accomplishment of relative TSR. 70% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 30% is determined upon the accomplishment of relative TSR.

⁹ 50%, 30% and 20% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 80% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 20% is determined upon the accomplishment of relative TSR. 80% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 20% is determined upon the accomplishment of relative TSR. 60%, 30% and 10% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 90% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 10% is determined upon the accomplishment of relative TSR. 90% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 10% is determined upon the accomplishment of relative TSR.

Details of stock grants linked to short-term performance as of December 31, 2017, are as follows:

	Grant date	Estimated number of vested shares ¹	Vesting conditions
KB Financial Group Inc.			
Stock granted in 2010	Jan. 01, 2010	322	Satisfied
Stock granted in 2011	Jan. 01, 2011	1,728	Satisfied
Stock granted in 2012	Jan. 01, 2012	2,642	Satisfied
Stock granted in 2013	Jan. 01, 2013	448	Satisfied
Stock granted in 2014	Jan. 01, 2014	7,079	Satisfied
Stock granted in 2015	Jan. 01, 2015	16,730	Satisfied
Stock granted in 2016	Jan. 01, 2016	20,523	Satisfied
Stock granted in 2017	Jan. 01, 2017	17,470	Proportional to service period
Kookmin Bank			
Stock granted in 2014	Jan. 01, 2014	53,771	Satisfied
Stock granted in 2015	Jan. 01, 2015	100,548	Satisfied
Stock granted in 2016	Jan. 01, 2016	141,707	Satisfied
Stock granted in 2017	Jan. 01, 2017	99,185	Proportional to service period
Other subsidiaries			
Stock granted in 2014	-	24,976	Satisfied
Stock granted in 2015	-	117,127	Satisfied
Stock granted in 2016	-	204,978	Satisfied
Stock granted in 2017	-	194,927	Proportional to service period

¹ During the year, 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, 2017, are as follows:

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance				
(KB Financial Group Inc.)				
Series 14	0.00 ~ 7.00	1.87 ~ 2.39	61,139	52,873 ~ 61,139
Series 15	0.00 ~ 3.00	1.87 ~ 2.14	61,139	58,516 ~ 61,791
Series 17	1.00 ~ 6.00	1.87 ~ 2.37	61,607	54,116 ~ 61,791
Series 18	1.54 ~ 7.00	1.94 ~ 2.39	60,517	52,873 ~ 62,419
Deferred grant in 2012	-	-	-	34,180 ~ 40,662
Deferred grant in 2013	-	-	-	34,180 ~ 42,824
Deferred grant in 2014	-	1.87	-	61,294
Deferred grant in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Deferred grant in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Deferred grant in 2017	0.00 ~ 3.00	1.87 ~ 2.14	-	58,516 ~ 61,791
(Kookmin Bank)				
Series 64	0.00 ~ 3.00	1.87 ~ 2.14	57,602	58,516 ~ 61,791
Series 65	0.00 ~ 3.00	1.87 ~ 2.14	57,625	58,516 ~ 61,791
Series 67	0.00 ~ 5.00	1.87 ~ 2.34	61,139	55,745 ~ 61,791
Series 68	0.51 ~ 4.00	1.87 ~ 2.24	61,570	57,009 ~ 61,791
Series 69	0.00 ~ 6.00	1.87 ~ 2.37	61,607	54,116 ~ 61,791
Series 70	0.00 ~ 3.00	1.87 ~ 2.14	59,783	58,516 ~ 61,791
Series 71	2.00 ~ 5.00	2.00 ~ 2.34	60,107	55,745 ~ 60,194
Series 72	2.00 ~ 5.00	2.00 ~ 2.34	60,112	55,745 ~ 60,194
Grant deferred in 2014	-	1.87	-	61,294
Grant deferred in 2015	0.00 ~ 4.00	1.87 ~ 2.24	-	57,009 ~ 61,791
Grant deferred in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Grant deferred in 2017	0.00 ~ 2.89	1.87 ~ 2.14	-	57,581 ~ 62,053
(Other subsidiaries)				
Share granted in 2010	-	1.87	-	61,294
Share granted in 2011	-	1.87	-	61,294
Share granted in 2012	-	1.87	40,544	40,831 ~ 61,294
Share granted in 2013	0.00 ~ 1.00	1.87	35,710	35,710 ~ 61,791
Share granted in 2014	0.00 ~ 5.00	1.87~2.34	43,672 ~ 57,388	43,672 ~ 61,791
Share granted in 2015	0.00 ~ 6.00	1.87~2.37	42,824 ~ 63,009	42,824 ~ 63,033
Share granted in 2016	0.00 ~ 6.00	1.87~2.37	42,824 ~ 61,811	42,824 ~ 62,738
Share granted in 2017	0.00 ~ 6.00	1.87~2.37	57,625 ~ 61,607	54,116 ~ 61,791
Linked to short-term performance				
(KB Financial Group Inc.)				
Share granted in 2010	-	1.87	-	40,662
Share granted in 2011	-	1.87	-	38,111 ~ 40,662
Share granted in 2012	-	1.87	-	34,180 ~ 40,662
Share granted in 2013	-	1.87	-	34,180 ~ 40,662

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791
Share granted in 2016	0.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791
Share granted in 2017	1.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791
(Kookmin Bank)				
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Share granted in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Share granted in 2017	1.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
(Other subsidiaries)				
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Share granted in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Share granted in 2017	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791

Expected volatility is based on the historical volatility of the share price over the most recent period that is generally commensurate the expected term of the grant. And the current stock price of December 31, 2017 was used for the underlying asset price. Additionally the average three year historical dividend rate was used as the expected dividend rate.

As of December 31, 2017 and 2016, the accrued expenses related to share-based payments including share grants amounted to ₩ 133,496million and ₩ 79,742 million, respectively, and the compensation costs from share grants amounting to ₩ 73,370million and ₩ 38,190 million were incurred during the 2017 and 2016, respectively.

Details of Mileage stock as of December 31, 2017, are as follows:

	Grant date	Number of granted shares ¹	Expected exercise period (years) ¹	Remaining shares ²
Stock granted in 2016	Jan. 23, 2016	33,829	0.00~1.06	18,196
	Apr. 29, 2016	60	0.00~1.33	39
	July 07, 2016	280	0.00~1.52	125
	July 18, 2016	767	0.00~1.55	-
	Aug. 03, 2016	107	0.00~1.59	53
	Aug. 17, 2016	51	0.00~1.63	44
	Aug. 30, 2016	256	0.00~1.66	219
	Sept. 06, 2016	206	0.00~1.68	120
	Oct. 07, 2016	105	0.00~1.77	97
	Nov. 01, 2016	118	0.00~1.84	95
	Dec. 07, 2016	211	0.00~1.93	150
	Dec. 08, 2016	43	0.00~1.94	43
	Dec. 15, 2016	12	0.00~1.96	12
	Dec. 20, 2016	309	0.00~1.97	307
	Dec. 28, 2016	76	0.00~1.99	64

(In number of shares)

(In number of shares)

	Grant date	Number of granted shares ¹	Expected exercise period (years) ¹	Remaining shares ²
Stock granted in 2017	Dec. 30, 2016	210	0.00~2.00	159
	Jan. 09, 2017	28,925	0.00~2.02	25,521
	Feb. 03, 2017	43	0.00~2.09	43
	Apr. 03, 2017	82	0.00~2.25	82
	May. 22, 2017	20	0.00~2.39	20
	July. 03, 2017	52	0.00~2.50	52
	Aug. 16, 2017	204	0.00~2.62	204
	Aug. 17, 2017	40	0.00~2.63	40
	Aug. 22, 2017	33	0.00~2.64	33
	Aug. 25, 2017	387	0.00~2.65	387
	Sept. 14, 2017	82	0.00~2.70	82
	Oct. 20, 2017	9	0.00~2.80	9
	Nov. 01, 2017	120	0.00~2.84	120
	Nov. 06, 2017	106	0.00~2.85	106
	Dec. 06, 2017	77	0.00~2.93	77
	Dec. 08, 2017	28	0.00~2.94	28
	Dec. 26, 2017	254	0.00~2.99	254
Dec. 29, 2017	114	0.00~2.99	114	
		67,216		46,895

¹ Mileage stock is exercisable for two years after one year from the grant date. 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 is exercisable at the closing price of the last month prior to transfer or retirement.

² The remaining shares are assessed based on the stock price as of December 31, 2017. These shares are vested immediately at grant date.

As of December 31, 2017 and 2016, the accrued expenses for share-based payments in regards to mileage stock amounted to ₩ 2,973 million and ₩ 1,533 million, respectively, and the compensation costs amounting to ₩ 2,378 million and ₩ 1,563 million were incurred during the 2017 and 2016, respectively.

32. Net Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other non-operating income				
Gain on disposal in property and equipment	₩	10,867	₩	669
Rent received		32,254		15,847
Gain on bargain purchase		122,986		628,614
Gain on sales of disposal group held for sale		22,371		-
Others		72,248		100,409
		260,726		745,539
Other non-operating expenses				
Loss on disposal in property and equipment		2,500		1,835
Donation		54,419		37,705
Restoration cost		3,465		2,255
Management cost for special bonds		3,279		2,024

(In millions of Korean won)

	2017		2016	
Loss on sales of disposal group held for sale		45,764		-
Impairment loss on disposition of disposal group held for sale		7,198		-
Impairment loss for goodwill		1,202		-
Others		104,023		30,851
		221,850		74,670
Net other non-operating income	₩	38,876	₩	670,869

33. Income Tax Expense

Income tax expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Tax payable				
Current tax expense	₩	700,597	₩	607,175
Adjustments recognized in the period for current tax of prior years		(39,445)		27,217
		661,152		634,392
Changes in deferred income tax assets (liabilities)		212,195		(201,012)
Income tax recognized directly in equity¹				
Exchange difference in foreign operation		25,674		(11,338)
Remeasurements of net defined benefit liabilities		(7,240)		(4,093)
Change in value of available-for-sale financial assets		(84,781)		20,754
Change in value of held-to-maturity financial assets		(3,789)		(1,186)
Share of other comprehensive loss of associates		20,975		116
Cash flow hedges		(4,368)		(1,423)
Hedges of a net investment in a foreign operation		(8,186)		2,265
Other comprehensive income for assets held for sale		(21,498)		-
Other comprehensive income for separate accounts		4,829		-
		(78,384)		5,095
Tax expense	₩	794,963	₩	438,475

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the expected rate has been applied for the deferred tax assets and liabilities that are expected to be utilized in periods after 2018. Amended income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 24.2%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5%.

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2017 and 2016, follows:

(In millions of Korean won)

	2017		2016	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Net profit before income tax		₩ 4,138,424		₩ 2,628,655
Tax at the applicable tax rate ¹	24.19	1,001,037	24.18	635,673
Non-taxable income	(5.02)	(207,777)	(7.15)	(188,062)
Non-deductible expense	0.26	10,706	0.64	16,711
Tax credit and tax exemption	(0.04)	(1,658)	(0.04)	(1,079)
Temporary difference for which no deferred tax is recognized	(0.16)	(6,484)	0.10	2,749

(In millions of Korean won)

	2017		2016	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Deferred tax relating to changes in recognition and measurement	(0.12)	(4,894)	(0.03)	(828)
Income tax refund for tax of prior years	(0.12)	(4,854)	(0.48)	(12,612)
Income tax expense of overseas branch	0.04	1,549	0.13	3,447
Effects from change in tax rate	0.42	17,367	(0.03)	(739)
Others	(0.24)	(10,029)	(0.64)	(16,785)
Average effective tax rate and tax expense	19.21	₩ 794,963	16.68	₩ 438,475

¹ Applicable income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22% and for over ₩ 20 billion is 24.2% as of December 31, 2017 and 2016.

Details of current tax assets (income tax refund receivables) and current tax liabilities (income tax payables), as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables ¹	₩ 215,702	₩ (215,702)	₩ -
Income tax payables	218,168	215,702	433,870

(In millions of Korean won)

	2016		
	Tax payables (receivables) before offsetting	Offsetting	Tax payables (receivables) after offsetting
Income tax refund receivables ¹	₩ (226,560)	₩ 226,560	₩ -
Income tax payables	668,372	(226,560)	441,812

¹ Excludes current tax assets of ₩ 6,324 million (2016: ₩ 65,738 million) by uncertain tax position and others, which do not qualify for offsetting.

34. Dividends

The dividends paid to the shareholders of the Parent Company in 2017 and 2016 were ₩ 497,969 million (₩ 1,250 per share) and ₩ 378,625 million (₩ 980 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2017, of ₩ 1,920 per share, amounting to total dividends of ₩ 766,728 is to be proposed at the annual general meeting on March 23, 2018. The Company's financial statements as of December 31, 2017, do not reflect this dividend payable.

35. Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Replaced by retained earnings	Replaced by assets held for sale	Replaced by disposal group held for sale	Ending
Remeasurements of net defined benefit liabilities	₩(121,055)	₩ 29,925	₩ -	₩ (7,240)	₩ -	₩ -	₩ 1,985	₩ (96,385)
Exchange differences on translating foreign operations	53,138	(135,401)	-	25,674	-	-	-	(56,589)
Change in the fair value of available-for-sale financial assets	601,620	200,700	(22,357)	(84,781)	-	-	(861)	694,321
Change in value of held-to-maturity financial assets	6,447	(2,868)	132	(3,789)	-	-	-	(78)
Shares of other comprehensive income of associates and joint ventures	(96,174)	2,288	10,135	20,975	(3,492)	67,337	-	1,069
Cash flow hedges	(6,075)	(100,816)	126,239	(4,368)	-	-	-	14,980
Hedges of net investments in foreign operations	(32,572)	34,800	-	(8,186)	-	-	-	(5,958)
Other comprehensive income of separate account	-	(97,001)	78,480	4,829	-	-	-	(13,692)
Other comprehensive income of disposal group held for sale	-	-	(861)	-	1,985	-	(1,124)	-
Other comprehensive income of assets held for sale	-	-	88,835	(21,498)	-	(67,337)	-	-
	₩ 405,329	₩ (68,373)	₩ 280,603	₩ (78,384)	₩ (1,507)	₩ -	₩ -	₩ 537,668

(In millions of Korean won)

	2016				
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (133,876)	₩ 16,914	₩ -	₩ (4,093)	₩ (121,055)
Exchange differences on translating foreign operations	32,990	31,486	-	(11,338)	53,138
Change in value of available-for-sale financial assets	653,130	30,877	(103,141)	20,754	601,620
Change in value of held-to-maturity financial assets	2,731	(1,448)	6,350	(1,186)	6,447
Shares of other comprehensive income of associates	(89,081)	(7,209)	-	116	(96,174)
Cash flow hedges	(10,173)	16,238	(10,717)	(1,423)	(6,075)
Hedges of a net investment in a foreign operation	(25,477)	(9,360)	-	2,265	(32,572)
	₩ 430,244	₩ 77,498	₩ (107,508)	₩ 5,095	₩ 405,329

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, 2017 and 2016.

Weighted average number of ordinary shares outstanding:

	(In number of shares)	
	2017	2016
Beginning (A)	418,111,537	386,351,693
Issue of ordinary shares related to business combination (B)	-	6,421,389
Acquisition of treasury shares (C)	(21,618,520)	(9,153,437)
Sales of treasury shares (D)	2,231,945	-
Weighted average number of ordinary shares outstanding (E=A+B+C+D)	398,724,962	383,619,645

Basic earnings per share:

	(In Korean won and in number of shares)			
		2017		2016
Profit attributable to ordinary shares (D)	₩	3,311,437,880,186	₩	2,143,744,271,801
Weighted average number of ordinary shares outstanding (E)		398,724,962		383,619,645
Basic earnings per share (F = D / E)	₩	8,305	₩	5,588

36.2 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 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 period) based on the monetary value of the subscription rights attached to the share options. 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 for diluted earnings per share for the years ended December 31, 2017 and 2016, are as follows:

	(In Korean won)			
		2017		2016
Profit attributable to ordinary shares	₩	3,311,437,880,186	₩	2,143,744,271,801
Adjustment		-		-
Adjusted profit for diluted earnings	₩	3,311,437,880,186	₩	2,143,744,271,801

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share for the years ended December 31, 2017 and 2016, are as follows:

(In number of shares)

	2017	2016
Weighted average number of ordinary shares outstanding	398,724,962	383,619,645
Adjustment:		
Stock grants	2,319,533	2,013,044
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	401,044,495	385,632,689

Diluted earnings per share for the years ended December 31, 2017 and 2016, are as follows:

(In Korean won and in number of shares)

	2017	2016
Adjusted profit for diluted earnings per share	₩ 3,311,437,880,186	₩ 2,143,744,271,801
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	401,044,495	385,632,689
Diluted earnings per share	₩ 8,257	₩ 5,559

37. Insurance Contracts

37.1 Insurance Assets

Details of deferred acquisition costs included in other assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Non-life insurance	₩ 267,602	₩ -
Life insurance	130,393	122,151
	₩ 397,995	₩ 122,151

Changes in the deferred acquisition costs for the years ended December 31, 2017 and 2016, are as follows

(In millions of Korean won)

	2017			
	Beginning	Increase	Decrease	Ending
Non-life insurance	₩ -	₩ 521,090	₩ (253,488)	₩ 267,602
Life insurance	122,151	116,826	(108,584)	130,393
	₩ 122,151	₩ 637,916	₩ (362,072)	₩ 397,995

(In millions of Korean won)

	2016			
	Beginning	Increase	Decrease	Ending
Life insurance	₩ 106,625	₩ 116,433	₩ (100,927)	₩ 122,151
	₩ 106,625	₩ 116,433	₩ (100,927)	₩ 122,151

Details of reinsurance assets included in other assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017		2016	
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩	480,760	₩	-
	Automobile insurance		13,320		-
	Long-term insurance		89,317		-
	Unearned premium reserve				
	General insurance		178,586		-
	Automobile insurance		14,986		-
			776,969		-
Life insurance	Reserve for outstanding claims		1,410		1,301
	Unearned premium reserve		490		473
			1,900		1,774
Others	Reserve for outstanding claims		3,670		3,041
	Unearned premium reserve		1,075		1,180
			4,745		4,221
Total reinsurance assets			783,614		5,995
Allowance for impairment			629		-
Total reinsurance assets, net		₩	782,985	₩	5,995

The changes in reinsurance assets included in other assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017							
		Beginning	Business combination	Net increase (decrease)	Ending				
Non-life insurance	Reserve for outstanding claims								
	General insurance	₩	-	₩	391,305	₩	89,455	₩	480,760
	Automobile insurance		-		15,943		(2,623)		13,320
	Long-term insurance		-		87,887		1,430		89,317
	Unearned premium reserve								
	General insurance		-		218,479		(39,893)		178,586
	Automobile insurance		-		17,373		(2,387)		14,986
Long-term insurance		-		2		(2)		-	
			-		730,989		45,980		776,969
Life insurance	Reserve for outstanding claims		1,301		-		109		1,410
	Unearned premium reserve		473		-		17		490
			1,774		-		126		1,900
Others	Reserve for outstanding claims		3,041		-		629		3,670
	Unearned premium reserve		1,180		-		(105)		1,075
			4,221		-		524		4,745
Total reinsurance assets			5,995		730,989		46,630		783,614
Allowance for impairment			-		738		(109)		629
Total reinsurance assets, net		₩	5,995	₩	730,251	₩	46,739	₩	782,985

(In millions of Korean won)

		2016		
		Beginning	Net increase (decrease)	Ending
Life insurance	Reserve for outstanding claims	₩ 1,511	₩ (210)	₩ 1,301
	Unearned premium reserve	492	(19)	473
		2,003	(229)	1,774
Others	Reserve for outstanding claims	2,114	927	3,041
	Unearned premium reserve	1,727	(547)	1,180
		3,841	380	4,221
Total reinsurance assets		5,884	151	5,995
Allowance for impairment		-	-	-
Total reinsurance assets, net		₩ 5,884	₩ 151	₩ 5,995

37.2 Insurance Liabilities

Details of insurance liabilities as of 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	2017			
	Non-life insurance	Life insurance	Others	Total
Long-term insurance premium reserve	₩ 20,697,290	₩ 7,278,112	₩ -	₩ 27,975,402
Reserve for outstanding claims	2,148,923	78,423	3,670	2,231,016
Unearned premium reserve	1,392,211	1,511	1,075	1,394,797
Reserve for participating policyholders' dividends on long-term insurance	94,005	29,150	-	110,040
Unallocated Divisible Surplus to Future Policyholders	24,304	6,264	-	43,683
Reserve for compensation for losses on dividend-paying insurance contracts	25,730	7,920	-	33,650
Guarantee reserve	-	12,687	-	12,687
	₩ 24,382,463	₩ 7,414,067	₩ 4,745	₩ 31,801,275

(In millions of Korean won)

	2016		
	Life insurance	Others	Total
Long-term insurance premium reserve	₩ 7,161,698	₩ -	₩ 7,161,698
Reserve for outstanding claims	69,659	3,041	72,700
Unearned premium reserve	869	1,180	2,049
Reserve for participating policyholders' dividends on long-term insurance	25,923	-	25,923
Unallocated Divisible Surplus to Future Policyholders	9,273	-	9,273
Reserve for compensation for losses on dividend-paying insurance contracts	8,544	-	8,544
Guarantee reserve	10,657	-	10,657
	₩ 7,286,623	₩ 4,221	₩ 7,290,844

The changes in insurance liability as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017			
		Beginning	Business combination	Net increase (decrease) ²	Ending
Non-life insurance	General insurance	₩ -	₩ 1,161,059	₩ 33,201	₩ 1,194,260
	Automobile insurance	-	1,448,313	29,256	1,477,569
	Long-term insurance	-	20,166,857	1,431,268	21,598,125
	Long-term investment contract	-	113,210	(701)	112,509
Life insurance	Pure endowment insurance	5,150,946	-	98,681	5,249,627
	Death insurance	243,008	-	123,295	366,303
	Joint insurance	1,872,706	-	(89,821)	1,782,885
	Group insurance	2,147	-	(1,078)	1,069
	Other	17,816	-	(3,633)	14,183
Others ¹	4,221	-	524	4,745	
Total		₩ 7,290,844	₩ 22,889,439	₩ 1,620,992	₩ 31,801,275

(In millions of Korean won)

		2016		
		Beginning	Net increase (decrease) ²	Ending
Life insurance	Pure endowment insurance	₩ 4,840,555	₩ 310,391	₩ 5,150,946
	Death insurance	156,179	86,829	243,008
	Joint insurance	1,906,777	(34,071)	1,872,706
	Group insurance	1,895	252	2,147
	Other	15,452	2,364	17,816
Others ¹	3,841	380	4,221	
Total		₩ 6,924,699	₩ 366,145	₩ 7,290,844

¹ Consists of contractor's profit dividend reserve and loss on dividend insurance reserve

² Including currency translation effect and decrease in liability related to investment contract

37.3 Liability adequacy test

37.3.1 Non-life insurance

(a) Assumptions and basis for the insurance liability adequacy test as of December 31, 2017, is as follows:

	Assumptions (%)	Basis
Long-term insurance		
Discount rate	2.57 ~ 8.59	Applied regulator's scenario requiring use of liquidity premium over risk-free rate
Expense ratio	6.51	Reflected parent's future expense cost based on last one-year data
Lapse ratio	1.30 ~ 34.80	Based on recent 5 year data
Mortality	12.00 ~ 633.00	Rate of risk to the anticipated risk premium of the insurer for the last 5 years
General insurance		
Expense ratio	13.21	Expense ratio divided by most last 1 year accrued insurance premium
Appraisal cost ratio	4.73	Appraisal cost divided by most last 3 year accrued insurance premium
Claim settlement ratio	67.23	Claim payment divided by most last 5 year accrued insurance premium

	Assumptions (%)	Basis
Automobile insurance		
Expense ratio	11.00	Expense ratio divided by most last 1 year accrued insurance premium
Appraisal cost ratio	9.33	Appraisal cost divided by most last 3 year accrued insurance premium
Claim settlement ratio	77.02	Claim payment divided by most last 5 year accrued insurance premium

The results of liability adequacy test as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
Long-term insurance	₩ 16,975,710	₩ 8,736,966	₩ (8,238,744)
General insurance	424,800	376,305	(48,495)
Automobile insurance	1,050,576	1,004,551	(46,025)
	₩ 18,451,086	₩ 10,117,822	₩ (8,333,264)

¹ For long-term insurance, it is an amount after deduction of the deferred acquisition costs from insurance premium reserve. For general insurance and automobile insurance, it is an amount including the unearned premium based on original insurance.

On the other hand, as a result of adequacy test, the Group did not set additional reserve as the surplus exceeds the deficit amount. 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, 2017 and 2016, are as follows:

	Assumptions (%)		Basis
	2017	2016	
Rate of surrender value	0.44 ~ 60.30	0.48 ~ 85.55	Rate of surrender value for the last 5 years
Rate of claim	6~118	6 ~ 140	Rate of claim payment for the last 7 years
Discount rate	-1.76~14.37	-2.74~16.14	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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)	
Fixed interest type	Participating	₩ 30,702	₩ 49,259	₩ 18,557
	Non-participating	97,093	11,372	(85,721)
Variable interest type	Participating	1,136,444	1,116,410	(20,035)
	Non-participating	5,581,698	4,896,433	(685,264)
Variable type	(28,699)	(106,835)	(78,136)	
Total	₩ 6,817,238	₩ 5,966,639	₩ (850,599)	

(In millions of Korean won)

		2016		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 31,248	₩ 51,016	₩ 19,768
	Non-participating	60,860	14,121	(46,739)
Variable interest type	Participating	1,136,049	1,115,129	(20,920)
	Non-participating	5,514,847	5,032,493	(482,354)
Variable type		(29,025)	(84,881)	(55,856)
Total		₩ 6,713,979	₩ 6,127,878	₩ (586,101)

On the other hand, as a result of adequacy test, the group did not set additional reserve as the surplus exceeds the deficit amount. As such, there was no amount recorded as a result of liability adequacy test.

37.4 Insurance Income and Expenses

(In millions of Korean won)

		2017	2016
Insurance income	Premium income	₩ 8,234,731	₩ 1,190,422
	Reinsurance income	564,894	10,930
	Separate account income	118,080	-
	Income of change in reinsurance assets	49,466	-
	Other insurance income	3,821	-
			8,970,992
Insurance expenses	Insurance claims paid	2,945,158	158,789
	Dividend expenses	6,233	910
	Refunds of surrender value	2,193,843	690,207
	Reinsurance expenses	652,910	12,286
	Provision of policy reserves	1,644,389	366,145
	Separate account expenses	65,773	(207)
	Insurance operating expenses	293,591	(9,903)
	Deferred acquisition costs	361,909	100,928
	Expenses of change in reinsurance assets	(126)	-
	Claim survey expenses paid	20,564	-
	Other insurance expenses	193,038	-
		8,377,282	1,319,155
Net insurance income(expenses)		₩ 593,710	₩ (117,803)

37.5 Insurance Premiums and Reinsurance

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 out lines 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 the interest rate is adjusted accordingly, conditions of sale is changed, sale of goods is interrupted and other measures 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 supports so that policyholders are safe and the Group's stable profit can be achieved. For the long-term goal, the Group manages risk at a comprehensive level to keep its value at the maximum.

The Group's entire risk is calculated by using RBC method. The Group sets the risk appetite limits in order that the calculated risk level is maintained at an appropriate level compared to available capital. Portfolio of assets and products are monitored to improve profit compared to risk.

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 1 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, 2017 as follows:

(In millions of Korean won)

	2017			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 906,603	₩ 84,056	₩ (518,099)	₩ 472,560
Automobile	2,000,232	-	(34,579)	1,965,653
Long-term	2,020,782	-	(276,325)	1,744,457
	₩ 4,927,617	₩ 84,056	₩ (829,003)	₩ 4,182,670

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 serious damage of risk, although with 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 accident years 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, 2017, are as follows:

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)					
2013.1.1 ~ 2013.12.31	₩ 170,587	₩ 203,250	₩ 208,100	₩ 207,329	₩ 206,450
2014.1.1 ~ 2014.12.31	127,903	144,915	146,430	146,533	-
2015.1.1 ~ 2015.12.31	125,170	145,637	148,165	-	-
2016.1.1 ~ 2016.12.31	145,618	168,127	-	-	-
2017.1.1 ~ 2017.12.31	168,409	-	-	-	-
	737,687	661,929	502,695	353,862	206,450
Gross cumulative claim payments (B)					
2013.1.1 ~ 2013.12.31	133,479	184,209	198,286	200,931	202,093
2014.1.1 ~ 2014.12.31	94,901	129,652	136,689	141,170	-
2015.1.1 ~ 2015.12.31	93,443	130,430	137,854	-	-
2016.1.1 ~ 2016.12.31	108,098	151,583	-	-	-
2017.1.1 ~ 2017.12.31	152,430	-	-	-	-
	562,351	595,874	472,829	342,101	202,093
Difference (A-B)	₩ 175,336	₩ 66,055	₩ 29,866	₩ 11,761	₩ 4,357

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)							
2011.1.1 ~ 2011.12.31	₩1,088,801	₩1,105,501	₩1,115,281	₩1,119,872	₩1,122,637	₩1,124,045	₩ 1,125,203
2012.1.1 ~ 2012.12.31	1,117,650	1,146,779	1,155,529	1,162,075	1,164,774	1,166,470	-
2013.1.1 ~ 2013.12.31	1,131,945	1,156,535	1,170,968	1,179,458	1,179,323	-	-
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	-	-	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	-	-	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	-	-	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	-	-	-	-	-	-
	8,360,050	7,129,808	5,903,360	4,673,430	3,466,734	2,290,515	1,125,203
Gross cumulative claim payments(B)							
2011.1.1 ~ 2011.12.31	929,491	1,066,885	1,093,589	1,109,202	1,117,381	1,119,765	1,120,687
2012.1.1 ~ 2012.12.31	939,239	1,105,672	1,135,064	1,149,585	1,156,150	1,159,614	-
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	-	-
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	-	-	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	-	-	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	-	-	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	-	-	-	-	-	-
	6,955,473	6,870,979	5,783,073	4,616,798	3,442,148	2,279,379	1,120,687
Difference (A-B)	₩1,404,577	₩ 258,829	₩ 120,287	₩ 56,632	₩ 24,586	₩ 11,136	₩ 4,516

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 ultimate claims (A)					
2013.1.1 ~ 2013.12.31	₩ 709,602	₩ 965,587	₩ 997,607	₩ 1,003,646	₩ 1,006,025
2014.1.1 ~ 2014.12.31	789,087	1,083,048	1,114,821	1,119,206	-
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	-	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	-	-	-
2017.1.1 ~ 2017.12.31	1,184,224	-	-	-	-
	4,633,133	4,705,601	3,368,479	2,122,852	1,006,025
Gross cumulative claim payments (B)					
2013.1.1 ~ 2013.12.31	671,500	953,494	989,957	999,944	1,003,715
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	-
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	-	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	-	-	-
2017.1.1 ~ 2017.12.31	1,130,868	-	-	-	-
	4,401,026	4,649,364	3,342,900	2,114,285	1,003,715
Difference (A-B)	₩ 232,107	₩ 56,237	₩ 25,579	₩ 8,567	₩ 2,310

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	2017	
		₩	Effect on LAT
Surrenders and termination rates	10%		373,772
	-10%		(334,351)
Loss ratio	10%		3,146,419
	-10%		(3,146,419)
Insurance operating expenses ratio	10%		276,741
	-10%		(276,741)
Discount rate	+0.5%		(1,087,451)
	-0.5%		1,367,045

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, 2017 as follows:

(In millions of Korean won)

	2017 ¹					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 26,239	₩ 297,196	₩ 117,610	₩ 40,229	₩ 94,477	₩ 575,751
Linked	458,340	2,723,485	2,135,336	926,591	10,269,931	16,513,683
	484,579	3,020,681	2,252,946	966,820	10,364,408	17,089,434
Annuity						
Non-linked	19	92	2,117	3,956	1,401	7,585
Linked	153	46,987	307,455	1,089,983	2,141,589	3,586,167
	172	47,079	309,572	1,093,939	2,142,990	3,593,752
Asset-linked						
Linked	-	27,499	-	-	-	27,499
Total						
Non-linked	26,258	297,288	119,727	44,185	95,878	583,336
Linked	458,493	2,797,971	2,442,791	2,016,574	12,411,520	20,127,349
	₩ 484,751	₩ 3,095,259	₩ 2,562,518	₩ 2,060,759	₩ 12,507,398	₩ 20,710,685

¹ Includes long-term investment contract amounting to ₩ 112,510 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, the Group cedes insurance contracts to the insurers rated above BBB- of S&P rating.

As of December 31, 2017, there are 219 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	65.45%	AA
SWISSRE	4.61%	AAA
HDIgerling	3.69%	AA+

Exposures to credit risk related to reinsurance as of December 31, 2017 as follows:

(In millions of Korean won)

	2017	
Reinsurance assets ¹	₩	776,340
Net receivables from reinsurers ²		237,750
	₩	1,014,090

¹ Net carrying amounts after impairment loss

² Net carrying amounts of each reinsurance company that offsets reinsurance accounts receivable and reinsurance accounts payable and 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 the loss experienced. For long-term, non-life insurance contracts, the Group calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves after subtracting costs of termination deductions. 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, 2017 are as follows:

i) Exposure to interest rate risk

(In millions of Korean won)

	2017	
Liabilities		
Fixed interest rate	₩	582,345
Variable interest rate		18,548,946
		19,131,291
Assets		
Due from banks		167,312
Financial assets at fair value through profit or loss		325,844
Available-for-sale financial assets		6,066,290
Held-to-maturity financial assets		6,501,529
Loans		6,338,470
	₩	19,339,445

ii) Measurement and recognition method

Duration is used to measure interest rate risk within risk based solvency test. ALM system for risk based solvency test 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. When duration of assets is shorter than duration of liabilities, the interest risk is increased if the interest rates fall since increased asset value is smaller than liabilities increase.

iv) Negative spread risk control

To control interest expenses from other liabilities and investment incomes from assets, the Group publicizes its interest rate considering market interest rate and return on invested insurance assets of the Group.

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 premiums 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 Group measures the exposure of insurance price risk as the shortfall of the risk premiums received compared to the claims paid on all insurance contracts for the last one year preceding the reporting date.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 14,356	₩ 10,279
Disability	1,331	899
Hospitalization	1,233	747
Operation and diagnosis	3,326	1,977
Actual losses for medical expense	817	403
Others	753	376
	₩ 21,816	₩ 14,681

(In millions of Korean won)

	2016	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 13,662	₩ 9,272
Disability	1,341	947
Hospitalization	1,022	777
Operation and diagnosis	2,341	1,856
Actual losses for medical expense	468	299
Others	581	544
	₩ 19,415	₩ 13,695

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, 2017 and 2016, were 65.9% and 68.9%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Policyholders reserve ¹	Guarantee reserve	Policyholders reserve ¹	Guarantee reserve
Variable annuity	₩ 461,309	₩ 3,485	₩ 491,137	₩ 3,702
Variable universal	97,893	3,572	105,218	4,855
Variable saving	429,985	316	256,262	179
	₩ 989,187	₩ 7,373	₩ 852,617	₩ 8,736

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 under regulation 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 under regulation on supervision of insurance business.

37.6.5 Premium reserves and unearned premium reserves residual maturity

Premium reserves and unearned premium reserves classified based on each residual maturity as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 971,517	₩ 660,139	₩ 829,157	₩ 591,689	₩ 333,031	₩ 3,892,579	₩ 7,278,112
Unearned premium reserves	161	-	2	1	-	1,347	1,511

(In millions of Korean won)

	2016						Total
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	
Premium reserves	₩ 730,903	₩ 597,166	₩1,207,513	₩ 558,322	₩ 348,269	₩3,719,525	₩ 7,161,698
Unearned premium reserves	803	-	1	1	-	64	869

38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Total assets	Operating revenues	Total assets	Operating revenues
Consolidated	₩ 4,148,600	₩ 110,487	₩ 3,978,501	₩ 120,348
Unconsolidated	43,256,371	2,590,728	43,653,701	1,132,375
	₩ 47,404,971	₩ 2,701,215	₩ 47,632,202	₩ 1,252,723

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Revenues				
Fees and commissions from trust accounts	₩	486,792	₩	219,215
Interest income from loans on trust accounts		1,447		1,083
Commissions from early termination in trust accounts		92		65
	₩	488,331	₩	220,363
Expenses				
Interest expenses due to trust accounts	₩	43,944	₩	37,750
Receivables				
Accrued trust fees	₩	65,076	₩	31,188
Due from trust accounts		37,973		9,351
	₩	103,049	₩	40,539
Payables				
Due to trust accounts	₩	5,018,031	₩	4,430,508
Accrued interest on due to trust accounts		7,632		6,767
	₩	5,025,663	₩	4,437,275

39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Cash	₩	2,167,911	₩	2,158,268
Checks with other banks		430,253		400,422
Due from Bank of Korea		8,981,665		7,676,491

(In millions of Korean won)

	2017	2016
Due from other financial institutions	8,237,996	7,649,682
	19,817,825	17,884,863
Restricted cash from financial institutions	(10,613,089)	(9,301,946)
Due from financial institutions with original maturities over three months	(799,838)	(1,168,081)
	(11,412,927)	(10,470,072)
	₩ 8,404,898	₩ 7,414,836

Significant non-cash transactions for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Decrease in loans due to the write-offs	₩ 1,033,056	₩ 1,399,315
Changes in accumulated other comprehensive income due to valuation of financial investments	89,117	(47,871)
Decrease in accumulated other comprehensive income from measurement of investment securities in associates	100,735	(7,093)
Change in shares of investment in associate due to KB Insurance Co., Ltd.'s inclusion of the consolidation scope	(1,417,397)	-
Change in shares of investment in associate due to Hyundai Securities Co., Ltd.'s inclusion of the consolidation scope	-	(1,459,604)

Cash inflows and outflows from income tax, interests and dividends for the year December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Activity	2017	2016
Income tax paid	Operating	₩ 646,802	₩ 231,786
Interest received	Operating	11,243,363	10,208,678
Interest paid	Operating	3,444,715	3,707,653
Dividends received	Operating	229,289	132,654
Dividends paid	Financing	497,969	378,625

Changes in liabilities arising from financing activities

Changes in liabilities and assets that hedge liabilities arising from financing activities for the year ended December 31, 2017 are as follows:

(In millions of Korean won)

	2017										
	Non-cash changes										
	Beginning	Net cash flows	Acquisition (Disposal)	Changes in foreign exchange rates	Changes in fair value	Business Combination	Other changes	Ending			
Derivatives held for hedging ¹	₩ 6,715	₩ 63,827	₩ -	₩ -	₩ (159,530)	₩ (132,843)	₩ 19,814	₩ (202,017)			
Debts	26,251,486	4,272,011	-	(996,029)	(34,800)	(584,245)	(87,495)	28,820,928			
Debentures	34,992,057	10,465,410	-	(429,880)	(11,931)	(34,600)	11,668	44,992,724			

(In millions of Korean won)

	2017							
	Non-cash changes							
	Beginning	Net cash flows	Acquisition (Disposal)	Changes in foreign exchange rates	Changes in fair value	Business Combination	Other changes	Ending
Other payables from trust accounts	4,430,508	587,523	-	-	-	-	-	5,018,031
Others	147,946	150,012	678	12	-	24,061	2,728	325,437
	₩ 65,828,712	₩ 15,538,783	₩ 678	₩ (1,425,897)	₩ (206,261)	₩ (727,627)	₩ (53,285)	₩ 78,955,103

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, 2017 was ₩ 405,817 million. The net cash outflow related to the KB Insurance Co. Ltd business combination was ₩ 647,953 million.

40. Contingent Liabilities and Commitments

Details of payment guarantees as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Confirmed payment guarantees				
Confirmed payment guarantees in Korean won				
Payment guarantees for KB purchasing loan	₩	252,817	₩	329,051
Other payment guarantees		530,272		858,951
		783,089		1,188,002
Confirmed payment guarantees in foreign currency				
Acceptances of letter of credit		147,987		234,125
Letter of guarantees		60,853		64,189
Bid bond		46,984		64,242
Performance bond		563,506		703,076
Refund guarantees		778,779		1,689,343
Other payment guarantees in foreign currency		1,960,769		1,593,770
		3,558,878		4,348,745
Financial guarantees				
Guarantees for Debenture-Issuing		-		31,000
Payment guarantees for mortgage		57,446		25,994
Overseas debt guarantees		285,576		272,255
International financing guarantees in foreign currencies		46,953		52,961
Other financing payment guarantees		270,029		334
		660,004		382,544
		5,001,971		5,919,291
Unconfirmed acceptances and guarantees				
Guarantees of letter of credit		2,250,542		2,068,105
Refund guarantees		384,959		217,272
		2,635,501		2,285,377
	₩	7,637,472	₩	8,204,668

Acceptances and guarantees by counterparty as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)	
Corporations	₩ 4,185,975	₩ 1,913,114	₩ 6,099,089	79.86	
Small companies	621,834	492,369	1,114,203	14.59	
Public and others	194,162	230,018	424,180	5.55	
	₩ 5,001,971	₩ 2,635,501	₩ 7,637,472	100.00	

(In millions of Korean won)

	2016				
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)	
Corporations	₩ 5,129,393	₩ 1,644,556	₩ 6,773,949	82.56	
Small companies	623,424	479,514	1,102,938	13.44	
Public and others	166,474	161,307	327,781	4.00	
	₩ 5,919,291	₩ 2,285,377	₩ 8,204,668	100.00	

Acceptances and guarantees by industry as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)	
Financial institutions	₩ 23,317	₩ 7,353	₩ 30,670	0.40	
Manufacturing	2,799,593	1,270,721	4,070,314	53.29	
Service	655,057	100,004	755,061	9.89	
Whole sale & Retail	935,647	837,230	1,772,877	23.21	
Construction	335,156	198,996	534,152	6.99	
Public sector	165,249	129,944	295,193	3.87	
Others	87,952	91,253	179,205	2.35	
	₩ 5,001,971	₩ 2,635,501	₩ 7,637,472	100.00	

(In millions of Korean won)

	2016				
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)	
Financial institutions	₩ 74,282	₩ 3,710	₩ 77,992	0.95	
Manufacturing	3,315,257	1,141,571	4,456,828	54.32	
Service	765,051	63,847	828,898	10.10	
Whole sale & Retail	1,171,151	779,163	1,950,314	23.77	
Construction	509,329	129,111	638,440	7.78	
Public sector	82,646	92,445	175,091	2.13	
Others	1,575	75,530	77,105	0.95	
	₩ 5,919,291	₩ 2,285,377	₩ 8,204,668	100.00	

Commitments as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Commitments				
Corporate loan commitments	₩	32,857,616	₩	35,723,627
Retail loan commitments		16,074,323		15,789,809
Credit line on credit cards		49,299,924		43,937,899
Purchase of other security investment and others		3,951,304		1,554,221
		102,183,167		97,005,556
Financial Guarantees				
Credit line		2,669,071		3,334,648
Purchase of security investment		354,800		1,029,100
		3,023,871		4,363,748
	₩	105,207,038	₩	101,369,304

Other Matters (including litigation)

a) The Group has filed 121 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 510,954 million, and faces 288 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 220,957 million, which arose in the normal course of the business and are still pending as of December 31, 2017.

b) During 2017, Kookmin Bank has entered into construction contracts amounting to ₩ 150,051 million and ₩ 105,175 million related to the construction of integrated headquarter building and integrated IT center, respectively, and no expenditures were made during the year ended December 31, 2017.

c) The face value of the securities which Kookmin Bank sold to general customers through the bank tellers amounts to ₩ 372 million and ₩ 5,731 million as of December 31, 2017 and 2016, respectively.

d) 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 120 legal claims filed as the defendant, with an aggregate claim of ₩ 10,291million as of December 31, 2017. A provision liability of ₩ 11,078 million has been recognized for these pending lawsuits. In addition, the additional lawsuits may be filed against the Group. Meanwhile, the final outcome of the cases cannot be reasonably ascertained.

41. Subsidiaries

Details of subsidiaries as of December 31, 2017, 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. ⁵	100.00	Korea	Dec. 31	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00	Korea	Dec. 31	Credit card and installment finance
	KB Life Insurance Co., Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	Dec. 31	Security investment trust management and advisory
	KB Capital Co., Ltd. ⁵	100.00	Korea	Dec. 31	Financial Leasing
	KB Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Dec. 31	Real estate trust management
	KB Investment Co., Ltd.	100.00	Korea	Dec. 31	Capital investment
	KB Credit Information Co., Ltd.	100.00	Korea	Dec. 31	Collection of receivables or credit investigation
Kookmin Bank	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	Kookmin Bank Int'l Ltd.(London)	100.00	United Kingdom	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank Hong Kong Ltd.	100.00	China	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank Cambodia PLC.	100.00	Cambodia	Dec. 31	Banking and foreign exchange transaction
	Kookmin Bank (China) Ltd.	100.00	China	Dec. 31	Banking and foreign exchange transaction
KB Securities Co., Ltd.	KB Microfinance Myanmar Co., Ltd.	100.00	Myanmar	Dec. 31	Other credit granting n.e.c.
	KBFG Securities America Inc.	100.00	United States of America	Dec. 31	Investment advisory and securities dealing activities
	KBFG Securities Hong Kong Ltd.	100.00	China	Dec. 31	Investment advisory and securities dealing activities
KB Insurance Co., Ltd.	KB SECURITEIS VIETNAM JOINT STOCK COMPANY	99.40	Vietnam	Dec. 31	Investment advisory and securities dealing activities
	KB Claims Survey & Adjusting	100.00	Korea	Dec. 31	Claim service
	KB Sonbo CNS	100.00	Korea	Dec. 31	Management service
	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 Golden Life Care Co., Ltd.	100.00	Korea	Dec. 31	Service

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Capital Co., Ltd., KB Kookmin Card Co., Ltd.	KB KOLAO LEASING Co., Ltd.	80.00	Laos	Dec. 31	Financial Leasing
Kookmin Bank	KL 1st Inc. and 27 others ²	-	Korea	Dec. 31	Asset-backed securitization and others
KB Kookmin Card Co., Ltd.	KB Kookmin Card Third Securitization Co., Ltd., and 9 others ²	0.50	Korea	Dec. 31	Asset-backed securitization
KB Securities Co., Ltd	MS Sejong 4th Co., Ltd. and 43 others ²	-	Korea	Dec. 31	Asset-backed securitization
Kookmin Bank, KB Investment Co., Ltd.	KB12-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
KB Investment Co., Ltd.	KB Start-up Creation Fund	62.50	Korea	Dec. 31	Capital investment
	09-5 KB Venture Fund ⁴	33.33	Korea	Dec. 31	Capital investment
	KoFC-KB Pioneer Champ No.2010-8 Investment Partnership ⁴	50.00	Korea	Dec. 31	Capital investment
	2011 KIF-KB IT Venture Fund ⁴	43.33	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KoFC-KB Young Pioneer 1st Fund ⁴	33.33	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KB Intellectual Property Fund ⁴	34.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance, KB Investment Co., Ltd.	KB High-tech Company Investment Fund	100.00	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
	KB Neo Paradigm Agriculture Venture Fund ⁴	50.00	Korea	Dec. 31	Capital investment
KB Investment Co., Ltd.	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 Life Insurance Co., Ltd.	KB Haeoreum Private Securities Investment Trust 1st and 3 others	100.00	Korea	Dec. 31	Investment trust
Kookmin Bank	KB Multi-Asset Private Securities Fund (Bond Mixed-ETF)	99.27	Korea	Dec. 31	Investment trust
KB Multi-Asset Private Securities Fund (Bond Mixed-ETF)	Global Diversified Multi-Asset Sub-Trust Class 1 A	100.00	United Kingdom	Dec. 31	Investment trust
Kookmin Bank	KB Multi-Asset Private Securities Fund S-1(Bond Mixed)	96.00	Korea	Dec. 31	Investment trust
	KB Multi-Asset Private Securities Fund P-1(Bond Mixed)	99.96	Korea	Dec. 31	Investment trust
KB Multi-Asset Private Securities Fund P-1(Bond Mixed)	KB Multi-Asset Private Securities Master Fund P-1(Bond Mixed)	100.00	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Securities Co., Ltd., KB life Insurance Co., Ltd., KB Real Estate Trust Co., Ltd.	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	Dec. 31	Investment trust

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Wise Star Private Real Estate Feeder Fund 1st.	KB Star Retail Private Master Real Estate ³	48.98	Korea	Dec. 31	Investment trust
	KB Star Office Private Real Estate Investment Trust 2nd ³	44.44	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Insurance Co., Ltd.	Hanbando BTL Private Special Asset Fund 1st ³	46.36	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Hope Sharing BTL Private Special Asset ³	46.00	Korea	Dec. 31	Investment trust
Kookmin Bank, KB life Insurance Co., Ltd.	KB Mezzanine Private Securities Fund 2nd.(Mixed) ³	40.74	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Senior Loan Private Fund ³	37.39	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd.	KB Vintage 16 Private Securities Investment Trust 1st ³	50.00	Korea	Dec. 31	Investment trust
KB Kookmin Card Co., Ltd.	Heungkuk Life Insurance Money Market Trust Ltd.	100.00	Korea	Dec. 31	Trust asset management
Kookmin Bank	KB Haeoreum private securities investment trust 70(Bond) ³	33.35	Korea	Dec. 31	Investment trust
KB Insurance Co., Ltd.	KB AMP Infra Private Special Asset Fund 1(FoFs) ³	41.67	Korea	Dec. 31	Investment trust
KB Insurance Co., Ltd. KB life Insurance Co., Ltd. KB Investment Co., Ltd.	KB-Solidus Global Healthcare Fund ⁴	43.33	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.	KB KBSTAR Short Term KTB Active ETF	77.72	Korea	Dec. 31	Investment trust
	KB KBSTAR Mid-Long Term KTB Active ETF	94.79	Korea	Dec. 31	Investment trust
Kookmin Bank	Samsung KODEX 10Y F-LKTB Inverse ETF(Bond-Derivatives)	97.15	Korea	Dec. 31	Investment trust
	KB Haeoreum private securities investment trust 83(Bond)	96.14	Korea	Dec. 31	Investment trust
	KB KBSTAR KTB 3Y Futures Inverse ETF	95.65	Korea	Dec. 31	Investment trust
KB Insurance Co., Ltd.	KB Muni bond Private Securities Fund 1(USD)(bond) ³	33.33	Korea	Dec. 31	Investment trust
KB Securities Co., Ltd.	Jueun Power Middle 7 and 7 others	100.00	Korea	Dec. 31	Investment trust
	Hyundai You First Private Real Estate Investment Trust No. 1	60.00	Korea	Dec. 31	Investment trust
	Hyundai Smart Index Alpha Securities Feeder Investment Trust No.1	98.37	Korea	Dec. 31	Investment trust
	Hyundai Strong Korea Equity Trust No.1	99.73	Korea	Dec. 31	Investment trust
	Hyundai Kidzania Equity Feeder Trust No.1	78.44	Korea	Dec. 31	Investment trust
	Hyundai Value Plus Equity Feeder Trust No.1	99.84	Korea	Dec. 31	Investment trust
	Hyundai Strong-small Corporate Trust No.1	89.59	Korea	Dec. 31	Investment trust

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	Hyundai You First Private Real Estate Investment Trust No. 15 ³	35.00	Korea	Dec. 31	Investment trust
	JB New Jersey Private Real Estate Investment Trust No. 1	98.15	Korea	Dec. 31	Investment trust
	Hyundai Dynamic Mix Securities Feeder Investment Trust No.1	99.94	Korea	Dec. 31	Investment trust
	Hyundai China Index Plus Securities Investment Trust No.1	79.95	Korea	Dec. 31	Investment trust
KB Securities Co., Ltd.	Hyundai Kon-tiki Specialized Privately Placed Fund No.1	98.12	Korea	Dec. 31	Investment trust
	DGB Private real estate Investment Trust No.8	98.77	Korea	Dec. 31	Investment trust
	LIME GLOBALEYE ALP PRIVATE EQUITY FUND 2	68.03	Korea	Dec. 31	Investment trust
	LIME ORANGE PRIVATE EQUITY FUND 6	98.04	Korea	Dec. 31	Investment trust
	DAEDUCK PARC1 PRIVATE EQUITY FUND 1	96.00	Korea	Dec. 31	Investment trust
	LIME PLUTO FI PRIVATE EQUITY FUND D-1	99.84	Korea	Dec. 31	Investment trust
KB Securities Co., Ltd., KB Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Star Fund_KB Value Focus Korea Equity	97.51	Luxembourg	Dec. 31	Capital investment
KB Securities Co., Ltd.	Aquila Global Real Assets Fund No.1 LP	99.96	Cayman islands	Dec. 31	Capital investment
	Able Quant Asia Pacific Feeder Fund(T.E.) Limited	100.00	Cayman islands	Dec. 31	Capital investment
Able Quant Asia Pacific Feeder Fund(T.E.) Limited	Able Quant Asia Pacific Master Fund Limited	100.00	Cayman islands	Dec. 31	Capital investment
KBFG Securities America Inc.	Global Investment Opportunity Limited	100.00	Malaysia	Dec. 31	Finance and Real Estate Activities
Hyundai Smart Index Alpha Securities Feeder Inv Trust 1	Hyundai Smart Index Alpha Securities Master Investment Trust	99.53	Korea	Dec. 31	Investment trust
Hyundai Trust Securities Feeder Investment Trust No.1- Bond	Hyundai Trust Securities Master Investment Trust - Bond	94.29	Korea	Dec. 31	Investment trust
Hyundai Value Plus Securities Feeder Investment Trust 1 and others	Hyundai Value Plus Securities Master Investment Trust	100.00	Korea	Dec. 31	Investment trust
Hyundai Dynamic Mix Securities Feeder Investment Trust	Hyundai Dynamic Mix Securities Master Investment Trust	98.75	Korea	Dec. 31	Investment trust
Hyundai Quant Long Short Securities Feeder Investment Trust	Hyundai Quant Long Short Securities Master Investment Trust	100.00	Korea	Dec. 31	Investment trust
Aquila Global Real Assets Fund No.1 LP	AGRAF Real Estate No.1, Senningerberg	100.00	Luxembourg	Dec. 31	Asset-backed securitization
AGRAF Real Estate No.1, Senningerberg	AGRAF Real Estate Holding No.1, Senningerberg	100.00	Luxembourg	Dec. 31	Asset-backed securitization

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
AGRAF Real Estate Holding No.1, Senningerberg	Vierte CasaLog GmbH & Co. KG and 2 others	94.90	Germany	Dec. 31	Real Estate Activities
KB Asset Management Co., Ltd.	KB Asset Management Singapore Pte, Ltd.	100.00	Singapore	Dec. 31	Collective investment and others
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 Activities
ABLE NJ DSM INVESTMENT REIT	ABLE NJ DSM, LLC	100.00	United States of America	Dec. 31	Real Estate Activities
Heungkuk Global Highclass Private Real Estate Trust 23	HYUNDAI ABLE INVESTMENT REIT	99.90	United States of America	Dec. 31	Real Estate Activities
HYUNDAI ABLE INVESTMENT REIT	HYUNDAI ABLE PATRIOTS PARK, LLC	100.00	United States of America	Dec. 31	Real Estate Activities
KB Insurance Co., Ltd.	Dongbu Private Fund 16th	89.52	Korea	Dec. 31	Investment trust
	Hana Landchip Real estate Private Fund 58th	99.99	Korea	Dec. 31	Investment trust
	Hyundai Aviation Private Fund 3rd	99.96	Korea	Dec. 31	Investment trust
	Hyundai Power Private Fund 3rd	99.90	Korea	Dec. 31	Investment trust
	Hyundai Power Professional Investment Type Private Investment Fund No.4	99.78	Korea	Dec. 31	Investment trust
KB Insurance Co., Ltd.	KB U.S. LongShort Private Securities Fund 1	99.44	Korea	Dec. 31	Investment trust
	Hyundai Infra Professional Investment Type Private Investment Trust No.5	99.79	Korea	Dec. 31	Investment trust
	KB SAUDI Private Special Asset Fund	80.00	Korea	Dec. 31	Investment trust
KB Asset Management Co., Ltd.	Meritz Private Real Estate Fund 8	99.36	Korea	Dec. 31	Investment trust
	KB Global Equity Solution Securities Feeder Fund(Equity-FoFs)	74.47	Korea	Dec. 31	Investment trust
	KB Global Multiasset Income Securities Feeder Fund(Bond Mixed-FoFs)	95.26	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Securities Co., Ltd., KB Asset Management Co., Ltd.	KB Everyone TDF 2020 Securities Investment Trust - Bond Balanced-Fund of Funds	52.28	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2025 Securities Investment Trust - Bond Balanced-Fund of Funds ³	45.08	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2030 Securities Investment Trust - Equity Balanced-Fund of Funds ³	48.62	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2035 Securities Investment Trust - Equity Balanced-Fund of Funds	60.74	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2040 Securities Investment Trust - Equity Balanced-Fund of Funds	67.04	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2045 Securities Investment Trust - Equity Balanced-Fund of Funds	76.84	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2050 Securities Investment Trust - Equity Balanced-Fund of Funds	52.95	Korea	Dec. 31	Investment trust
	KB Everyone TDF 2055 Securities Investment Trust - Equity Balanced-Fund of Funds				
Kookmin Bank	Personal pension trusts and 10 other trusts ¹	-	Korea	Dec. 31	Trust

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 Became wholly owned subsidiaries by acquiring additional non-controlling interest in the 3rd quarter.

The condensed financial information of major subsidiaries as of December 31, 2017 and 2016, is as follows:

(In millions of Korean won)

	2017					
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period ⁴	Total comprehensive income for the period ⁴
Kookmin Bank ¹	₩ 329,765,927	₩ 304,442,493	₩ 25,323,434	₩ 19,291,294	₩ 2,174,705	₩ 2,357,936
KB Securities Co., Ltd. ^{1,2}	37,351,680	32,936,024	4,415,656	5,974,054	271,701	236,587
KB Insurance Co., Ltd. ^{1,2}	32,351,778	29,128,747	3,223,031	8,740,682	330,286	320,756
KB Kookmin Card Co., Ltd. ¹	17,658,310	13,616,481	4,041,829	3,326,048	296,831	326,887
KB Life Insurance Co., Ltd. ¹	9,125,741	8,586,328	539,413	1,331,105	21,086	(10,151)
KB Asset Management Co., Ltd. ¹	201,481	44,860	156,621	117,746	52,022	52,176
KB Capital Co., Ltd. ^{1,2}	8,743,672	7,803,920	939,752	588,253	120,797	120,628
KB Savings Bank Co., Ltd.	1,158,829	960,812	198,017	79,428	21,150	21,329
KB Real Estate Trust Co., Ltd.	246,685	47,355	199,330	76,700	36,408	36,356
KB Investment Co., Ltd. ¹	355,763	218,671	137,092	41,150	(4,954)	(7,295)
KB Credit Information Co., Ltd.	26,121	10,979	15,142	31,737	(5,316)	(5,185)
KB Data System Co., Ltd.	41,945	27,240	14,705	117,946	945	323

(In millions of Korean won)

	2016						
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period ⁴	Total comprehensive income for the period ⁴	
Kookmin Bank ¹	₩ 307,066,370	₩ 283,741,368	₩ 23,325,002	₩ 17,866,478	₩ 964,256	₩ 958,312	
KB Securities Co., Ltd. ^{1,2,3}	32,382,795	28,198,439	4,184,356	2,444,185	(93,428)	(65,689)	
KB Kookmin Card Co., Ltd. ¹	15,772,036	11,807,038	3,964,998	3,017,568	317,103	331,023	
KB Life Insurance Co., Ltd. ¹	8,887,413	8,337,849	549,564	1,480,979	12,714	(33,269)	
KB Asset Management Co., Ltd. ¹	170,781	16,605	154,176	127,435	58,756	57,503	
KB Capital Co., Ltd. ²	7,428,372	6,640,305	788,067	473,253	96,785	96,740	
KB Savings Bank Co., Ltd.	1,078,130	895,921	182,209	65,938	10,319	9,897	
KB Real Estate Trust Co., Ltd.	216,687	33,713	182,974	65,230	29,270	29,636	
KB Investment Co., Ltd. ¹	315,878	168,491	147,387	49,425	6,170	2,388	
KB Credit Information Co., Ltd.	27,973	7,647	20,326	37,271	43	126	
KB Data System Co., Ltd.	27,037	12,655	14,382	76,394	613	722	

¹ Financial information is based on its consolidated financial statements.

² The amount includes the fair value adjustments due to the merger.

³ Profit(loss) is based on the amount of Hyundai Securities Co., Ltd. after it is included in the consolidation scope (October 2016) and the amount of KB Investment & Securities Co., Ltd. for the period

⁴ Attributable to shareholders of the parent company

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 ₩ 1,904,344 million to KL 1st Inc. and other subsidiaries.
- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 8 other subsidiaries. The unexecuted amount of the investment agreement is ₩ 316,966 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, 2017, are as follows:

Company	Description
KB Insurance Co., Ltd. and 45 others	Holds over than a majority of the ownership interests
Able Jungdong Co., Ltd. and 42 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 Haeoreum private securities investment trust 70(Bond) and 3 others	Holds the power to determine the operation of the trust and exposed to variable returns by holding significant amount of ownership interests
KB KONEX Market Vitalization Fund and 3 other	Holds the power by taking the role of an operating manager and exposed to variable returns by holding significant amounts of ownership interests.

The subsidiaries excluded from consolidation during the year ended December 31, 2017, are as follows:

Company	Description
2014ABLEOPO 2ND Co., Ltd. and 44 others	Lost right for variable returns due to the release of debt
Wise Mobile Eighth Securitization Specialty Co., Ltd and 5 others	Liquidation
Hyundai Asset Management Co.,Ltd. and 17 others	Disposal
KB Evergreen bond fund No.98 (Bond) and 1 other	Decrease of the interest to less than a majority
Hyundai Trust Securities Feeder Investment Trust No.1- Bond	Lost the power from sale of Hyundai Asset Management Co., Ltd.

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

(In millions of Korean won)

	2017	2016
Non-controlling interests percentage	-	47.98%
Non-controlling interests		
Assets of subsidiaries	₩ -	₩ 7,428,372
Liabilities of subsidiaries	-	6,640,305
Equity of subsidiaries	-	788,067
Non-controlling interests	-	263,359
Profit attributable to non-controlling interests		
Operating profit of subsidiaries	-	127,550
Profit of subsidiaries	-	96,785
Profit attributable to non-controlling interests	-	46,436
Cash flows of subsidiaries		
Cash flows from operating activities	-	(1,783,799)
Cash flows from investing activities	-	(7,023)
Cash flows from financing activities	-	1,671,199
Net increase(decrease) in cash and cash equivalents	₩ -	₩ (119,623)

¹ As the Group acquired the entire non-controlling interests of KB Capital during 2017, there are no subsidiaries with material non-controlling interests as of December 31, 2017.

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
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
Project Financing	Granting PF loans to SOC and real estate Granting loans to ships/aircrafts SPC	Construction of SOC and real estate Building ships/construction and purchase of aircrafts	Loan commitments through credit line, providing lines of credit and investment agreements
Trust	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
Fund	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

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Asset-backed securitization	Project financing	Trusts	Funds	Others	Total
Total assets of unconsolidated structured entity	₩ 128,573,461	₩ 33,153,741	₩ 482,900	₩ 101,598,227	₩ 9,613,570	₩ 273,421,899
Carrying amount on financial statements						
Assets						
Financial assets at fair value through profit or loss	2,277,080	73,157	-	547,258	-	2,897,495
Derivative financial assets	1,136	-	-	118	-	1,254
Loans	833,380	3,366,675	54,500	266,653	393,664	4,914,872
Financial investments	6,826,097	13,104	300	5,788,925	20,619	12,649,045
Investment in associates and joint ventures	-	-	-	202,816	-	202,816
Other assets	11,699	5,874	37,972	962	307	56,814
	₩ 9,949,392	₩ 3,458,810	₩ 92,772	₩ 6,806,732	₩ 414,590	₩ 20,722,296
Liabilities						
Deposits	₩ 484,889	₩ 755,242	₩ -	₩ 38,657	₩ 3,985	₩ 1,282,773
Derivative financial liabilities	1,487	-	-	2,792	-	4,279
Other liabilities	11,292	44	-	48	-	11,384
	₩ 497,668	₩ 755,286	₩ -	₩ 41,497	₩ 3,985	₩ 1,298,436

(In millions of Korean won)

	2017						
	Asset-backed securitization	Project financing	Trusts	Funds	Others	Total	
Maximum exposure to loss ¹							
Holding assets	₩ 9,949,392	₩ 3,458,810	₩ 92,772	₩ 6,806,732	₩ 414,590		20,722,296
Purchase and investment commitments	964,106	-	-	1,301,784	-		2,265,890
Unused credit	2,299,236	10,000	-	1,203,917	16,000		3,529,153
Payment guarantee and loan commitments	382,300	1,385,722	-	-	-		1,768,022
	₩ 13,595,034	₩ 4,854,532	₩ 92,772	₩ 9,312,433	₩ 430,590	₩	28,285,361
Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Dividends by results trust: Total amount of trust exposure	Investments /loans and capital commitments	Loan commitments		

(In millions of Korean won)

	2016						
	Asset-backed securitization	Project financing	Trusts	Funds	Others	Total	
Total assets of unconsolidated structured entity	₩ 95,829,740	₩ 22,529,407	₩ 588,267	₩ 33,606,036	₩ 4,723,822	₩	157,277,272
Carrying amount on financial statements							
Assets							
Financial assets at fair value through profit or loss	677,658	75,477	-	25,253	-		778,388
Derivative financial assets	110	-	-	-	-		110
Loans	610,623	2,860,776	54,500	26,897	173,989		3,726,785
Financial investments	6,406,641	8,595	305	3,621,376	19,612		10,056,529
Investment in associates	-	728	-	227,203	-		227,931
Other assets	6,945	3,002	9,350	859	57		20,213
	₩ 7,701,977	₩ 2,948,578	₩ 64,155	₩ 3,901,588	₩ 193,658	₩	14,809,956
Liabilities							
Deposits	₩ 528,041	₩ 703,049	₩ -	₩ 40,382	₩ 6,895	₩	1,278,367
Other liabilities	658	-	-	-	-		658
	₩ 528,699	₩ 703,049	₩ -	₩ 40,382	₩ 6,895	₩	1,279,025
Maximum exposure to loss ¹							
Holding assets	₩ 7,701,977	₩ 2,948,578	₩ 64,155	₩ 3,901,588	₩ 193,658	₩	14,809,956
Purchase and investment commitments	726,375	-	-	1,607,542	-		2,333,917
Unused credit	2,701,254	-	-	-	33,500		2,734,754
Payment guarantee and loan commitments	290,100	1,475,760	-	-	-		1,765,860
	₩ 11,419,706	₩ 4,424,338	₩ 64,155	₩ 5,509,130	₩ 227,158	₩	21,644,487

(In millions of Korean won)

	2016					Total
	Asset-backed securitization	Project financing	Trusts	Funds	Others	
Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Dividends by results trust: Total amount of trust exposure	Investments /loans and capital commitments	Loan commitments	

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. Finance and Operating Lease

43.1 Finance lease

43.1.1 The Group as finance lessee

The future minimum lease payments arising as of December 31, 2017 and 2016, are as follows:

	2017		2016	
	₩		₩	
Net carrying amount of finance lease assets		29,817		40,750
Minimum lease payment				
Within 1 year		2,555		2,424
1-5 years		2,150		3,099
		4,705		5,523
Present value of minimum lease payment				
Within 1 year		2,510		2,392
1-5 years		2,059		2,907
		4,569		5,299

(In millions of Korean won)

43.1.2 The Group as finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2017 and 2016, are as follows:

	2017				2016			
	Total lease investment		Present value of minimum lease payment		Total lease investment		Present value of minimum lease payment	
	₩		₩		₩	₩	₩	
Within 1 year		654,412		557,188		562,552		478,312
1-5 years		1,330,610		1,215,476		1,096,614		1,004,512
	₩	1,985,022	₩	1,772,664	₩	1,659,166	₩	1,482,824

(In millions of Korean won)

Unearned interest income of finance lease as of December 31, 2017 and 2016, is as follows:

	2017		2016	
	₩		₩	
Total lease investment		1,985,022		1,659,166
Net lease investment				
Present value of minimum lease payment		1,772,664		1,482,824
Unearned interest income	₩	212,358	₩	176,342

(In millions of Korean won)

43.2 Operating lease

43.2.1 The Group as operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Minimum lease payment				
Within 1 year	₩	168,707	₩	148,449
1-5 years		196,050		174,232
Over 5 years		34,128		34,488
	₩	398,885	₩	357,169
Minimum sublease payment	₩	(3,101)	₩	(1,109)

The lease payment reflected in profit or loss for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Lease payment reflected in profit or loss				
Minimum lease payment	₩	208,413	₩	197,444
Sublease payment		(2,441)		(1,026)
	₩	205,972	₩	196,418

43.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Minimum lease receipts				
Within 1 year	₩	163,203	₩	129,870
1-5 years		375,344		277,377
Over 5 years		282,470		313,282
	₩	821,017	₩	720,529

44. Related Party Transactions

Profit and loss arising from transactions with related parties for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017	2016
Associates and Joint Ventures			
KB Insurance Co., Ltd. ¹	Interest income	₩ 12	₩ 63
	Interest expense	202	1,057
	Fee and commission income	8,994	20,321
	Fee and commission expense	1,021	508
	Gains on financial assets/liabilities at fair value through profit or loss	796	4,822
	Losses on financial assets/liabilities at fair value through profit or loss	18,717	3,701
	Other operating income	16,743	12,972
	Other operating expense	633	6,406
	General and administrative expenses	5,601	14,244
	Reversal for credit loss	-	119
	Provision for credit loss	12	-
	Other non-operating income	51	110
	Other non-operating expense	-	74
	Balhae Infrastructure Company	Fee and commission income	7,162
Korea Credit Bureau Co., Ltd.	Interest expense	132	92
	Fee and commission income	1,374	1,648
	Fee and commission expense	1,206	1,948
	General and administrative expenses	2,202	1,968
	Provision for credit loss	1	-
UAMCO., Ltd.1	Interest expense	-	1
	Fee and commission income	-	5
KoFC KBIC Frontier Champ 2010-5(PEF)	Fee and commission income	216	457
United PF 1st Recovery Private Equity Fund ¹	Interest expense	-	1
KB GwS Private Securities Investment Trust	Fee and commission income	851	896
IMM Investment 5th PRIVATE EQUITY FUND1	Other non-operating expense	-	1
Incheon Bridge Co., Ltd.	Interest income	25,511	14,534
	Interest expense	292	369
	Insurance income	162	-
	Reversal for credit loss	43	-
	Provision for credit loss	-	31
Jaeyang Industry Co., Ltd.	Interest income	98	-
	Reversal for credit loss	6	37
HIMS Co., Ltd. ¹	Interest income	-	51
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Fee and commission income	481	212
	Interest expense	-	10
Aju Good Technology Venture Fund	Interest expense	14	4

(In millions of Korean won)

		2017	2016
KB Star Office Private Real Estate Investment Trust No.1	Interest income	370	371
	Interest expense	63	87
	Fee and commission income	435	436
	Provision for credit loss	3	-
RAND Bio Science Co., Ltd. Inno Lending Co.,Ltd	Interest expense	16	14
	Fee and commission income	3	-
	Interest expense	1	-
KBIC Private Equity Fund No. 3 ¹	Other non-operating expense	-	20
	Interest expense	-	12
	Fee and commission income	38	260
SY Auto Capital Co., Ltd.	Interest income	828	718
	Interest expense	22	19
	Fee and commission income	47	-
	Fee and commission expense	2,956	-
	Insurance income	29	-
	Other operating income	731	1,606
	Other operating expense	128	153
	Reversal for credit losses	32	-
	Provision for credit losses	-	61
	Other non-operating income	51	250
	Kyobo 7 Special Purpose Acquisition Co., Ltd. ¹	Interest expense	1
Food Factory Co., Ltd.	Interest income	24	-
	Insurance income	3	-
	Provision for credit losses	44	-
	Fee and commission income	83	-
KB Pre IPO Secondary Venture Fund 1st Builton Co., Ltd	Insurance income	1	-
KB Private Equity FundIII	Fee and commission income	457	-
Wise Asset Management Co., Ltd.	Interest expense	5	-
Acts Co.,Ltd.	Interest income	249	-
	Insurance income	2	-
	Losses on financial assets/liabilities at fair value through profit or loss	220	-
	Provision for credit losses	66	-
	General and administrative expenses	150	-
	Interest income	183	-
	Provision for credit losses	89	-
Dongjo Co.,Ltd.	Reversal for credit losses	2	-
POSCO-KB Shipbuilding Fund	Fee and commission income	257	-
	Interest expense	3	-
Dae-A Leisure Co.,Ltd.	Interest expense	1	-
Paycoms Co.,Ltd.	Interest income	61	-
	Provision for credit losses	32	-
	Interest income	31	-
Bungaejanter. Inc.	Interest income	31	-
	Provision for credit losses	44	-

(In millions of Korean won)

		2017	2016
Faromancorporation Co.,Ltd. ¹	Reverse for credit losses	345	-
Daesang Techlon Co.,Ltd.	Insurance income	1	-
Big Dipper Co.,Ltd.	Provision for credit losses	2	-
KB-KDBC New Technology Business Investment Fund	Interest expense	4	-
KB No.5 Special Purpose Acquisition Company ¹	Interest income	-	68
	Interest expense	-	19
	Gains on financial assets/liabilities at fair value through profit or loss	-	216
	Reversal for credit loss	-	29
	Other non-operating income	-	2
KB No.6 Special Purpose Acquisition Company ¹	Interest income	-	55
	Interest expense	-	14
	Losses on financial assets/liabilities at fair value through profit or loss	-	65
	Other non-operating expense	-	4
KB No.7 Special Purpose Acquisition Company ¹	Interest income	-	37
	Interest expense	-	18
	Gains on financial assets/liabilities at fair value through profit or loss	-	861
	Other non-operating income	-	40
KB No.8 Special Purpose Acquisition Company	Interest income	75	74
	Interest expense	36	35
	Losses on financial assets/liabilities at fair value through profit or loss	170	41
	Reversal for credit loss	-	50
	Interest income	76	73
KB No.9 Special Purpose Acquisition Company	Interest expense	33	40
	Fee and commission income	-	473
	Losses on financial assets/liabilities at fair value through profit or loss	200	392
	Gains on financial assets/liabilities at fair value through profit or loss	-	1,665
	Reversal for credit loss	-	49
KB No.10 Special Purpose Acquisition Company	Interest income	48	17
	Interest expense	24	8
	Fee and commission income	-	175
	Losses on financial assets/liabilities at fair value through profit or loss	103	-
	Gains on financial assets/liabilities at fair value through profit or loss	-	1,497
	Other non-operating income	-	5

(In millions of Korean won)

		2017	2016
KB No.11 Special Purpose Acquisition Company	Interest income	22	3
	Fee and commission income	150	-
	Gains on financial assets/liabilities at fair value through profit or loss	711	16
Hyundai-Tongyang Agrifood Private Equity Fund	Fee and commission income	187	-
KB IGen Private Equity Fund No. 1	Fee and commission income	1,266	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	Fee and commission income	94	22
MJT&I Co., Ltd.	Interest income	-	2
Doosung Metal Co., Ltd.	Interest income	-	1
	Insurance income	1	-
Other			
Retirement pension	Fee and commission income	795	717
	Interest expense	3	749

¹ Excluded from the Group's related party as of December 31, 2017.

Details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

Associates and Joint Ventures		2017	2016
KB Insurance Co., Ltd. ¹	Derivative financial assets	₩ -	₩ 3,941
	Loans and receivables (Gross amount)	-	6,791
	Allowances for loan losses	-	9
	Other assets	-	23,341
	Derivative financial liabilities	-	13,545
	Deposits	-	9,883
	Debts	-	20,000
	Provisions	-	8
	Other liabilities	-	6,384
	Balhae Infrastructure Company	Other assets	1,669
Korea Credit Bureau Co., Ltd.	Loans and receivables (Gross amount)	22	14
	Deposits	25,513	26,827
	Provisions	1	-
	Other liabilities	469	255
JSC Bank CenterCredit1	Cash and due from financial institutions	-	8
KB GwS Private Securities Investment Trust	Other assets	641	673
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	200,414	209,105
	Allowances for loan losses	288	331
	Other assets	710	821
	Deposits	48,795	38,556
	Provisions	3	3
	Insurance contract liabilities	189	-
	Other liabilities	29	166

(In millions of Korean won)

Associates and Joint Ventures		2017	2016
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Other assets	176	98
Terra Co., Ltd.	Deposits	10	-
Jaeyang Industry Co., Ltd.	Loans and receivables (Gross amount)	-	303
	Allowances for loan losses	-	6
	Other assets	-	7
Jungdo Co.,Ltd.	Deposits	4	-
Dongjo Co.,Ltd.	Loans and receivables (Gross amount)	116	-
	Allowances for loan losses	1	-
Dae-A Leisure Co.,Ltd.	Deposits	466	-
	Other liabilities	14	-
Aju Good Technology Venture Fund	Deposits	2,771	1,201
	Other liabilities	1	1
Ejade Co., Ltd.1	Deposits	-	2
Jungdong Steel Co., Ltd.	Deposits	3	3
Doosung Metal Co., Ltd.	Insurance contract liabilities	1	-
KB Star Office Private Real Estate Investment Trust No.1	Loans and receivables (Gross amount)	10,000	10,000
	Allowances for loan losses	3	-
	Other assets	136	136
	Deposits	6,962	6,682
	Other liabilities	45	50
RAND Bio Science Co., Ltd.	Deposits	1,032	2,356
	Loans and receivables (Gross amount)	1	1
	Other liabilities	4	12
Inno Lending Co.,Ltd	Loans and receivables (Gross amount)	2	-
	Deposits	41	1,902
isMedia Co.,Ltd1	Provisions	-	4
KBIC Private Equity Fund No. 3 ¹	Other assets	-	64
	Deposits	-	700
	Other liabilities	-	1
SY Auto Capital Co., Ltd.	Loans and receivables (Gross amount)	40,057	30,049
	Allowances for loan losses	-	32
	Other assets	51	108
	Deposits	6	3,997
	Provisions	29	29
	Insurance contract liabilities	8	-
	Other liabilities	349	70
Food Factory Co., Ltd.	Loans and receivables (Gross amount)	679	-
	Allowances for loan losses	44	-
	Other assets	1	-
	Deposits	1	-
	Insurance contract liabilities	3	-
KB Pre IPO Secondary Venture Fund 1st	Other assets	28	-

(In millions of Korean won)

Associates and Joint Ventures		2017	2016
Builton Co., Ltd.	Loans and receivables (Gross amount)	1	-
	Deposits	26	-
	Insurance contract liabilities	1	-
Wise Asset Management Co., Ltd.	Deposits	340	-
	Other liabilities	1	-
Acts Co.,Ltd.	Loans and receivables (Gross amount)	1,927	-
	Allowances for loan losses	161	-
	Intangible assets	1,275	-
	Deposits	4	-
	Insurance contract liabilities	1	-
POSCO-KB Shipbuilding Fund	Other assets	123	-
Bungaejanter. Inc.	Loans and receivables (Gross amount)	425	-
	Allowances for loan losses	36	-
Paycoms Co.,Ltd.	Loans and receivables (Gross amount)	1,066	-
	Allowances for loan losses	89	-
Daesang Techlon Co.,Ltd.	Deposits	2	-
Big Dipper Co.,Ltd.	Loans and receivables (Gross amount)	6	-
	Provisions	2	-
KB-KDBC New Technology Business Investment Fund	Deposits	7,500	-
	Other liabilities	4	-
KB No.8 Special Purpose Acquisition Company	Derivative financial assets	2,122	2,235
	Loans and receivables (Gross amount)	2,296	2,490
	Deposits	2,339	2,342
	Other liabilities	19	3
KB No.9 Special Purpose Acquisition Company	Derivative financial assets	2,241	2,441
	Loans and receivables (Gross amount)	2,356	2,584
	Deposits	2,309	2,399
	Other liabilities	38	6
KB No.10 Special Purpose Acquisition Company	Derivative financial assets	1,930	1,698
	Loans and receivables (Gross amount)	1,603	1,495
	Deposits	1,698	1,754
	Other liabilities	10	8
KB No.11 Special Purpose Acquisition Company	Derivative financial assets	846	135
	Loans and receivables (Gross amount)	697	790
Key management	Loans and receivables (Gross amount)	1,665	1,982
	Other assets	2	2
	Deposits	8,707	8,217
	Insurance contract liabilities	809	413
	Other liabilities	124	139
Other	Retirement pension		
	Other assets	348	304
	Deposits	-	1,464
	Other liabilities	4,286	16,497

¹The amounts are not disclosed as these are excluded from the Group's related party as of December 31, 2017.

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. See Note 13 for details on investments in associates.

Key management includes the directors of the Parent Company, and the directors of Kookmin Bank and companies where the directors and/or their close family members have control or joint control.

Significant loan transactions with related parties for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017 ¹				
	Beginning	Loans	Repayments	Others	Ending
Associates					
KB Insurance Co., Ltd. ²	₩ 6,791	-	-	₩ (6,791)	₩ -
Korea Credit Bureau Co., Ltd.	14	8	-	-	22
Incheon Bridge Co., Ltd.	209,105	202,503	(211,194)	-	200,414
Jaeyang Industry Co., Ltd.	303	-	-	(303)	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	-	10,000
RAND Bio Science Co., Ltd.	1	-	-	-	1
Inno Lending Co.,Ltd	-	2	-	-	2
SY Auto Capital Co., Ltd.	30,049	44,039	(34,031)	-	40,057
Food Factory Co., Ltd.	-	700	-	(21)	679
Builton Co., Ltd.	-	1	-	-	1
Bungaejanter. Inc.	-	400	-	25	425
Big Dipper Co., Ltd.	-	6	-	-	6
KB No.8 Special Purpose Acquisition Company	2,490	-	-	(194)	2,296
KB No.9 Special Purpose Acquisition Company	2,584	-	-	(228)	2,356
KB No.10 Special Purpose Acquisition Company	1,495	295	-	(187)	1,603
KB No.11 Special Purpose Acquisition Company	790	-	-	(93)	697

(In millions of Korean won)

	2016 ¹				
	Beginning	Loans	Repayments	Others	Ending
Associates					
KB Insurance Co., Ltd. ²	₩ 5,013	₩ 1,778	₩ -	₩ -	₩ 6,791
Korea Credit Bureau Co., Ltd.	19	-	(5)	-	14
UAMCO., Ltd. ²	5	-	(5)	-	-
Incheon Bridge Co., Ltd.	231,674	4,000	(26,569)	-	209,105
Jaeyang Industry Co., Ltd.	-	-	-	303	303
HIMS Co., Ltd. ²	-	3,500	(3,500)	-	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	-	10,000
RAND Bio Science Co., Ltd.	-	1	-	-	1
SY Auto Capital Co., Ltd.	34	30,067	(52)	-	30,049
KB No.5 Special Purpose Acquisition Company ²	2,180	-	-	(2,180)	-
KB No.6 Special Purpose Acquisition Company ²	1,710	-	-	(1,710)	-
KB No.7 Special Purpose Acquisition Company ²	1,250	-	-	(1,250)	-

(In millions of Korean won)

	2016 ¹				
	Beginning	Loans	Repayments	Others	Ending
KB No.8 Special Purpose Acquisition Company	2,490	-	-	-	2,490
KB No.9 Special Purpose Acquisition Company	2,584	-	-	-	2,584
KB No.10 Special Purpose Acquisition Company	-	1,495	-	-	1,495
KB No.11 Special Purpose Acquisition Company	-	790	-	-	790

¹ Transactions and balances arising from operating activities between related parties; such as, payments, are excluded.² Excluded from the Group's related party as of December 31, 2017.

Unused commitments to related parties as of December 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		2017	2016
Associates and Joint Ventures			
KB Insurance Co., Ltd. ¹	Commitments of derivative financial instruments	₩ -	₩ 251,833
	Unused commitments of credit card	-	20,859
Balhae Infrastructure Company	Purchase of security investment	12,564	13,371
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	108	116
KoFC KBIC Frontier Champ 2010-5(PEF)	Purchase of security investment	2,150	2,150
KB GwS Private Securities Investment Trust	Purchase of security investment	876	876
Aju Good Technology Venture Fund	Purchase of security investment	11,768	18,000
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	50,000
	Unused commitments of credit card	86	89
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Purchase of security investment	12,550	12,550
SY Auto Capital Co., Ltd.	Loan commitments in Korean won	10,000	20,000
	Unused commitments of credit card	92	101
isMedia Co.,Ltd ¹	Loan commitments in Korean won	-	1,260
KB No.9 Special Purpose Acquisition Company	Unused commitments of credit card	1	1
KB No.10 Special Purpose Acquisition Company	Unused commitments of credit card	5	4
RAND Bio Science Co., Ltd.	Unused commitments of credit card	24	24
Builton Co., Ltd.	Unused commitments of credit card	4	-
Food Factory Co., Ltd.	Unused commitments of credit card	11	-
Inno Lending Co.,Ltd	Unused commitments of credit card	13	-
Big Dipper Co.,Ltd.	Unused commitments of credit card	94	-
KB-KDBC New Technology Business Investment Fund	Purchase of security investment	15,000	-
Key management	Loan commitments in Korean won	984	898

¹ The amounts are not disclosed as these are excluded from the Group's related party as of December 31, 2017.

Compensation to key management for the years ended December 31, 2017 and 2016, consists of:

(In millions of Korean won)

	2017				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 2,026	₩ 87	₩ -	₩ 2,991	₩ 5,104
Registered directors (non-executive)	896	-	-	-	896
Non-registered directors	8,420	338	-	14,610	23,368
	₩ 11,342	₩ 425	₩ -	₩ 17,601	₩ 29,368

(In millions of Korean won)

	2016				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered directors (executive)	₩ 1,165	₩ 63	₩ -	₩ 863	₩ 2,091
Registered directors (non-executive)	796	-	-	-	796
Non-registered directors	6,637	208	-	8,776	15,621
	₩ 8,598	₩ 271	₩ -	₩ 9,639	₩ 18,508

Details of assets pledged as collateral to related parties as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

Associates		2017		2016	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
KB Insurance Co., Ltd. ¹	Land and buildings	₩ -	₩ -	₩ 217,369	₩ 26,000
	Investment securities	-	-	50,000	50,000

¹ The amounts are not disclosed as these are excluded from the Group's related party as of December 31, 2017.

Collateral received from related parties as of December 31, 2017 and December 31, 2016, is as follows:

(In millions of Korean won)

Associates		2017	2016
		₩	₩
KB Insurance Co., Ltd. ¹	Investment securities	-	50,000
	Real estate	13,000	13,000
Key management	Time deposits and others	388	251
	Real estate	2,287	2,759

¹ The amounts are not disclosed as these are excluded from the Group's related party as of December 31, 2017.

As of December 31, 2017, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering completed risk insurance, 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. Business Combination

45.1 The Acquisition of shares of KB Insurance Co., Ltd.

On May 19, 2017, the Group acquired 36,237,649 shares out of all outstanding shares of KB Insurance Co., Ltd., and this share acquisition increased the Group's ownership of KB Insurance Co., Ltd. from 39.81% to 94.30%. Therefore, KB Insurance Co., Ltd. became a subsidiary to the Group.

The main purpose of the business combination is to improve competitiveness of non-banking business by maximizing the operational synergy with subsidiaries in non-banking businesses.

(In millions of Korean won)

	2017	
Consideration		
Fair value of existing holdings at the time of stock exchange	₩	1,425,743
Equity securities(=36,237,649 shares X ₩ 33,000)		1,195,842
Total consideration transferred	₩	2,621,585
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	₩	547,889
Financial assets at fair value through profit or loss		1,095,668
Available-for-sale financial assets		9,186,062
Held-to-maturity financial assets		4,616,377
Loans		6,604,530
Other receivables		767,458
Property plant and equipment(included Investment property)		895,141
Intangible assets		2,434,049
Other assets		4,187,919
Total Assets		30,335,093
Insurance contract liabilities		22,889,439
Financial liabilities		625,850
Other liabilities		3,905,189
Total liabilities		27,420,478
Total identifiable net assets	₩	2,914,615
Non-controlling interests ¹		170,044
Gains on bargain purchase		122,986

¹ Measured at the proportionate share of KB Insurance Co., Ltd.'s net assets applies only to instruments that represent present ownership interests.

As a result of the business combination, there was a gain on the bargain purchase and the Group recognized it as other non-operating income in the consolidated statement of comprehensive income.

Details of loans acquired are as follows:

(In millions of Korean won)

	2017	
Fair value of loans	₩	6,604,530
Contractual total amount of loan receivables		6,651,314
Contractual cash flows that are not expected to be recovered		(59,906)

Details of intangible assets recognized as a result of business combinations are as follows:

(In millions of Korean won)

	2017	
Value of business acquired (VOBA) ¹	₩	2,395,291
Others ²		38,758
	₩	2,434,049

¹In accordance with Korean IFRS 1104, an indirect method of intrinsic value is applied to the measurement of VOBA. The valuation of the liabilities to identify the intrinsic value of the financial statements, in the case of business combination or pre-contract, is separated from insurance liability, and is classified and presented as intangible asset. VOBA is a similar concept to Present value of in force business (PVIF) and Present value of future profits (PVFP or PVP). The intangible assets from intrinsic values is calculated through the Actuarial model and Cash flow that were originally used to calculate the Embedded Value.

²Memberships and other intangible assets were previously held by KB Insurance Co., Ltd.

In 2017, the Group measured 39.81% of KB Insurance Co., Ltd.'s equity interest held before the business combination at fair value and recognized ₩ 1,806 million as a loss on investment in the consolidated statements of income.

After the acquisition date, operating income and net income of KB Insurance Co., Ltd. were ₩ 500,691million and ₩ 330,286million, respectively.

If KB Insurance Co., Ltd. was consolidated from the beginning of the current period, the operating profit and profit for the period of the Group would be ₩ 622,123million and ₩ 430,190million, respectively, in the consolidated statement of comprehensive income

45.2 The Results of VOBA Sensitivity Analysis

The results of the sensitivity analysis from changes in assumption applied to calculate the value (VOBA) of acquired business recognized by business combination are as follows:

(In millions of Korean won)

	2017		
	Assumption change	VOBA outputs	Gain or losses from evaluation
Standard amount		2,395,291	-
Loss ratio	10%	1,020,243	(1,375,048)
	-10%	3,770,338	1,375,047
Surrenders and termination rates	10%	2,425,348	30,057
	-10%	2,360,035	(35,256)
Insurance operating expenses ratio	10%	2,256,197	(139,094)
	-10%	2,534,384	139,093
Return on investment	+0.5%p	3,153,368	758,077
	-0.5%p	1,576,618	(818,673)
Discount rate	+0.5%p	2,250,386	(144,905)
	-0.5%p	2,551,657	156,366

45.3 Insurance Risk at the Time of Business Combination

45.3.1 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 KB Insurance Co., Ltd. unable to cover the actual claims payment in the future.

45.3.2 Purposes, policies and procedures to manage risk arising from insurance contracts

The risks associated with insurance contract that KB Insurance Co., Ltd. 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, KB Insurance Co., Ltd. establishes guidelines and procedure for acceptance and out lines 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 the interest rate is adjusted accordingly, conditions of sale is changed, sale of goods is interrupted and other measures are taken in order to reduce insurance actuarial risk. KB Insurance Co., Ltd. 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, KB Insurance Co., Ltd. establishes an operating strategy of reinsurance for large claims expense due to unexpected catastrophic events. KB Insurance Co., Ltd. supports so that policyholders are safe and KB Insurance Co., Ltd.'s stable profit can be achieved. For the long-term goal, KB Insurance Co., Ltd. manages risk at a comprehensive level to keep its value at the maximum.

KB Insurance Co., Ltd.'s entire risk is calculated by using RBC method. KB Insurance Co., Ltd. sets the risk appetite limits in order that the calculated risk level is maintained at an appropriate level compared to available capital. Portfolio of assets and products are monitored to improve profit compared to risk.

45.3.3 Exposure to insurance price risk

According to RBC standard, exposure to insurance price risk is defined as net written premiums for prior 1 year that is calculated by adding and subtracting original insurance premium, assumed reinsurance premium and ceded reinsurance premium.

(In millions of Korean won)

	2017			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 908,992	₩ 81,311	₩ 579,954	₩ 410,349
Automobile	1,984,178	-	40,486	1,943,692
Long-term	1,845,647	-	250,459	1,595,188
	₩ 4,738,817	₩ 81,311	₩ 870,899	₩ 3,949,229

45.3.4 Concentration of Insurance risk

KB Insurance Co., Ltd. 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. KB Insurance Co., Ltd.'s risk is distributed through reinsurance, joint acceptance and diversified selling. In addition, insurances that cover serious damage of risk, although with rare possibility of the occurrence of disaster, such as storm and flood insurance are limited, and KB Insurance Co., Ltd. controls the risk through joint acquisition.

45.3.5 Loss development tables

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)						
2012.4.1 ~ 2013.3.31	₩ 155,846	₩ 188,494	₩ 194,197	₩ 198,574	₩ 197,475	
2013.4.1 ~ 2014.3.31	168,274	196,711	198,849	198,251	-	
2014.4.1 ~ 2015.3.31	121,300	141,807	143,129	-	-	
2015.4.1 ~ 2016.3.31	126,747	150,115	-	-	-	
2016.4.1 ~ 2017.3.31	148,162	-	-	-	-	
	720,329	677,127	536,175	396,825	197,475	
Gross cumulative claim payments (B)						
2012.4.1 ~ 2013.3.31	118,748	172,826	185,043	190,131	191,849	
2013.4.1 ~ 2014.3.31	129,198	175,994	189,194	191,700	-	
2014.4.1 ~ 2015.3.31	88,311	126,826	135,437	-	-	
2015.4.1 ~ 2016.3.31	93,964	136,169	-	-	-	
2016.4.1 ~ 2017.3.31	107,770	-	-	-	-	
	537,991	611,815	509,674	381,831	191,849	
Difference (A-B)	₩ 182,338	₩ 65,312	₩ 26,501	₩ 14,994	₩ 5,626	

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)							
2010.4.1 ~ 2011.3.31	₩1,025,148	₩1,041,743	₩1,049,759	₩1,053,279	₩1,053,674	₩1,054,482	₩ 1,055,616
2011.4.1 ~ 2012.3.31	1,103,363	1,118,764	1,125,789	1,130,637	1,132,811	1,134,588	-
2012.4.1 ~ 2013.3.31	1,129,311	1,151,262	1,160,820	1,166,840	1,169,692	-	-
2013.4.1 ~ 2014.3.31	1,124,402	1,154,322	1,164,003	1,174,204	-	-	-
2014.4.1 ~ 2015.3.31	1,205,298	1,224,037	1,236,693	-	-	-	-
2015.4.1 ~ 2016.3.31	1,242,591	1,257,538	-	-	-	-	-
2016.4.1 ~ 2017.3.31	1,292,711	-	-	-	-	-	-
	8,122,824	6,947,666	5,737,064	4,524,960	3,356,177	2,189,070	1,055,616

(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
Gross cumulative claim payments(B)							
2010.4.1 ~ 2011.3.31	898,401	1,010,255	1,033,873	1,043,730	1,048,664	1,050,860	1,051,681
2011.4.1 ~ 2012.3.31	954,486	1,079,455	1,106,620	1,120,852	1,128,085	1,130,188	-
2012.4.1 ~ 2013.3.31	963,250	1,112,141	1,140,658	1,154,668	1,160,801	-	-
2013.4.1 ~ 2014.3.31	948,421	1,105,324	1,137,731	1,155,656	-	-	-
2014.4.1 ~ 2015.3.31	1,007,236	1,180,056	1,210,707	-	-	-	-
2015.4.1 ~ 2016.3.31	1,042,046	1,208,525	-	-	-	-	-
2016.4.1 ~ 2017.3.31	1,079,668	-	-	-	-	-	-
	6,893,508	6,695,756	5,629,589	4,474,906	3,337,550	2,181,048	1,051,681
Difference (A-B)	₩ 1,229,316	₩ 251,910	₩ 107,475	₩ 50,054	₩ 18,627	₩ 8,022	₩ 3,935

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)					
2012.4.1 ~ 2013.3.31	₩ 648,694	₩ 871,989	₩ 897,650	₩ 902,898	₩ 904,400
2013.4.1 ~ 2014.3.31	737,540	999,838	1,029,937	1,035,705	-
2014.4.1 ~ 2015.3.31	822,235	1,106,997	1,138,537	-	-
2015.4.1 ~ 2016.3.31	945,954	1,286,361	-	-	-
2016.4.1 ~ 2017.3.31	1,102,183	-	-	-	-
	4,256,606	4,265,185	3,066,124	1,938,603	904,400
Gross cumulative claim payments (B)					
2012.4.1 ~ 2013.3.31	606,551	859,742	889,948	898,142	901,629
2013.4.1 ~ 2014.3.31	696,685	984,891	1,021,364	1,032,301	-
2014.4.1 ~ 2015.3.31	770,283	1,090,501	1,130,781	-	-
2015.4.1 ~ 2016.3.31	892,901	1,271,183	-	-	-
2016.4.1 ~ 2017.3.31	1,051,471	-	-	-	-
	4,017,891	4,206,317	3,042,093	1,930,443	901,629
Difference (A-B)	₩ 238,715	₩ 58,868	₩ 24,031	₩ 8,160	₩ 2,771

45.3.6 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. KB Insurance Co., Ltd. manages payment of refunds payable at maturity by analysing maturity of insurance.

Premium reserve's maturity structure as of the business combination date is as follows:

(In millions of Korean won)

	2017					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 54,301	₩ 202,759	₩ 185,691	₩ 76,049	₩ 97,970	₩ 616,770
Linked	457,494	2,311,040	2,256,942	1,240,524	8,991,508	15,257,508
	511,795	2,513,799	2,442,633	1,316,573	9,089,478	15,874,278
Annuity						
Non-linked	10	143	1,775	4,109	1,490	7,527
Linked	183	44,147	276,785	1,025,511	2,066,527	3,413,153
	193	44,290	278,560	1,029,620	2,068,017	3,420,680
Asset-linked						
Linked	-	27,059	-	-	-	27,059
Total						
Non-linked	54,311	202,902	187,466	80,158	99,460	624,297
Linked	457,677	2,382,246	2,533,727	2,266,035	11,058,035	18,697,720
	₩ 511,988	₩ 2,585,148	₩ 2,721,193	₩ 2,346,193	₩ 11,157,495	₩ 19,322,017

45.3.7 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, KB Insurance Co., Ltd. cedes insurance contracts to the insurers rated above BBB- of S&P rating.

As of business combination date, there are 219 reinsurance companies that deal with KB Insurance Co., Ltd., and the top three insurance companies' concentration and credit ratings are as follows:

(In millions of Korean won)

Reinsurance company	Ratio	Credit rating
KOREANRE	66.60%	AA
STARR INTERNATIONAL	3.41%	AA+
SWISSREINSURANCE	3.22%	AAA

Exposures to credit risk related to reinsurance as of business combination date were as follows:

(In millions of Korean won)

	2017
Reinsurance assets ¹	₩ 730,251
Net receivables from reinsurers ²	44,443
	₩ 774,694

¹ Net carrying amounts that deduct impairment loss

² Net s of each reinsurance company that offsets reinsurance accounts receivable and reinsurance accounts payable and deduct allowance for loan losses

45.3.8 Interest risk of insurance contract

The interest rate risk exposure from KB Insurance Co., Ltd.'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 the loss experienced. For long-term, non-life insurance contracts, KB Insurance Co., Ltd. calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves after subtracting costs of termination deductions. Asset exposure is interest-bearing assets. Assets that receive only fees without interest are excluded from interest bearing assets.

Exposure to interest rate risk

(In millions of Korean won)

	2017
Liabilities	
Fixed interest rate	₩ 622,570
Variable interest rate	18,268,800
	18,891,370
Assets	
Due from banks	319,960
Financial assets at fair value through profit or loss	386,040
Available-for-sale financial assets	6,660,182
Held-to-maturity financial assets	4,143,851
Loans	6,465,291
	₩ 17,975,324

Measurement and recognition method

Duration is used to measure interest rate risk within risk based solvency test. ALM system for risk based solvency test is utilized to manage interest rate risk internally. In addition, Risk Management Committee sets ALM strategy every year to manage interest rate risk.

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. When duration of assets is shorter than duration of liabilities, the interest risk is increased if the interest rates fall since increased asset value is smaller than liabilities increase.

Negative spread risk control

To control interest expenses from other liabilities and investment incomes from assets, KB Insurance Co., Ltd. publicizes its interest rate considering market interest rate and return on invested insurance assets of KB Insurance Co., Ltd.

(2) Acquisition of MARITIME SECURITIES INCORPORATION

In October 9, 2017 the Group acquired 99.40% shares of MARITIME SECURITIES INCORPORATION, which operates in Vietnam securities industry. The transfer price paid by the group was ₩ 38,479 million, and recognized goodwill of ₩ 13,092 million by recognizing the net asset and non-controlling interest of ₩ 25,539 million and ₩ 152 million, respectively. There are no operating income or profit for the period incurred and recognized in the consolidated statement of profit or loss after the acquisition date.

The name has changed to KB SECURITIES VIETNAM JOINT STOCK COMPANY in January 2018.

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, 2017, was approved by the Board of Directors on February 8, 2018.



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying separate financial statements of KB Financial Group Inc. (the Company), which comprise the separate statements of financial position as of December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (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.

Auditor's Responsibility

Our responsibility is to express an opinion on the separate financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the separate financial statements 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of KB Financial Group Inc. as of December 31, 2017 and 2016, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean IFRS.

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.

Samil PricewaterhouseCoopers
Seoul, Korea
March 12, 2018

This report is effective as of March 12, 2018, 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 separate 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

As of December 31, 2017 and December 31, 2016

KB Financial Group Inc.

(In millions of Korean won)

	Notes	2017	2016
Assets			
Cash and due from financial institutions	4,5,6,29	₩ 245,400	₩ 115,065
Financial assets at fair value through profit or loss	4,5,7	284,485	246,656
Loans	4,5,8	10,000	29,415
Investments in subsidiaries	9	24,062,116	21,392,745
Investments in associates	10	-	1,053,690
Property and equipment	11	697	469
Intangible assets	12	8,864	8,092
Net defined benefit assets	17	201	193
Deferred income tax assets	13	10,282	4,604
Other assets	4,5,14	480,789	519,223
Total assets		₩ 25,102,834	₩ 23,370,152
Liabilities			
Debts	4,5,15	₩ 300,000	₩ 350,000
Debentures	4,5,16	5,162,600	3,474,200
Current income tax liabilities	27	308,854	419,607
Other liabilities	4,5,18	204,835	104,528
Total liabilities		₩ 5,976,289	₩ 4,348,335
Equity			
Share capital	19	2,090,558	2,090,558
Capital surplus	19	14,742,814	14,656,168
Accumulated other comprehensive income	19	(5,233)	(4,742)
Retained earnings	19	3,054,379	2,998,923
Treasury shares	19	(755,973)	(719,090)
Total equity		₩ 19,126,545	₩ 19,021,817
Total liabilities and equity		₩ 25,102,834	₩ 23,370,152

The accompanying notes are an integral part of these separate financial statements.

Separate Statements of Comprehensive Income

For the Years Ended December 31, 2017 and 2016

KB Financial Group Inc.

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

	Notes	2017	2016
Interest income		₩ 3,889	₩ 4,597
Interest expense		(101,107)	(60,521)
Net interest expense	21	(97,218)	(55,924)
Fee and commission income		738	203
Fee and commission expense		(8,546)	(7,417)
Net fee and commission expense	22	(7,808)	(7,214)
Net gains on financial assets at fair value through profit or loss	23	745	5,272
Net other operating income	24	709,544	694,908
General and administrative expenses	25	(57,485)	(46,734)
Operating profit before provision for credit losses		547,778	590,308
Provision for credit losses		-	-
Operating profit		547,778	590,308
Net non-operating expense	26	125	(340)
Profit before income tax		547,903	589,968
Income tax benefit	27	5,522	164
Profit for the period		553,425	590,132
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities		(491)	237
Other comprehensive income for the period, net of tax		(491)	237
Total comprehensive income for the period		₩ 552,934	₩ 590,369
Earnings per share			
Basic earnings per share	28	₩ 1,388	₩ 1,538
Diluted earnings per share	28	1,380	1,530

The accompanying notes are an integral part of these separate financial statements.

Separate Statements of Changes in Equity

For the Years Ended December 31, 2017 and 2016

KB Financial Group Inc.

(In millions of Korean won)

	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Total Equity
Balance at January 1, 2016	₩ 1,931,758	₩ 13,513,809	₩ (4,979)	₩ 2,787,416	-	₩ 18,228,004
Comprehensive income						
Profit for the period	-	-	-	590,132	-	590,132
Remeasurements of net defined benefit liabilities	-	-	237	-	-	237
Total comprehensive income	-	-	237	590,132	-	590,369
Transactions with shareholders						
Dividends	-	-	-	(378,625)	-	(378,625)
Acquisition of treasury Shares	-	-	-	-	(719,090)	(719,090)
Total transactions with shareholders	-	-	-	(378,625)	(719,090)	(1,097,715)
Issue of ordinary shares related to business combination	158,800	1,142,359	-	-	-	1,301,159
Balance at December 31, 2016	₩ 2,090,558	₩ 14,656,168	₩ (4,742)	₩ 2,998,923	₩ (719,090)	₩ 19,021,817
Balance at January 1, 2017	₩ 2,090,558	₩ 14,656,168	₩ (4,742)	₩ 2,998,923	₩ (719,090)	₩ 19,021,817
Comprehensive income						
Profit for the period	-	-	-	553,425	-	553,425
Remeasurements of net defined benefit liabilities	-	-	(491)	-	-	(491)
Total comprehensive income (loss)	-	-	(491)	553,425	-	552,934
Transactions with shareholders						
Dividends	-	-	-	(497,969)	-	(497,969)
Acquisition of treasury shares	-	-	-	-	(201,985)	(201,985)
Sales of treasury shares	-	86,646	-	-	165,102	251,748
Total transactions with shareholders	-	86,646	-	(497,969)	(36,883)	(448,206)
Balance at December 31, 2017	₩ 2,090,558	₩ 14,742,814	₩ (5,233)	₩ 3,054,379	₩ (755,973)	₩ 19,126,545

The accompanying notes are an integral part of these consolidated financial statements.

Separate Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

KB Financial Group Inc.

(In millions of Korean won)

	Notes	2017	2016
Cash flows from operating activities			
Profit for the period		₩ 553,425	₩ 590,132
Adjustment for non-cash items			
Depreciation and amortization		604	801
Share-based payments		7,804	3,724
Net interest expense		9,430	1,073
Net losses from valuation on financial assets at fair value through profit or loss		12,171	2,462
Net other expenses		2,182	2,214
		32,191	10,274
Changes in operating assets and liabilities			
Deferred income tax assets		(5,521)	(89)
Other assets		(699)	(1,433)
Other liabilities		(9,253)	(3,164)
		(15,473)	(4,686)
Net cash inflow from operating activities		570,143	595,720
Cash flows from investing activities			
Acquisition of investment in subsidiaries		(1,363,932)	(1,534,021)
Acquisition of investment in associates		-	(170,625)
Acquisition of financial assets at fair value through profit or loss		(50,000)	(150,000)
Increase in loans		(10,000)	(29,415)
Decrease in loans		29,415	-
Acquisition of property and equipment		(466)	(163)
Disposal of property and equipment		2	-
Acquisition of intangible assets		(1,073)	(107)
Disposal of intangible assets		-	10
Net decrease (increase) in guarantee deposits provided		3,498	(1,590)
Net cash outflow from investing activities		(1,392,556)	(1,885,911)
Cash flows from financing activities			
Net decrease in debts		(50,263)	350,000
Proceeds from issuance of debentures		1,836,114	1,975,742
Repayments of debentures		(149,669)	(150,000)
Dividends paid		(497,969)	(378,625)
Acquisition of treasury shares		(185,465)	(716,808)
Net cash inflow from financing activities		952,748	1,080,309
Net increase(decrease) in cash and cash equivalents		130,335	(209,882)
Cash and cash equivalents at the beginning of the period	29	115,062	324,944
Cash and cash equivalents at the end of the period	29	₩ 245,397	₩ 115,062

The accompanying notes are an integral part of these separate financial statements.

Notes to the Separate Financial Statements

As of December 31, 2017 and 2016

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 is located at 26, Gukjegeumyung-ro-8-gill, Yeongdeungpo-gu, Seoul. The Company's share capital as of December 31, 2017, 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 offer 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 (Hangul) 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 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*.

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- Amendments to Korean IFRS 1007 *Statement of Cash Flows*

Amendments to Korean IFRS 1007 Statement of Cash flows requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.(refer to notes 29)

- Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

- Amendments to Korean IFRS 1112 *Disclosure of Interests in Other Entities*

Amendments to Korean IFRS 1112 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2017 and have not been early adopted by the Company are set out below.

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

When an investment in an associate or a joint venture is held by, or it held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendments clarify that an entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture. The Company will apply these amendments retrospectively for annual periods beginning on or after January 1, 2018, and early adoption is permitted. The Company does not expect the amendments to have a significant impact on the consolidated financial statements because the Company is not a venture capital organization.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also, clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendments will be effective for annual periods beginning on or after January 1, 2018 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Enactments to Interpretation IFRIC 2122 *Foreign Currency Transactions and Advance Consideration*

According to these enactments, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the enactments to have a significant impact on the consolidated financial statements.

- Korean IFRS 1109 *Financial Instruments*

The new standard for financial instruments issued on September 25, 2015 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 Financial Instruments: Recognition and Measurement. The Company will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior periods in relation to classification, measurement and impairment of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 Financial Instruments requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Company's financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Company and macroeconomic variables.

Within the Company, Korean IFRS 1109 Task Force Team ("TFT") has been set up to prepare for implementation of Korean IFRS 1109 since October 2015. There are three stages for implementation of Korean IFRS, such as analysis, design and implementation, and preparation for application. The Company analyzed financial impacts of Korean IFRS 1109 on its separate financial statements.

Stage	Period	Process
1	From Oct. to Dec. 2015 (for 3 months)	Analysis of GAAP differences and development of methodology
2	From Jan. to Dec. 2016 (for 12 months)	Development of methodology, definition of business requirement, and the system development and test.
3	From Jan. 2017 to Mar. 2018 (for 15 months)	Preparation for opening balances of the financial statements

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on available information as of December 31, 2017, and the results of the assessment are explained as below. Meanwhile, the following areas are likely to be affected in general. The results of the assessment in the financial effects as at December 31, 2017 may change due to additional information and decisions that the Company may obtain in the future.

(a) Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Company's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. For hybrid (combined) instruments, the Company does not measure an embedded derivative separately from its host contract, financial assets with embedded derivatives are classified in their entirety.

Business model	Contractual cash flows characteristics	
	Solely represent payments of principal and interest	All other
Hold the financial asset for the collection of the contractual cash flows	Measured at amortized cost ¹	
Hold the financial asset for the collection of the contractual cash flows and sale	Measured at fair value through other comprehensive income ¹	Recognized at fair value through profit or loss ²
Hold for sale and others	Measured at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² A designation at fair value through other comprehensive income is allowed only if the financial instrument is the equity investment that is not held for trading (irrevocable).

With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

The following table presents the impact of the change in classification and measurement of financial instrument (excluding derivatives) held by the Company as at December 31, 2017, using the financial instrument accounting system developed by the Company with applying Korean IFRS 1109.

(In millions of Korean won)

Classification in accordance with		Amount in accordance with	
Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109
Cash and due from financial institutions	Measured at amortized cost	₩ 245,400	₩ 245,400
Financial assets at fair value through profit or loss			
Financial assets designated at fair value through profit and loss	Recognized at fair value through profit or loss ¹	284,485	284,485
Loans	Measured at amortized cost	10,000	10,000
Other assets	Measured at amortized cost	16,207	16,207
		₩ 556,092	₩ 556,092

¹The financial assets amounting to ₩ 284,485 million that was previously classified as financial assets designated at fair value through profit or loss in accordance with Korean IFRS 1039, will be reclassified as financial assets recognized at fair value through profit or loss, even if the financial assets are not designated at fair value through profit or loss.

(b) Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires that the amount of the change of fair value attributable to changes in the credit risk in the financial liabilities designated at fair value through profit or loss will be recognized in other comprehensive income, not in profit or loss, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Under Korean IFRS 1039, all financial liabilities designated at fair value through profit or loss recognized their fair value movements in profit or loss. However, under Korean IFRS 1109, certain fair value movements will be recognized in other comprehensive income and as a result, profit or loss from fair value movements may decrease.

There is no financial liabilities designated as at fair value through profit or loss as at December 31, 2017. So, there is no impact on the financial statements.

(c) Impairment: Financial Assets and Contract Assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under Korean IFRS 1039. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

Under Korean IFRS 1109 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Company will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Stage	Loss allowance
1 No significant increase in credit risk after initial recognition	12-month expected credit losses: expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date
2 Significant increase in credit risk after initial recognition	
3 Credit-impaired	Lifetime expected credit losses: expected credit losses that result from all possible default events over the life of the financial instrument

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance.

(d) Hedge Accounting

Hedge accounting mechanics (fair value hedges, cash flow hedges and hedge of net investments in a foreign operations) required by Korean IFRS 1039 remains unchanged in Korean IFRS 1109, however, the new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests that are a prospective test to ensure that the hedging relationship is expected to be highly effective and a quantitative retrospective test (within range of 80-125%) to ensure that the hedging relationship has been highly effective throughout the reporting period.

With implementation of Korean IFRS 1109, volatility in profit or loss may be reduced as some items that were not eligible as hedged items or hedging instruments under Korean IFRS 1039 are now eligible under Korean IFRS 1109.

Furthermore, when the Company first applies Korean IFRS 1109, it may choose as its accounting policy choice to continue to apply all of the hedge accounting requirements of Korean IFRS 1039 instead of the requirements of Korean IFRS 1109.

Meanwhile, as at December 31, 2017, the Company has not applied hedge accounting more for the risk management practices which can be applied hedge accounting by Korean IFRS 1109 but cannot be satisfied with hedge accounting requirements by Korean IFRS 1039.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

Korean IFRS 1115 Revenue from Contracts with Customers issued on November 6, 2015 replaces Korean IFRS 1018 Revenue, Korean IFRS 1011 Construction Contracts, Interpretation 2031 Revenue-Barter Transactions Involving Advertising Services, Interpretation 2113 Customer Loyalty Programs, Interpretation 2115 Agreements for the Construction of Real Estate and Interpretation 2118 Transfers of assets from customers.

Korean IFRS 1018 and other, the current standard, provide revenue recognition criteria by type of transactions; such as, sales goods, the rendering of services, interest income, royalty income, dividend income, and construction contracts. However, Korean IFRS 1115, the new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

The Company will apply new standard for annual reporting periods beginning on or after January 1, 2018, and early adoption is permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Enactment Korean IFRS 1116 *Leases*

Korean IFRS 1116 Leases issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2014 Determining whether an Arrangement contains a Lease, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lease is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease

liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The classification criteria between a financial lease and an operating lease for a lessor under Korean IFRS 1116 are similar to Korean IFRS 1017.

The Company is currently in progress of analyzing the potential impact on its consolidated financial statements resulting from the application of Korean IFRS 1116.

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.

The significant accounting estimates and assumptions are consistently applied to all periods presented, except for the assumptions for income tax expense and fair value of financial instruments.

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 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, or dividends in accordance with the Tax System for 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 2015. 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 dividends, 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 (Note 5).

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 17).

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2 Financial Assets at Fair Value through Profit or Loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Company as at fair value through profit or loss upon initial recognition.

A non-derivative financial asset is classified as held for trading if either:

- It is acquired for the purpose of selling in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Company may designate certain financial assets, other than held for trading, upon initial recognition as at fair value through profit or loss when one of the following conditions is met:

- It 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.
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the Company's key management personnel.
- A contract contains one or more embedded derivatives; the Company may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss if allowed by Korean IFRS 1039, Financial Instruments: Recognition and measurement.

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, dividend income, and gains or losses from sale and repayment from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income as net gains on financial instruments at fair value through profit or loss.

3.3 Loans and Receivables

Non-derivative financial assets which meet the following conditions are classified as loans and receivables:

- Those with fixed or determinable payments.
- Those that are not quoted in an active market.
- Those that the Company does not intend to sell immediately or in the near term.
- Those that the Company, upon initial recognition, does not designate as available for sale or as at fair value through profit or loss.

After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized in profit or loss as provision for credit losses.

Impairment loss on loans reduces the carrying amount of the asset through use of an allowances account, and when a loan becomes uncollectable, it is written off against the related allowances account. If, in a subsequent period, the amount of the impairment loss decreases and is objectively related to the subsequent event after recognition of impairment, the previously recognized impairment loss is reversed by adjusting an allowances account. The amount of the reversal is recognized in profit or loss.

3.4 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.

3.5 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 least 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.

3.6 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 ~ 10 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least 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 finite useful life is accounted for as a change in an accounting estimate.

3.7 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, and only 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.

3.8 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.

3.9 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.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from the equity.

3.10 Revenue Recognition

Revenue shall be recognized when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- Specific conditions are satisfied for activities.

Interest income and expense

Interest income and expense are recognized 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.

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.

Fee and commission income

Fee and commission income is recognized on an accrual basis in accordance with the substance of transaction.

Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

3.11 Employee Compensation and Benefits

3.11.1 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.

3.11.2 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.

3.11.3 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 issue new shares or distribute treasury shares, or compensate the difference in fair value of shares and exercise 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.

3.11.4 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 expected to be settled wholly before 12 months after the end of the reporting period are discounted to present values.

3.12 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.

3.13 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.

3.14 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Due from financial institutions	₩	245,400	₩	115,065
Loans		10,000		29,415
Other financial assets		16,207		18,625
	₩	271,607	₩	163,105

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 recognizes an impairment loss on loans carried at amortized cost when there is any objective indication of impairment. Under Korean IFRS, an impairment loss is based on losses incurred at the end of the reporting period. Therefore, the Company does not recognize losses expected as a result of future events. The Company measures inherent incurred losses on loans and presents them in the separate financial statements through the use of an allowance account which is offset against the related loans.

Loans are classified as follows:

(In millions of Korean won)

	2017		2016	
	Corporate loans	Percentage (%)	Corporate loans	Percentage (%)
Loans				
Neither past due nor impaired	₩ 10,000	100.00	₩ 29,415	100.00
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	10,000	100.00	29,415	100.00
Less: Allowances	-	-	-	-
Carrying amount	₩ 10,000	100.00	₩ 29,415	100.00

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

(In millions of Korean won)

	Corporate Loans			
	2017		2016	
Grade 1	₩	10,000	₩	29,415
Grade 2		-		-
Grade 3		-		-
Grade 4		-		-
Grade 5		-		-
	₩	10,000	₩	29,415

Credit quality of loans graded according to the probability of default 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 Concentration Analysis

Details of the Company's loans by country as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Corporate loans	%	Allowances	Carrying amount
Korea	₩ 10,000	100.00	₩ -	₩ 10,000
	₩ 10,000	100.00	₩ -	₩ 10,000

(In millions of Korean won)

	2016			
	Corporate loans	%	Allowances	Carrying amount
Korea	₩ 29,415	100.00	₩ -	₩ 29,415
	₩ 29,415	100.00	₩ -	₩ 29,415

Details of the Company's corporate loans by industry as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 10,000	100.00	₩ -	₩ 10,000
	₩ 10,000	100.00	₩ -	₩ 10,000

(In millions of Korean won)

	2016			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩29,415	100.00	₩ -	₩ 29,415
	₩29,415	100.00	₩ -	₩ 29,415

4.3 Liquidity Risk

4.3.1 Overview of Liquidity Risk

Liquidity risk is a risk that the Company becomes insolvency 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 all financial assets and liabilities. The Company discloses them by maturity group; such as, on demand, up to one month, between over one month and three months, between over three months and 12 months, between over one year and five years, and over five years.

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017						
	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	₩ 245,437	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 245,437
Financial assets designated at fair value through profit or loss ²	-	-	-	-	-	284,485	284,485
Loans	-	-	-	10,096	-	-	10,096
Other financial assets	-	795	-	14,699	-	-	15,494
	₩ 245,437	₩ 795	₩ -	₩ 24,795	₩ -	₩ 284,485	₩ 555,512
Financial liabilities							
Debts	₩ -	₩ 494	₩ 300,462	₩ -	₩ -	₩ -	₩ 300,956
Debentures	-	2,726	24,121	767,259	3,592,586	1,192,247	5,578,939
Other financial liabilities	-	19,942	-	-	-	-	19,942
	₩ -	₩ 23,162	₩ 324,583	₩ 767,259	₩ 3,592,586	₩ 1,192,247	₩ 5,899,837

(In millions of Korean won)

	2016						
	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	₩ 115,173	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 115,173
Financial assets designated at fair value through profit or loss ²	-	-	-	-	-	246,656	246,656
Loans	-	29,415	-	-	-	-	29,415
Other financial assets	-	1	-	18,197	-	-	18,198
	₩ 115,173	₩ 29,416	₩ -	₩ 18,197	₩ -	₩ 246,656	₩ 409,442
Financial liabilities							
Debts	₩ -	₩ 547	₩ 180,517	₩ 170,026	₩ -	₩ -	₩ 351,090
Debentures	-	1,322	166,637	50,477	2,691,848	852,433	3,762,717
Other financial liabilities	-	3,831	-	-	-	-	3,831
	₩ -	₩ 5,700	₩ 347,154	₩ 220,503	₩ 2,691,848	₩ 852,433	₩ 4,117,638

¹ The amount of ₩3 million, which is restricted amount due from the financial institutions as of December 31, 2017 and 2016, is excluded respectively.

² Financial assets designated at fair value through profit or loss and hybrid capital instruments are included in the 'Over 5 years' category according to their remaining contractual maturity because the assets' point of sale 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 or 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 the fair value or future cash flows arising from interest income and interest cost that will fluctuate due to changes in interest.

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 Value at Risk measurement and management 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, 2017 and 2016, are as follows:

		(In millions of Korean won)	
		2017	2016
Interest rate VaR	₩	159,530	₩ 90,443

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 Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 6.25%(2016: 5.375%), a minimum Tier 1 ratio of 7.75%(2016: 6.875%) and a minimum Total Regulatory Capital ratio of 9.75%(2016: 8.875%) as of December 31, 2017.

The Group'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 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 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 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 Company 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 Company 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, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Equity Capital:	₩	32,401,579	₩	31,103,291
Tier 1 Capital		31,059,475		29,264,494
Common Equity Tier 1 Capital		31,059,475		29,013,954
Additional Tier 1 Capital		-		250,540
Tier 2 Capital		1,342,105		1,838,797
Risk-weighted assets:		212,777,226		203,649,442
Equity Capital (%):		15.23		15.27
Tier 1 Capital (%)		14.60		14.37
Common Equity Tier 1 Capital (%)		14.60		14.25

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Carrying amount		Fair value	
Financial assets				
Financial assets designated at fair value through profit or loss	₩	284,485	₩	284,485
Loans and receivables				
Cash and due from financial institutions		245,400		245,400
Loans		10,000		10,000
Other financial assets		16,207		16,207
	₩	556,092	₩	556,092
Financial liabilities				
Financial liabilities at amortized cost				
Debts	₩	300,000	₩	300,000
Debentures		5,162,600		5,094,561
Other financial liabilities		29,963		29,963
	₩	5,492,563	₩	5,424,524

(In millions of Korean won)

	2016	
	Carrying amount	Fair value
Financial assets		
Financial assets designated at fair value through profit or loss	₩ 246,656	₩ 246,656
Loans and receivables		
Cash and due from financial institutions	115,065	115,065
Loans	29,415	29,415
Other financial assets	18,625	18,625
	₩ 409,761	₩ 409,761
Financial liabilities		
Financial liabilities at amortized cost		
Debts	₩ 350,000	₩ 350,000
Debentures	3,474,200	3,465,441
Other financial liabilities	10,450	10,450
	₩ 3,834,650	₩ 3,825,891

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	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	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.

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 statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the statements 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.

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.

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, 2017 and 2016, is as follows:

(In millions of Korean won)

	2017			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities	₩	- ₩	₩	284,485 ₩

(In millions of Korean won)

	2016			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities	₩	- ₩	₩	246,656 ₩

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Fair value hierarchy						Total	
	Level 1	Level 2	Level 3					
Financial assets								
Cash and due from financial institutions ¹	₩	-	₩	245,400	₩	-	₩	245,400
Loans ²		-		-		10,000		10,000
Other financial assets ³		-		-		16,207		16,207
	₩	-	₩	245,400	₩	26,207	₩	271,607
Financial assets								
Debts ⁴	₩	-	₩	300,000	₩	-	₩	300,000
Debentures		-		5,094,561		-		5,094,561
Other financial liabilities ³		-		-		29,963		29,963
	₩	-	₩	5,394,561	₩	29,963	₩	5,424,524

(In millions of Korean won)

	2016							
	Fair value hierarchy						Total	
	Level 1	Level 2	Level 3					
Financial assets								
Cash and due from financial institutions ¹	₩	-	₩	115,065	₩	-	₩	115,065
Loans ²		-		-		29,415		29,415
Other financial assets ³		-		-		18,625		18,625
	₩	-	₩	115,065	₩	48,040	₩	163,105
Financial assets								
Debts ⁴	₩	-	₩	350,000	₩	-	₩	350,000
Debentures		-		3,465,441		-		3,465,441
Other financial liabilities ³		-		-		10,450		10,450
	₩	-	₩	3,815,441	₩	10,450	₩	3,825,891

¹ Because due from financial institutions classified as level 2 are deposits on demand, we regarded the carrying amount as representative of fair value.² Because loans classified as level 3 are loans with residual maturity of less than one month, we regarded the carrying amount as representative of fair value.³ Other financial assets and other financial liabilities classified as level 3 are regarded as the carrying amount as representative of fair value.⁴ Debts classified as level 2 are regarded as the carrying amount as representative of fair value.*Valuation techniques and 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation Techniques	Inputs
	2017	2016		
Financial liabilities				
Debentures	₩	5,094,561 ₩	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 Within 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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	
	Financial assets at fair value through profit or loss	
	Financial assets designated at fair value through profit or loss	
Beginning balance	₩	246,656
Total gains or losses		
– Profit or loss for the period		(12,171)
– Other comprehensive income		–
Purchases		50,000
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	284,485

(In millions of Korean won)

	2016	
	Financial assets at fair value through profit or loss	
	Financial assets designated at fair value through profit or loss	
Beginning balance	₩	99,118
Total gains or losses		
– Profit or loss for the period		(2,462)
– Other comprehensive income		–
Purchases		150,000
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	246,656

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and profit or loss from financial instruments held at the end of the reporting period in the statement of comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	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 period	₩ (12,171)	₩ -	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	₩ (12,171)	₩ -	₩ -

(In millions of Korean won)

	2016		
	Losses 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 period	₩ (2,462)	₩ -	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	₩ (2,462)	₩ -	₩ -

5.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

Information about fair value measurements using unobservable inputs as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets designated at fair value through profit or loss						
Derivative-linked securities	₩ 284,485	Hull and White Model, Monte Carlo Simulation, DCF Model	Discount rate, Volatility of interest rate	Discount rate Volatility of interest rate	2.44 ~ 5.10 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)

	2016					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets						
Financial assets designated at fair value through profit or loss						
Derivative-linked securities	₩ 246,656	Hull and White Model, Monte Carlo Simulation, DCF Model	Discount rate, Volatility of interest rate	Discount rate Volatility of interest rate	2.56 ~ 4.92 0.54	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 derivative-linked 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)

	2017			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities ¹	₩ 8,563	₩ (8,314)	₩ -	₩ -

(In millions of Korean won)

	2016			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities ¹	₩ 8,827	₩ (8,577)	₩ -	₩ -

¹ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, discount rate, the correlation of rates of long-term interest rate and short-term interest rate, or the volatility of the interest rate is shifted by $\pm 1\%$.

5.3 Offsetting Financial Assets and Financial Liabilities

The Company entered into master netting agreement with the counterparty through International Derivatives Swaps and Dealers Association ("ISDA") or other similar agreements in relation to Over-the-counter derivatives and foreign exchange spot transaction. Repurchase agreements and stock lending and borrowing transactions of the Company are offset through similar netting agreements as derivatives. In accordance with the master netting agreement, the contact with the counterparty is terminated in certain circumstances; such as, bankruptcy or insolvency. At the termination, the receivables and payment of the counterparty offset, and receive/pay the net balance from/to the counterparty. Besides the financial instruments mentioned above, the Company has other financial instruments; such as, domestic exchange transactions and marketable securities, receivables and payable relating to derivative instruments. These financial instruments are settled at net basis in accordance with the legal net obligations; therefore, they are presented in the statement of financial position after offset.

5.3.1 Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2017 are as follows:

(In millions of Korean won)

	2017					
	Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Amount not offset		
				Financial instruments	Cash collateral	Net amount
Reverse repurchase agreements	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -

(In millions of Korean won)

	2016					
	Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Amount not offset		Net amount
				Financial instruments	Cash collateral	
Reverse repurchase agreements	₩ 29,415	₩ -	₩ 29,415	₩ (29,415)	₩ -	₩ -
	₩ 29,415	₩ -	₩ 29,415	₩ (29,415)	₩ -	₩ -

5.3.2 The fair value of collateral available to sell or repledge, sold or repledged, regardless of debtor's default, as of December 31, 2017, are as follows:

(In millions of Korean won)

	2017		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ -	₩ -	₩ -

(In millions of Korean won)

	2016		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 30,887	₩ -	₩ 30,887

6. Due from Financial Institution

Details of due from financial institution as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Financial Institution	Interest rate (%) (As of December 31, 2017)	2017		2016	
			₩		₩	
Due from financial institution in Korean won	Due from banks	Kookmin Bank	₩ 46,062	0.00 ~ 1.20	₩ 57,967	
		Standard Chartered Bank	60,694	1.25	863	
		KEB Hana Bank	-	-	3,294	
		BNK Busan Bank	138,644	1.5		
Due from others	The Korea Securities Finance Corporation		-	-	52,941	
		₩ 245,400		₩ 115,065		

Details of a maturity analysis of due from financial institution, excluding restricted cash, as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 245,397	₩ -	₩ -	₩ -	₩ -	₩ 245,397

(In millions of Korean won)

	2016					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 115,062	₩ -	₩ -	₩ -	₩ -	₩ 115,062

Restricted cash from financial institution as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Financial Institution	2017		2016		Reason for restriction
Due from financial institution in Korean won	Kookmin Bank	₩	3	₩	3	Pledged as collateral for the overdraft establishment

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or losses as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Financial assets designated at fair value through profit or loss				
Derivative-linked securities	₩	284,485	₩	246,656

8. Loans

Details of loans as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Loans	₩	10,000	₩	29,415
Less: Allowances for loan losses		-		-
Carrying amount	₩	10,000	₩	29,415

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2017 is as follows:

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Reverse repurchase agreements	₩ -	₩ 10,000	₩ -	₩ 10,000
		10,000	-	10,000
Proportion (%)		100.00	-	100.00
Less: Allowances		-	-	-
	₩ -	₩ 10,000	₩ -	₩ 10,000

9. Investments in Subsidiaries

Details of subsidiaries as of December 31, 2017, 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.	Non-life insurance	Korea
KB Kookmin Card Co., Ltd.	Credit card	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Asset Management Co., Ltd.	Investment advisory and collective investment	Korea
KB Capital Co., Ltd.	Financial leasing	Korea
KB Savings Bank Co., Ltd.	Savings banking	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea

Investments in subsidiaries as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won, except for shares and ownership %)

Name of subsidiary	Number of Issued Shares As of December 31, 2017	Ownership(%)	Carrying amount	
			2017	2016
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	-
KB Kookmin Card Co., Ltd.	92,000,000	100.00	1,953,175	1,953,175
KB Life Insurance Co., Ltd.	91,200,000	100.00	485,314	485,314
KB Asset Management Co., Ltd.	7,667,550	100.00	96,312	96,312
KB Capital Co., Ltd.	21,492,128	100.00	573,811	279,870
KB Savings Bank Co., Ltd.	8,001,912	100.00	157,544	157,544
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	121,553	121,553
KB Investment Co., Ltd.	8,951,797	100.00	104,910	104,910
KB Credit Information Co., Ltd.	1,252,400	100.00	23,621	23,621
KB Data System Co., Ltd.	800,000	100.00	6,334	6,334
			₩ 24,062,116	₩ 21,392,745

Changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries ¹	₩ (51,742)	₩ -	₩ -	₩ (51,742)

(In millions of Korean won)

	2016				Ending
	Beginning	Impairment	Others		
Accumulated impairment losses on investments in subsidiaries ¹	₩	(51,742) ₩	- ₩	- ₩	(51,742)

¹ The industry environment of savings banks has deteriorated continuously and their performance fell short of expectations primarily due to a decline of benchmark interest rate. Considering the recent downturn, the Company recognized the impairment loss on investment in KB Savings Bank Co., Ltd.

10. Investments in Associates

Details of investments in associates as of December 31, 2016, are as follows:

(In millions of Korean won)

Name of associates	2016						Industry	Location
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount				
KB Insurance Co., Ltd.	39.81	₩ 1,053,690	₩ 1,393,320	₩ 1,053,690			Non-life insurance	Korea

Changes in investments in associates for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

Name of associate	2017				
	Beginning	Acquisition	Transfer to subsidiary	Impairment	Ending
KB Insurance Co., Ltd.	₩ 1,053,690	₩ -	₩ (1,053,690)	₩ -	₩ -

(In millions of Korean won)

Name of associate	2016					
	Beginning	Acquisition	Transfer to subsidiary	Impairment	Ending	
KB Insurance Co., Ltd.	₩ 883,065	₩ 170,625	₩ -	₩ -	₩ 1,053,690	
Hyundai Securities Co., Ltd.	-	1,349,850	(1,349,850)	-	-	
	₩ 883,065	₩ 1,520,475	₩ (1,349,850)	₩ -	₩ 1,053,690	

11. Property and Equipment

Details of property and equipment as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 823	₩ (747)	₩ -	₩ 76
Equipment and others	3,675	(3,054)	-	621
	₩ 4,498	₩ (3,801)	₩ -	₩ 697

(In millions of Korean won)

	2016			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 791	₩ (679)	₩ -	₩ 112
Equipment and others	5,046	(4,689)	-	357
	₩ 5,837	₩ (5,368)	₩ -	₩ 469

The changes in property and equipment for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

Name of associate	2017				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 112	₩ 32	₩ -	₩ (68)	₩ 76
Equipment and others	357	434	(2)	(168)	621
	₩ 469	₩ 466	₩ (2)	₩ (236)	₩ 697

(In millions of Korean won)

Name of associate	2016				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 198	₩ 20	₩ -	₩ (106)	₩ 112
Equipment and others	380	143	-	(166)	357
	₩ 578	₩ 163	₩ -	₩ (272)	₩ 469

12. Intangible Assets

Details of intangible assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 3,072	₩ (2,580)	₩ -	₩ 492
Membership rights	9,657	-	(1,864)	7,793
Other intangible assets	4,116	(3,537)	-	579
	₩ 16,845	₩ (6,117)	₩ (1,864)	₩ 8,864

(In millions of Korean won)

	2016			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 2,615	₩ (2,450)	₩ -	₩ 165
Membership rights	9,531	-	(1,962)	7,569
Other intangible assets	3,657	(3,299)	-	358
	₩ 15,803	₩ (5,749)	₩ (1,962)	₩ 8,092

The changes in intangible assets for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Beginning	Acquisition	Disposal	Amortization	Reversal ¹	Ending
Software	₩ 165	₩ 456	₩ -	₩ (129)	₩ -	₩ 492
Membership rights	7,569	126	-	-	98	7,793
Other intangible assets	358	460	-	(239)	-	579
	₩ 8,092	₩ 1,042	₩ -	₩ (368)	₩ 98	₩ 8,864

(In millions of Korean won)

	2016					
	Beginning	Acquisition	Disposal	Amortization	Impairment ¹	Ending
Software	₩ 375	₩ 3	₩ -	₩ (213)	₩ -	₩ 165
Membership rights	7,379	104	(12)	-	98	7,569
Other intangible assets	674	-	-	(316)	-	358
	₩ 8,428	₩ 107	₩ (12)	₩ (529)	₩ 98	₩ 8,092

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, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Beginning	Reversal	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (1,962)	₩ 98	₩ -	₩ (1,864)

(In millions of Korean won)

	2016			
	Beginning	Impairment	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (2,060)	₩ 98	₩ -	₩ (1,962)

13. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Assets	Liabilities	Net amounts
Share-based payments	₩ 4,158	₩ -	4,158
Membership rights	513	-	513
Defined benefit obligation	1,597	-	1,597
Plan assets	-	(948)	(948)
Short-term employee benefits	571	-	571
Gains(loss) on valuation of hybrid capital instruments	4,267	-	4,267
Others	124	-	124
	11,230	(948)	10,282
Offsetting of deferred tax assets and liabilities	(948)	948	-
	₩ 10,282	₩ -	₩ 10,282

(In millions of Korean won)

	2016				
	Assets		Liabilities		Net amounts
Share-based payments	₩	2,189	₩	-	2,189
Membership rights		475		-	475
Defined benefit obligation		1,267		-	1,267
Plan assets		-		(736)	(736)
Short-term employee benefits		381		-	381
Gains(loss) on valuation of hybrid capital instruments		809		-	809
Others		219		-	219
		5,340		(736)	4,604
Offsetting of deferred tax assets and liabilities		(736)		736	-
	₩	4,604	₩	- ₩	4,604

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, 2017, 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, 2017, 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 reverse in the foreseeable future.

The changes in cumulative temporary differences for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 9,045	₩ 1,728	₩ 7,804	₩ 15,121
Membership rights	1,962	100	2	1,864
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,236	2,199	2,771	5,808
Short-term employee benefits	1,573	1,573	2,077	2,077
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments insubsidiaries	51,742	-	-	51,742
Gains(loss) on valuation of hybrid capital instruments	3,344	-	12,171	15,515
Others	905	822	368	451
	3,036,133	6,422	25,193	3,054,904
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
	22,065			40,836
Tax rate (%)	24.2			27.5
Deferred income tax assets from deductible temporary differences	₩ 5,340			₩ 11,230
Taxable temporary differences				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ -	₩ (2,395,805)
Plan assets	(3,041)	(2,199)	(2,607)	(3,449)
	(2,398,846)	(2,199)	(2,607)	(2,399,254)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(3,041)			(3,449)
Tax rate (%)	24.2			27.5
Deferred income tax liabilities froma taxable temporary differences	₩ (736)			₩ (948)

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the rate of 27.5% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2017.

(In millions of Korean won)

	2016			
	Beginning	Decrease	Increase	Ending
Deductible temporary differences				
Share-based payments	₩ 9,380	₩ 4,059	₩ 3,724	₩ 9,045
Membership rights	2,061	101	2	1,962
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,405	2,073	1,904	5,236
Short-term employee benefits	1,279	1,279	1,573	1,573
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Gains(loss) on valuation of hybrid capital instruments	882	-	2,462	3,344
Others	1,726	1,723	902	905
	3,034,801	9,235	10,567	3,036,133
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
	20,733			22,065
Tax rate (%)	24.2			24.2
Deferred income tax assets from deductible temporary differences	₩ 5,017			₩ 5,340
Taxable temporary differences				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ -	(2,395,805)
Plan assets	(2,073)	(2,073)	(3,041)	(3,041)
	(2,397,878)	(2,073)	(3,041)	(2,398,846)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(2,073)			(3,041)
Tax rate (%)	24.2			24.2
Deferred income tax liabilities from a taxable temporary differences	₩ (502)			₩ (736)

¹ The rate of 24.2% has been applied for the deferred tax assets and liabilities expected to be utilized.

14. Other Assets

Details of other assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other financial assets				
Receivables	₩	55	₩	-
Accrued income		1,635		663
Guarantee deposits		14,517		17,962
		16,207		18,625
Other non-financial assets				
Receivables		463,012		498,866
Prepaid expenses		1,532		1,725
Advance payments		38		7
		464,582		500,598
	₩	480,789	₩	519,223

15. Debts

Debts as of December 31, 2017 and 2016, consist of:

(In millions of Korean won)

	2017		2016	
Borrowings	₩	300,000	₩	350,000

Details of borrowings as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		Lender	Annual interest rate (%)	2017		2016	
Borrowings in Korean won	Other borrowings	KTB Investment & Securities Co., Ltd. and Others	-	₩	-	₩	180,000
		Samsung Securities Co., Ltd.	-		-		170,000
		SK Securities Co., Ltd.	1.94		150,000		-
		KB Securities Co., Ltd.	1.94		150,000		-
				₩	300,000	₩	350,000

The maturities of debts as of December 31, 2016 and 2017 are as follows:

(In millions of Korean won)

	2017					
	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

(In millions of Korean won)

	2016					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Borrowings in Korean won	₩ 180,000	₩ 170,000	₩ -	₩ -	₩ -	₩ 350,000

16. Debentures

Details of debentures as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates (%) As of December 31, 2017		
				2017	2016
Unguaranteed debentures No. 3-2	Aug. 13, 2013	Aug. 13, 2018	3.46	₩ 130,000	₩ 130,000
Unguaranteed debentures No. 3-3	Aug. 13, 2013	Aug. 13, 2020	3.65	70,000	70,000
Unguaranteed debentures No. 4	Mar. 17, 2014	Mar. 17, 2017	-	-	150,000
Unguaranteed debentures No. 5-1	Mar. 19, 2014	Mar. 19, 2019	3.31	80,000	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. 7	June 23, 2015	June 23, 2018	1.98	150,000	150,000
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. 12-1	Nov. 27, 2015	Nov. 27, 2018	2.07	80,000	80,000
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. 13	Dec. 04, 2015	Dec. 04, 2018	2.09	130,000	130,000
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	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	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	170,000
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. 19-1	Aug. 25, 2016	Aug. 24, 2018	1.35	200,000	200,000
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	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	-
Unguaranteed debentures No. 22-1	Feb. 28, 2017	Feb. 28, 2020	1.89	120,000	-
Unguaranteed debentures No. 22-2	Feb. 28, 2017	Feb. 28, 2022	2.11	110,000	-
Unguaranteed debentures No. 23	Mar. 23, 2017	Mar. 23, 2020	1.95	80,000	-
Unguaranteed debentures No. 24	Apr. 06, 2017	Apr. 06, 2020	1.97	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	-
Unguaranteed debentures No. 25-3	May 24, 2017	May 24, 2022	2.23	270,000	-
Unguaranteed debentures No. 25-4	May 24, 2017	May 24, 2027	2.62	80,000	-
Unguaranteed debentures No. 26-1	June 27, 2017	June 27, 2022	2.18	50,000	-
Unguaranteed debentures No. 26-2	June 27, 2017	June 27, 2024	2.34	200,000	-
Unguaranteed debentures No. 27	July 19, 2017	July 19, 2024	2.41	100,000	-
Unguaranteed debentures No. 28-1	Aug. 30, 2017	Aug. 30, 2022	2.30	60,000	-
Unguaranteed debentures No. 28-2	Aug. 30, 2017	Aug. 30, 2024	2.43	30,000	-
Unguaranteed debentures No. 28-3	Aug. 30, 2017	Aug. 30, 2027	2.60	60,000	-
Unguaranteed debentures No. 29-1	Sept. 19, 2017	Sept. 19, 2022	2.29	150,000	-
Unguaranteed debentures No. 29-2	Sept. 19, 2017	Sept. 19, 2024	2.44	110,000	-
				5,170,000	3,480,000
			Less: Bond Discounts	(7,400)	(5,800)
				₩ 5,162,600	₩ 3,474,200

The maturities of debentures as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ -	₩ 150,000	₩ 540,000	₩ 1,810,000	₩ 2,670,000	₩ 5,170,000

(In millions of Korean won)

	2016					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 150,000	₩ -	₩ -	₩ 1,410,000	₩ 1,920,000	₩ 3,480,000

Changes in debentures based on face value for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			
	Beginning	Reversal	Disposal	Ending
Debentures in Korean won	₩ 3,480,000	₩ 1,840,000	₩ (150,000)	₩ 5,170,000

(In millions of Korean won)

	2016			
	Beginning	Reversal	Disposal	Ending
Debentures in Korean won	₩ 1,650,000	₩ 1,980,000	₩ (150,000)	₩ 3,480,000

17. 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 defined benefit obligation recognized in the statements of financial position is calculated by independent actuaries in accordance with actuarial valuation method. The defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). The 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 result due to change in the market, economic trend and mortality trend which may impact defined benefit obligation 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 defined benefit obligation for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 15,075	₩ (15,268)	(193)
Current service cost	1,870	-	1,870
Interest cost(income)	390	(395)	(5)
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	(533)	-	(533)
Actuarial gains and losses by experience adjustments	960	-	960
Return on plan assets (excluding amounts included in interest income)	-	220	220
Contributions	-	(2,541)	(2,541)
Payments from plans (benefit payments)	(2,199)	2,199	-
Payments from the Company	(63)	-	(63)
Transfer in	2,885	(2,801)	84
Transfer out	(1,791)	1,791	-
Ending	₩ 16,594	₩ (16,795)	₩ (201)

(In millions of Korean won)

	2016		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 15,385	₩ (14,794)	591
Current service cost	2,035	-	2,035
Interest cost(income)	381	(366)	15
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	(871)	-	(871)
Actuarial gains and losses by experience adjustments	359	-	359
Return on plan assets (excluding amounts included in interest income)	-	200	200
Contributions	-	(2,586)	(2,586)
Payments from plans (benefit payments)	(1,436)	1,436	-
Payments from the Company	(2)	-	(2)
Transfer in	1,222	(1,156)	66
Transfer out	(1,998)	1,998	-
Ending	₩ 15,075	₩ (15,268)	₩ (193)

Details of the net defined benefit liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Present value of defined benefit obligation	₩	16,594	₩	15,075
Fair value of plan assets		(16,795)		(15,268)
Net defined benefit liabilities	₩	(201)	₩	(193)

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Current service cost	₩	1,870	₩	2,035
Net interest expenses of net defined benefit liabilities		(5)		15
Post-employment benefits	₩	1,865	₩	2,050

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Remeasurements				
Return on plan assets (excluding amounts included in interest income)	₩	(220)	₩	(200)
Actuarial gains and losses		(427)		512
Income tax effects		156		(75)
Remeasurements after income tax	₩	(491)	₩	237

Plan assets as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017			Total
	Assets quoted in an active market		Assets not quoted in an active market	
Cash and due from financial institutions	₩	-	₩ 16,795	₩ 16,795

(In millions of Korean won)

	2016			Total
	Assets quoted in an active market		Assets not quoted in an active market	
Cash and due from financial institutions	₩	-	₩ 15,268	₩ 15,268

Key actuarial assumptions used as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Discount rate (%)		2.90		2.60
Future salary increase rate (%)		3.75		3.75
Turnover (%)		1		1

Mortality assumptions are based on the 8th experience-based mortality table (retirement pension) of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as of December 31, 2017, is as follows:

(In millions of Korean won)

	Changes in principal assumption	Effect on defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5%p	5.07% decrease	5.43% increase
Future salary increase rate (%)	0.5%p	5.58% increase	5.25% decrease
Turnover (%)	0.5%p	0.32% decrease	0.34% 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 benefits) as of December 31, 2017, 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	₩	166	₩	427	₩	2,536	₩	10,967	₩	40,541	₩ 54,637

The weighted average duration of the defined benefit obligation is 10.8 years.

Expected contribution to plan assets for periods after December 31, 2017, is estimated to be approximately ₩ 2,000 million.

18. Other Liabilities

Details of other liabilities as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other financial liabilities				
Payables	₩	19,442	₩	2,759
Accrued expenses		10,521		7,691
		29,963		10,450
Other non-financial liabilities				
Payables		36,899		10,989
Accrued expenses		137,243		82,474
Withholding taxes		730		615
		174,872		94,078
	₩	204,835	₩	104,528

19. Equity

19.1 Share Capital

Details of share capital as of December 31, 2017 and 2016, are as follows:

Type of share	2017		2016	
		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		418,111,537		418,111,537
Share capital ¹	₩	2,090,558	₩	2,090,558

¹ In millions of Korean won.

Changes in shares outstanding for the years ended December 31, 2017 and 2016, are as follows:

	2017		2016	
		(In number of shares)		(In number of shares)
Beginning		398,357,724		386,351,693
Increase		4,440,000		31,759,844
Decrease		(3,760,141)		(19,753,813)
Ending		399,037,583		398,357,724

19.2 Capital Surplus

Details of capital surplus as of December 31, 2017 and 2016, are as follows:

	2017		2016	
		(In millions of Korean won)		(In millions of Korean won)
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		-
	₩	14,742,814	₩	14,656,168

19.3 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2017 and 2016, are as follows:

	2017		2016	
		(In millions of Korean won)		(In millions of Korean won)
Remeasurements of net defined benefit liabilities	₩	(5,233)	₩	(4,742)

Changes in accumulated other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

	2017			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (4,742)	₩ (647)	₩ 156	₩ (5,233)

(In millions of Korean won)

	2016			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (4,742)	₩ 312	₩ (75)	₩ (4,742)

19.4 Retained Earnings

Details of retained earnings as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Legal reserves	₩ 334,873	₩ 275,860
Voluntary reserves	982,000	982,000
Regulatory reserve for credit losses	2,498	604
Retained earnings before appropriation	1,735,008	1,740,459
	₩ 3,054,379	₩ 2,998,923

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 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.

Appropriation of retained earnings

(Expected date of appropriation for 2017: March 23, 2018)

(Date of appropriation for 2016: March 24, 2017)

(In millions of Korean won)

	2017	2016
Unappropriated retained earnings		
Balance at the beginning of the year	₩ 1,181,583	₩ 1,150,327
Profit for the year	553,425	590,132
	1,735,008	1,740,459
Transfers such as discretionary reserves		
Regulatory reserve for credit losses	124	-
	124	-
Appropriation of retained earnings		
Legal reserve	55,343	59,013
Regulatory reserve for credit losses	-	1,894
Cash dividends	766,728	497,969
(Dividends per common share: ₩ 1,920(38.4%) in 2017)		
(Dividends per common share: ₩ 1,250(25.0%) in 2016)		
	822,071	558,876
Unappropriated retained earnings to be carried forward	₩ 913,061	₩ 1,181,583

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, 2017 and 2016, are as follows:

	(In millions of Korean won)			
	2017		2016	
Beginning	₩	2,498	₩	604
Estimated amounts subject to provision(reversal)		(124)		1,894
Ending	₩	2,374	₩	2,498

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2017 and 2016, are as follows:

	(In millions of Korean won)			
	2017		2016	
Provision(reversal) of regulatory reserve for credit losses	₩	(124)	₩	1,894
Adjusted profit(loss) after provision of regulatory reserve for credit losses ¹		553,549		588,238
Adjusted basic earnings(loss) per share after provision of regulatory reserve for credit losses ¹		1,388		1,533
Adjusted diluted earnings(loss) per share after provision of regulatory reserve for credit losses ¹		1,380		1,533

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 period.

19.5 Treasury Shares

Changes in treasury shares outstanding for the year ended December 31, 2017, are as follows:

	(In millions of Korean won and in number of shares)					
	2017					
	Beginning		Acquisition		Disposal	Ending
Number of treasury shares ¹		19,753,813		3,760,141	4,440,000	19,073,954
Carrying amount ¹	₩	719,090	₩	201,985	₩	165,102
					₩	755,973

¹ For the year ended December 31, 2017, the treasury stock trust agreement of ₩800,000 million with Samsung Securities Co., Ltd., which was signed in previous year, was terminated. In order to increase shareholder value, the Company entered in to another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2017.

	(In millions of Korean won and in number of shares)					
	2016					
	Beginning		Acquisition		Disposal	Ending
Number of treasury shares ¹		-		19,753,813	-	19,753,813
Carrying amount ¹	₩	-	₩	719,090	₩	-
					₩	719,090

¹ For the year ended December 31, 2016, the Company has entered into a trust agreement with Samsung Securities Co., Ltd. to acquire treasury shares amounting to ₩800,000 million in order to enhance shareholder value.

20. Dividends

The dividends paid to the shareholders of the Parent Company in 2017 and 2016 were ₩ 497,969 million (₩ 1,250 per share) and ₩ 378,625 million (₩ 980 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2017, of ₩ 1,920 per share, amounting to total

dividends of ₩ 766,728 million is to be proposed at the annual general meeting on March 23, 2018. The Company's separate financial statements as of December 31, 2017, do not reflect this dividend payable.

21. Net Interest Expense

Interest income(expense) and net interest expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Interest income				
Due from financial institutions	₩	3,481	₩	3,163
Loans		146		1,165
Other		262		269
		3,889		4,597
Interest expense				
Debts		7,996		915
Debentures		93,111		59,606
		101,107		60,521
Net interest expense	₩	(97,218)	₩	(55,924)

22. Net Fee and Commission Expense

Fee and commission income(expense) and net fee and commission expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Fee and commission income				
Fees in Korean won	₩	738	₩	203
Fee and commission expense				
Fees paid in Korean won		8,380		7,306
Fees paid in foreign currency		166		111
		8,546		7,417
Net fee and commission expense	₩	(7,808)	₩	(7,214)

23. Net Gains or Losses on Financial Instruments at Fair Value through Profit or Loss

Net gains or losses on financial instruments at fair value through profit or loss consists of gains or losses related to financial instrument that includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Gains related to financial instruments at fair value through profit or loss				
Financial assets designated at fair value through profit or loss	₩	12,916	₩	8,092
Losses related to financial instruments at fair value through profit or loss				
Financial assets designated at fair value through profit or loss		12,171		2,820
Net gains on financial instruments at fair value through profit or loss	₩	745	₩	5,272

24. Net Other Operating Income

Other operating income or other operating expense for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Other operating income				
Dividend income from subsidiaries	₩	693,660	₩	686,919
Dividend income from associate		15,884		7,989
		709,544		694,908
Other operating expense		-		-
Net other operating income	₩	709,544	₩	694,908

25. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Employee benefits				
Salaries and other short-term employee benefits - Salaries	₩	24,870	₩	20,548
Salaries and other short-term employee benefits - Others		4,000		3,580
Termination benefits		-		-
Post employment benefits - defined benefit plans		1,865		2,050
Post employment benefits - defined contribution plans		26		17
Share-based payments		7,804		3,724
		38,565		29,919
Depreciation and amortization		604		801
Other general and administrative expenses				
Travel		777		403
Communications		497		455
Tax and dues		268		292
Publication		225		197
Rental expense		1,620		1,566
Vehicle		155		144
Service fees		7,263		6,136
Advertising		839		748
Training		642		579
Others		6,030		5,494
		18,316		16,014
	₩	57,485	₩	46,734

Share-based Payments

Share-based payment plan, where the number of granted shares is determined by the long-term achievement, for executives and employees of the Company and its subsidiaries as of December 31, 2017, is as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
KB Financial Group Inc.			
Series 14	July 17, 2015	11,363	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,6}
Series 15	Jan. 01, 2016	72,843	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Series 17	Jan. 01, 2017	42,032	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Series 18	July 17, 2017	7,444	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{2,7}
Deferred grant in 2012	-	5,415	Satisfied
Deferred grant in 2013	-	588	Satisfied
Deferred grant in 2014	-	3,769	Satisfied
Deferred grant in 2015	-	21,780	Satisfied
Deferred grant in 2016	-	15,338	Satisfied
Deferred grant in 2017	-	36,054	Satisfied
		216,626	
Kookmin Bank			
Series 64	July 24, 2015	11,133	Services fulfillment:2 years ^{2,5}
Series 65	Aug. 26, 2015	11,587	Services fulfillment:2 years ^{2,5}
Series 67	Jan. 01, 2016	135,934	Services fulfillment:2 years ^{2,4}
Series 68	July 05, 2016	9,621	Services fulfillment:2 years ^{2,4}
Series 69	Jan. 01, 2017	323,777	Services fulfillment:2 years ^{2,5}
Series 70	July 24, 2017	1,449	Services fulfillment:2 years ^{2,5}
Series 71	Aug. 26, 2017	4,372	Services fulfillment:2 years ^{2,5}
Series 72	Aug. 28, 2017	5,601	Services fulfillment:2 years ^{2,5}
Deferred grant in 2014	-	35,312	Satisfied
Deferred grant in 2015	-	61,328	Satisfied
Deferred grant in 2016	-	155,407	Satisfied
Deferred grant in 2017	-	31,547	Satisfied
		787,068	
Other subsidiaries			
Stock granted in 2010	-	2,096	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2011	-	2,633	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2012	-	7,788	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2013	-	21,289	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2014	-	45,426	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2015	-	197,689	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2016	-	187,066	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
Stock granted in 2017	-	289,348	Services fulfillment, Achievement of targets on the basis of market and non-market performance ^{8,9}
		753,335	
		1,757,029	

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 as of December 31, 2017).

² During the year, 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 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and financial results of Kookmin Bank, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 50% is determined upon the accomplishment of Performance Results.

⁴ 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and Evaluation of the Bank president's performance, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 50% is determined upon the accomplishment of Performance Results.

⁵ 30%, 40% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, Performance Results and Evaluation of the Bank president's performance, respectively. 30% of the number of certain granted shares to be compensated is determined upon the accomplishment of relative TSR, while 70% is determined upon the accomplishment of Performance Results.

⁶ 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, financial results of the Group and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 50% is determined upon the accomplishment of relative TSR.

⁷ 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, results of the Group and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 50% is determined upon the accomplishment of relative TSR.

⁸ 30%, 30% and 40% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 60% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 40% is determined upon the accomplishment of relative TSR. 40%, 30% and 30% of the number of certain granted shares to be compensated are determined upon accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 50% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 50% is determined upon the accomplishment of relative TSR. 70% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 30% is determined upon the accomplishment of relative TSR.

⁹ 50%, 30% and 20% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 80% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 20% is determined upon the accomplishment of relative TSR. 80% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 20% is determined upon the accomplishment of relative TSR. 60%, 30% and 10% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, subsidiaries' performance and relative TSR, respectively. 90% of the number of certain granted shares to be compensated is determined upon the accomplishment of subsidiaries' performance, while 10% is determined upon the accomplishment of relative TSR. 90% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 10% is determined upon the accomplishment of relative TSR.

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 performance as of December 31, 2017, are as follows:

	Grant date	Estimated number of vested shares ¹	Vesting conditions
KB Financial Group Inc.			
Stock granted in 2010	Jan. 01, 2010	322	Satisfied
Stock granted in 2011	Jan. 01, 2011	1,728	Satisfied
Stock granted in 2012	Jan. 01, 2012	2,642	Satisfied
Stock granted in 2013	Jan. 01, 2013	448	Satisfied
Stock granted in 2014	Jan. 01, 2014	7,079	Satisfied
Stock granted in 2015	Jan. 01, 2015	16,730	Satisfied
Stock granted in 2016	Jan. 01, 2016	20,523	Satisfied
Stock granted in 2017	Jan. 01, 2017	17,470	Proportional to service period
Kookmin Bank			
Stock granted in 2014	Jan. 01, 2014	53,771	Satisfied
Stock granted in 2015	Jan. 01, 2015	100,548	Satisfied
Stock granted in 2016	Jan. 01, 2016	141,707	Satisfied
Stock granted in 2017	Jan. 01, 2017	99,185	Proportional to service period
Other subsidiaries			
Stock granted in 2014	-	24,976	Satisfied
Stock granted in 2015	-	117,127	Satisfied
Stock granted in 2016	-	204,978	Satisfied
Stock granted in 2017	-	194,927	Proportional to service period

¹ During the year, 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, 2017, are as follows:

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance				
(KB Financial Group Inc.)				
Series 14	0.00 ~ 7.00	1.87 ~ 2.39	61,139	52,873 ~ 61,139
Series 15	0.00 ~ 3.00	1.87 ~ 2.14	61,139	58,516 ~ 61,791
Series 17	1.00 ~ 6.00	1.87 ~ 2.37	61,607	54,116 ~ 61,791
Series 18	1.54 ~ 7.00	1.94 ~ 2.39	60,517	52,873 ~ 62,419
Deferred grant in 2012	-	-	-	34,180 ~ 40,662
Deferred grant in 2013	-	-	-	34,180 ~ 42,824
Deferred grant in 2014	-	1.87	-	61,294
Deferred grant in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Deferred grant in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Deferred grant in 2017	0.00 ~ 3.00	1.87 ~ 2.14	-	58,516 ~ 61,791
(Kookmin Bank)				
Series 64	0.00 ~ 3.00	1.87 ~ 2.14	57,602	58,516 ~ 61,791
Series 65	0.00 ~ 3.00	1.87 ~ 2.14	57,625	58,516 ~ 61,791
Series 67	0.00 ~ 5.00	1.87 ~ 2.34	61,139	55,745 ~ 61,791
Series 68	0.51 ~ 4.00	1.87 ~ 2.24	61,570	57,009 ~ 61,791
Series 69	0.00 ~ 6.00	1.87 ~ 2.37	61,607	54,116 ~ 61,791
Series 70	0.00 ~ 3.00	1.87 ~ 2.14	59,783	58,516 ~ 61,791
Series 71	2.00 ~ 5.00	2.00 ~ 2.34	60,107	55,745 ~ 60,194
Series 72	2.00 ~ 5.00	2.00 ~ 2.34	60,112	55,745 ~ 60,194
Grant deferred in 2014	-	1.87	-	61,294
Grant deferred in 2015	0.00 ~ 4.00	1.87 ~ 2.24	-	57,009 ~ 61,791
Grant deferred in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Grant deferred in 2017	0.00 ~ 2.89	1.87 ~ 2.14	-	57,581 ~ 62,053
(Other subsidiaries)				
Share granted in 2010	-	1.87	-	61,294
Share granted in 2011	-	1.87	-	61,294
Share granted in 2012	-	1.87	40,544	40,831 ~ 61,294
Share granted in 2013	0.00 ~ 1.00	1.87	35,710	35,710 ~ 61,791
Share granted in 2014	0.00 ~ 5.00	1.87~2.34	43,672 ~ 57,388	43,672 ~ 61,791
Share granted in 2015	0.00 ~ 6.00	1.87~2.37	42,824 ~ 63,009	42,824 ~ 63,033
Share granted in 2016	0.00 ~ 6.00	1.87~2.37	42,824 ~ 61,811	42,824 ~ 62,738
Share granted in 2017	0.00 ~ 6.00	1.87~2.37	57,625 ~ 61,607	54,116 ~ 61,791
Linked to short-term performance				
(KB Financial Group Inc.)				
Share granted in 2010	-	1.87	-	40,662
Share granted in 2011	-	1.87	-	38,111 ~ 40,662
Share granted in 2012	-	1.87	-	34,180 ~ 40,662
Share granted in 2013	-	1.87	-	34,180 ~ 40,662
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791
Share granted in 2016	0.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791
Share granted in 2017	1.00 ~ 7.01	1.87 ~ 2.39	-	52,873 ~ 61,791

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
(Kookmin Bank)				
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Share granted in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Share granted in 2017	1.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
(Other subsidiaries)				
Share granted in 2014	-	1.87	-	61,294
Share granted in 2015	0.00 ~ 5.00	1.87 ~ 2.34	-	55,745 ~ 61,791
Share granted in 2016	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791
Share granted in 2017	0.00 ~ 6.00	1.87 ~ 2.37	-	54,116 ~ 61,791

Expected volatility is based on the historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the grant. And the current stock price of December 31, 2017, was used for the underlying asset price. Additionally, the average three-year historical dividend rate was used as the expected dividend rate.

Share-based payment arrangement for subsidiaries was transferred to the Company in 2010, and the related compensation cost paid to the executives and employees of subsidiaries is reimbursed by these companies. The accrued expenses representing share-based payments as of December 31, 2017 and 2016, are ₩ 133,496 million and ₩ 79,742 million, respectively, and the receivables to be reimbursed by the subsidiaries for the compensation costs are ₩ 118,375 million and ₩ 70,697 million, respectively. The compensation costs from share-based payments that amounts to ₩ 7,804 million and ₩ 3,724 million were recognized as an expense for the years ended December 31, 2017 and 2016, respectively.

26. Non-operating Income (Expense)

Details of non-operating income and expenses for the years ended December 31, 2017 and 2016, are as follows:

	(In millions of Korean won)	
	2017	2016
Non-operating income		
Reversal of impairment losses on intangible assets	₩ 100	₩ 98
Others	711	531
	811	629
Non-operating income		
Impairment losses on intangible assets	2	-
Donation	669	961
Others	15	8
	686	969
Non-operating income (expenses)	₩ 125	₩ (340)

27. Income Tax Benefit

Details of income tax benefit for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Tax payable				
Current tax expense	₩	-	₩	-
Change in deferred tax assets and liabilities				
Origination and reversal of temporary differences		5,678		89
Tax expense recognized directly in equity				
Remeasurements of net defined benefit liabilities		(156)		75
Income tax benefit	₩	5,522	₩	164

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the expected rate has been applied for the deferred tax assets and liabilities that are expected to be utilized in periods after 2018.

² Amended income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 24.2%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5%

The analysis of profit before tax and income tax benefit for the years ended December 31, 2017 and 2016, follows:

(In millions of Korean won)

	2017		2016	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 547,903		₩ 589,968
Tax at the applicable tax rate ¹	24.12	132,131	24.12	142,310
Non-taxable income	(27.61)	(151,302)	(26.23)	(154,775)
Non-deductible expense	0.08	455	0.09	555
Effects from change in tax rate	(0.23)	(1,234)	-	-
Consolidated tax effect	2.60	14,272	1.98	11,671
Other	0.03	156	0.01	75
Average effective tax rate and tax benefit	(1.01)	₩ (5,522)	(0.03)	₩ (164)

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 is 24.2%.

The details of current tax assets (income tax refund receivable) and current tax liabilities (income tax payable), as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Income tax refund receivable prior to offsetting	₩	-	₩	-
Tax payable prior to offsetting		-		-
Adjustment on consolidated tax payable		308,854		419,607
Current tax payable	₩	308,854	₩	419,607

28. 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)

	2017
Beginning	418,111,537
Issue of ordinary shares for purpose of share exchange	-
Sub-total(A)	418,111,537
Acquisition of treasury shares (B)	21,544,551
Disposal of treasury shares (C)	2,164,397
Weighted average number of ordinary shares outstanding (A - B + C)	398,731,383

(In number of shares)

	2016
Beginning	386,351,693
Issue of ordinary shares for purpose of share exchange	6,421,389
Sub-total(A)	392,773,082
Acquisition of treasury shares (B)	9,138,821
Disposal of treasury shares (C)	-
Weighted average number of ordinary shares outstanding (A - B + C)	383,634,261

Basic earnings per share

(In Korean won and in number of shares)

	2017
Profit attributable to ordinary shares ¹ (C)	₩ 553,425,224,846
Weighted average number of ordinary shares outstanding (D)	398,731,383
Basic earnings per share (E = C / D)	₩ 1,388

(In Korean won and in number of shares)

	2016
Profit attributable to ordinary shares ¹ (C)	₩ 590,131,305,308
Weighted average number of ordinary shares outstanding (D)	383,634,261
Basic earnings per share (E = C / D)	₩ 1,538

¹ Profit attributable to ordinary shares is the same as profit for the period in the statements of comprehensive income.

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 period) 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)

	2017		2016	
Profit attributable to ordinary shares	₩	553,425,224,846	₩	590,131,305,308
Adjustment		-		-
Adjusted profit for diluted earnings per share	₩	553,425,224,846	₩	590,131,305,308

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share:

(In number of shares)

	2017		2016	
Weighted average number of ordinary shares outstanding		398,731,383		383,634,261
Adjustment				
Stock grants		2,319,533		2,013,044
Adjusted weighted average number of ordinary shares outstanding for diluted earnings for diluted earnings per share		401,050,916		385,647,305

Diluted earnings per share:

(In Korean won and in number of shares)

	2017		2016	
Adjusted profit for diluted earnings per share	₩	553,425,224,846	₩	590,131,305,308
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		401,050,916		385,647,305
Diluted earnings per share	₩	1,380	₩	1,530

29. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Due from financial institutions	₩	245,400	₩	115,065
Restricted cash from financial institutions		(3)		(3)
	₩	245,397	₩	115,062

Significant non-cash transactions for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
Reclassified from Investments in associates to Investments in subsidiaries	₩	1,053,690	₩	-
Changes in investments in subsidiaries and share capital in relation to stock exchange		251,748		-
Changes in equity related to share exchange of Hyundai Securities Co., Ltd.		-		1,301,159
Changes in receivables and payables from consolidated tax		(83,532)		351,957
Changes in receivables and payables relating to stock grants		47,678		26,399
Changes in other payables related with acquisition of treasury shares and others		18,802		2,282

Cash inflows and outflows due to interest and dividends for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	Activity	2017	2016
Prepaid income tax expense	Operating	₩ 1,928	₩ 1,151
Interest received	Operating	3,273	4,477
Interest paid	Operating	96,392	56,865
Dividends received	Operating	722,063	702,381
Dividends paid	Financing	497,969	378,625

Changes in liabilities arising from financing activities for the year ended December 31, 2017, is as follows:

(In millions of Korean won)

	2017													
	Opening balance		Net cash flows		Non-cash changes					Closing balance				
					Acquisition	Changes in foreign exchange rates	Changes in fair value	Other changes						
Debts	₩	350,000	₩	(50,263)	₩	-	₩	-	₩	-	₩	263	₩	300,000
Debentures		3,474,200		1,686,445		-		-		-		1,955		5,162,600
	₩	3,824,200	₩	1,636,182	₩	-	₩	-	₩	-	₩	2,218	₩	5,462,600

30. Contingent Liabilities and Commitments

Commitments made with financial institutions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017		2016					
		Amount of commitment	Amounts borrowed	Amount of commitment	Amounts borrowed				
General loans	Standard Chartered Bank Korea Ltd	₩	250,000	₩	-	₩	-	₩	-
	NongHyup Bank		150,000		-		-		-
	Woori Bank		80,000		-		-		-
	KEB Hana Bank		50,000		-		50,000		-
		₩	530,000	₩	-	₩	50,000	₩	-

31. Related Party Transactions

Significant related party transactions for the years ended December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

			2017	2016
Subsidiaries	Kookmin Bank	Interest income	₩ 3,368	₩ 2,453
		Fee and commission income	671	203
		Net other operating income	359,493	380,521
		General and administrative expenses	3,955	4,379
	KB Securities Co., Ltd.	Fee and commission expenses	-	-
		General and administrative expenses	965	443
	KB Insurance Co., Ltd.	Net other operating income	15,884	7,989
		General and administrative expenses	1,078	826
	KB Kookmin Card Co., Ltd.	Net other operating income	250,056	200,008
		General and administrative expenses	723	239
		Net non-operating income	4	3
	KB Life Insurance Co., Ltd.	General and administrative expenses	17	61
	KB Asset Management Co., Ltd.	Net other operating income	50,000	50,000
		General and administrative expenses	-	13
	KB Capital Co., Ltd.	Net gains on financial instruments at fair value through profit or loss	12,916	8,092
		Net losses on financial instruments at fair value through profit or loss	12,171	2,820
		Net other operating income	5,590	5,590
		General and administrative expenses	41	75
	KB Savings Bank Co., Ltd.	Net other operating income	5,521	-
		General and administrative expenses	-	50
	KB Real Estate Trust Co., Ltd.	Net other operating income	20,000	50,000
		General and administrative expenses	-	18
	KB Investment Co., Ltd.	Interest income	96	-
		Net other operating income	3,000	800
	KB Data Systems Co., Ltd.	General and administrative expenses	1,220	1,105

Significant receivables and payables, and related allowance for loan losses arising from the related party transactions as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

			2017	2016
Subsidiaries	Kookmin Bank	Cash and due from financial institutions	₩ 46,062	₩ 57,967
		Other assets	283,610	426,522
		Other liabilities	2,837	3,313
	KB Securities Co., Ltd.	Other assets	18,630	8,273
		Other liabilities	26,192	-
	KB Insurance Co., Ltd.	Other assets	13,991	6,347
		Other liabilities	-	-
	KB Kookmin Card Co., Ltd.	Other assets	107,637	57,943
		Other liabilities	569	387
	KB Life Insurance Co., Ltd.	Other assets	5,404	3,683
		Other liabilities	7,647	7,465
	KB Asset Management Co., Ltd.	Other assets	23,223	2,262
	KB Capital Co., Ltd.	Financial assets at fair value through profit or loss	284,485	246,656
		Other assets	4,928	2,011
		Other liabilities	-	-
	KB Savings Bank Co., Ltd.	Other assets	4,824	667
	KB Real Estate Trust Co., Ltd.	Other assets	12,488	7,236
	KB Investment Co., Ltd.	Loans	10,000	-
		Other assets	1,481	1,000
	KB Credit Information Co., Ltd.	Other assets	1,160	601
		Other liabilities	16	8
	KB Data Systems Co., Ltd.	Tangible Asset	214	-
		Other assets	2,735	939
		Other liabilities	98	87

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 Notes 9 and 10 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.

Significant loan transaction with related parties for the year ended December 31, 2017, is as follows:

(In millions of Korean won)

		2017 ¹				
		Beginning	Loans	Repayments	Ending	
Subsidiary	KB Investment Co., Ltd.	₩	- ₩	10,000 ₩	- ₩	10,000

¹ Transactions and balances arising from operating activities between related parties, such as settlements, are excluded.

Unused commitments by a related party as of December 31, 2017 and 2016, are as follows:

(In millions of Korean won)

		2017		2016	
		₩		₩	
Subsidiary	KB Investment Co., Ltd.	₩	1,431	₩	1,613
	Unused commitments of credit card				

Compensation to key management for the years ended December 31, 2017 and 2016, consists of:

(In millions of Korean won)

	2017				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered director(executive)	₩ 756	₩ 27	₩ -	₩ 1,160	₩ 1,943
Registered director(non-executive)	581	-	-	-	581
Non-registered director	3,430	160	-	6,644	10,234
	₩ 4,767	₩ 187	₩ -	₩ 7,804	₩ 12,758

(In millions of Korean won)

	2016				
	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments	Total
Registered director(executive)	₩ 256	₩ 23	₩ -	₩ (328)	₩ (49)
Registered director(non-executive)	493	-	-	-	493
Non-registered director	2,628	52	-	4,052	6,732
	₩ 3,377	₩ 75	₩ -	₩ 3,724	₩ 7,176

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, 2017, was approved by the Board of Directors on February 8, 2018.

Report of Independent Auditor's Review of Internal Accounting Control System

To the President of
KB Financial Group Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of KB Financial Group Inc. (the "Company") as of December 31, 2017. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2017, the Company's IACS has been designed and is operating effectively as of December 31, 2017, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation 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.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2017, and we did not review management's assessment of its IACS subsequent to December 31, 2017. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 12, 2018

The logo for Samil PricewaterhouseCoopers, featuring the company name in a stylized, cursive script font.

Report on the Operations of Internal Accounting Control System

To the Board of Directors and Audit Committee of
KB Financial Group Inc.

I, as the Internal Accounting Control Officer (“IACO”) of KB Financial Group Inc. (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2017.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2017, in all material respects, in accordance with the IACS standards.

Ki Hwan Kim, Internal Accounting Control Officer
Jong Kyoo Yoon, Chief Executive Officer
March 5, 2018

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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. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forwardlooking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.



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