

The Tax Strategy of KB Financial Group

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Please contact us if you have further question related to the tax strategy.



The Tax Strategy of KB Financial Group

“We fully understand that complying with tax laws and managing tax risks play an important role in increasing national finances, enhancing customer benefits, and maximizing shareholder benefits, as well as that they are prerequisites for sustainable management. For these reasons, we have adopted and operate detailed standards and procedures for tax principles, policies and risk management, and to accurately report and pay taxes, maintain a cooperating and constructive relationship with the tax authorities.”

KB Key Tax Principles

- Recognizes that complying with tax laws and coherent tax risk management are parts and parcel of sustainable management.
- Diligently files tax reports and pays its fair taxes in accordance with responsible tax principles.
- Takes no advantage of favorable tax laws of certain countries for tax purposes only.
- KB evaluates the appropriateness of the transfer price in accordance with the normal price principle.
- KB maintains the fairness of the transfer price by determining the reasonable price (normal price) applicable to normal transactions between non-related parties in domestic and overseas subsidiary transactions.
- Evaluates the validity of prior prices in accordance with fair price principles.
- KB adheres to guidelines for G20 / OECD prevention of income transfer and profits shifting ("BEPS"). Accordingly, in order to enhance transparency in taxation, the Company presents an integrated report on international transactions on business activities and transaction contents to the taxation authorities when it meets certain requirements, such as the size of transactions with foreign related parties.
- Operates no legal entities in offshore financial centers for purposes of evading taxes.
- Endeavors to its best ability to maintain a mutually cooperative and constructive relationship with the tax authorities.
- Conducts proactive tax management and monitoring with an eye toward reducing tax risks.
- Publicizes its tax records in a transparent manner for the benefit of shareholders and society.

KB Tax management policy

- Tax management policies and regulations shall be established and documented, and any changes in tax laws promptly reflected.
- All tax reports and documentary evidence and materials of decisions made in consideration of accounting issues shall be documented and stored in safe places.
- Tax issues shall be resolved in consultation with external tax experts.
- Complex tax issues of great importance shall be resolved with the help of an authoritative interpretation acquired through consultation with the tax authorities.
- Efforts shall be made toward monitoring tax issues facing the Group on a regular basis.
- Group tax managers shall come together at a regular interval to discuss tax issues.
- In the event of a major tax issue, meeting shall be convened of subsidiary CFOs to resolve the issue.
- All tax matters of great importance shall be reported by the Group CFO to the Board of Directors.
- Tax diagnostic review shall be conducted by external tax experts at a regular interval as a form of preemptive tax risk management.

KB Tax Risk assessment

Financial risk

- KB Financial Group assesses all potential tax risks and always reviews relevant risks prior to making final business decisions. Major business decisions the Group makes in this regard include product development, overseas expansions, new funding methods, corporate structural changes such as M&As, launch of international financial operations. Some of the key risks it assesses and reviews prior to execution of major business decisions are change in the tax systems and rates of target overseas countries, incomplete tax disputes, tax changes following business restructurings. In particular, the Group strives to seek opinions of authoritative experts as a way to secure objectivity and expertise.

Reputation risk

- As public and regulatory scrutinies grow in intensity and sophistication, any suspicion that the Group is not paying its fair share of tax in a transparent manner could damage the brand value of the Group and undermines the foundation of its long-term growth. For these and other reasons, the Group makes conscious efforts to preempt sources of misconceptions regarding its tax management.

Business risk

- The Group utilizes all options available within a legal framework of paying taxes, including paying in installments, obtaining tax credit, and taking advantage of other legal tax-saving methods, all to minimize tax burdens and maximize shareholders' value.
- Aggressive tax avoidances rob nations of finance incomes and distort the allocation of investment and capital, while disrupting the institutional efforts of integration, deteriorating the long-term economic environment of regions where Group operations its business as well as the business environment of the Group itself. At worst, such near-sighted actions can seriously damage the relationships between the Group and authorities of the countries where it operates and thus lead to the cancellation of its business licenses. As such, the Group endeavors to identify relevant risk factors and rejects aggressive tax avoidances.

To reduce financial, reputation, business risks as described above, the Group conducts risk management practices as follows:

1. Thorough analysis of business structures
2. In-depth study of tax laws, authoritative interpretations and standard tax practices
3. Examination of the likelihood of tax risks materializing in full force, taxes by scenario, business-associated risks
4. Provision of solutions in the event of a tax risk rising above.

KB Tax Disclosure

The Group makes public the details of its corporate tax payments at the Financial Supervisory Service's electronic disclosure system (dart.fss.or.kr) and files its tax reports with the SEC of the U.S. in the Form-20F format every year.

- Accounting standards for calculating corporate taxes
- Details of deferred tax assets and liabilities
- The configuration of taxable temporary differences
- The configuration of corporate tax expenses and tax rate information

Besides these, the Group makes public information on incomes and taxes it earns and pays by country in sustainability reporting, and the differences and related reasons between effective corporate tax rates and statutory rates in annual audit reporting.