

KB
LISTED
NYSE

국민의 평생
금융파트너

1H18 Business Results

July, 2018



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Disclaimer Statement

1. The consolidated financial information of KB Financial Group Inc. (the “Group”) presented herein is based on the Korean International Financial Reporting Standards(K-IFRS). It is currently being reviewed by the Group’s independent auditor, and accordingly, is subject to change.
2. The consolidated financial information for 2018 presented herein is based on Korean IFRS9(K-IFRS9). Note that the financial results for previous years contained herein have not been restated retrospectively.
3. From 2018, for better peer comparison purpose, the Group reclassified certain interest income out of Net Gain/Loss on Financial Assets at FVPL under Other Operating Profit to Interest Income under Net Interest Income. Note that the financial results for 2017 contained herein have been restated retrospectively.
4. As KB Insurance and KB Capital became wholly-owned subsidiaries of the Group on July 7, 2017, the financial results of KB Insurance and KB Capital have been fully consolidated in the Group’s financial statements since 3Q17.
5. Totals may not sum due to rounding.

I. 1H18 Financial Highlights – Overview

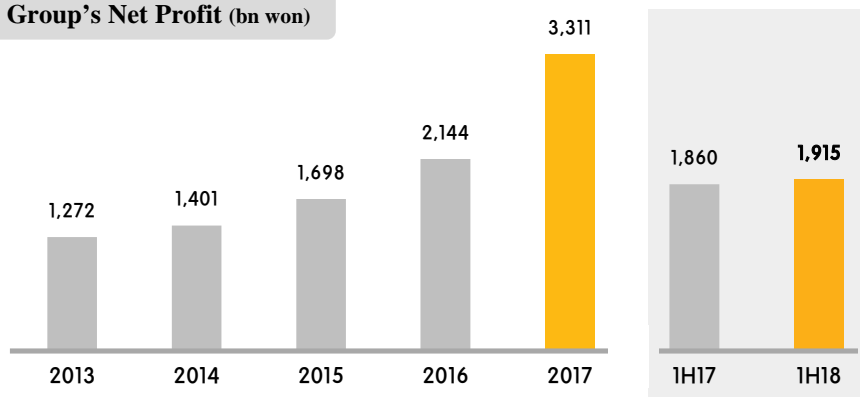
Group Profitability Overview

bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Net Interest Income	4,340.2	3,917.2	10.8	2,196.4	2,143.8	2.5
Net Fee & Commission Income	1,224.7	1,030.8	18.8	595.8	628.9	-5.3
Other Operating Profit	11.3	-147.7	N.A.	0.6	10.7	-94.4
Gross Operating Income	5,576.2	4,800.3	16.2	2,792.8	2,783.4	0.3
G&A Expenses	2,743.7	2,489.6	10.2	1,352.0	1,391.7	-2.9
Provision for Credit Losses	281.3	307.7	-8.6	116.8	164.5	-29.0
Net Operating Profit	2,551.2	2,003.0	27.4	1,324.0	1,227.2	7.9
Net Non-Operating Profit	95.4	209.3	-54.4	-20.9	116.3	N.A.
Profit for the Period	1,915.2	1,892.4	1.2	946.8	968.4	-2.2
Profit attributable to controlling interests	1,915.0	1,860.2	2.9	946.8	968.2	-2.2

Note 1) The financial results for 2018 are based on K-IFRS9

2) The financial results for 2017 have been restated in accordance with interest income reclassification in 2018 (Please see Disclaimer 3. on page 1)

Group's Net Profit (bn won)



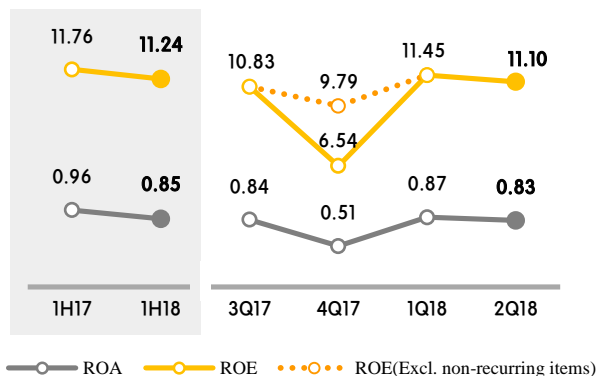
Note) Based on profit attributable to controlling interests

Highlights

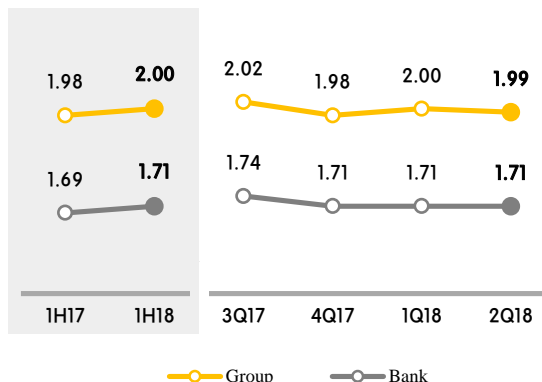
- Group's Net Profit for 1H18 increased by 2.9% YoY to W1,915.0bn, highly due to expanded Net Interest Income of the Bank, improved Fee & Commission Income and consolidation effect from KB Insurance
- Group's Net Profit for 2Q18 decreased by 2.2% QoQ to W946.8bn, but increased by 7.0% when excluding one-off gain on sale of the Bank's headquarter building in 1Q18
- Group's Net Operating Profit for 1H18 recorded W2,551.2bn, 27.4% up YoY, which is attributable to structural improvement of the Group profitability, i.e. modest growth both in interest income and fee income as well as enhanced cost efficiency and asset quality
- Group's Net Interest Income for 1H18 increased by 10.8% YoY due to solid loan growth of the Bank and higher interest income contribution from the non-banking subsidiaries
- Group's Net Fee & Commission Income for 1H18 increased by 18.8% YoY, largely due to expanded trust & brokerage fee income
- Group's Other Operating Profit for 1H18 significantly improved due to consolidation effect from KB Insurance
- Group's G&A Expenses for 1H18 increased to W2,743.7bn mainly due to KB Insurance consolidation effect, but increased by approx.1.8% only when disregarding such effect
 - ※ CIR(on a recurring basis): FY2017) 51.8% → 1H18) 49.2%
- Group's Provision for Credit Losses for 2Q18 decreased by 29.0% QoQ to W116.8bn on the back of a large-scale reversal of provisioning, and accordingly credit cost for 1H18 remained low at 18bp
 - ※ Non-Recurring Items for 2Q18 (before tax)
 - Gain on sale of loans to KAMCO(net of related donations): W24bn
 - Valuation loss on CERCG-related ABCP held by KB Securities: W20bn
 - Large-scale reversal of provisioning: W33bn
 - Social contribution such as donation to KB Foundation: W32bn

I. 1H18 Financial Highlights – Key Financial Indicators

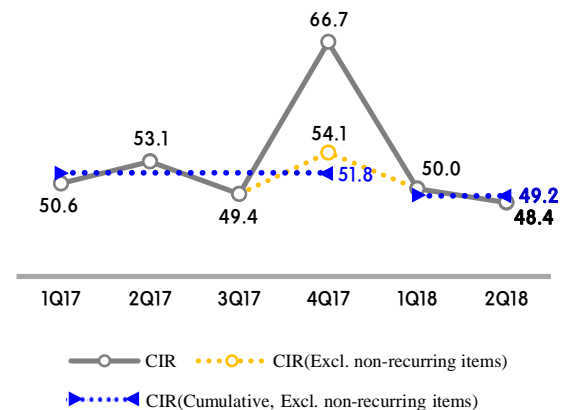
Group ROA, ROE (%)



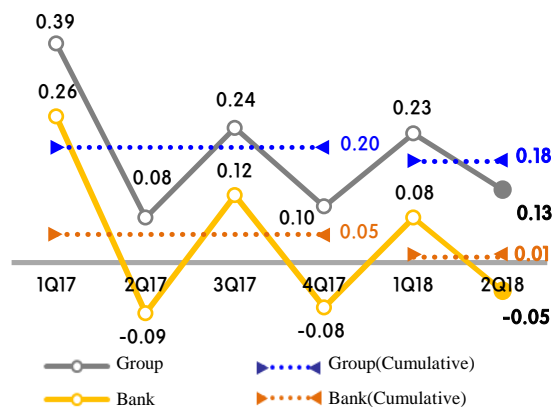
NIM (%)



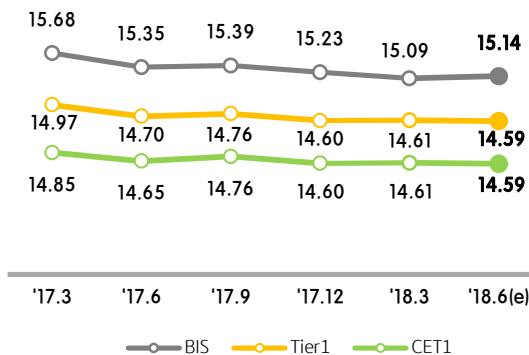
Group Cost-Income Ratio (CIR, %)



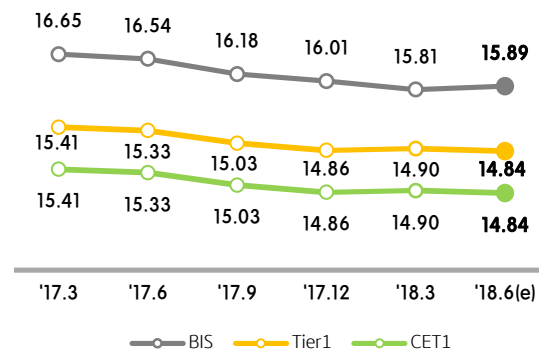
Credit Cost Ratio (%)



Group BIS Ratio (%)



Bank BIS Ratio (%)










Note) Based on Basel III

Note) Based on Basel III

I. 1H18 Financial Highlights – Digitalization

KB Digital Strategy: ACE (Agile, Customer-centric & Efficiency)







KB Digital Banking	
Items	Highlights
 Number of Internet Banking Customers ¹⁾	22.8M (72% of total customer base)
 Number of Star Banking App. Customers ¹⁾	14.1M (45% of total customer base)
 Active Customers ¹⁾	8.6M (61% of Star Banking App. customers)
 Transactions via online channels ²⁾	<p>Online 86% Internet Banking 46% Mobile Banking 54%</p>
 Online sales of savings deposits ³⁾⁴⁾	Installment savings: 59% Time deposit: 11%(W8.4tn)
 Online sales of funds ³⁾	24% (W2.8tn)
 Online sales of household loans ³⁾	+263% YTD(W3.5tn)

1) Based on the Bank's figures as of the end of June 2018

2) Internet Banking + Mobile Banking

3) Based on new sales amount for 1H18 (Annualized)

4) Retail sales only

KB Digital Platform		
Items	Key Points	
Top 3 Key Platforms	 Star Banking & Corp. Star Banking	KB representative banking platforms, sufficiently substituting offline banking services
	 Liiv	Core banking service-oriented platform correspondent to internet-only bank's digital experiences
	 Liiv Talk Talk	Instant messenger-type banking platform designed to connect customer to customer or customers to bank
Specialized Platforms	 Liiv On	The first real estate-specialized platform ever in the Korean financial industry providing real estate market information and related products
	 Liiv Mate	Group-wide marketing platform, specialized for managing KB membership (e.g. bonus points)
	 KB Cha Cha Cha	Auto financing-specialized platform offering automobile market information and related products

Digital A.C.E

- Run Agile group to implement customer-centric digital project
 - Expanded horizontal and speedy organizational culture to secure agility at the working level (Running 35 agile groups within the Group)
- Develop and extend RPA(Robotic Process Automation)
 - Introduced RPAs to 128 work processes to enhance work efficiency and quality
 - Especially, working process in corporate banking area to be enhanced, which will eventually strengthen sales & marketing competency
- KB Innovation Hub
 - Fintech lab, where startups and KB cooperate and research on fintech and open source
 - Provide office spaces, funding arrangement, business arrangement with subsidiaries, test bed for PoC, mentoring etc.
 - Arranged 63 businesses to 7 subsidiaries / W11bn investments to 28 startups
 - Appointed 36 startups as 'KB Starters'
 - Successful case : Sendbird (Messaging solution startup)
 - Introduced better secured chatting solution to KB platforms (Liiv Talk Talk, Liiv Cambodia, etc)
 - Expanded its business into global market, funded W17bn from US investment company

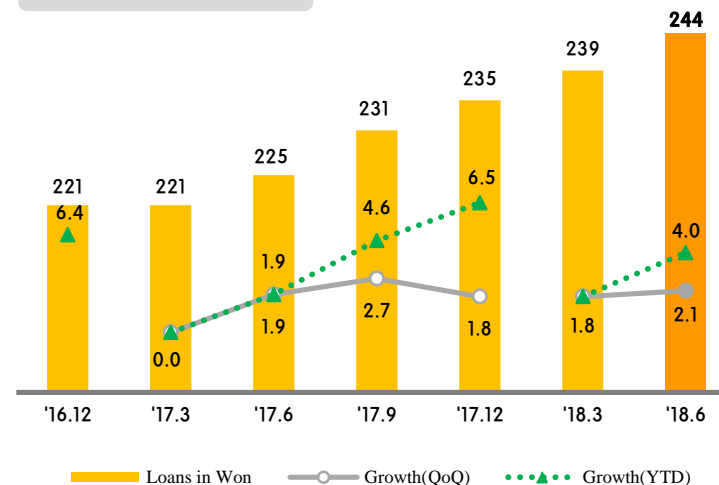
II. 1H18 Financial Analysis – Net Interest Income

Group Net Interest Income

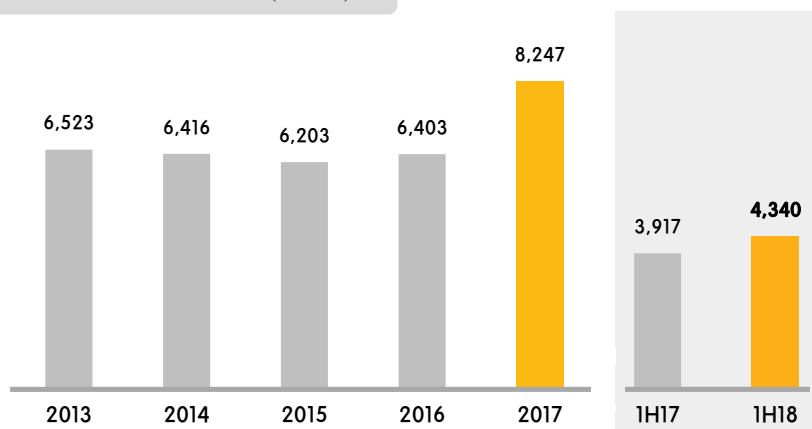
bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Interest Income	6,558.0	5,690.5	15.2	3,363.2	3,194.8	5.3
Loans	5,465.3	4,808.3	13.7	2,801.1	2,664.2	5.1
Financial Investments	977.9	773.7	26.4	501.8	476.1	5.4
Other	114.8	108.5	5.8	60.3	54.5	10.6
Interest Expense	2,217.8	1,773.3	25.1	1,166.8	1,051.0	11.0
Deposits	1,392.1	1,155.0	20.5	736.4	655.7	12.3
Debts & Debentures	778.7	581.3	34.0	405.7	373.0	8.8
Other	47.0	37.0	27.0	24.7	22.3	10.8
Net Interest Income	4,340.2	3,917.2	10.8	2,196.4	2,143.8	2.5

Note) The financial results for 2017 have been restated in accordance with interest income reclassification in 2018 (Please see Disclaimer 3. on page 1)

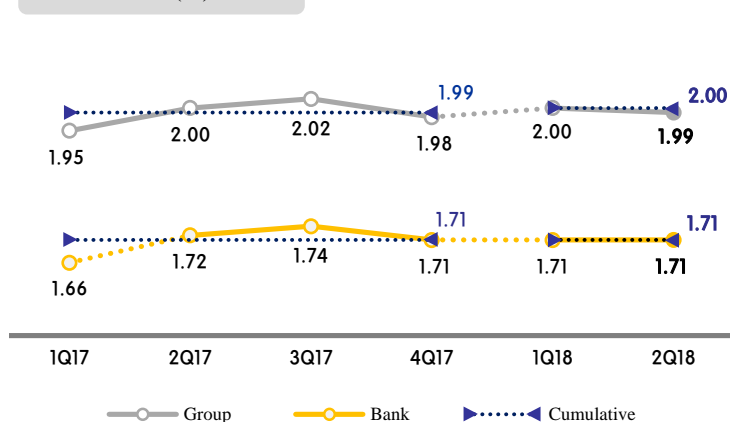
Loan Growth (tn won, %)



Net Interest Income (bn won)



NIM (%)



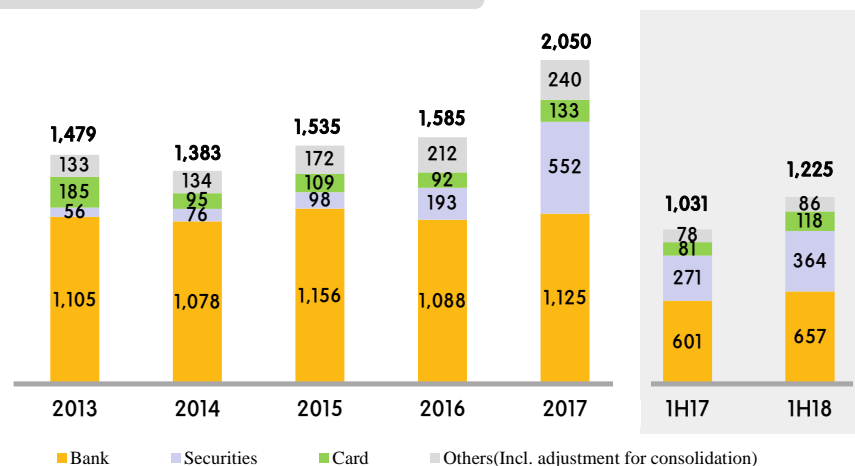
II. 1H18 Financial Analysis – Non-Interest Income

Group Non-Interest Income

bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Net Fee and Commission Income	1,224.7	1,030.8	18.8	595.8	628.9	-5.3
Credit Card Fees	218.1	209.4	4.2	105.9	112.2	-5.6
Trusts	297.2	229.0	29.8	140.8	156.4	-10.0
Agent Activity Fees (Incl. Bancassurance)	67.9	82.6	-17.8	34.7	33.2	4.5
Represent Securities (Incl. ITC Products)	100.1	90.3	10.9	42.2	57.9	-27.1
Banking Activity Fees	102.7	93.1	10.3	51.7	51.0	1.4
Commissions Received on Securities Business	313.6	213.0	47.2	158.1	155.5	1.7
Other	125.1	113.4	10.3	62.4	62.7	-0.5
Other Operating Income	11.3	-147.7	N.A.	0.6	10.7	-94.4
Net Non-Interest Income	1,236.0	883.1	40.0	596.4	639.6	-6.8

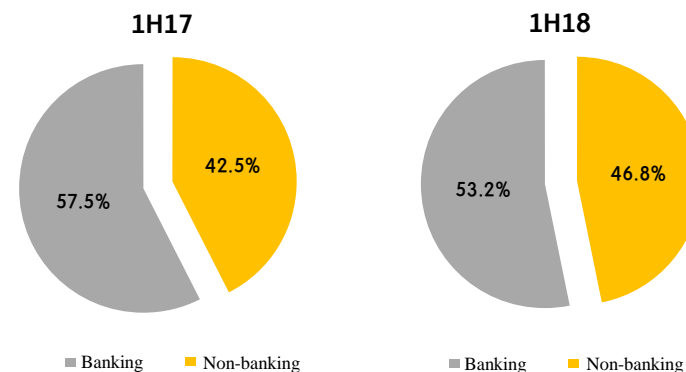
Note) The financial results for 2017 have been restated in accordance with interest income reclassification in 2018
(Please see Disclaimer 3. on page 1)

Net Fee and Commission Income (bn won)



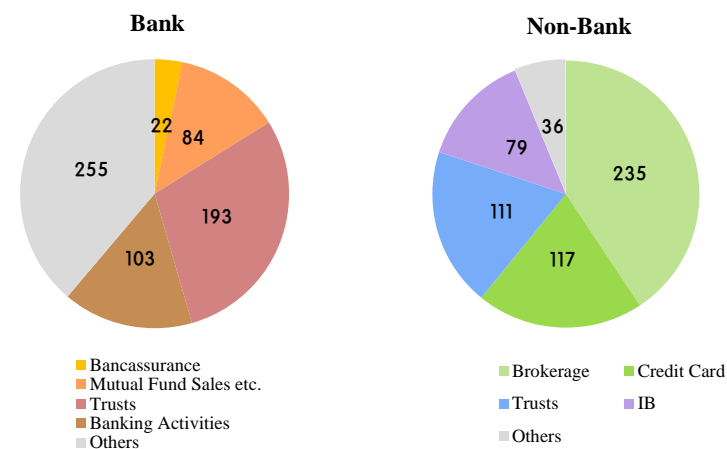
Note) Based on each subsidiary's Net Fee and Commission Income on the financial statements for group reporting

Net Fee and Commission Income Contribution



Note) Based on simple arithmetic sum of each subsidiary's Net Fee and Commission Income on the financial statements for group reporting

Composition of Net Fee and Commission Income (1H18, bn won)



Note) Based on simple arithmetic sum of each subsidiary's Net Fee and Commission Income on the financial statements for group reporting

II. 1H18 Financial Analysis – G&A Expenses & Provision for Credit Losses

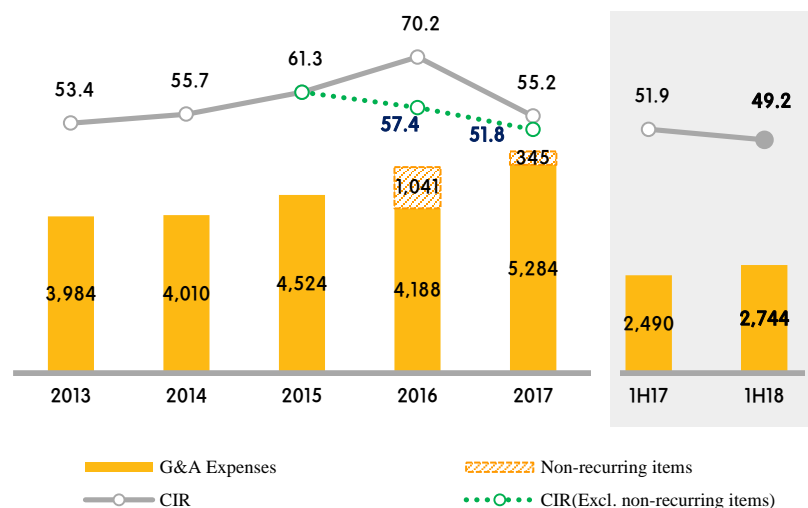
Group G&A Expenses

bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Employee Benefits	1,795.7	1,638.6	9.6	861.5	934.2	-7.8
Depreciation & Amortization	177.7	162.8	9.2	91.2	86.5	5.4
Administrative Expenses	669.3	599.5	11.6	343.2	326.1	5.2
Others	101.0	88.7	13.9	56.1	44.9	24.9
G&A Expenses	2,743.7	2,489.6	10.2	1,352.0	1,391.7	-2.9

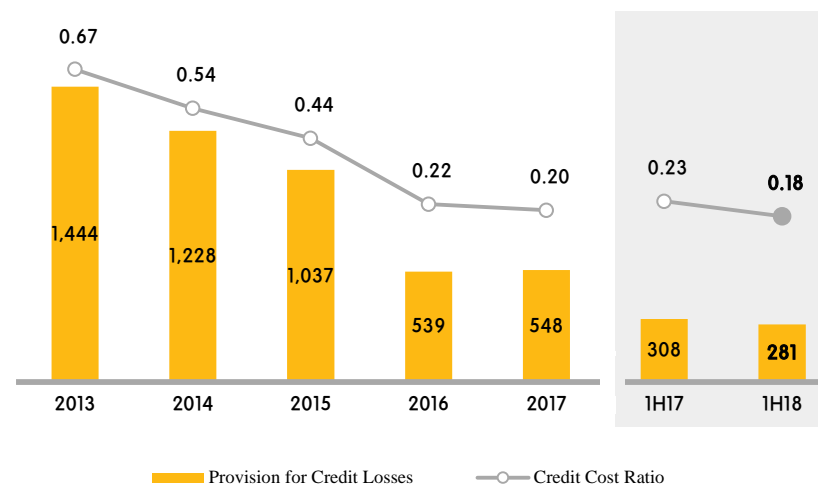
Group Provision for Credit Losses

bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Provision for Loan Losses	299.8	343.1	-12.6	118.8	181.0	-34.4
Provision for Guarantees	-11.8	-29.0	N.A.	-5.4	-6.4	N.A.
Provision for Unused Commitments	-6.9	-4.5	N.A.	3.0	-9.9	N.A.
Provision for Financial Guarantee Liabilities	0.2	-1.9	N.A.	0.4	-0.2	N.A.
Provision for Credit Losses	281.3	307.7	-8.6	116.8	164.5	-29.0

G&A Expenses & CIR (bn won, %)



Provision for Credit Losses & Credit Cost Ratio (bn won, %)



Note) Non-recurring items: one off items such as Early Retirement Program

II. 1H18 Financial Analysis – Financial Position

Group Financial Position

tn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Assets	463.3	451.6	2.6	436.8	6.1
Cash & Due from Financial Institutions	19.8	21.0	-5.7	19.8	0.0
FVTPL ²⁾ Assets	48.0	48.5	-1.0	32.2	49.1
Financial Investments	60.5	57.2	5.8	66.6	-9.2
Loans	303.7	295.3	2.8	290.1	4.7
Property & Equipment	5.9	5.0	18.0	5.1	15.7
Other Assets	25.4	24.6	3.3	23.0	10.4
Liabilities	428.7	418.0	2.6	402.7	6.5
FVTPL ²⁾ Liabilities	14.3	12.7	12.6	12.0	19.2
Deposits	265.3	261.9	1.3	255.8	3.7
Debts	32.6	30.1	8.3	28.8	13.2
Debentures	49.4	47.4	4.2	45.0	9.8
Other Liabilities	67.1	65.9	1.8	61.1	9.8
Shareholders' Equity	34.6	33.6	3.0	34.1	1.5
Share Capital	2.1	2.1	0.0	2.1	0.0
Capital Surplus	17.1	17.1	0.0	17.1	0.0
Accumulated Other Comprehensive Income	0.2	0.2	0.0	0.5	-60.0
Retained Earnings	16.1	15.2	5.9	15.1	6.6
Treasury Shares	-0.9	-0.9	N.A.	-0.7	N.A.
Non-Controlling Interests	0.0	0.0	0.0	0.0	0.0
Group Total Assets³⁾	719.4	696.7	3.3	672.0	7.1
AUM ⁴⁾	256.3	244.5	4.8	234.9	9.1

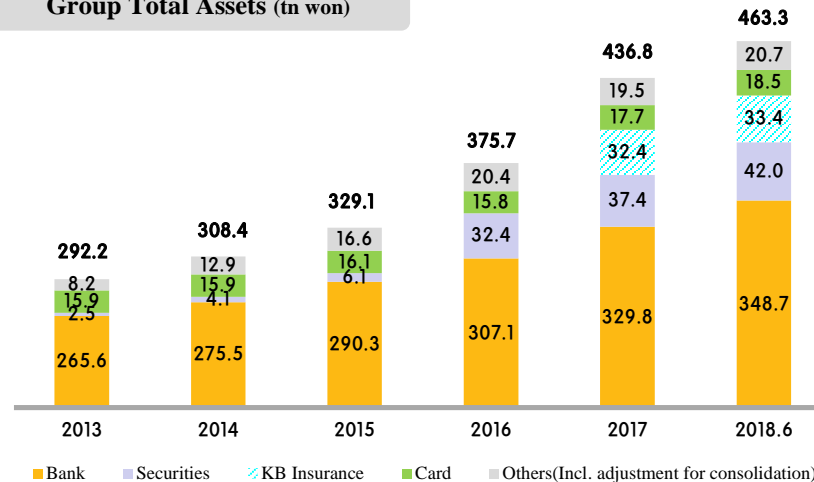
Note 1) The financial results for 2018 is based on K-IFRS9

2) Fair Value Through Profit or Loss

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

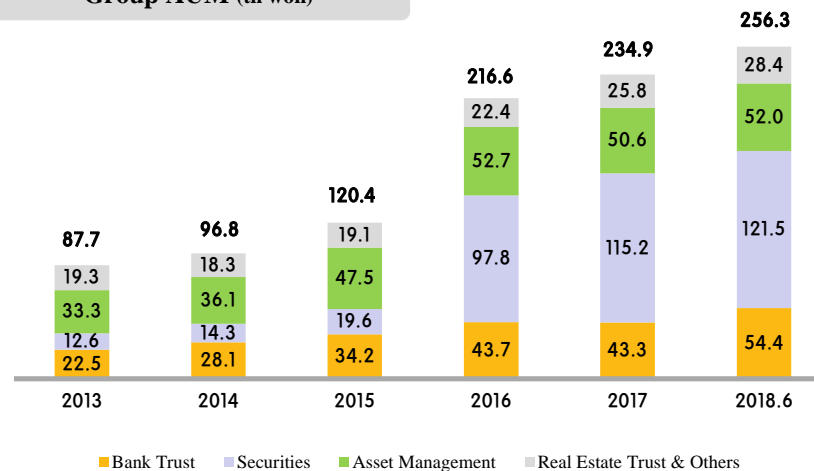
4) Including the Bank's trust asset not subject to group reporting

Group Total Assets (tn won)



Note) Based on each subsidiary's total assets on the financial statements for group reporting

Group AUM (tn won)

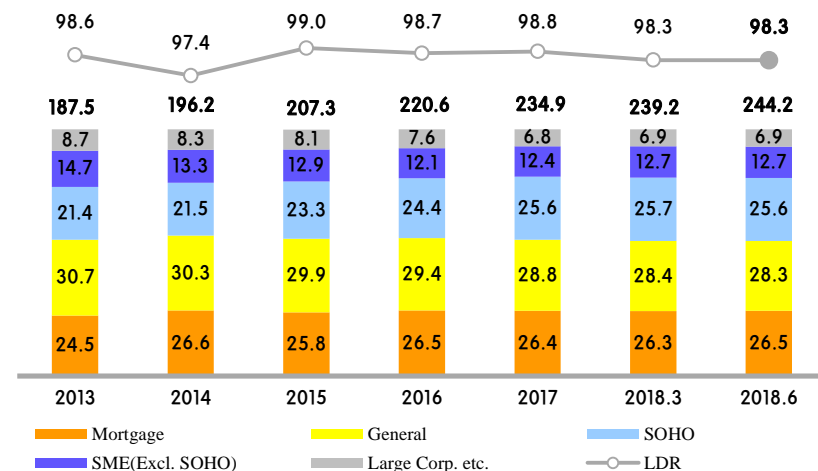


II. 1H18 Financial Analysis – Assets & Liabilities

Bank Loans in Won

tn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Household	133.7	130.9	2.1	129.8	3.0
Mortgage	64.6	62.9	2.7	62.1	4.0
General	69.1	68.0	1.6	67.7	2.1
[Home Equity]	35.9	36.6	-1.9	37.8	-5.0
Corporate	110.5	108.3	2.0	105.1	5.1
SME	93.6	91.8	2.0	89.1	5.1
[SOHO]	62.5	61.5	1.6	60.1	4.0
Large Corp. etc.	16.9	16.5	2.4	16.0	5.6
Total	244.2	239.2	2.1	234.9	4.0

Bank Loan Composition & Loan to Deposit Ratio (tn won, %)



Bank Deposits & Debentures in Won

tn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Deposits	246.9	243.5	1.4	238.1	3.7
Core Deposits	113.7	113.8	-0.1	111.2	2.2
Time & Savings	130.1	126.7	2.7	123.0	5.8
[Time Deposits]	117.4	114.1	2.9	109.8	6.9
CD, RP, etc.	3.1	3.0	3.3	3.9	-20.5
Debentures	16.4	16.2	1.2	15.3	7.2
Total	263.3	259.7	1.4	253.4	3.9

Card Assets

tn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Credit Card	16.1	15.7	2.5	15.2	5.9
Credit Sales	9.9	9.6	3.1	9.5	4.2
[Installments]	4.3	4.2	2.4	4.1	4.9
Card Loans	5.0	4.9	2.0	4.5	11.1
Cash Advance	1.2	1.2	0.0	1.2	0.0
Factoring, etc.	1.6	1.5	6.7	1.3	23.1
Total	17.7	17.2	2.9	16.5	7.3

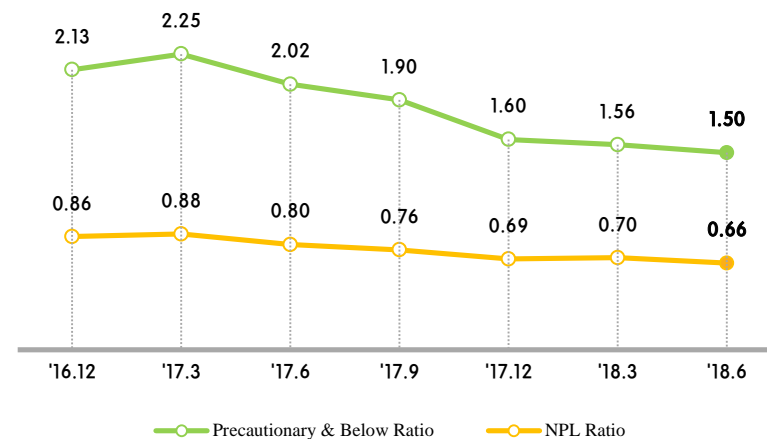
III. 1H18 Asset Quality – Group Overview

Group Asset Quality¹⁾

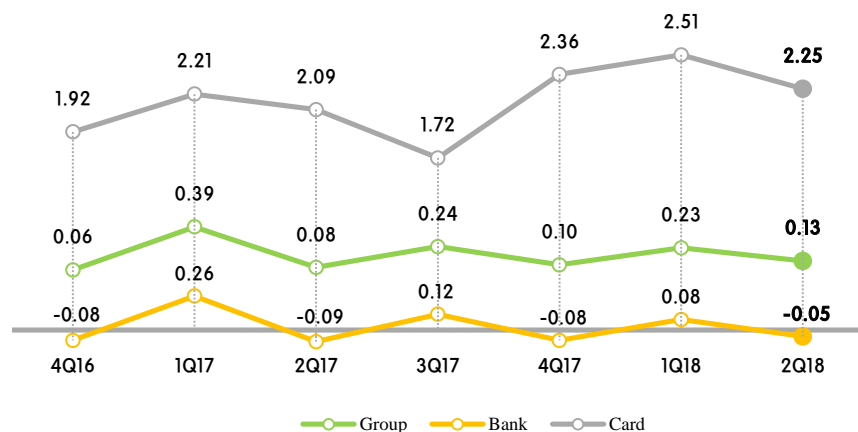
bn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Total Loans for NPL Classification	301,253.9	291,348.4	3.4	286,737.5	5.1
Precautionary	2,529.5	2,506.8	0.9	2,592.7	-2.4
Substandard	701.1	706.0	-0.7	680.9	3.0
Doubtful	927.4	922.6	0.5	941.8	-1.5
Estimated Loss	367.7	402.4	-8.6	360.1	2.1
Substandard & Below Loans (NPL) (A)	1,996.2	2,031.0	-1.7	1,982.8	0.7
NPL Ratio	0.66%	0.70%	-0.04%p	0.69%	-0.03%p
Loan Loss Reserves (B)	2,706.0	2,708.0	-0.1	2,139.9	26.5
NPL Coverage Ratio (B/A)	135.6%	133.3%	2.3%p	107.9%	27.7%p

Note 1) Based on simple arithmetic sum of each subsidiary's figures

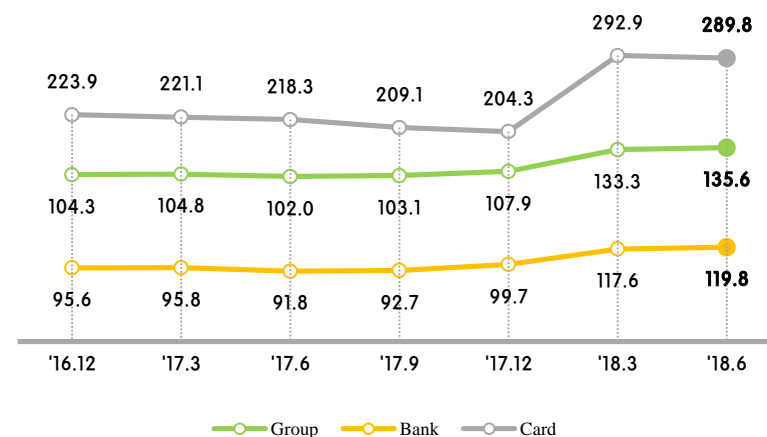
Precautionary & Below Ratio / NPL Ratio (%)



Credit Cost Ratio (%)



NPL Coverage Ratio (%)



III. 1H18 Asset Quality – Bank & Card

Bank Asset Quality

bn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Total Loans for NPL Classification	261,389.6	253,214.4	3.2	249,361.5	4.8
Precautionary	1,298.8	1,349.3	-3.7	1,443.5	-10.0
Substandard	601.6	608.9	-1.2	592.1	1.6
Doubtful	587.9	600.0	-2.0	636.6	-7.7
Estimated Loss	224.3	266.5	-15.8	223.9	0.2
NPL Ratio	0.54%	0.58%	-0.04%p	0.58%	-0.04%p
NPL Coverage Ratio	119.8%	117.6%	2.2%p	99.7%	20.1%p

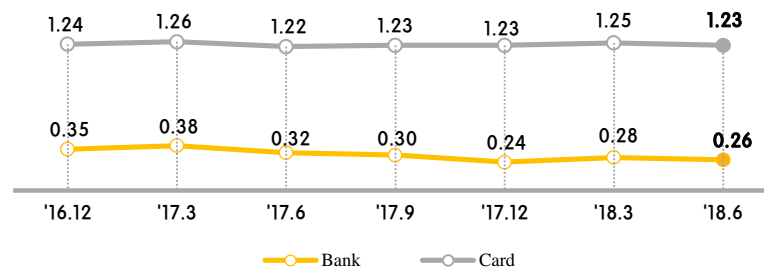
Card Asset Quality

bn won, %	2018.6	2018.3	QoQ	2017.12	YTD
Total Loans for NPL Classification	17,744.8	17,158.6	3.4	16,534.8	7.3
Precautionary	759.2	723.9	4.9	733.8	3.5
Substandard	3.3	2.6	27.6	3.0	10.6
Doubtful	199.6	197.0	1.3	187.4	6.5
Estimated Loss	45.3	40.2	12.6	41.0	10.4
NPL Ratio	1.40%	1.40%	-	1.40%	-
NPL Coverage Ratio	289.8%	292.9%	-3.1%p	204.3%	85.5%p

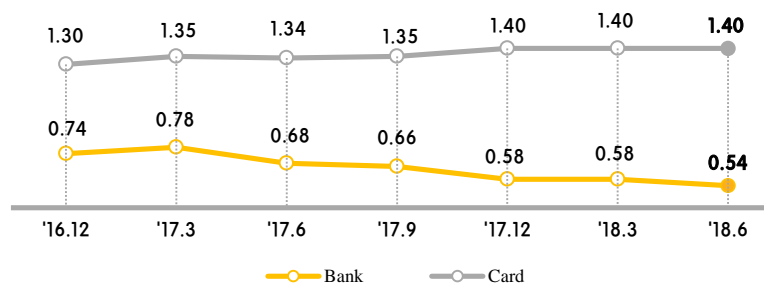
Provision for Loan Losses

bn won, %	1H18	1H17	YoY	2Q18	1Q18	QoQ
Bank	14.6	99.3	-85.3	-33.3	47.9	N.A.
Household	84.5	40.9	106.6	51.4	33.1	55.3
Corporate	-69.9	58.4	N.A.	-84.7	14.8	N.A.
Card	203.6	164.0	24.1	98.1	105.5	-7.0

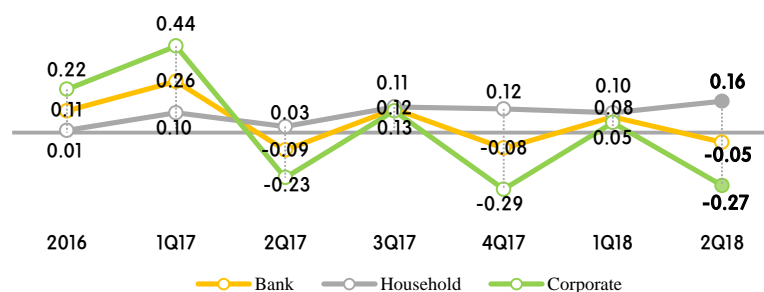
Delinquency Ratio (%)



NPL Ratio (%)



Bank Credit Cost Ratio (%)



IV. Appendix – Overview of Group Subsidiaries¹⁾ (1H18)

bn won	Ownership	Total Assets	Shareholders' Equity	Profit for the Period	ROA ²⁾	ROE ²⁾
KB Kookmin Bank	100.0%	348,691.4	25,878.2	1,353.3	0.80%	10.62%
KB Securities	100.0%	42,037.1	4,442.2	152.8	0.77%	6.94%
KB Insurance	100.0%	33,375.3	3,321.9	188.1	1.14%	11.57%
KB Kookmin Card	100.0%	18,495.3	3,855.9	168.6	1.87%	8.68%
KB Life Insurance	100.0%	9,121.2	514.5	10.8	0.24%	4.13%
KB Asset Management	100.0%	219.7	126.2	19.5	19.10%	29.21%
KB Capital	100.0%	9,210.5	961.6	67.2	1.51%	14.30%
KB Savings Bank	100.0%	1,281.2	195.0	4.0	0.66%	4.08%
KB Real Estate Trust	100.0%	255.9	209.0	20.3	16.03%	19.91%
KB Investment	100.0%	394.9	141.2	1.9	1.02%	2.73%
KB Credit Information	100.0%	27.3	14.8	-0.4	N/A	N/A
KB Data Systems	100.0%	35.7	14.8	0.2	1.10%	2.71%

Note1) Based on each subsidiary's financial statements for group reporting 2) Annualized

IV. Appendix – Condensed Income Statement by Subsidiaries ^{1) 2)}

bn won	1H18 Group	1H18							
		KB Kookmin Bank	KB Securities	KB Insurance	KB Kookmin Card	KB Life Insurance	KB Asset Management	KB Capital	Others ³⁾
Net Interest Income	4,340.2	2,967.5	256.1	301.1	571.5	93.9	0.6	153.1	-3.6
Net Fee & Commission Income	1,224.7	656.8	363.7	-71.1	117.5	-6.5	54.1	68.8	41.4
Other Operating Profit	11.3	-232.7	-55.2	438.6	-23.8	-40.9	-0.6	-49.2	-24.9
Gross Operating Income	5,576.2	3,391.6	564.6	668.6	665.2	46.5	54.1	172.7	12.9
G&A Expenses	2,743.7	1,680.9	357.6	401.2	206.2	31.6	27.1	43.7	-4.6
Provision for Credit Losses	281.3	-1.4	0.3	10.5	209.0	-0.3	0.0	40.8	22.4
Net Operating Profit	2,551.2	1,712.1	206.7	256.9	250.0	15.2	27.0	88.2	-4.9
Net Non-Operating Profit	95.4	128.3	3.4	8.2	-19.6	-0.1	-1.3	2.0	-25.5
Profit for the Period	1,915.2	1,353.3	152.8	188.2	168.6	10.8	19.5	67.5	-45.5
Profit attributable to controlling interests	1,915.0	1,353.3	152.8	188.1	168.6	10.8	19.5	67.2	-45.3

bn won	1H17 Group	1H17							
		KB Kookmin Bank	KB Securities	KB Insurance ⁴⁾	KB Kookmin Card	KB Life Insurance	KB Asset Management	KB Capital	Others ³⁾
Net Interest Income	3,917.2	2,664.4	300.5	151.6	529.9	107.7	0.9	143.8	18.4
Net Fee & Commission Income	1,030.8	600.9	270.8	-31.2	80.7	-1.9	54.3	39.9	17.3
Other Operating Profit	-147.7	-206.2	-33.4	281.5	-50.4	-44.3	0.1	-32.7	-62.3
Gross Operating Income	4,800.3	3,059.1	537.9	401.9	560.2	61.5	55.3	151.0	-26.6
G&A Expenses	2,489.6	1,645.0	345.2	188.7	194.4	36.0	25.6	49.5	5.2
Provision for Credit Losses	307.7	92.6	20.3	4.7	165.6	-0.4	0.3	21.9	2.7
Net Operating Profit	2,003.0	1,321.5	172.4	208.5	200.2	25.9	29.4	79.6	-34.5
Net Non-Operating Profit	209.3	49.6	2.8	5.0	-4.7	0.0	-0.1	1.3	155.4
Profit for the Period	1,892.4	1,209.2	129.7	161.8	153.5	20.6	22.7	62.7	132.2
Profit attributable to controlling interests	1,860.2	1,209.2	129.7	161.7	153.5	20.6	22.7	62.9	99.9

Note 1) The financial results for 2018 are based on K-IFRS9

2) The financial results for 2017 have been restated in accordance with interest income reclassification in 2018 (Please see Disclaimer 3. on page 1)

3) Including financial results of the holding company, the other subsidiaries and adjustment for consolidation

4) Consolidated since 2Q17