

# ***KB Financial Group Inc.***

Interim Consolidated Financial Statements  
March 31, 2017 and 2016



**KB Financial Group Inc. and Subsidiaries**  
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**March 31, 2017 and 2016**

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**Report on Review of Interim Financial Statements**  
(English Translation of a Report Originally Issued in Korean)

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

***Reviewed Financial Statements***

We have reviewed the accompanying interim consolidated financial statements of KB Financial Group Inc. and its subsidiaries (the “Group”). These financial statements consist of interim consolidated statement of financial position of the Group as of March 31, 2017, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) 1034, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

**Other Matters**

We have audited the consolidated statement of financial position of the Group as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated March 14, 2017. These financial statements are not included in this review report. The statement of financial position as of December 31, 2016, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as of December 31, 2016.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.

/s/ Samil PricewaterhouseCoopers  
Seoul, Korea  
May 12, 2017

This report is effective as of May 12, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**KB Financial Group Inc. and Subsidiaries**  
**Interim Consolidated Statements of Financial Position**  
**March 31, 2017 (Unaudited) and December 31, 2016**

(in millions of Korean won)

	Notes	March 31, 2017	December 31, 2016
<b>Assets</b>			
Cash and due from financial institutions	4,6,7,37	₩ 18,934,003	₩ 17,884,863
Financial assets at fair value through profit or loss	4,6,11	28,185,566	27,858,364
Derivative financial assets	4,6,8	2,486,555	3,381,935
Loans	4,6,9,10	267,515,181	265,486,134
Financial investments	4,6,11	45,103,344	45,147,797
Investments in associates	12	1,802,512	1,770,673
Property and equipment	13	3,561,443	3,627,268
Investment property	13	721,832	755,011
Intangible assets	14	653,215	652,316
Current income tax assets		96,620	65,738
Deferred income tax assets	15,32	27,404	133,624
Assets held for sale	16	87,777	52,148
Other assets	4,6,17	11,714,025	8,857,785
<b>Total assets</b>		<u>₩ 380,889,477</u>	<u>₩ 375,673,656</u>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	4,6,18	₩ 11,409,667	₩ 12,122,836
Derivative financial liabilities	4,6,8	2,639,201	3,807,128
Deposits	4,6,19	242,016,681	239,729,695
Debts	4,6,20	26,367,660	26,251,486
Debentures	4,6,21	35,292,250	34,992,057
Provisions	22	519,787	537,717
Net defined benefit liabilities	23	132,275	96,299
Current income tax liabilities		445,898	441,812
Deferred income tax liabilities	15,32	28,516	103,482
Other liabilities	4,6,24	30,435,225	26,329,741
<b>Total liabilities</b>		<u>349,287,160</u>	<u>344,412,253</u>
<b>Equity</b>			
Share capital	25	2,090,558	2,090,558
Capital surplus	25	16,995,548	16,994,902
Accumulated other comprehensive income	25,34	438,523	405,329
Retained earnings	25	12,601,361	12,229,228
Treasury shares	25	(801,201)	(721,973)
<b>Equity attributable to shareholders of the parent company</b>		<u>31,324,789</u>	<u>30,998,044</u>
<b>Non-controlling interests</b>		<u>277,528</u>	<u>263,359</u>
<b>Total equity</b>		<u>31,602,317</u>	<u>31,261,403</u>
<b>Total liabilities and equity</b>		<u>₩ 380,889,477</u>	<u>₩ 375,673,656</u>

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

**KB Financial Group Inc. and Subsidiaries**  
**Interim Consolidated Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2017 and 2016 (Unaudited)**

<i>(In millions of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Interest income		₩ 2,603,810	₩ 2,466,332
Interest expense		<u>(877,457)</u>	<u>(960,048)</u>
<b>Net interest income</b>	5,26	<u>1,726,353</u>	<u>1,506,284</u>
Fee and commission income		939,078	719,560
Fee and commission expense		<u>(418,440)</u>	<u>(351,403)</u>
<b>Net fee and commission income</b>	5,27	<u>520,638</u>	<u>368,157</u>
<b>Net gains on financial assets/liabilities at fair value through profit or loss</b>	5,28	<u>241,286</u>	<u>38,229</u>
<b>Net other operating expenses</b>	5,29	<u>(179,322)</u>	<u>(71,987)</u>
General and administrative expenses	5,30	<u>(1,167,221)</u>	<u>(1,053,808)</u>
<b>Operating profit before provision for credit losses</b>	5	1,141,734	786,875
Provision for credit losses	5,10,17,22	<u>(254,894)</u>	<u>(118,968)</u>
<b>Net operating income</b>	5	<u>886,840</u>	<u>667,907</u>
Share of profit of associates	5,12	52,450	37,738
Net other non-operating income	5,31	<u>25,968</u>	<u>14,162</u>
<b>Net non-operating income</b>		<u>78,418</u>	<u>51,900</u>
<b>Profit before income tax</b>	5	965,258	719,807
Income tax expense	5,32	<u>(77,669)</u>	<u>(165,573)</u>
<b>Profit for the period</b>	5	<u>887,589</u>	<u>554,234</u>
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	23	(3,463)	(2,355)
Share of other comprehensive income of associates		<u>(281)</u>	<u>(135)</u>
		<u>(3,744)</u>	<u>(2,490)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(60,954)	(9,174)
Valuation gains(losses) on financial investments		65,567	137,935
Shares of other comprehensive income of associates		23,304	39,592
Cash flow hedges		1,267	(505)
Losses on hedges of a net investment in a foreign operation		<u>7,251</u>	<u>6,941</u>
		<u>36,435</u>	<u>174,789</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>32,691</u>	<u>172,299</u>
<b>Total comprehensive income for the period</b>		<u>₩ 920,280</u>	<u>₩ 726,533</u>
<b>Profit attributable to:</b>			
Shareholders of the parent company	5	₩ 870,101	₩ 545,004
Non-controlling interests	5	<u>17,488</u>	<u>9,230</u>
	5	<u>₩ 887,589</u>	<u>₩ 554,234</u>
<b>Total comprehensive income for the period attributable to:</b>			
Shareholders of the parent company		₩ 903,295	₩ 717,213
Non-controlling interests		<u>16,985</u>	<u>9,320</u>
		<u>₩ 920,280</u>	<u>₩ 726,533</u>
<b>Earnings per share</b>	35		
Basic earnings per share		₩ 2,192	₩ 1,415
Diluted earnings per share		2,180	1,409

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

**KB Financial Group Inc. and Subsidiaries**  
**Interim Consolidated Statements of Changes in Equity**  
**Three-Month Periods Ended March 31, 2017 and 2016 (Unaudited)**

(in millions of Korean won)

	Equity attributable to shareholders of the parent company							Total Equity
	Share Capital	Capital Surplus	Comprehensive Income	Other Income	Retained Earnings	Treasury Shares	Non-controlling Interests	
<b>Balance at January 1, 2016</b>	₩ 1,931,758	₩ 15,854,510	₩ 430,244	₩ 10,464,109	₩ -	₩ -	₩ 222,101	₩ 28,902,722
<b>Comprehensive income</b>	-	-	-	545,004	-	-	9,230	554,234
Profit for the period	-	-	(2,329)	-	-	-	(26)	(2,355)
Remeasurements of net defined benefit liabilities	-	-	(9,174)	-	-	-	-	(9,174)
Exchange differences on translating foreign operations	-	-	137,874	-	-	-	61	137,935
Change in value of financial investments	-	-	39,457	-	-	-	-	39,457
Shares of other comprehensive income of associates	-	-	(560)	-	-	-	55	(505)
Cash flow hedges	-	-	6,941	-	-	-	-	6,941
Losses on hedges of a net investment in a foreign operation	-	-	172,209	-	-	-	9,320	726,533
<b>Total comprehensive income</b>	-	-	172,209	545,004	-	-	9,320	726,533
<b>Transactions with shareholders</b>	-	-	-	(378,625)	-	-	(5,156)	(383,781)
Dividends paid to shareholders of the parent company	-	-	-	-	-	(127,541)	-	(127,541)
Acquisition of treasury shares	-	-	-	(378,625)	-	(127,541)	(5,156)	(511,322)
<b>Total transactions with shareholders</b>	-	-	-	(378,625)	-	(127,541)	(5,156)	(511,322)
<b>Balance at March 31, 2016</b>	₩ 1,931,758	₩ 15,854,510	₩ 602,453	₩ 10,630,488	₩ -	₩ (127,541)	₩ 226,265	₩ 28,117,933
<b>Balance at January 1, 2017</b>	₩ 2,090,558	₩ 16,994,902	₩ 405,329	₩ 12,229,228	₩ -	₩ (721,973)	₩ 263,359	₩ 31,261,403
<b>Comprehensive income</b>	-	-	-	870,101	-	-	17,488	887,589
Profit for the period	-	-	(3,420)	-	-	-	(43)	(3,463)
Remeasurements of net defined benefit liabilities	-	-	(60,711)	-	-	-	(243)	(60,954)
Exchange differences on translating foreign operations	-	-	65,784	-	-	-	(217)	65,567
Change in value of financial investments	-	-	23,023	-	-	-	-	23,023
Shares of other comprehensive income of associates	-	-	1,267	-	-	-	-	1,267
Cash flow hedges	-	-	7,251	-	-	-	-	7,251
Losses on hedges of a net investment in a foreign operation	-	-	33,194	-	-	-	16,985	920,280
<b>Total comprehensive income</b>	-	-	33,194	870,101	-	-	16,985	920,280
<b>Transactions with shareholders</b>	-	-	-	(497,968)	-	-	(5,156)	(503,124)
Dividends paid to shareholders of the parent company	-	-	-	-	-	(79,228)	-	(78,662)
Acquisition of treasury shares	-	566	-	-	-	-	-	2,420
Others	-	80	-	-	-	(79,228)	2,340	2,420
<b>Total transactions with shareholders</b>	-	646	-	(497,968)	-	(79,228)	(2,816)	(579,366)
<b>Balance at March 31, 2017</b>	₩ 2,090,558	₩ 16,995,548	₩ 438,523	₩ 12,601,361	₩ -	₩ (801,201)	₩ 277,528	₩ 31,602,317

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

**KB Financial Group Inc. and Subsidiaries**  
**Interim Consolidated Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2017 and 2016 (Unaudited)**

(in millions of Korean won)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Profit for the period	₩	887,589	₩ 554,234
Adjustment for non-cash items			
Net gain on financial assets/liabilities at fair value through profit or loss		(130,297)	(53,183)
Net gain on derivative financial instruments for hedging purposes		(24,443)	(31,566)
Adjustment of fair value of derivative financial instruments		(377)	119
Provision for credit loss		254,894	118,968
Net loss(gain) on financial investments		12,026	(56,874)
Share of profit of associates		(52,450)	(37,738)
Depreciation and amortization expense		74,455	59,279
Other net losses on property and equipment/intangible assets		2,245	3,065
Share-based payments		14,766	3,060
Policy reserve appropriation		(2,751)	164,292
Post-employment benefits		47,219	47,990
Net interest expense		235,563	58,172
Loss on foreign currency translation		129,769	45,118
Net other expense		58,595	38,977
		<u>619,214</u>	<u>359,679</u>
Changes in operating assets and liabilities			
Financial asset at fair value through profit or loss		(40,176)	(362,231)
Derivative financial instruments		103,279	7,172
Loans		(2,711,977)	(3,329,367)
Current income tax assets		(30,882)	4,562
Deferred income tax assets		102,556	426
Other assets		(5,089,363)	(4,983,996)
Financial liabilities at fair value through profit or loss		(969,544)	703,502
Deposits		2,293,080	2,584,485
Deferred income tax liabilities		(58,851)	(100,716)
Other liabilities		3,712,973	4,191,171
		<u>(2,688,905)</u>	<u>(1,284,992)</u>
<b>Net cash outflow from operating activities</b>		<u>(1,182,102)</u>	<u>(371,079)</u>
<b>Cash flows from investing activities</b>			
Disposal of financial investments		6,371,310	8,464,929
Acquisition of financial investments		(6,524,417)	(7,146,029)
Disposal of investments in associates		58,079	42,808
Acquisition of investments in associates		(30,412)	(10,479)
Disposal of property and equipment		26	275
Acquisition of property and equipment		(29,223)	(45,424)
Acquisition of investment property		-	(43)
Disposal of intangible assets		1,892	3,026
Acquisition of intangible assets		(21,769)	(17,671)
Net cash flows from the change in subsidiaries		(148,768)	-
Others		21,396	1,790,091
<b>Net cash inflow(outflow) from investing activities</b>		<u>(301,886)</u>	<u>3,081,483</u>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instruments for hedging purposes		39,744	12,227
Net increase(decrease) in debts		112,687	(1,628,939)
Increase in debentures		27,729,936	20,702,745
Decrease in debentures		(27,174,064)	(21,383,964)
Increase(decrease) in other payables from trust accounts		(178,872)	52,454
Acquisition of treasury shares		(82,177)	(121,157)
Disposal of treasury shares		3,596	-
Dividends paid to non-controlling interests		(5,156)	-
Others		11,306	240,379
<b>Net cash inflow(outflow) from financing activities</b>		<u>457,000</u>	<u>(2,126,255)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<u>(48,371)</u>	<u>11,236</u>
<b>Net increase(decrease) in cash and cash equivalents</b>		<u>(1,075,359)</u>	<u>595,385</u>
<b>Cash and cash equivalents at the beginning of the period</b>	37	<u>7,414,836</u>	<u>7,457,919</u>
<b>Cash and cash equivalents at the end of the period</b>	37	<u>₩ 6,339,477</u>	<u>₩ 8,053,304</u>

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



# **KB Financial Group Inc. and Subsidiaries**

## **Notes to Interim Consolidated Financial Statements**

### **March 31, 2017 and 2016 (Unaudited), and December 31, 2016**

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#### **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.

The Parent Company's share capital as of March 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 ("Hangeul") in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

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

The Group's interim consolidated financial statements as of and for the three-month period ended March 31, 2017, have been prepared in accordance with Korean IFRS 1034, *Interim Financial*

## **KB Financial Group Inc. and Subsidiaries**

### **Notes to Interim Consolidated Financial Statements**

#### **March 31, 2017 and 2016 (Unaudited), and December 31, 2016**

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*Reporting.* These interim consolidated financial statements have been prepared in accordance with the Korean IFRS which is effective or early adopted as of March 31, 2017.

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 clarifies that the disclosure requirements in Korean IFRS 1112 apply to an entity's interests in other entities when those interests are classified as held for sale or discontinued operations in accordance with Korean IFRS 1105 *Non-current Assets Held for Sale or Discontinued Operations*.

Certain new accounting standards and interpretations that have been published that are not mandatory for March 31, 2017 reporting periods and have not been early adopted by the Group are set out below.

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

Amendments to Korean IFRS 1028 clarifies that a venture capital organization or a mutual fund, and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. The Group will retroactively apply the amendments for annual periods beginning on or after January 1, 2018 with early application permitted. Since the Group is not a venture capital organization or a similar entity, the Group is not exempt from applying the equity method and thus the Group does not expect the amendments to have a significant impact on the consolidated financial statements.

- 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. And also, clarifies 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 Group will apply the amendments for annual periods beginning on or after January 1, 2018 with early application

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permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

- Enactments of Korean IFRIC 2122, *Foreign Currency Transactions and Advance Consideration*

According to the enacted interpretation, 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 prepayment or receipt of advance consideration. In case there are multiple payments or receipts in advance, the entity should determine a date of the transaction for each payment or receipt of advance consideration. The Group will apply the enactments for annual periods beginning on or after January 1, 2018 with early application permitted. The Group does not expect the enactment 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, the 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 is analyzing the financial impacts of Korean IFRS 1109 on its consolidated financial statements.

<b>Stage</b>	<b>Period</b>	<b>Process</b>
1	From Oct. to Dec. 2015 (for 3 months)	Analysis of GAAP differences and development of methodology

**KB Financial Group Inc. and Subsidiaries**  
**Notes to Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016 (Unaudited), and December 31, 2016**

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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

Meanwhile, the following areas are likely to be affected in general.

(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. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

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

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

<sup>2</sup> 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.

(b) Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires the amount of the change in the liability's fair value attributable to changes in the credit risk to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in

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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.

(c) Impairment: Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected credit loss impairment model' which replaces the incurred loss model under Korean IFRS 1039 that impaired asset if there is objective evidence and applies to:

- Financial assets measured at amortized cost,
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed 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.

	<b>Stage</b>	<b>Loss allowance</b>
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	Objective evidence of impairment	

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 with any changes recognized in profit or loss.

(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.

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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.

- 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 with early application permitted. The Group is analyzing financial impacts of Korean IFRS 1115 on its consolidated financial statements.

## **2.2 Measurement Basis**

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

## **2.3 Functional and Presentation Currency**

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

## **2.4 Critical Accounting Estimates**

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

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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.

The significant accounting estimates and assumptions are consistently applied to all periods presented, except for the assumptions for income tax expense.

### **3. Significant Accounting Policies**

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

#### **3.1 Income Tax Expenses for the Interim Period**

Income tax expense for the interim period is measured by expected average annual income tax rate applicable on expected total annual income.

### **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 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 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.



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*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 internal 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 internal capital on assets that are subject to credit risk management whether on- or off-balance sheet items and uses expected losses and internal capital as a management indicator. The Group manages credit risk by allocating credit risk internal 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 internal 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 March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Financial assets</b>		
Due from financial institutions	₩ 16,430,380	₩ 15,326,173
Financial assets at fair value through profit or loss		
Financial assets held for trading <sup>1</sup>	22,996,457	23,058,919



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Financial assets designated at fair value through profit or loss	1,657,841	1,693,255
Derivatives	2,486,555	3,381,935
Loans <sup>2</sup>	267,515,181	265,486,134
Financial investments		
Available-for-sale financial assets	27,822,784	27,445,752
Held-to-maturity financial assets	10,552,295	11,177,504
Other financial assets <sup>2</sup>	10,111,109	7,322,335
	<u>359,572,602</u>	<u>354,892,007</u>
Off-balance sheet items		
Acceptances and guarantees contracts	6,783,658	7,822,124
Financial guarantee contracts	4,380,386	4,746,292
Commitments	96,368,462	97,005,556
	<u>107,532,506</u>	<u>109,573,972</u>
	<u>₩ 467,105,108</u>	<u>₩ 464,465,979</u>

<sup>1</sup> Financial instruments indexed to the price of gold amounting to ₩ 78,230 million and ₩ 72,349 million as of March 31, 2017 and December 31, 2016, respectively, are included.

<sup>2</sup> 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 March 31, 2017 and December 31, 2016, are classified as follows:

(In millions of Korean won)

Loans	March 31, 2017							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 132,470,553	98.71	₩ 119,715,501	98.45	₩ 13,533,821	96.24	₩ 265,719,875	98.46
Past due but not impaired	1,170,286	0.87	215,103	0.18	209,352	1.49	1,594,741	0.59
Impaired	560,059	0.42	1,671,888	1.37	319,762	2.27	2,551,709	0.95
	<u>134,200,898</u>	<u>100.00</u>	<u>121,602,492</u>	<u>100.00</u>	<u>14,062,935</u>	<u>100.00</u>	<u>269,866,325</u>	<u>100.00</u>
<b>Less:</b>								
<b>Allowances<sup>1</sup></b>	<u>(467,036)</u>	<u>0.35</u>	<u>(1,450,623)</u>	<u>1.19</u>	<u>(433,485)</u>	<u>3.08</u>	<u>(2,351,144)</u>	<u>0.87</u>
<b>Carrying amount</b>	<u>₩ 133,733,862</u>		<u>₩ 120,151,869</u>		<u>₩ 13,629,450</u>		<u>₩ 267,515,181</u>	

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Loans	December 31, 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
	<u>135,028,333</u>	<u>100.00</u>	<u>119,205,314</u>	<u>100.00</u>	<u>13,530,243</u>	<u>100.00</u>	<u>267,763,890</u>	<u>100.00</u>
<b>Less:</b>								
<b>Allowances<sup>1</sup></b>	(481,289)	0.36	(1,382,172)	1.16	(414,295)	3.06	(2,277,756)	0.85
<b>Carrying amount</b>	<u>₩ 134,547,044</u>		<u>₩ 117,823,142</u>		<u>₩ 13,115,948</u>		<u>₩ 265,486,134</u>	

<sup>1</sup> 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)

	March 31, 2017			
	Retail	Corporate	Credit card	Total
Grade 1	₩ 112,529,998	₩ 60,747,706	₩ 7,047,050	₩ 180,324,754
Grade 2	16,245,996	49,209,412	4,993,971	70,449,379
Grade 3	2,688,925	7,115,043	1,205,917	11,009,885
Grade 4	782,928	2,049,491	260,905	3,093,324
Grade 5	222,706	593,849	25,978	842,533
	<u>₩ 132,470,553</u>	<u>₩ 119,715,501</u>	<u>₩ 13,533,821</u>	<u>₩ 265,719,875</u>

(In millions of Korean won)

	December 31, 2016			
	Retail	Corporate	Credit card	Total
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
	<u>₩ 133,491,252</u>	<u>₩ 117,346,453</u>	<u>₩ 13,001,473</u>	<u>₩ 263,839,178</u>

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

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

(In millions of Korean won)

<b>March 31, 2017</b>					
	<b>1 ~ 29 days</b>	<b>30 ~ 59 days</b>	<b>60 ~ 89 days</b>	<b>90 days or more</b>	<b>Total</b>
Retail	₩ 1,014,333	₩ 112,883	₩ 40,866	₩ 2,204	₩ 1,170,286
Corporate	174,852	27,732	12,519	-	215,103
Credit card	156,515	35,398	17,439	-	209,352
	<u>₩ 1,345,700</u>	<u>₩ 176,013</u>	<u>₩ 70,824</u>	<u>₩ 2,204</u>	<u>₩ 1,594,741</u>

(In millions of Korean won)

<b>December 31, 2016</b>					
	<b>1 ~ 29 days</b>	<b>30 ~ 59 days</b>	<b>60 ~ 89 days</b>	<b>90 days or more</b>	<b>Total</b>
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
	<u>₩ 1,093,084</u>	<u>₩ 195,633</u>	<u>₩ 99,521</u>	<u>₩ 2,254</u>	<u>₩ 1,390,492</u>

Impaired loans are as follows:

(In millions of Korean won)

<b>March 31, 2017</b>				
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans	₩ 560,059	₩ 1,671,888	₩ 319,762	₩ 2,551,709
Allowances under				
Individual assessment	(476)	(874,043)	-	(874,519)
Collective assessment	(203,170)	(131,923)	(194,136)	(529,229)
	<u>(203,646)</u>	<u>(1,005,966)</u>	<u>(194,136)</u>	<u>(1,403,748)</u>
	<u>₩ 356,413</u>	<u>₩ 665,922</u>	<u>₩ 125,626</u>	<u>₩ 1,147,961</u>

(In millions of Korean won)

<b>December 31, 2016</b>				
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
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)
	<u>(217,538)</u>	<u>(994,336)</u>	<u>(183,211)</u>	<u>(1,395,085)</u>
	<u>₩ 358,173</u>	<u>₩ 662,051</u>	<u>₩ 118,911</u>	<u>₩ 1,139,135</u>

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

(In millions of Korean won)

	March 31, 2017				
	Impaired Loans		Non-impaired Loans		Total
	Individual	Collective	Past due	Not past due	
Guarantees	₩ 20,580	₩ 146,254	₩ 239,895	₩ 54,517,103	₩ 54,923,832
Deposits and savings	11,370	5,427	45,615	2,043,911	2,106,323
Property and equipment	7,139	25,135	28,688	5,892,891	5,953,853
Real estate	263,894	360,222	789,248	137,284,950	138,698,314
	<u>₩ 302,983</u>	<u>₩ 537,038</u>	<u>₩ 1,103,446</u>	<u>₩ 199,738,855</u>	<u>₩ 201,682,322</u>

(In millions of Korean won)

	December 31, 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
	<u>₩ 301,440</u>	<u>₩ 504,704</u>	<u>₩ 877,557</u>	<u>₩ 197,753,737</u>	<u>₩ 199,437,438</u>

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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	March 31, 2017	December 31, 2016
Securities that are neither past due nor impaired <sup>1</sup>	₩ 62,946,371	₩ 63,298,248
Impaired securities <sup>1</sup>	4,776	4,833
	<u>₩ 62,951,147</u>	<u>₩ 63,303,081</u>

<sup>1</sup> Including debt instruments designated at fair value through profit or loss

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

(In millions of Korean won)

	March 31, 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	₩ 20,519,156	₩ 2,288,659	₩ 15,711	₩ 16,996	₩ 77,705	₩ 22,918,227
Financial assets designated at fair value through profit or loss	1,657,838	3	-	-	-	1,657,841
Available-for-sale financial assets	26,504,952	1,276,649	36,407	-	-	27,818,008
Held-to-maturity financial assets	10,552,295	-	-	-	-	10,552,295
	<u>₩ 59,234,241</u>	<u>₩ 3,565,311</u>	<u>₩ 52,118</u>	<u>₩ 16,996</u>	<u>₩ 77,705</u>	<u>₩ 62,946,371</u>

(In millions of Korean won)

	December 31, 2016					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
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
	<u>₩ 58,924,159</u>	<u>₩ 4,183,745</u>	<u>₩ 102,287</u>	<u>₩ 18,397</u>	<u>₩ 69,660</u>	<u>₩ 63,298,248</u>

The credit qualities of securities, excluding equity securities, according to the credit ratings by external rating agencies are as follows:

Credit quality	Domestic				Foreign		
	KAP	KIS	NICE P&I	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

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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 Concentration Analysis

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

(In millions of Korean won)

March 31, 2017							
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩134,127,213	₩118,658,085	₩ 14,059,439	₩ 266,844,737	98.88	₩ (2,312,097)	₩ 264,532,640
Europe	-	187,489	327	187,816	0.07	(1,473)	186,343
China	-	1,357,723	1,469	1,359,192	0.50	(22,319)	1,336,873
Japan	898	98,749	210	99,857	0.04	(9,358)	90,499
United States	-	996,989	780	997,769	0.37	(1,825)	995,944
Others	72,787	303,457	710	376,954	0.14	(4,072)	372,882
	<u>₩134,200,898</u>	<u>₩121,602,492</u>	<u>₩ 14,062,935</u>	<u>₩ 269,866,325</u>	<u>100.00</u>	<u>₩ (2,351,144)</u>	<u>₩ 267,515,181</u>

(In millions of Korean won)

December 31, 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
	<u>₩135,028,333</u>	<u>₩119,205,314</u>	<u>₩13,530,243</u>	<u>₩267,763,890</u>	<u>100.00</u>	<u>₩ (2,277,756)</u>	<u>₩ 265,486,134</u>

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

(In millions of Korean won)

March 31, 2017				
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 10,418,810	8.57	₩ (20,059)	₩ 10,398,751
Manufacturing	37,255,158	30.64	(623,040)	36,632,118
Service	50,081,057	41.18	(306,873)	49,774,184
Wholesale & Retail	14,418,092	11.86	(123,332)	14,294,760
Construction	3,229,436	2.66	(288,241)	2,941,195
Public sector	854,180	0.70	(5,915)	848,265
Others	5,345,759	4.39	(83,163)	5,262,596
	<u>₩ 121,602,492</u>	<u>100.00</u>	<u>₩ (1,450,623)</u>	<u>₩ 120,151,869</u>

**KB Financial Group Inc. and Subsidiaries**  
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(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
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
	<u>₩ 119,205,314</u>	<u>100.00</u>	<u>₩ (1,382,172)</u>	<u>₩ 117,823,142</u>

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

(In millions of Korean won)

	<b>March 31, 2017</b>			
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing	₩ 58,525,388	39.47	₩ (22,189)	₩ 58,503,199
General	75,675,510	51.04	(444,847)	75,230,663
Credit card	14,062,935	9.49	(433,485)	13,629,450
	<u>₩ 148,263,833</u>	<u>100.00</u>	<u>₩ (900,521)</u>	<u>₩ 147,363,312</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
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
	<u>₩ 148,558,576</u>	<u>100.00</u>	<u>₩ (895,584)</u>	<u>₩ 147,662,992</u>

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

(In millions of Korean won)

	<b>March 31, 2017</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 7,735,055	33.75
Banking and insurance	11,254,277	49.11
Others	3,928,895	17.14
	<u>22,918,227</u>	<u>100.00</u>
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and insurance and others	1,657,841	100.00
	<u>1,657,841</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
Government and government funded institutions	6,649	0.27
Banking and insurance	2,339,165	94.07
Others	140,741	5.66
	<u>2,486,555</u>	<u>100.00</u>

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<b>Available-for-sale financial assets</b>		
Government and government funded institutions	11,685,214	42.00
Banking and insurance	13,478,316	48.44
Others	2,659,254	9.56
	<u>27,822,784</u>	<u>100.00</u>
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	5,012,427	47.50
Banking and insurance	5,228,030	49.54
Others	311,838	2.96
	<u>10,552,295</u>	<u>100.00</u>
	<u>₩ 65,437,702</u>	

(In millions of Korean won)

	<b>December 31, 2016</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
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>
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and insurance and others	1,693,255	100.00
	<u>1,693,255</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
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>
<b>Available-for-sale financial assets</b>		
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>
<b>Held-to-maturity financial assets</b>		
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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
Korea	₩ 22,036,985	96.15
United States	95,441	0.42
Others	785,801	3.43
	<u>22,918,227</u>	<u>100.00</u>



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<b>Financial assets designated at fair value through profit or loss</b>		
Korea	1,008,735	60.85
United States	119,113	7.18
Others	529,993	31.97
	<u>1,657,841</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
Korea	1,114,278	44.81
United States	310,613	12.49
Others	1,061,664	42.70
	<u>2,486,555</u>	<u>100.00</u>
<b>Available-for-sale financial assets</b>		
Korea	27,178,320	97.68
United States	79,734	0.29
Others	564,730	2.03
	<u>27,822,784</u>	<u>100.00</u>
<b>Held-to-maturity financial assets</b>		
Korea	9,478,262	89.82
United States	178,576	1.69
Others	895,457	8.49
	<u>10,552,295</u>	<u>100.00</u>
	<u>₩ 65,437,702</u>	

(In millions of Korean won)

	<b>December 31, 2016</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
Korea	₩ 22,359,665	97.27
United States	141,022	0.61
Others	485,883	2.12
	<u>22,986,570</u>	<u>100.00</u>
<b>Financial assets designated at fair value through profit or loss</b>		
Korea	1,232,226	72.77
United States	72,837	4.30
Others	388,192	22.93
	<u>1,693,255</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
Korea	2,323,198	68.69
United States	291,160	8.61
Others	767,577	22.70
	<u>3,381,935</u>	<u>100.00</u>
<b>Available-for-sale financial assets</b>		
Korea	26,855,024	97.85
United States	141,473	0.52
Others	449,255	1.63
	<u>27,445,752</u>	<u>100.00</u>
<b>Held-to-maturity financial assets</b>		
Korea	10,029,429	89.73
United States	193,360	1.73

**KB Financial Group Inc. and Subsidiaries**  
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Others	954,715	8.54
	<u>11,177,504</u>	<u>100.00</u>
	<u>₩ 66,685,016</u>	

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 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.

**KB Financial Group Inc. and Subsidiaries**  
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The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	March 31, 2017						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and due from financial institutions <sup>1</sup>	₩ 5,186,345	₩ 1,310,710	₩ 314,089	₩ 674,429	₩ 159,427	₩ 8,599	₩ 7,653,599
Financial assets held for trading <sup>2</sup>	26,415,481	-	-	-	-	-	26,415,481
Financial assets designated at fair value through profit or loss <sup>2</sup>	1,770,085	-	-	-	-	-	1,770,085
Derivatives held for trading <sup>2</sup>	2,402,512	-	-	-	-	-	2,402,512
Derivatives held for fair value hedging <sup>3</sup>	1,413	(1,481)	5,245	11,110	(5,630)	52,962	63,619
Loans	59,431	25,669,358	33,080,772	84,375,695	74,667,563	89,227,395	307,080,214
Available-for-sale financial assets <sup>4</sup>	6,618,494	782,876	1,992,238	5,444,223	18,462,176	3,572,864	36,872,871
Held-to-maturity financial assets	-	167,212	364,189	1,242,962	6,318,343	4,337,324	12,430,030
Other financial assets	198,660	7,959,446	39,094	1,193,509	64,452	16,811	9,471,972
	<u>₩42,652,421</u>	<u>₩35,888,121</u>	<u>₩35,795,627</u>	<u>₩92,941,928</u>	<u>₩99,666,331</u>	<u>₩97,215,955</u>	<u>₩404,160,383</u>

(In millions of Korean won)

	March 31, 2017						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Financial liabilities held for trading <sup>2</sup>	₩ 1,162,383	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,162,383
Financial liabilities designated at fair value through profit or loss <sup>2</sup>	10,247,284	-	-	-	-	-	10,247,284
Derivatives held for trading <sup>2</sup>	2,554,047	-	-	-	-	-	2,554,047
Derivatives held for fair value hedging <sup>3</sup>	1,659	(5,123)	(110)	(8,264)	(31,095)	271	(42,662)
Deposits <sup>5</sup>	118,146,828	11,397,189	20,750,038	80,513,579	10,771,660	3,934,181	245,513,475
Debts	9,196,791	6,040,002	2,720,661	3,924,981	4,269,257	486,790	26,638,482
Debentures	48,063	1,391,928	3,094,177	7,530,222	21,637,691	3,592,704	37,294,785
Other financial liabilities	2,748,598	14,701,221	28,253	131,964	366,271	941,644	18,917,951
	<u>₩144,105,653</u>	<u>₩33,525,217</u>	<u>₩26,593,019</u>	<u>₩92,092,482</u>	<u>₩37,013,784</u>	<u>₩8,955,590</u>	<u>₩342,285,745</u>

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**Off- balance sheet items**

Commitments <sup>6</sup>	₩ 96,368,462	₩	-	₩	-	₩	-	₩	-	₩	-	₩ 96,368,462
Financial guarantee contract <sup>7</sup>	4,380,386		-		-		-		-		-	4,380,386
	<u>₩100,748,848</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩100,748,848</u>

(In millions of Korean won)

	<b>December 31, 2016</b>						
	<b>On demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and due from financial institutions <sup>1</sup>	₩ 6,431,488	₩ 815,026	₩ 414,076	₩ 629,696	₩ 353,581	₩ -	₩ 8,643,867
Financial assets held for trading <sup>2</sup>	26,099,518	-	-	-	-	-	26,099,518
Financial assets designated at fair value through profit or loss <sup>2</sup>	1,758,846	-	-	-	-	-	1,758,846
Derivatives held for trading <sup>2</sup>	3,263,115	-	-	-	-	-	3,263,115
Derivatives held for fair value hedging <sup>3</sup>	-	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 <sup>4</sup>	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
	<u>₩44,162,030</u>	<u>₩31,280,749</u>	<u>₩30,468,894</u>	<u>₩97,980,753</u>	<u>₩98,648,568</u>	<u>₩98,728,786</u>	<u>₩401,269,780</u>

(In millions of Korean won)

	<b>December 31, 2016</b>						
	<b>On demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>							
Financial liabilities held for trading <sup>2</sup>	₩ 1,143,510	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,143,510
Financial liabilities designated at fair value through profit or loss <sup>2</sup>	10,979,326	-	-	-	-	-	10,979,326
Derivatives held for trading <sup>2</sup>	3,712,015	-	-	-	-	-	3,712,015
Derivatives held for fair value hedging <sup>3</sup>	(1,145)	3,462	(5,114)	8,081	(37,880)	-	(32,596)
Deposits <sup>5</sup>	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
	<u>₩144,071,247</u>	<u>₩32,768,960</u>	<u>₩30,836,823</u>	<u>₩84,919,602</u>	<u>₩35,579,474</u>	<u>₩8,076,064</u>	<u>₩336,252,170</u>

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**Off- balance sheet items**

Commitments <sup>6</sup>	₩	97,005,556	₩	-	₩	-	₩	-	₩	-	₩	-	₩	97,005,556
Financial guarantee contract <sup>7</sup>		4,746,292		-		-		-		-		-		4,746,292
		<u>₩101,751,848</u>		<u>₩</u>		<u>₩</u>		<u>₩</u>		<u>₩</u>		<u>₩</u>		<u>₩101,751,848</u>

<sup>1</sup> The amounts of ₩ 11,310,936 million and ₩ 9,307,958 million, which are restricted due from the financial institutions as of March 31, 2017 and December 31, 2016, respectively, are excluded.

<sup>2</sup> 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.

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

<sup>4</sup> 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 any time. However, in the case of equity investments restricted for sale, they are shown in the period in which the restriction is expected to expire.

<sup>5</sup> Deposits that are contractually repayable on demand or on short notice are classified under the 'On demand' category.

<sup>6</sup> Commitments are included under the 'On demand' category because payments will be made upon request.

<sup>7</sup> 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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	March 31, 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	₩ 38	₩ (1,110)	₩ (3,272)	₩ (1,984)	₩ 88	₩ (6,240)
Cash flow to be received of total settlement derivatives	413	959	337,781	-	-	339,153
Cash flow to be paid of total settlement derivatives	(540)	(3,200)	(358,001)	(102,584)	-	(464,325)

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(In millions of Korean won)

	December 31, 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 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.

4.4.2 Risk Management

The Group sets internal capital limits for market risk and interest rate risk and monitors the risks to manage the risk of trading and non-trading positions. The Group maintains risk management systems and procedures; 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 rate gap, duration gap and interest rate VaR (Value at Risk), are reported to the ALCO and

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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.

**4.5 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 Financial Instruments in Foreign Currencies**

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

(In millions of Korean won)

	March 31, 2017						Total
	USD	JPY	EUR	GBP	CNY	Others	
<b>Financial Assets</b>							
Cash and due from financial institutions	₩ 1,789,494	₩ 197,865	₩ 355,341	₩ 12,561	₩ 550,214	₩ 324,567	₩ 3,230,042
Financial assets held for trading	1,344,888	99,330	131,979	-	12,587	3,647	1,592,431
Financial assets designated at fair value through profit or loss	600,463	-	-	-	-	-	600,463
Derivatives held for trading	84,472	4,101	38,666	-	-	110,403	237,642
Derivatives held for hedging	4,067	-	-	-	-	-	4,067
Loans	11,305,508	332,401	715,774	9,107	520,203	166,619	13,049,612
Available-for-sale financial assets	2,223,011	149,918	-	-	38,319	980	2,412,228
Held-to-maturity financial assets	1,069,173	-	-	-	4,860	-	1,074,033
Other financial assets	2,252,114	220,314	44,993	36,488	105,309	577,208	3,236,426
	<u>₩ 20,673,190</u>	<u>₩ 1,003,929</u>	<u>₩ 1,286,753</u>	<u>₩ 58,156</u>	<u>₩ 1,231,492</u>	<u>₩ 1,183,424</u>	<u>₩25,436,944</u>
<b>Financial liabilities</b>							
Financial liabilities designated at fair value through profit or loss	₩ 1,075,760	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,075,760
Derivatives held for trading	125,863	4,034	106,043	-	-	279,976	515,916

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Derivatives held for hedging	70,017	-	-	-	-	-	70,017
Deposits	8,466,924	597,760	316,742	54,668	754,855	494,735	10,685,684
Debts	6,889,573	72,664	81,630	970	64,586	29,246	7,138,669
Debentures	2,723,502	-	-	-	-	-	2,723,502
Other financial liabilities	2,876,461	46,980	557,945	2,607	107,919	152,352	3,744,264
	<u>₩22,228,100</u>	<u>₩ 721,438</u>	<u>₩1,062,360</u>	<u>₩ 58,245</u>	<u>₩ 927,360</u>	<u>₩ 956,309</u>	<u>₩25,953,812</u>
<b>Off-balance sheet items</b>	<u>₩11,604,591</u>	<u>₩ 10,303</u>	<u>₩ 63,490</u>	<u>₩ 342</u>	<u>₩ 234,307</u>	<u>₩ 71,225</u>	<u>₩11,984,258</u>

(In millions of Korean won)

	<b>December 31, 2016</b>						
	<b>USD</b>	<b>JPY</b>	<b>EUR</b>	<b>GBP</b>	<b>CNY</b>	<b>Others</b>	<b>Total</b>
<b>Financial Assets</b>							
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
	<u>₩19,307,310</u>	<u>₩1,071,447</u>	<u>₩1,312,573</u>	<u>₩ 53,816</u>	<u>₩1,373,264</u>	<u>₩1,264,018</u>	<u>₩24,382,428</u>
<b>Financial liabilities</b>							
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
	<u>₩20,444,894</u>	<u>₩ 818,955</u>	<u>₩1,204,125</u>	<u>₩ 54,418</u>	<u>₩1,053,330</u>	<u>₩1,047,510</u>	<u>₩24,623,232</u>
<b>Off-balance sheet items</b>	<u>₩14,570,708</u>	<u>₩ 822</u>	<u>₩ 39,000</u>	<u>₩ -</u>	<u>₩ 131,210</u>	<u>₩ 470,900</u>	<u>₩15,212,640</u>



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**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.

<b>Banking Business</b>	<b>Corporate Banking</b>	The activities within this segment include providing credit, deposit products and other related financial services to large, small and medium-sized enterprises and SOHOs.
	<b>Retail Banking</b>	The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.
	<b>Other Banking Services</b>	The activities within this segment include trading activities in securities and derivatives, funding and other supporting activities.
<b>Credit Card Business</b>		The activities within this segment include credit sale, cash service, card loan and other supporting activities.
<b>Investment &amp; Securities Business</b>		The activities within this segment include investment banking, brokerage services and other supporting activities.
<b>Life Insurance Business</b>		The activities within this segment include life insurance and other supporting activities.

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Financial information by business segment for the three-month period ended March 31, 2017, is as follows:

	Banking business						Sub-total	Credit Card	Investment & Securities	Life Insurance	Others	Intra-group Adjustments	Total
	Corporate Banking	Retail Banking	Banking Services	Other	Banking	Other							
Operating revenues from external customers	₩ 395,380	₩ 467,711	₩ 721,218	₩ 1,584,309	₩ 328,473	₩ 255,930	₩ 49,771	₩ 90,472	₩ -	₩ -	₩ 2,308,955		
Intra-segment operating revenues(expenses)	(4,676)	-	41,572	36,896	(35,906)	3,936	(11,768)	43,665	(36,823)	-	₩2,308,955		
	₩ 390,704	₩ 467,711	₩ 762,790	₩ 1,621,205	₩ 292,567	₩ 259,866	₩ 38,003	₩ 134,137	₩ (36,823)	₩ -	₩2,308,955		
Net interest income	589,015	630,619	44,592	1,264,226	262,072	68,902	53,608	74,811	2,734	1,726,353			
Interest income	831,787	947,830	193,000	1,972,617	323,626	116,354	53,615	138,366	(768)	2,603,810			
Interest expense	(242,772)	(317,211)	(148,408)	(708,391)	(61,554)	(47,452)	(7)	(63,555)	3,502	(877,457)			
Net fee and commission income	63,311	168,490	77,305	309,106	44,032	114,447	(732)	57,901	(4,116)	520,638			
Fee and commission income	76,147	174,196	116,217	366,560	443,509	133,957	17	66,984	(71,949)	939,078			
Fee and commission expense	(12,836)	(5,706)	(38,912)	(57,454)	(399,477)	(19,510)	(749)	(9,083)	67,833	(418,440)			
Net gains (losses) on financial assets/ liabilities at fair value through profit or loss	(1,755)	-	(1,192)	(2,947)	-	233,665	2,510	6,879	1,179	241,286			
Net other operating income (expense)	(259,867)	(331,398)	642,085	50,820	(13,537)	(157,148)	(17,383)	(5,454)	(36,620)	(179,322)			
General and administrative expenses	(122,241)	(263,211)	(454,068)	(839,520)	(97,137)	(164,549)	(22,099)	(65,932)	22,016	(1,167,221)			
Operating profit before provision for credit losses	268,463	204,500	308,722	781,685	195,430	95,317	15,904	68,205	(14,807)	1,141,734			
Provision (reversal) for credit losses	(118,153)	(32,847)	3,980	(147,020)	(86,532)	(13,489)	341	(8,280)	86	(254,894)			
Net operating income	150,310	171,653	312,702	634,665	108,898	81,828	16,245	59,925	(14,721)	886,840			
Share of profit of associates	-	-	9,599	9,599	(72)	(106)	-	41,503	1,526	52,450			
Net other non-operating income (expense)	2,023	-	25,866	27,889	(3,457)	5,721	7	173	(4,365)	25,968			
Segment profits before income tax	152,333	171,653	348,167	672,153	105,369	87,443	16,252	101,601	(17,560)	965,258			
Income tax expense	(37,713)	(41,540)	70,561	(8,692)	(22,099)	(23,663)	(3,395)	(18,610)	(1,210)	(77,669)			
Profit for the year	114,620	130,113	418,728	663,461	83,270	63,780	12,857	82,991	(18,770)	887,589			
Profit attributable to shareholders of the parent company	114,620	130,113	418,728	663,461	83,270	63,780	12,857	82,991	(18,770)	870,101			
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	17,488	-	17,488			
Total assets <sup>1</sup>	109,998,523	121,465,609	78,681,009	310,145,141	16,391,809	33,689,660	8,969,082	37,944,186	(26,250,401)	380,889,477			
Total liabilities <sup>1</sup>	94,115,903	141,830,289	50,514,187	286,460,379	12,592,175	29,458,673	8,413,161	13,431,788	(1,069,016)	349,287,160			

<sup>1</sup> Assets and liabilities of the reporting segments are amounts before intra-segment transaction adjustment.

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Financial information by business segment for the three-month period ended March 31, 2016, is as follows:

	Banking business						Total			
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total	Credit Card	Investment & Securities		Life Insurance	Others	Intra-group Adjustments
Operating revenues from external customers	₩ 427,526	₩ 543,841	₩ 362,990	₩ 1,334,357	₩ 326,262	₩ 53,804	₩ 39,173	₩ 87,087	₩ -	₩ 1,840,683
Intra-segment operating revenues(expenses)	13,248	-	40,500	53,748	(55,079)	272	(7,555)	35,774	(27,160)	-
	₩ 440,774	₩ 543,841	₩ 403,490	₩ 1,388,105	₩ 271,183	₩ 54,076	₩ 31,618	₩ 122,861	₩ (27,160)	₩ 1,840,683
Net interest income	552,846	550,941	27,282	1,131,069	245,325	2,146	58,921	68,196	627	1,506,284
Interest income	810,457	925,572	227,043	1,963,072	321,012	11,105	58,929	115,931	(3,717)	2,466,332
Interest expense	(257,611)	(374,631)	(199,761)	(832,003)	(75,687)	(8,959)	(8)	(47,735)	4,344	(960,048)
Net fee and commission income	59,775	132,221	72,234	264,230	31,293	24,649	21	48,609	(645)	368,157
Fee and commission income	72,583	150,403	92,515	315,501	385,396	26,789	21	54,749	(62,896)	719,560
Fee and commission expense	(12,808)	(18,182)	(20,281)	(51,271)	(354,103)	(2,140)	-	(6,140)	62,251	(351,403)
Net gains(losses) on financial assets/ liabilities at fair value through profit or loss	(619)	-	10,109	9,490	-	28,686	2,683	264	(2,894)	38,229
Net other operating income(expense)	(171,228)	(139,321)	293,865	(16,684)	(5,435)	(1,405)	(30,007)	5,792	(24,248)	(71,987)
General and administrative expenses	(178,157)	(446,860)	(240,083)	(865,100)	(89,566)	(34,381)	(22,529)	(56,990)	14,758	(1,053,808)
Operating profit before provision for credit losses	262,617	96,981	163,407	523,005	181,617	19,695	9,089	65,871	(12,402)	786,875
Provision(reversal) for credit losses	(74,084)	95,942	(69,271)	(47,413)	(58,098)	1,810	(257)	(15,151)	141	(118,968)
Net operating income	188,533	192,923	94,136	475,592	123,519	21,505	8,832	50,720	(12,261)	667,907
Share of profit of associates	-	-	10,448	10,448	-	(4)	-	27,294	-	37,738
Net other non-operating income (expense)	(3)	-	15,428	15,425	1,347	(7)	94	878	(3,575)	14,162
Segment profits before income tax	188,530	192,923	120,012	501,465	124,866	21,494	8,926	78,892	(15,836)	719,807
Income tax expense	(45,816)	(46,687)	(21,713)	(114,216)	(29,683)	(5,543)	(2,216)	(12,648)	(1,267)	(165,573)
Profit for the period	142,714	146,236	98,299	387,249	95,183	15,951	6,710	66,244	(17,103)	554,234
Profit attributable to shareholders of the parent company	142,714	146,236	98,299	387,249	95,183	15,951	6,710	57,014	(17,103)	545,004
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	9,230	-	9,230
Total assets <sup>1</sup>	109,500,342	122,806,490	74,759,538	307,066,370	15,772,036	32,382,795	8,887,413	36,646,767	(25,081,725)	375,673,656
Total liabilities <sup>1</sup>	91,685,643	140,082,958	51,972,767	283,741,368	11,807,038	28,198,439	8,337,849	12,468,290	(140,731)	344,412,253

<sup>1</sup> Amounts as of December 31, 2016 before intra-group transaction adjustment.

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**5.2 Services and Geographical Segments**

5.2.1 Services information

Operating revenues from external customers for each service for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	<b>2016</b>
Banking service	₩ 1,584,309	₩ 1,334,357
Credit card service	328,473	326,262
Investment & Securities service	255,930	53,804
Life insurance service	49,771	39,173
Other service	90,472	87,087
	<u>₩ 2,308,955</u>	<u>₩ 1,840,683</u>

5.2.2 Geographical information

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

*(In millions of Korean won)*

	<b>March 31, 2017</b>		<b>March 31, 2016</b>		<b>December 31, 2016</b>	
	<b>Revenues from external customers</b>	<b>Major non- current assets</b>	<b>Revenues from external customers</b>	<b>Major non- current assets</b>	<b>Revenues from external customers</b>	<b>Major non- current assets</b>
Domestic	₩ 2,292,088	₩ 4,854,833	₩ 1,819,549	₩ 4,952,552		
United States	2,001	252	2,872	299		
New Zealand	1,423	104	1,258	128		
China	6,696	4,385	9,890	5,038		
Japan	1,334	1,785	1,490	1,964		
Vietnam	1,249	252	983	278		
Cambodia	1,718	1,085	1,847	1,216		
United Kingdom	2,445	125	2,794	149		
Laos	-	32	-	-		
Myanmar	1	-	-	-		
Intra-group adjustment	-	73,637	-	72,971		
	<u>₩ 2,308,955</u>	<u>₩ 4,936,490</u>	<u>₩ 1,840,683</u>	<u>₩ 5,034,595</u>		

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**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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	March 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 18,934,003	₩ 18,922,361	₩ 17,884,863	₩ 17,878,714
Financial assets held for trading	26,415,481	26,415,481	26,099,518	26,099,518
Debt securities	22,918,227	22,918,227	22,986,570	22,986,570
Equity securities	3,419,024	3,419,024	3,040,599	3,040,599
Others	78,230	78,230	72,349	72,349
Financial assets designated at fair value through profit or loss	1,770,085	1,770,085	1,758,846	1,758,846
Debt securities <sup>1</sup>	274,725	274,725	331,664	331,664
Equity securities	112,244	112,244	65,591	65,591
Derivative-linked securities	1,383,116	1,383,116	1,361,591	1,361,591
Derivatives held for trading	2,426,244	2,426,244	3,298,328	3,298,328
Derivatives held for hedging	60,311	60,311	83,607	83,607
Loans	267,515,181	267,563,031	265,486,134	265,144,250
Available-for-sale financial assets	34,551,049	34,551,049	33,970,293	33,970,293
Debt securities	27,822,784	27,822,784	27,445,752	27,445,752
Equity securities	6,728,265	6,728,265	6,524,541	6,524,541
Held-to-maturity financial assets	10,552,295	10,761,678	11,177,504	11,400,616
Other financial assets	10,111,109	10,111,041	7,322,335	7,322,335
	<u>₩372,335,758</u>	<u>₩372,581,281</u>	<u>₩367,081,428</u>	<u>₩366,956,507</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading	₩ 1,162,383	₩ 1,162,383	₩ 1,143,510	₩ 1,143,510
Financial liabilities designated at fair value through profit or loss	10,247,284	10,247,284	10,979,326	10,979,326
Derivatives held for trading	2,559,415	2,559,415	3,717,819	3,717,819
Derivatives held for hedging	79,786	79,786	89,309	89,309
Deposits	242,016,681	242,577,657	239,729,695	240,223,353
Debts	26,367,660	26,366,251	26,251,486	26,247,768
Debentures	35,292,250	35,724,986	34,992,057	35,443,751
Other financial liabilities	20,933,715	20,929,960	16,286,578	16,257,142
	<u>₩338,659,174</u>	<u>₩339,647,722</u>	<u>₩333,189,780</u>	<u>₩334,101,978</u>

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<sup>1</sup> Including debt instruments designated at fair value through profit or loss

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:

<b>Cash and due from financial institutions</b>	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).
<b>Investment securities</b>	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.
<b>Loans</b>	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.
<b>Derivatives</b>	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.
<b>Deposits</b>	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.
<b>Debts</b>	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.
<b>Debentures</b>	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs.
<b>Other financial assets and liabilities</b>	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.

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**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 March 31, 2017 and December 31, 2016, is as follows:

*(In millions of Korean won)*

	<b>March 31, 2017</b>			<b>Total</b>
	<b>Fair value hierarchy</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets</b>				
Financial assets held for trading				
Debt securities	₩ 5,851,503	₩ 17,066,724	₩ -	₩ 22,918,227
Equity securities	1,370,541	2,048,483	-	3,419,024
Others	78,230	-	-	78,230
	<u>7,300,274</u>	<u>19,115,207</u>	<u>-</u>	<u>26,415,481</u>
Financial assets designated at fair value through profit or loss				
Debt securities <sup>1</sup>	-	252,981	21,744	274,725
Equity securities	-	-	112,244	112,244
Derivative-linked securities	-	719,604	663,512	1,383,116
	<u>-</u>	<u>972,585</u>	<u>797,500</u>	<u>1,770,085</u>
Derivatives held for trading	<u>172,640</u>	<u>2,081,033</u>	<u>172,571</u>	<u>2,426,244</u>
Derivatives held for hedging	<u>-</u>	<u>58,663</u>	<u>1,648</u>	<u>60,311</u>
Available-for-sale financial assets <sup>2</sup>				



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Debt securities	10,731,216	17,080,656	10,912	27,822,784
Equity securities	1,130,324	2,424,719	3,173,222	6,728,265
	<u>11,861,540</u>	<u>19,505,375</u>	<u>3,184,134</u>	<u>34,551,049</u>
	<u>₩ 19,334,454</u>	<u>₩ 41,732,863</u>	<u>₩ 4,155,853</u>	<u>₩ 65,223,170</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading	₩ 1,162,383	₩ -	₩ -	₩ 1,162,383
Financial liabilities designated at fair value through profit or loss	714	2,194,293	8,052,277	10,247,284
Derivatives held for trading	424,323	2,046,703	88,389	2,559,415
Derivatives held for hedging	-	79,527	259	79,786
	<u>₩ 1,587,420</u>	<u>₩ 4,320,523</u>	<u>₩ 8,140,925</u>	<u>₩ 14,048,868</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Fair value hierarchy</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
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
	<u>8,636,360</u>	<u>17,463,158</u>	<u>-</u>	<u>26,099,518</u>
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
	<u>-</u>	<u>995,574</u>	<u>763,272</u>	<u>1,758,846</u>
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 <sup>2</sup>				
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
	<u>11,569,384</u>	<u>19,328,617</u>	<u>3,072,292</u>	<u>33,970,293</u>
	<u>₩ 20,333,980</u>	<u>₩ 40,902,649</u>	<u>₩ 3,973,963</u>	<u>₩ 65,210,592</u>
<b>Financial liabilities</b>				
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
	<u>₩ 1,618,997</u>	<u>₩ 6,311,796</u>	<u>₩ 7,999,171</u>	<u>₩ 15,929,964</u>

<sup>1</sup> Including debt instruments designated at fair value through profit or loss

<sup>2</sup> 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 ₩ 215,108 million and ₩ 223,398 million as of March 31, 2017 and December 31, 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



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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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	March 31, 2017	December 31, 2016		
<b>Financial assets</b>				
Financial assets held for trading				
Debt securities	₩ 17,066,724	₩ 15,560,090	DCF Model	Discount rate
Equity securities	2,048,483	1,903,068	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
	<u>19,115,207</u>	<u>17,463,158</u>		
Financial assets designated at fair value through profit or loss				
Debt securities	252,981	237,595	DCF Model, Hull and White Model	Discount rate, Volatility
Derivative-linked securities	719,604	757,979	DCF Model, Closed Form, Monte Carlo Simulation	Discount rate, Volatility of underlying asset
	<u>972,585</u>	<u>995,574</u>		
Derivatives held for trading	2,081,033	3,033,156	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others
Derivatives held for hedging	58,663	82,144	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets				
Debt securities	17,080,656	16,978,619	DCF Model, One Factor Hull and White Model	Discount rate, Interest rate, Volatility of interest rate
Equity securities	2,424,719	2,349,998	DCF Model, Net Asset Value	Discount rate, Fair value of underlying asset
	<u>19,505,375</u>	<u>19,328,617</u>		
	<u>₩ 41,732,863</u>	<u>₩ 40,902,649</u>		
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss				
Derivative-linked securities	2,194,293	₩ 3,181,621	DCF Model, Closed Form, Monte Carlo Simulation	Discount rate, Volatility of underlying asset
	<u>2,194,293</u>	<u>3,181,621</u>		
Derivatives held for trading	2,046,703	3,041,052	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Discount rate, Volatility, Foreign exchange rate, Stock price and others

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Derivatives held for hedging	79,527	89,123	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	<u>₩ 4,320,523</u>	<u>₩ 6,311,796</u>		

**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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>			
	<b>Fair value hierarchy</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	₩ 2,578,623	₩ 14,296,542	₩ 2,047,196	₩ 18,922,361
Loans	-	-	267,563,031	267,563,031
Held-to-maturity financial assets	1,491,170	9,270,508	-	10,761,678
Other financial assets <sup>2</sup>	-	-	10,111,041	10,111,041
	<u>₩ 4,069,793</u>	<u>₩ 23,567,050</u>	<u>₩ 279,721,268</u>	<u>₩ 307,358,111</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	₩ -	₩ 117,854,749	₩ 124,722,908	₩ 242,577,657
Debts <sup>3</sup>	-	1,745,194	24,621,057	26,366,251
Debentures	-	33,619,408	2,105,578	35,724,986
Other financial liabilities <sup>4</sup>	-	-	20,929,960	20,929,960
	<u>₩ -</u>	<u>₩ 153,219,351</u>	<u>₩ 172,379,503</u>	<u>₩ 325,598,854</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Fair value hierarchy</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	₩ 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 <sup>2</sup>	-	-	7,322,335	7,322,335
	<u>₩ 4,130,804</u>	<u>₩ 23,285,862</u>	<u>₩ 274,329,249</u>	<u>₩ 301,745,915</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	₩ -	₩ 116,068,290	₩ 124,155,063	₩ 240,223,353
Debts <sup>3</sup>	-	1,444,983	24,802,785	26,247,768
Debentures	-	33,504,039	1,939,712	35,443,751
Other financial liabilities <sup>4</sup>	-	-	16,257,142	16,257,142
	<u>₩ -</u>	<u>₩ 151,017,312</u>	<u>₩ 167,154,702</u>	<u>₩ 318,172,014</u>

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

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<sup>2</sup> Other financial assets of ₩ 10,111,041 million and ₩ 7,322,335 million are included in Level 3, the carrying amounts that are reasonable approximations of fair values as of March 31, 2017 and December 31, 2016, respectively.

<sup>3</sup> Debts of ₩ 5,009 million and ₩ 70,624 million included in Level 2 are the carrying amounts which are reasonable approximations of fair values as of March 31, 2017 and December 31, 2016, respectively.

<sup>4</sup> Other financial liabilities of ₩ 20,518,425 million and ₩ 15,890,765 million included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of March 31, 2017 and December 31, 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 March 31, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	Fair value		Valuation technique	Inputs
	March 31, 2017	December 31, 2016		
<b>Financial assets</b>				
Held-to-maturity financial assets	₩ 9,270,508	₩ 9,895,328	DCF Model	Discount rate
<b>Financial liabilities</b>				
Debts	1,740,185	1,374,359	DCF Model	Discount rate
Debentures	33,619,408	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 March 31, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	March 31, 2017			
	Fair value	Valuation technique	Inputs	Unobservable inputs
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 2,047,196	DCF Model	Credit spread, Other spread, Interest rates	Credit spread, Other spread
Loans	267,563,031	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rates	Credit spread, Other spread, Prepayment rate
	<u>₩ 269,610,227</u>			
<b>Financial liabilities</b>				
Deposits	₩ 124,722,908	DCF Model	Other spread,	Other spread,

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Debts	24,621,057	DCF Model	Prepayment rate, Interest rates Other spread, Interest rates	Prepayment rate Other spread
Debentures	2,105,578	DCF Model	Other spread, Implied default probability, Interest rates	Other spread, Implied default probability
Other financial liabilities	411,535	DCF Model	Other spread, Interest rates	Other spread
	<u>₩ 151,861,078</u>			

(In millions of Korean won)

<b>December 31, 2016</b>				
	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs</b>	<b>Unobservable inputs</b>
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 1,862,664	DCF Model	Credit spread, Other spread, Interest rates	Credit spread, Other spread
Loans	265,144,250	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rates	Credit spread, Other spread, Prepayment rate
	<u>₩ 267,006,914</u>			
<b>Financial liabilities</b>				
Deposits	₩ 124,155,063	DCF Model	Other spread, Prepayment rate, Interest rates	Other spread, Prepayment rate
Debts	24,802,785	DCF Model	Other spread, Interest rates	Other spread
Debentures	1,939,712	DCF Model	Other spread, Implied default probability, Interest rates	Other spread, Implied default probability
Other financial liabilities	366,377	DCF Model	Other spread, Interest rates	Other spread
	<u>₩ 151,263,937</u>			

**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.

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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 three-month periods ended March 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	18,389	(4,666)	(424,671)	242,427	112
- Other comprehensive income	-	5,654	-	(1,641)	-
Purchases	328,287	186,873	-	(12,347)	-
Sales	(257,039)	(75,239)	-	(79,347)	-
Issues	-	-	(3,064,383)	-	-
Settlements	(55,409)	-	3,233,916	-	-
Transfers into Level 3	-	1,142	-	-	-
Transfers out of Level 3	-	(1,922)	-	-	-
Ending balance	₩ 797,500	₩ 3,184,134	₩(8,052,277)	₩ 84,182	₩ 1,389

(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	(3,603)	(1,318)	46,278	(41,480)	1,724
- Other comprehensive income	-	9,730	-	-	-
Purchases	21,637	140,059	-	241	-
Sales	(16,296)	(28,056)	-	(8,026)	-
Issues	-	-	(472,320)	(971)	-
Settlements	(979)	-	350,061	4,620	-

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Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	(4,689)	-	-	-
Ending balance	<u>₩ 387,597</u>	<u>₩ 2,004,165</u>	<u>₩(1,895,360)</u>	<u>₩(134,658)</u>	<u>₩ 2,438</u>

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 three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

**2017**

	<b>Net income(loss) from financial investments at fair value through profit or loss</b>		<b>Other operating income(loss)</b>	
Total gains or losses included in profit or loss for the period	₩	(163,855)	₩	(4,554)
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period		(100,327)		(5,980)

*(In millions of Korean won)*

**2016**

	<b>Net income(loss) from financial investments at fair value through profit or loss</b>		<b>Other operating income(loss)</b>		<b>Net interest income</b>	
Total gains or losses included in profit or loss for the period	₩	1,195	₩	398	₩	8
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period		52,304		(812)		8

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### 6.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

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

		March 31, 2017				
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets designated at fair value through profit or loss						
Debt securities	₩ 21,744	Tree Model, DCF Model	Price of the underlying asset, Interest rates, Dividend yield	Volatility of the underlying asset	9.69 ~ 15.86	The higher the volatility, the higher the fair value fluctuation
Equity securities	112,244	Tree Model	Price of the underlying asset, Interest rates, Dividend yield	Volatility of the underlying asset	9.69 ~ 15.86	The higher the volatility, the higher the fair value fluctuation
Derivative-linked securities	663,512	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset, Discount rate, Loss given default, Volatility of the interest rate	Volatility of the underlying asset Correlation between underlying asset	17.74 ~ 27.30 4.00 ~ 88.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
<b>Derivatives held for trading</b>						
Stock and index	163,421	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Price of the underlying asset, Interest rates, Dividend yield, Loss given default, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset Correlation between underlying asset	5.40 ~ 28.32 -5.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Currency, interest rate and others	9,150	DCF Model, Closed Form, Monte Carlo Simulation,	Interest rates, Foreign exchange rate, Loss given default, Stock	Loss given default Volatility of the stock	0.75 ~ 0.82 13.73 ~ 27.63	The higher the loss given default, the lower the fair value The higher the volatility, the

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Derivatives held for hedging	1,648	Hull and White Model, Tree Model	price, Volatility of the stock price, Volatility of the interest rate, Price of the underlying asset, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield, Discount rate	price Volatility of the interest rate Volatility of the underlying asset Correlation between underlying asset	0.43 20.98 ~ 28.32 -5.00 ~ 90.00	higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Interest rate		DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset	4.47	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets	10,912	DCF Model	Discount rate	Discount rate	4.04 ~ 5.93	The lower the discount rate, the higher the fair value
Debt securities	3,173,222	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, Market approach	Growth rate, Discount rate, Dividend yield, Liquidation value, Volatility of the interest rate	Growth rate Discount rate Liquidation value Volatility of the interest rate	0.00 ~ 1.00 1.49 ~ 21.36 0.00 23.80 ~ 25.55	The higher the growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the liquidation value, the higher the fair value The higher the volatility, the higher the fair value fluctuation
Equity securities						

₩ 4,155,853



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**Financial liabilities**

Financial liabilities designated at fair value through profit or loss						
Derivative-linked securities	₩ 8,052,277	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset Correlation between underlying asset	17.74 ~ 28.32 -5.00 ~ 90.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	39,967	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield	Volatility of the underlying asset Correlation between underlying asset	17.74 ~ 23.51 11.00 ~ 59.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Others	48,422	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Tree Model	Stock price, Interest rates, Volatility of the stock price, Volatility of the interest rate, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield, Discount rate	Volatility of the stock price Volatility of the interest rate Discount rate Volatility of the underlying asset Correlation between underlying asset	13.73 0.43 ~ 25.55 2.20 20.98 ~ 23.51 15.00 ~ 88.00	The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging						
Interest rate	259	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset	2.72	The higher the volatility, the higher the fair value fluctuation

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₩ 8,140,925

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(In millions of Korean won)

	December 31, 2016					
	Fair value	Valuation technique	Inputs	Unobservable inputs	Range of unobservable inputs(%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets designated at fair value through profit or loss						
Debt securities	₩ 94,069	Black-Scholes Model	Price of the underlying asset, Interest rates, Dividend yield	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	Price of the underlying asset, Interest rates, Dividend yield	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	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset, Discount rate, Loss given default, Volatility of the interest rate	Volatility of the underlying asset Correlation between underlying asset	15.00 ~ 49.00 4.00 ~ 73.07	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	124,888	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Volatility of the underlying asset Correlation between underlying asset	5.60 ~ 55.00 4.00 ~ 69.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Currency, interest rate and others	12,048	DCF Model, Hull and White Model, Closed Form, Monte Carlo Simulation, Tree Model	Interest rates, Foreign exchange rate, Loss given default, Stock price, Volatility of the stock price, Volatility of the interest rate, Price of the underlying asset, Volatility of the	Loss given default Volatility of the stock price Volatility of the interest rate Volatility of the underlying asset	0.80 ~ 0.84 14.82 ~ 30.97 0.57 18.00 ~ 59.00	The higher the loss given default, the lower the fair value The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation

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Derivatives held for hedging									
Interest rate	1,463	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Correlation between underlying asset	-5.00 ~ 47.00	The higher the correlation, the higher the fair value fluctuation			
Available-for-sale financial assets									
Debt securities	10,251	DCF Model	Discount rate	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, Discount rate, Dividend yield, Volatility of the interest rate, Liquidation value, Recovery rate of receivables' acquisition cost	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			
				Volatility of the interest rate	25.90 ~ 37.15	The higher the volatility, the higher the fair value fluctuation			
<b>Financial liabilities</b>									
Financial liabilities designated at fair value through profit or loss									
Derivative-linked securities	₩ 7,797,139	DCF Model, Closed Form, FDM,	Price of the underlying asset, Interest rates,	Volatility of the underlying asset	1.00 ~ 49.00	The higher the volatility, the higher the fair value fluctuation			

₩ 3,973,963

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Derivatives held for trading	Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	Correlation between underlying asset	-5.00 ~ 77.00	The higher the correlation, the higher the fair value fluctuation
Stock and index	153,419 DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield	Volatility of the underlying asset Correlation between underlying asset	17.00 ~ 43.00 4.00 ~ 59.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Others	48,427 DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Tree Model	Stock price, Interest rates, Volatility of the stock price, Volatility of the interest rate, Volatility of the underlying asset, Correlation between underlying asset, Dividend yield	Volatility of the stock price Volatility of the interest rate Discount rate Volatility of the underlying asset Correlation between underlying asset	14.82 0.57 ~ 37.15 2.09 18.00 ~ 30.15	The higher the volatility, the higher the fair value fluctuation The higher the volatility, the higher the fair value fluctuation The lower the discount rate, the higher the fair value The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging	186 DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset Correlation between underlying asset	2.74	The higher the volatility, the higher the fair value fluctuation
Interest rate					

₩ 7,999,171

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**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)

	<b>March 31, 2017</b>			
	<b>Recognition in profit or loss</b>		<b>Other comprehensive income</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>	<b>Favorable changes</b>	<b>Unfavorable changes</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss <sup>1</sup>				
Debt securities	₩ 961	₩ (1,263)	₩ -	₩ -
Equity securities	1,201	(696)	-	-
Derivative-linked securities	2,854	(3,506)	-	-
Derivatives held for trading <sup>2</sup>	36,899	(39,799)	-	-
Derivatives held for hedging <sup>2</sup>	4	(3)	-	-
Available-for-sale financial assets				
Debt securities <sup>3</sup>	-	-	115	(101)
Equity securities <sup>4</sup>	-	-	173,572	(91,069)
	<u>₩ 41,919</u>	<u>₩ (45,267)</u>	<u>₩ 173,687</u>	<u>₩ (91,170)</u>
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	₩ 72,819	₩ (68,139)	₩ -	₩ -
Derivatives held for trading <sup>2</sup>	11,051	(11,979)	-	-
Derivatives held for hedging <sup>2</sup>	3	(3)	-	-
	<u>₩ 83,873</u>	<u>₩ (80,121)</u>	<u>₩ -</u>	<u>₩ -</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Recognition in profit or loss</b>		<b>Other comprehensive income</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>	<b>Favorable changes</b>	<b>Unfavorable changes</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss <sup>1</sup>				
Debt securities	₩ 1,029	₩ (866)	₩ -	₩ -
Equity securities	840	(521)	-	-
Derivative-linked securities	5,666	(5,463)	-	-

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Derivatives held for trading <sup>2</sup>	28,334	(29,486)	-	-
Derivatives held for hedging <sup>2</sup>	9	(6)	-	-
Available-for-sale financial assets				
Debt securities <sup>3</sup>	-	-	69	(45)
Equity securities <sup>4</sup>	-	-	168,225	(87,529)
	<u>₩ 35,878</u>	<u>₩ (36,342)</u>	<u>₩ 168,294</u>	<u>₩ (87,574)</u>
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	₩ 97,429	₩ (97,571)	₩ -	₩ -
Derivatives held for trading <sup>2</sup>	31,759	(33,715)	-	-
Derivatives held for hedging <sup>2</sup>	3	(3)	-	-
	<u>₩ 129,191</u>	<u>₩ (131,289)</u>	<u>₩ -</u>	<u>₩ -</u>

<sup>1</sup> 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 as Volatility of the underlying asset or Correlation between underlying asset by  $\pm 10\%$ .

<sup>2</sup> 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.

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

<sup>4</sup> 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.

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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 three-month periods ended March 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	10,236	1,810
Changes during the period	(21,664)	(292)
Balance at the end of the year	<u>₩ 27,605</u>	<u>₩ 5,573</u>

**6.3 Carrying Amounts of Financial Instruments by Category**

Financial assets and liabilities are measured at fair value or amortized cost.

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

(In millions of Korean won)

March 31, 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	
<b>Financial assets</b>							
Cash and due from financial institutions	₩ -	₩ -	₩ 18,934,003	₩ -	₩ -	₩ -	₩ 18,934,003
Financial assets at fair value through profit or loss	26,415,481	1,770,085	-	-	-	-	28,185,566
Derivatives	2,426,244	-	-	-	-	60,311	2,486,555
Loans	-	-	267,515,181	-	-	-	267,515,181
Financial investments	-	-	-	34,551,049	10,552,295	-	45,103,344
Other financial assets	-	-	10,111,109	-	-	-	10,111,109
	<u>₩28,841,725</u>	<u>₩ 1,770,085</u>	<u>₩ 296,560,293</u>	<u>₩ 34,551,049</u>	<u>₩10,552,295</u>	<u>₩ 60,311</u>	<u>₩ 372,335,758</u>

(In millions of Korean won)

March 31, 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	
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss	₩ 1,162,383	₩ 10,247,284	₩ -	₩ -	₩ 11,409,667

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Derivatives	2,559,415	-	-	79,786	2,639,201
Deposits	-	-	242,016,681	-	242,016,681
Debts	-	-	26,367,660	-	26,367,660
Debentures	-	-	35,292,250	-	35,292,250
Other financial liabilities	-	-	20,933,715	-	20,933,715
	<u>₩ 3,721,798</u>	<u>₩ 10,247,284</u>	<u>₩ 324,610,306</u>	<u>₩ 79,786</u>	<u>₩ 338,659,174</u>

(In millions of Korean won)

December 31, 2016

	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	
<b>Financial assets</b>							
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
	<u>₩29,397,846</u>	<u>₩1,758,846</u>	<u>₩290,693,332</u>	<u>₩33,970,293</u>	<u>₩11,177,504</u>	<u>₩83,607</u>	<u>₩367,081,428</u>

(In millions of Korean won)

December 31, 2016

	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	
<b>Financial liabilities</b>					
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
	<u>₩ 4,861,329</u>	<u>₩ 10,979,326</u>	<u>₩ 317,259,816</u>	<u>₩ 89,309</u>	<u>₩ 333,189,780</u>



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**6.4 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. Account receivables and account payables related to listed securities and derivatives are included in the other financial instruments. As the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, the net amounts of the other financial instruments balances are presented in the statement of financial position.

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

(In millions of Korean won)

	March 31, 2017					
	Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading	₩ 2,287,957	₩ -	₩ 2,287,957	₩ (1,705,648)	₩ (43,846)	₩ 538,463
Derivatives held for hedging	59,772	-	59,772	(29,473)	(62)	30,237
Receivable spot exchange	4,530,447	-	4,530,447	(4,528,071)	-	2,376
Reverse repurchase agreements	3,099,619	-	3,099,619	(3,099,619)	-	-
Domestic exchange settlement debits	18,363,518	(17,881,277)	482,241	-	-	482,241
Other financial instruments	1,120,183	(1,043,264)	76,919	(6,525)	-	70,394
	₩ 29,461,496	₩ (18,924,541)	₩ 10,536,955	₩ (9,369,336)	₩ (43,908)	₩ 1,123,711

(In millions of Korean won)

	December 31, 2016					
	Gross assets	Gross liabilities offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading	₩ 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
Receivable spot exchange	2,557,424	-	2,557,424	(2,555,485)	-	1,939

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Reverse repurchase agreements	2,926,515	-	2,926,515	(2,926,515)	-	-
Domestic exchange settlement debits	19,854,611	(19,323,418)	531,193	-	-	531,193
Other financial instruments	1,055,379	(829,137)	226,242	(7,222)	-	219,020
	<u>₩ 30,275,625</u>	<u>₩ (20,152,555)</u>	<u>₩10,123,070</u>	<u>₩(7,890,298)</u>	<u>₩ (2,711)</u>	<u>₩2,230,061</u>

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

(In millions of Korean won)

	March 31, 2017					
	Gross liabilities	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	₩ 3,010,321	₩ -	₩ 3,010,321	₩ (1,858,951)	₩ (2,581)	₩1,148,789
Derivatives held for hedging	78,127	-	78,127	(19,656)	-	58,471
Payable spot exchange	4,529,149	-	4,529,149	(4,528,071)	-	1,078
Repurchase agreements <sup>1</sup>	9,118,529	-	9,118,529	(9,118,529)	-	-
Securities borrowing agreements	1,084,693	-	1,084,693	(1,084,693)	-	-
Domestic exchange settlement credits	18,789,543	(17,881,277)	908,266	(902,027)	-	6,239
Other financial instruments	1,078,994	(1,043,264)	35,730	(6,736)	-	28,994
	<u>₩37,689,356</u>	<u>₩ (18,924,541)</u>	<u>₩18,764,815</u>	<u>₩ (17,518,663)</u>	<u>₩ (2,581)</u>	<u>₩1,243,571</u>

(In millions of Korean won)

	December 31, 2016					
	Gross liabilities	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	₩ 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 <sup>1</sup>	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
	<u>₩38,754,463</u>	<u>₩ (20,152,555)</u>	<u>₩18,601,908</u>	<u>₩(16,801,118)</u>	<u>₩(219,719)</u>	<u>₩1,581,071</u>

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<sup>1</sup> Includes repurchase agreements sold to customers.

**7. Due from Financial Institutions**

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

<i>(In millions of Korean won)</i>		<b>Financial institutions</b>	<b>Interest rate(%)</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~1.30	₩ 9,465,517	₩ 7,259,264
	Due from banks	KEB Hana Bank and others	0.92~2.30	1,696,025	1,233,368
	Due from others	Kyobo Securities Co., Ltd. and others	0.00~1.27	2,542,169	3,276,913
				13,703,711	11,769,545
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	-	1,399,005	2,025,373
	Time deposits in foreign currencies	Shinhan Bank Japan and others	0.14~4.80	739,096	808,253
	Due from others	Bank of Japan and others	0.00~1.00	588,568	723,002
				2,726,669	3,556,628
				₩ 16,430,380	₩ 15,326,173

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

<i>(In millions of Korean won)</i>		<b>Financial Institutions</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>Reason for restriction</b>
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 9,465,517	₩ 7,259,264	Bank of Korea Act
	Due from Banking institution	Industrial Bank of Korea and others	551,111	209,676	Deposits related to securitization
	Due from others	The Korea Securities Finance Corporation and others	220,176	580,655	Market entry deposit and others
			10,236,804	8,049,595	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	496,959	564,099	Bank of Korea Act and others
	Time deposit in foreign currencies	Sumitomo Mitsui New York and others	22,322	24,170	Bank Act of the State of New York
	Due from others	Samsung Futures Inc. and others	554,599	664,082	Derivatives margin account and others
			1,073,880	1,252,351	
			₩ 11,310,684	₩ 9,301,946	

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**8. Derivative Financial Instruments and Hedge Accounting**

The Group's derivative operations focus on addressing the needs of the Group's corporate clients to hedge their risk exposure and to hedge the Group's risk exposure that results from such client contracts. The Group also engages in derivative trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Group's own assets and liabilities. In addition, the Group engages in proprietary trading of derivatives within the Group's regulated open position limits.

The Group provides and trades a range of derivatives products, including:

- Interest rate swaps, relating to interest rate risks in Korean won
- Cross-currency swaps, forwards and options relating to foreign exchange rate risks,
- Stock price index options linked with the KOSPI index.

In particular, the Group applies fair value hedge accounting using cross currency swaps, interest rate swaps and others to hedge the risk of changes in fair values due to the changes in interest rates and foreign exchange rates of structured debts in Korean won, financial debentures in foreign currencies, structured deposits in Korean won, and structured deposits in foreign currencies. In addition, the Group applies net investment hedge accounting by designating financial debentures in foreign currencies as hedging instruments to hedge foreign exchange risks on net investments in foreign operations.

Details of derivative financial instruments held for trading as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Interest rate</b>			
Futures <sup>1</sup>	3,596,368	190	352
Swaps	149,623,103	610,278	583,477
Options	7,790,365	61,286	171,919
	₩ 161,009,836	₩ 671,754	₩ 755,748
<b>Currency</b>			
Forwards	55,036,294	817,058	773,706
Futures <sup>1</sup>	615,722	-	729
Swaps	28,729,054	497,520	471,201
Options	300,565	2,398	3,124
	84,681,635	1,316,976	1,248,760
<b>Stock and index</b>			
Futures <sup>1</sup>	928,861	2,175	7,903
Swaps	5,538,014	135,684	64,766
Options	17,504,014	235,554	428,706
	23,970,889	373,413	501,375
<b>Credit</b>			
Swaps	5,076,959	47,001	42,166
	5,076,959	47,001	42,166

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<b>Commodity</b>			
Futures <sup>1</sup>	2,506	1	79
Swaps	59,029	1,100	4,922
Options	1,972	30	-
	<u>63,507</u>	<u>1,131</u>	<u>5,001</u>
<b>Other</b>	<u>1,003,571</u>	<u>15,969</u>	<u>6,365</u>
	<u>₩ 275,806,397</u>	<u>₩ 2,426,244</u>	<u>₩ 2,559,415</u>

(In millions of Korean won)

**December 31, 2016**

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

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

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*Fair Value Hedge*

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

(In millions of Korean won)

	March 31, 2017					
	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Swaps	₩	3,110,770	₩	43,767	₩	70,033
<b>Currency</b>						
Forwards		381,999		9,650		2,866
<b>Other</b>		140,000		1,648		259
	₩	3,632,769	₩	55,065	₩	73,158

(In millions of Korean won)

	December 31, 2016					
	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Swaps	₩	3,130,646	₩	48,424	₩	63,634
<b>Currency</b>						
Forwards		433,831		1,912		17,454
<b>Other</b>		140,000		1,463		186
	₩	3,704,477	₩	51,799	₩	81,274

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Gains(losses) on hedging instruments	₩ 24,132	₩ 31,345
Gains(losses) on the hedged items attributable to the hedged risk	(19,003)	(31,433)
	₩ 5,129	₩ (88)

*Cash Flow Hedge*

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

(In millions of Korean won)

	March 31, 2017					
	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Swaps	₩	1,114,610	₩	1,055	₩	6,628
<b>Currency</b>						
Swaps		334,830		2,778		-
	₩	1,449,440	₩	3,833	₩	6,628

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(In millions of Korean won)

	December 31, 2016					
	Notional amount		Assets		Liabilities	
<b>Interest rate</b>						
Swaps	₩	1,078,000	₩	907	₩	8,035
<b>Currency</b>						
Swaps		362,550		29,888		-
	₩	1,440,550	₩	30,795	₩	8,035

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Gains(losses) on hedging instruments	₩ (25,746)	₩ (5,806)
Gains(losses) on effectiveness (amount recognized in other comprehensive income)	(26,047)	(6,026)
Gains(losses) on ineffectiveness	₩ 301	₩ 220

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Amount recognized in other comprehensive income	₩ (26,047)	₩ (6,026)
Amount reclassified from equity to profit or loss	27,575	5,506
Tax effect	(261)	14
	₩ 1,267	₩ (506)

*Hedge on Net Investments in Foreign Operations*

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

(In millions of Korean won)

	March 31, 2017					
	Notional amount		Assets		Liabilities	
<b>Currency</b>						
Forwards	₩	11,762	₩	1,413	₩	-

  

(In millions of Korean won)

	December 31, 2016					
	Notional amount		Assets		Liabilities	
<b>Currency</b>						
Forwards	₩	12,502	₩	1,013	₩	-

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

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Amount recognized in other comprehensive income	₩ 9,566	₩ 9,157
Tax effect	(2,315)	(2,216)
Amount recognized in other comprehensive income, net of tax	<u>₩ 7,251</u>	<u>₩ 6,941</u>

There are no ineffective portion of gain (loss) related to hedge on net investments in foreign operations for the three-month periods ended March 31, 2017

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

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Financial debentures in foreign currencies	₩ 104,538	₩ 199,478

**9. Loans**

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

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Loans	₩ 269,151,406	₩ 267,045,265
Deferred loan origination fees and costs	714,919	718,625
Less: Allowances for loan losses	(2,351,144)	(2,277,756)
Carrying amount	<u>₩ 267,515,181</u>	<u>₩ 265,486,134</u>

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

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Loans	₩ 6,069,936	₩ 5,542,989
Less: Allowances for loan losses	(68)	(66)
Carrying amount	<u>₩ 6,069,868</u>	<u>₩ 5,542,923</u>

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

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	₩ 129,314,237	₩ 103,095,531	₩ -	₩ 232,409,768
Loans in foreign currencies	73,547	2,662,503	-	2,736,050
Domestic import usance bills	-	2,786,579	-	2,786,579
Off-shore funding loans	-	517,982	-	517,982
Call loans	-	311,538	-	311,538
Bills bought in Korean won	-	3,425	-	3,425
Bills bought in foreign currencies	-	2,842,798	-	2,842,798
Guarantee payments under	159	12,196	-	12,355



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payment guarantee				
Credit card receivables in				
Korean won	-	-	14,059,439	14,059,439
Credit card receivables in				
foreign currencies	-	-	3,496	3,496
Reverse repurchase				
agreements	-	1,419,619	-	1,419,619
Privately placed bonds	-	1,804,417	-	1,804,417
Factored receivables	517,510	11,915	-	529,425
Lease receivables	1,552,835	64,053	-	1,616,888
Loans for installment credit	2,742,610	-	-	2,742,610
	<u>134,200,898</u>	<u>115,532,556</u>	<u>14,062,935</u>	<u>263,796,389</u>
Proportion (%)	50.87	43.80	5.33	100.00
Less: Allowances	(467,036)	(1,450,555)	(433,485)	(2,351,076)
	<u>₩ 133,733,862</u>	<u>₩ 114,082,001</u>	<u>₩ 13,629,450</u>	<u>₩ 261,445,313</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
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
	<u>135,028,333</u>	<u>113,662,325</u>	<u>13,530,243</u>	<u>262,220,901</u>
Proportion (%)	51.49	43.35	5.16	100.00
Less: Allowances	(481,289)	(1,382,106)	(414,295)	(2,277,690)
	<u>₩134,547,044</u>	<u>₩112,280,219</u>	<u>₩ 13,115,948</u>	<u>₩259,943,211</u>

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**10. Allowances for Loan Losses**

Changes in the allowances for loan losses for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	<b>2017</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Beginning	₩ 481,289	₩ 1,382,172	₩ 414,295	₩ 2,277,756
Written-off	(79,517)	(89,010)	(89,366)	(257,893)
Recoveries from written-off loans	32,955	43,897	33,803	110,655
Sale and repurchase	(24,751)	(932)	-	(25,683)
Provision <sup>1</sup>	65,179	124,135	76,578	265,892
Other changes	(8,119)	(9,639)	(1,825)	(19,583)
Ending	<u>₩ 467,036</u>	<u>₩ 1,450,623</u>	<u>₩ 433,485</u>	<u>₩ 2,351,144</u>

(In millions of Korean won)

	<b>2016</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Beginning	₩ 491,352	₩ 1,692,352	₩ 398,350	₩ 2,582,054
Written-off	(61,645)	(136,609)	(81,465)	(279,719)
Recoveries from written-off loans	44,254	36,768	32,350	113,372
Sale and repurchase	(67)	490	-	423
Provision(reversal) <sup>1</sup>	(72,099)	57,849	56,344	42,094
Other changes	(1,568)	(3,058)	(1,686)	(6,312)
Ending	<u>₩ 400,227</u>	<u>₩ 1,647,792</u>	<u>₩ 403,893</u>	<u>₩ 2,451,912</u>

<sup>1</sup> Provision for credit losses in statements of comprehensive income also include provision for unused commitments and guarantees (Note 22.(2)), provision (reversal) for financial guarantees contracts (Note 22.(3)), and provision (reversal) for other financial assets (Note 17.(2)).

**11. 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 March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Financial assets held for trading</b>		
Debt securities:		
Government and public bonds	₩ 5,001,364	₩ 5,389,757
Financial bonds	11,052,500	11,186,427
Corporate bonds	4,904,872	4,594,741
Asset-backed securities	201,778	222,076
Others	1,757,713	1,593,569
Equity securities:		
Stocks and others	647,023	424,637
Beneficiary certificates	2,772,001	2,615,962
Others	78,230	72,349
	<u>26,415,481</u>	<u>26,099,518</u>

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**Financial assets designated at fair value through profit or loss**

Debt securities:		
Corporate bonds	237,981	237,595
Equity securities:		
Stocks and others	112,244	65,591
Derivative-linked securities	1,383,116	1,361,591
Privately placed bonds	36,744	94,069
	<u>1,770,085</u>	<u>1,758,846</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>₩ 28,185,566</u>	<u>₩ 27,858,364</u>

**Available-for-sale financial assets**

Debt securities:		
Government and public bonds	₩ 7,656,170	₩ 7,110,899
Financial bonds	10,941,587	11,172,159
Corporate bonds	6,186,380	5,904,414
Asset-backed securities	2,536,729	2,729,749
Others	501,918	528,531
Equity securities:		
Stocks	2,703,315	2,590,989
Equity investments and others	292,317	402,659
Beneficiary certificates	3,732,633	3,530,893
	<u>34,551,049</u>	<u>33,970,293</u>

**Held-to-maturity financial assets**

Debt securities:		
Government and public bonds	2,179,586	2,218,274
Financial bonds	1,625,519	1,868,928
Corporate bonds	3,144,678	3,487,787
Asset-backed securities	3,602,512	3,602,515
	<u>10,552,295</u>	<u>11,177,504</u>

**Total financial investments**

	<u>₩ 45,103,344</u>	<u>₩ 45,147,797</u>
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The impairment losses and the reversal of impairment losses in financial investments for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	2017		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (12,437)	₩ -	₩ (12,437)

*(In millions of Korean won)*

	2016		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (3,047)	₩ -	₩ (3,047)

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**12. Investments in Associates**

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

(in millions of Korean won)

March 31, 2017

	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
KB Insurance Co., Ltd. <sup>1</sup>	39.81	₩1,052,759	₩1,418,569	₩1,417,398	Non-life insurance	Korea
Balhae Infrastructure Company <sup>2</sup>	12.61	130,189	138,244	138,244	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>2</sup>	9.00	4,500	4,781	4,781	Credit information	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	23,985	24,372	23,986	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	131,277	127,806	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>2</sup>	14.99	24,677	1,385	1,385	Operation of highways and related facilities	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	25.00	22,701	24,452	24,452	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>6</sup>	20.24	-	(552)	-	Specialty construction	Korea
Terra Co., Ltd. <sup>6</sup>	24.06	-	36	20	Manufacture of hand-operated kitchen appliances and metal ware	Korea
MJT&I Co., Ltd. <sup>6</sup>	22.89	-	(542)	232	Wholesale of other goods	Korea
Jungdong Steel Co., Ltd. <sup>6</sup>	42.88	-	(436)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>6</sup>	26.52	-	(20)	-	Manufacture of metal products	Korea
Shinhwa Underwear Co., Ltd. <sup>6</sup>	26.24	-	(103)	138	Manufacture of underwears and sleepwears	Korea
Dpaps Co., Ltd. <sup>6</sup>	38.62	-	155	-	Wholesale of paper products	Korea
Ejade Co., Ltd. <sup>6</sup>	25.81	-	(523)	-	Wholesale of underwears	Korea
Jaeyang Industry Co., Ltd. <sup>6</sup>	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>6</sup>	41.01	-	(223)	127	Screen printing	Korea
Aju Good Technology Venture Fund	38.46	3,729	3,556	3,729	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,514	20,101	Investment finance	Korea
RAND Bio Science Co., Ltd.	24.24	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
KB No.8 Special Purpose Acquisition Company <sup>2,3</sup>	0.10	10	19	19	SPAC	Korea
KB No.9 Special Purpose Acquisition Company <sup>2,4</sup>	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company <sup>2,5</sup>	0.19	10	20	20	SPAC	Korea
KB No.11 Special Purpose Acquisition Company <sup>2</sup>	4.76	10	12	12	SPAC	Korea
KB IGen Private Equity Fund No.	0.03	6	6	6	Investment finance	Korea

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<sup>1,2,10</sup>						
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND <sup>7</sup>	98.88	15,211	15,196	15,196	Private Equity Fund	Korea
KB Private Equity Fund III <sup>2</sup>	15.68	8,000	7,937	7,937	Investment finance	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	4,645	3,936	3,936	Investment finance	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund <sup>2</sup>	5.64	1,842	1,828	1,828	Investment finance	Korea
Wise Asset Management Co., Ltd. <sup>8</sup>	33.00	-	-	-	Asset management	Korea
Inno Lending Co., Ltd. <sup>2</sup>	19.90	398	361	361	Credit rating model development	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	13,401	5,287	Installment loan	Korea
Builton Co., Ltd.	22.22	800	800	800	Software Development and Supply	Korea
Kyobo 7 Special Purpose Acquisition Co., Ltd.	32.00	10	10	10	SPAC	Korea
Food Factory Co., Ltd.	30.00	1,000	1,000	1,000	Farm product distribution industry	Korea
KB Pre IPO Secondary Venture Fund 1st <sup>2</sup>	15.19	1,671	1,670	1,670	Investment finance	Korea
		W1,441,857	W1,812,647	W1,802,512		

(in millions of Korean won)

**December 31, 2016**

	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
KB Insurance Co., Ltd. <sup>1</sup>	39.81	W1,052,759	W1,393,320	W1,392,194	Non-life insurance	Korea
Balhae Infrastructure Company <sup>2</sup>	12.61	130,189	133,200	133,200	Investment finance	Korea
Korea Credit Bureau Co., Ltd. <sup>2</sup>	9.00	4,500	4,853	4,853	Credit information	Korea
JSC Bank CenterCredit Ordinary share <sup>9</sup>	29.56					
Preference share <sup>9</sup>	93.15	954,104	(32,191)	-	Banking	Kazakhstan
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	23,985	25,105	24,719	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	133,150	129,678	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>2</sup>	14.99	24,677	728	728	Operation of highways and related facilities	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	25.00	22,701	24,789	24,789	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>6</sup>	20.24	-	(545)	-	Specialty construction	Korea
Terra Co., Ltd. <sup>6</sup>	24.06	-	44	28	Manufacture of hand-operated kitchen appliances and metal ware	Korea
MJT&I Co., Ltd. <sup>6</sup>	22.89	-	(542)	232	Wholesale of other goods	Korea
Jungdong Steel Co., Ltd. <sup>6</sup>	42.88	-	(423)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>6</sup>	26.52	-	(51)	-	Manufacture of metal products	Korea
Shinhwa Underwear Co., Ltd. <sup>6</sup>	26.24	-	(138)	103	Manufacture of underwears and sleepwears	Korea
Dpaps Co., Ltd. <sup>6</sup>	38.62	-	151	-	Wholesale of paper products	Korea
Ejade Co., Ltd. <sup>6</sup>	25.81	-	(523)	-	Wholesale of	Korea

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Jaeyang Industry Co., Ltd. <sup>6</sup>	20.86	-	(522)	-	underwears Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>6</sup>	41.01	-	(351)	-	Screen printing	Korea
Aju Good Technology Venture Fund	38.46	1,998	1,949	1,998	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,220	19,807	Investment finance	Korea
KBIC Private Equity Fund No. 3 <sup>2</sup>	2.00	2,050	2,396	2,396	Investment finance	Korea
RAND Bio Science Co., Ltd.	24.24	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
isMedia Co., Ltd.	22.87	3,978	3,978	3,978	Semiconductor instrument manufacture	Korea
KB No.8 Special Purpose Acquisition Company <sup>2,3</sup>	0.10	10	19	19	SPAC	Korea
KB No.9 Special Purpose Acquisition Company <sup>2,4</sup>	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company <sup>2,5</sup>	0.19	10	20	20	SPAC	Korea
KB No.11 Special Purpose Acquisition Company <sup>2</sup>	4.76	10	13	13	SPAC	Korea
KB-Glenwood Private Equity Fund <sup>2</sup>	0.03	10	10	10	Investment finance	Korea
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND <sup>7</sup>	98.88	10,000	9,999	9,999	Private Equity Fund	Korea
KB Private Equity Fund III <sup>2</sup>	15.68	8,000	8,000	8,000	Investment finance	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	4,645	3,957	3,957	Investment finance	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund <sup>2</sup>	5.64	1,842	1,850	1,850	Investment finance	Korea
Wise Asset Management Co., Ltd. <sup>8</sup>	33.00	-	-	-	Asset management	Korea
Inno Lending Co.,Ltd. <sup>2</sup>	19.90	398	378	378	Credit rating model development	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	26,311	5,693	Installment loan	Korea
		<u>₩2,391,570</u>	<u>₩1,761,185</u>	<u>₩1,770,673</u>		

<sup>1</sup> The market value of KB Insurance Co., Ltd., reflecting the quoted market price, as of March 31, 2017 and December 31, 2016, amounts to ₩ 714,764 million and ₩ 522,288 million, respectively

<sup>2</sup> As of March 31, 2017 and December 31, 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.

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

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

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

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<sup>6</sup> The investment in associates was reclassified from available-for-sale financial assets due to reinstated voting rights from termination of rehabilitation procedures.

<sup>7</sup> Although the Group holds a majority of the investee's voting rights, other limited partners have a right to replace general partners. Therefore, the company has been classified as investment in associates.

<sup>8</sup> Carrying amount of the investment has been recognized as a loss from the date Hyundai Securities Co., Ltd. was included in the consolidation scope.

<sup>9</sup> 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.

<sup>10</sup> KB-Glenwood Private Equity Fund changed the name to KB IGen Private Equity Fund No. 1.

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

(In millions of Korean won)

	March 31, 2017 <sup>1</sup>							
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount	
<b>Associates</b>								
KB Insurance Co., Ltd. (initial acquisition 22.59%)	₩ 31,273,738	₩ 27,619,351	₩ 33,250	₩ 3,654,387	₩ 824,674			
(additional acquisition 10.70%)	31,388,161	27,647,042	33,250	3,741,119	399,678	₩ (1,171)	₩	1,417,398
(additional acquisition 6.52%)	30,387,534	27,404,890	33,250	2,982,644	194,217			
Balhae Infrastructure Company	1,098,954	2,212	1,061,216	1,096,742	138,244	-		138,244
Korea Credit Bureau Co., Ltd.	67,494	14,368	10,000	53,126	4,781	-		4,781
KoFC KBIC Frontier Champ 2010-5(PEF)	48,745	-	47,970	48,745	24,372	(386)		23,986
KB GwS Private Securities Investment Trust	492,355	1,495	425,814	490,860	131,277	(3,471)		127,806
Incheon Bridge Co., Ltd.	656,712	647,474	164,621	9,238	1,385	-		1,385
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	98,884	1,073	90,800	97,811	24,452	-		24,452
Aju Good Technology Venture Fund	9,495	250	9,700	9,245	3,556	173		3,729
KB Star office Private real estate Investment Trust No.1	218,413	120,971	95,000	97,442	20,514	(413)		20,101
RAND Bio Science Co., Ltd.	2,472	4	83	2,468	2,000	-		2,000
KB No.8 Special Purpose Acquisition Company	22,779	2,279	1,031	20,500	19	-		19
KB No.9 Special Purpose Acquisition Company	29,835	2,539	1,382	27,296	31	-		31
KB No.10 Special Purpose Acquisition Company	11,812	1,651	521	10,161	20	-		20
KB No.11 Special Purpose Acquisition Company	975	714	21	261	12	-		12
KB IGen Private Equity Fund No. 1	14,209	7	17,765	14,202	6	-		6
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND	55,500	15	55,500	55,485	15,196	-		15,196
KB Private Equity Fund III	50,598	-	8,000	50,598	7,937	-		7,937

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Hyundai-Tongyang Agrifood Private Equity Fund	15,920	468	15,360	15,452	3,936	-	3,936
Keystone-Hyundai Securities No. 1 Private Equity Fund	133,720	94,857	34,114	38,863	1,828	-	1,828
Inno Lending Co., Ltd.	1,870	56	2,000	1,814	361	-	361
SY Auto Capital Co., Ltd.	62,530	35,181	20,000	27,349	13,401	(8,114)	5,287
Builton Co., Ltd.	512	760	250	(248)	800	-	800
Kyobo 7 Special Purpose Acquisition Co., Ltd.	2,293	2,270	23	23	10	-	10
Food Factory Co., Ltd.	2,202	2,772	245	(570)	1,000	-	1,000
KB Pre IPO Secondary Venture Fund 1st	11,000	1	11,000	10,999	1,670	-	1,670

(In millions of Korean won)

	March 31, 2017 <sup>1</sup>				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
<b>Associates</b>					
KB Insurance Co., Ltd. (initial acquisition 22.59%)	₩ 3,231,393	₩ 99,851	₩ 1,565	₩ 101,416	₩ 15,884
(additional acquisition 10.70%)	3,209,983	86,114	9,568	95,682	
(additional acquisition 6.52%)	3,205,297	109,611	10,928	120,539	
Balhae Infrastructure Company	66,889	63,904	-	63,904	3,011
Korea Credit Bureau Co., Ltd.	13,664	526	-	526	149
KoFC KBIC Frontier Champ 2010-5(PEF)	139	135	(1,555)	(1,420)	-
KB GwS Private Securities Investment Trust	8,751	8,499	-	8,499	4,011
Incheon Bridge Co., Ltd.	22,862	3,722	-	3,722	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	2,315	(1,257)	50	(1,207)	-
Aju Good Technology Venture Fund	86	(322)	-	(322)	-
KB Star office Private real estate Investment Trust No.1	3,287	1,397	-	1,397	-
RAND Bio Science Co., Ltd.	-	(582)	-	(582)	-
KB No.8 Special Purpose Acquisition Company	-	21	-	21	-
KB No.9 Special Purpose Acquisition Company	-	121	-	121	-
KB No.10 Special Purpose Acquisition Company	-	6	-	6	-
KB No.11 Special Purpose Acquisition Company	-	(17)	-	(17)	-
KB IGen Private Equity Fund No. 1	-	(92)	-	(92)	-
IMM Investment 5th PRIVATE EQUITY FUND	-	(15)	-	(15)	-
KB Private Equity Fund III	-	(402)	-	(402)	-
Hyundai-Tongyang Agrifood Private Equity Fund	12	(83)	-	(83)	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	-	(326)	(65)	(391)	-
Inno Lending Co., Ltd.	-	(88)	-	(88)	-
SY Auto Capital Co., Ltd.	4,284	1,038	-	1,038	-
Builton Co., Ltd.	1,123	(467)	-	(467)	-
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	-	-	-	-
Food Factory Co., Ltd.	2,022	(190)	-	(190)	-
KB Pre IPO Secondary Venture Fund 1st	-	(1)	-	(1)	-



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<sup>1</sup> 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.

(In millions of Korean won)

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

(In millions of Korean won)

	March 31, 2016 <sup>1</sup>				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
<b>Associates</b>					
KB Insurance Co., Ltd. (initial acquisition 22.59%)	₩ 2,851,142	₩ 83,337	₩ 125,072	₩ 208,409	₩ 7,989
(additional acquisition 10.70%)	2,851,075	84,647	125,072	209,719	
Balhae Infrastructure Company	13,381	11,193	-	11,193	2,812
Korea Credit Bureau Co., Ltd.	9,864	(1,612)	-	(1,612)	135
UAMCO., Ltd.	123,699	10,916	(17)	10,899	26,961

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JSC Bank CenterCredit	30,220	14,766	(13,695)	1,071	-
KoFC KBIC Frontier Champ 2010-5(PEF)	565	420	(992)	(572)	-
United PF 1st Recovery Private Equity Fund	23,388	18,423	-	18,423	-
KB GwS Private Securities Investment Trust	9,126	8,869	-	8,869	4,011
Incheon Bridge Co., Ltd.	20,228	520	-	520	-
KB Star office Private real estate Investment Trust No.1	4,392	2,493	-	2,493	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	2,749	979	(40)	939	-
NPS KBIC Private Equity Fund No. 1	-	-	-	-	-
KBIC Private Equity Fund No. 3	388	320	-	320	-
KB-Glenwood Private Equity Fund	-	(78)	-	(78)	-
KB No.5 Special Purpose Acquisition Company	-	31	-	31	-
KB No.6 Special Purpose Acquisition Company	-	112	-	112	-
KB No.7 Special Purpose Acquisition Company	-	18	-	18	-
KB No.8 Special Purpose Acquisition Company	-	90	277	367	-
KB No.9 Special Purpose Acquisition Company	-	(39)	25,392	25,353	-
SY Auto Capital Co., Ltd.	1,329	709	-	709	-

<sup>1</sup> 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.

<sup>2</sup> Details of profit or loss are not disclosed because the 3rd acquisition of shares of KB Insurance Co., Ltd. occurred in December 29, 2016.

Changes in investments in associates for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Beginning	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other-comprehensive income	Others	Ending
<b>Associates</b>								
KB Insurance Co., Ltd.	₩1,392,194	₩ -	₩ -	₩ (15,884)	₩ 38,872	₩ 2,216	₩ -	₩1,417,398
Balhae Infrastructure Company	133,200	-	-	(3,011)	8,055	-	-	138,244
Korea Credit Bureau Co., Ltd.	4,853	-	-	(149)	77	-	-	4,781
KoFC KBIC Frontier Champ 2010-5(PEF)	24,719	-	-	-	45	(778)	-	23,986
KB GwS Private Securities Investment Trust	129,678	-	-	(4,011)	2,139	-	-	127,806
Incheon Bridge Co., Ltd.	728	-	-	-	657	-	-	1,385
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	24,789	-	-	-	(349)	12	-	24,452
Terra Co., Ltd.	28	-	-	-	(8)	-	-	20
MJT&I Co., Ltd.	232	-	-	-	-	-	-	232
Shinhwa Underwear Co., Ltd.	103	-	-	-	35	-	-	138
Kendae Co., Ltd.	-	-	-	-	127	-	-	127

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Aju Good Technology Venture Fund	1,998	1,731	-	-	-	-	-	3,729
KB Star office Private real estate Investment Trust No.1	19,807	-	-	-	294	-	-	20,101
KBIC Private Equity Fund No. 3	2,396	-	(2,763)	-	367	-	-	-
RAND Bio Science Co., Ltd.	2,000	-	-	-	-	-	-	2,000
isMedia Co. Ltd	3,978	-	(5,409)	-	1,431	-	-	-
KB No.8 Special Purpose Acquisition Company	19	-	-	-	-	-	-	19
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	13	-	-	-	(1)	-	-	12
KB IGen Private Equity Fund No. 1	10	-	(4)	-	-	-	-	6
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND	9,999	25,200	(19,989)	-	(14)	-	-	15,196
KB Private Equity Fund III	8,000	-	-	-	(63)	-	-	7,937
Hyundai-Tongyang Agrifood Private Equity Fund	3,957	-	-	-	(21)	-	-	3,936
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,850	-	-	-	(18)	(4)	-	1,828
Inno Lending Co.,Ltd	378	-	-	-	(17)	-	-	361
SY Auto Capital Co., Ltd.	5,693	-	-	-	(406)	-	-	5,287
Builton Co., Ltd.	-	800	-	-	-	-	-	800
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	10	-	-	-	-	-	10
Food Factory Co., Ltd.	-	1,000	-	-	-	-	-	1,000
KB Pre IPO Secondary Venture Fund 1st	-	1,671	-	-	(1)	-	-	1,670
	<u>₩1,770,673</u>	<u>₩ 30,412</u>	<u>₩ (28,165)</u>	<u>₩ (23,055)</u>	<u>₩ 51,201</u>	<u>₩ 1,446</u>	<u>₩ -</u>	<u>₩1,802,512</u>

<sup>1</sup> Gain on disposal of investments in associates for the year ended March 31, 2017, amounts to ₩ 1,249 million.

(In millions of Korean won)

	2016							
	Beginning	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
<b>Associates</b>								
KB Insurance Co., Ltd.	₩1,077,014	₩ -	₩ -	₩ (7,989)	₩ 27,713	₩ 41,634	₩ -	₩ 1,138,372
Balhae Infrastructure Company	128,275	2,647	-	(2,812)	1,411	-	-	129,521
Korea Credit Bureau Co., Ltd.	4,580	-	-	(135)	(53)	-	-	4,392
UAMCO., Ltd.	129,707	-	-	(26,961)	2,648	-	-	105,394
JSC Bank CenterCredit	-	-	-	-	-	-	-	-
KoFC KBIC Frontier Champ 2010-5(PEF)	25,508	-	(900)	-	125	(496)	-	24,237
United PF 1st Recovery Private Equity Fund	183,117	-	-	-	3,267	-	-	186,384
KB GwS Private Securities Investment Trust	127,539	-	-	(4,011)	2,372	-	-	125,900
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	28,470	3,750	-	-	326	(13)	-	32,533
Terra Co., Ltd.	21	-	-	-	(6)	-	-	15

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MJT&I Co., Ltd.	149	-	-	-	46	-	-	195
Jungdong Steel Co., Ltd.	33	-	-	-	(33)	-	-	-
Doosung Metal Co., Ltd.	-	-	-	-	17	-	-	17
Shinhwa Underwear Co., Ltd.	56	-	-	-	44	-	-	100
KB Star office Private real estate Investment Trust No.1	19,915	-	-	-	525	-	-	20,440
KBIC Private Equity Fund No. 3	2,348	-	-	-	7	-	-	2,355
Sawnics Co., Ltd.	1,397	-	-	-	(235)	-	-	1,162
KB-Glenwood Private Equity Fund	10	-	-	-	-	-	-	10
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 <sup>1</sup>	15	4,082	-	-	(5)	(80)	8	4,020
SY Auto Capital Co., Ltd	9,481	-	-	-	(439)	-	-	9,042
	<u>₩1,737,840</u>	<u>₩ 10,479</u>	<u>₩ (900)</u>	<u>₩ (41,908)</u>	<u>₩ 37,730</u>	<u>₩ 41,045</u>	<u>₩ 8</u>	<u>₩ 1,784,294</u>

<sup>1</sup> Others of KB No.9 Special Purpose Acquisition Company amounting to ₩ 8 million represents the changes in interests due to unequal paid-in capital increase in the associate.

<sup>2</sup> Gain on disposal of investments in associates for the year ended March 31, 2016, amounts to ₩ 8 million.

**13. Property and Equipment, and Investment Properties**

Details of property and equipment as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	₩ 2,290,432	₩ -	₩ (1,018)	₩ 2,289,414
Buildings	1,454,187	(484,833)	(5,859)	963,495
Leasehold improvements	720,668	(646,431)	-	74,237
Equipment and vehicles	1,581,713	(1,365,106)	(2,718)	213,889
Construction in progress	8,852	-	-	8,852
Financial lease assets	34,111	(22,555)	-	11,556
	<u>₩ 6,089,963</u>	<u>₩ (2,518,925)</u>	<u>₩ (9,595)</u>	<u>₩ 3,561,443</u>

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**December 31, 2016**

*(In millions of Korean won)*

	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
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
	<u>₩ 6,136,237</u>	<u>₩ (2,495,154)</u>	<u>₩ (13,815)</u>	<u>₩ 3,627,268</u>

Details of investment property as of March 31, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

**March 31, 2017**

	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	₩ 206,596	₩ -	₩ (2,124)	₩ 204,472
Buildings	586,089	(67,560)	(1,169)	517,360
	<u>₩ 792,685</u>	<u>₩ (67,560)</u>	<u>₩ (3,293)</u>	<u>₩ 721,832</u>

*(In millions of Korean won)*

**December 31, 2016**

	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	₩ 203,795	₩ -	₩ (1,404)	₩ 202,391
Buildings	616,085	(63,465)	-	552,620
	<u>₩ 819,880</u>	<u>₩ (63,465)</u>	<u>₩ (1,404)</u>	<u>₩ 755,011</u>

**14. Intangible Assets**

Details of intangible assets as of March 31, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

**March 31, 2017**

	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying Amount</b>
Goodwill	₩ 331,707	₩ -	₩ (69,315)	₩ 262,392
Other intangible assets	1,337,393	(904,100)	(42,470)	390,823
	<u>₩ 1,669,100</u>	<u>₩ (904,100)</u>	<u>₩ (111,785)</u>	<u>₩ 653,215</u>

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(In millions of Korean won)

**December 31, 2016**

	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying Amount</b>
Goodwill	₩ 331,707	₩ -	₩ (69,315)	₩ 262,392
Other intangible assets	1,312,732	(877,881)	(44,927)	389,924
	<u>₩ 1,644,439</u>	<u>₩ (877,881)</u>	<u>₩ (114,242)</u>	<u>₩ 652,316</u>

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

(In millions of Korean won)

**March 31, 2017**

**December 31, 2016**

	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	1,202	1,202	1,202
KB Securities Co., Ltd.	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
	<u>₩ 331,707</u>	<u>₩ 262,392</u>	<u>₩ 331,707</u>	<u>₩ 262,392</u>

Details of intangible assets, excluding goodwill, as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

**March 31, 2017**

	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Industrial property rights	₩ 6,615	₩ (1,730)	₩ -	₩ 4,885
Software	898,804	(765,785)	(2)	133,017
Other intangible assets	389,565	(120,293)	(42,468)	226,804
Finance leases assets	42,409	(16,292)	-	26,117
	<u>₩ 1,337,393</u>	<u>₩ (904,100)</u>	<u>₩ (42,470)</u>	<u>₩ 390,823</u>

(In millions of Korean won)

**December 31, 2016**

	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
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
	<u>₩ 1,312,732</u>	<u>₩ (877,881)</u>	<u>₩ (44,927)</u>	<u>₩ 389,924</u>

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**15. Deferred Income Tax Assets and Liabilities**

Details of deferred income tax assets and liabilities as of March 31, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2017</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
Other provisions	₩ 88,844	₩ -	₩ 88,844
Allowances for loan losses	7,994	-	7,994
Impairment losses on property and equipment	8,051	(358)	7,693
Interest on equity index-linked deposits	33	-	33
Share-based payments	12,230	-	12,230
Provisions for guarantees	26,791	-	26,791
Losses(gains) from valuation on derivative financial instruments	9,350	(98,584)	(89,234)
Present value discount	14,944	(6,275)	8,669
Losses(gains) from fair value hedged item	-	(16,115)	(16,115)
Accrued interest	-	(79,277)	(79,277)
Deferred loan origination fees and costs	932	(156,992)	(156,060)
Gains from revaluation	803	(286,119)	(285,316)
Investments in subsidiaries and others	203,248	(97,754)	105,494
Gains on valuation of security investment	105,369	(9,223)	96,146
Defined benefit liabilities	284,118	-	284,118
Accrued expenses	72,092	-	72,092
Retirement insurance expense	-	(246,848)	(246,848)
Adjustments to the prepaid contributions	-	(13,224)	(13,224)
Derivative-linked securities	65,595	(37,958)	27,637
Others	358,230	(211,009)	147,221
	<u>1,258,624</u>	<u>(1,259,736)</u>	<u>(1,112)</u>
Offsetting of deferred income tax assets and liabilities	(1,231,220)	1,231,220	-
	<u>₩ 27,404</u>	<u>₩ (28,516)</u>	<u>₩ (1,112)</u>

*(In millions of Korean won)*

	<b>December 31, 2016</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
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)

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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
	<u>1,283,268</u>	<u>(1,253,126)</u>	<u>30,142</u>
Offsetting of deferred income tax assets and liabilities	(1,149,644)	1,149,644	-
	<u>₩ 133,624</u>	<u>₩ (103,482)</u>	<u>₩ 30,142</u>

**16. Assets Held for Sale**

Details of assets held for sale as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>			
	<b>Acquisition cost<sup>1</sup></b>	<b>Accumulated impairment</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land held for sale	₩ 58,071	₩ (7,805)	₩ 50,266	₩ 59,008
Buildings held for sale	60,608	(23,097)	37,511	38,366
	<u>₩ 118,679</u>	<u>₩ (30,902)</u>	<u>₩ 87,777</u>	<u>₩ 97,374</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<b>Acquisition cost<sup>1</sup></b>	<b>Accumulated impairment</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land held for sale	₩ 31,310	₩ (8,179)	₩ 23,131	₩ 24,704
Buildings held for sale	50,086	(21,069)	29,017	29,300
	<u>₩ 81,396</u>	<u>₩ (29,248)</u>	<u>₩ 52,148</u>	<u>₩ 54,004</u>

<sup>1</sup> Acquisition cost of buildings held for sale is net of accumulated depreciation.

**17. Other Assets**

Details of other assets as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Other financial assets</b>		
Other receivables	₩ 7,156,526	₩ 4,326,183
Accrued income	1,322,249	1,305,680
Guarantee deposits	1,203,552	1,230,400
Domestic exchange settlement debits	483,250	535,237
Others	40,461	25,226
Less: Allowances for loan losses	(90,548)	(95,629)
Less: Present value discount	(4,381)	(4,762)
	<u>10,111,109</u>	<u>7,322,335</u>



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**Other non-financial assets**

Other receivables	14,974	17,727
Prepaid expenses	203,038	188,135
Guarantee deposits	3,918	3,934
Insurance assets	129,343	128,146
Separate account assets	897,356	866,310
Others	387,187	356,380
Less: Allowances on other asset	(32,900)	(25,182)
	<u>1,602,916</u>	<u>1,535,450</u>
	₩ 11,714,025	₩ 8,857,785

Changes in allowances for loan losses on other assets for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	<b>2017</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	₩ 95,629	₩ 25,182	₩ 120,811
Written-off	(10,877)	(119)	(10,996)
Provision	4,772	253	5,025
Others	1,024	7,584	8,608
Ending	<u>₩ 90,548</u>	<u>₩ 32,900</u>	<u>₩ 123,448</u>

(In millions of Korean won)

	<b>2016</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	₩ 308,699	₩ 23,977	₩ 332,676
Written-off	(1,104)	-	(1,104)
Provision	1,308	411	1,719
Others	666	-	666
Ending	<u>₩ 309,569</u>	<u>₩ 24,388</u>	<u>₩ 333,957</u>

**18. Financial Liabilities at Fair Value through Profit or Loss**

Details of financial liabilities at fair value through profit or loss as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Financial liabilities held for trading</b>		
Securities sold	₩ 1,084,693	₩ 1,070,272
Other	77,690	73,238
	<u>1,162,383</u>	<u>1,143,510</u>
<b>Financial liabilities designated at fair value through profit or loss</b>		
Derivative-linked securities	10,247,284	10,979,326
<b>Total financial liabilities at fair value through profit or loss</b>	<u>₩ 11,409,667</u>	<u>₩ 12,122,836</u>

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**19. Deposits**

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

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Demand deposits</b>		
Demand deposits in Korean won	₩ 105,706,104	₩ 104,758,222
Demand deposits in foreign currencies	6,082,848	5,305,313
	<u>111,788,952</u>	<u>110,063,535</u>
<b>Time deposits</b>		
Time deposits in Korean won	123,331,403	122,532,476
Fair value adjustments on valuation of fair value hedged items	-	-
	<u>123,331,403</u>	<u>122,532,476</u>
Time deposits in foreign currencies	4,671,350	4,314,783
Fair value adjustments on valuation of fair value hedged items	(68,514)	(61,657)
	<u>4,602,836</u>	<u>4,253,126</u>
	<u>127,934,239</u>	<u>126,785,602</u>
<b>Certificates of deposits</b>	2,293,490	2,880,558
<b>Total deposits</b>	<u>₩ 242,016,681</u>	<u>₩ 239,729,695</u>

**20. Debts**

Details of debts as of March 31, 2017 and December 31, 2016, consist of:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Borrowings	₩ 14,434,981	₩ 14,485,789
Repurchase agreements and others	9,127,553	8,825,564
Call money	2,805,126	2,940,133
	<u>₩ 26,367,660</u>	<u>₩ 26,251,486</u>

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

<i>(In millions of Korean won)</i>		<b>Annual interest rate (%)</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	0.50~0.75	₩ 1,675,337	₩ 1,644,260
	Borrowings from the government	0.00~3.00	1,416,516	1,331,688
	Borrowings from non-banking financial institutions	0.20~2.70	923,510	889,433
	<b>Lender</b>			
	Bank of Korea			
	Small Enterprise And Market Service and others			
	The Korea Development Bank and others			

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	Other borrowings	The Korea Development Bank and others	0.00~5.70	4,633,099	4,284,108
				8,648,462	8,149,489
<b>Borrowings in foreign currencies</b>	Due to banks	Bank of Tokyo-Mitsubishi UFJ, LTD. and Others	-	5,006	70,624
	Borrowings from banking institutions	Mizuhobank LTD. Seoul Branch and Others	0.00~3.18	3,683,232	3,949,376
	Other borrowings from financial institutions	The Export-Import Bank of Korea and others	1.50~2.35	93,024	121,104
	Other borrowings	Standard Chartered Bank and others	0.00~3.66	2,005,257	2,195,196
				5,786,519	6,336,300
				₩ 14,434,981	₩ 14,485,789

## 21. Debentures

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

(In millions of Korean won)

	Annual interest rate (%)	March 31, 2017	December 31, 2016
<b>Debentures in Korean won</b>			
Structured debentures	0.29~6.00	₩ 1,016,880	₩ 1,146,300
Subordinated fixed rate debentures in Korean won	3.08~5.70	3,268,932	3,271,693
Fixed rate debentures in Korean won	1.29~5.30	27,244,285	25,627,695
Floating rate debentures in Korean won	1.33~2.20	1,033,000	1,108,000
		32,563,097	31,153,688
<b>Fair value adjustments on fair value hedged financial debentures in Korean won</b>		25,087	26,724
<b>Less: Discount on debentures in Korean won</b>		(19,436)	(19,064)
		32,568,748	31,161,348
<b>Debentures in foreign currencies</b>			
Floating rate debentures	1.44~1.48	502,245	1,063,480
Fixed rate debentures	1.38~2.25	2,254,522	2,803,720
		2,756,767	3,867,200
<b>Fair value adjustments on fair value hedged debentures in foreign currencies</b>		(23,164)	(24,302)
<b>Less: Discount or premium on debentures in foreign currencies</b>		(10,101)	(12,189)
		2,723,502	3,830,709
		₩ 35,292,250	₩ 34,992,057

Changes in debentures based on face value for the three-month periods ended March 31, 2017 and 2016, are as follows:

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(In millions of Korean won)

	2017				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Structured debentures	₩ 1,146,300	₩ 769,300	₩ (898,720)	₩ -	₩ 1,016,880
Subordinated fixed rate debentures in Korean won	3,271,693	-	(2,761)	-	3,268,932
Fixed rate debentures in Korean won	25,627,695	26,704,600	(25,088,010)	-	27,244,285
Floating rate debentures in Korean won	1,108,000	85,000	(160,000)	-	1,033,000
	<u>31,153,688</u>	<u>27,558,900</u>	<u>(26,149,491)</u>	<u>-</u>	<u>32,563,097</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,063,480	175,560	(670,236)	(66,559)	502,245
Fixed rate debentures	2,803,720	-	(354,150)	(195,048)	2,254,522
	<u>3,867,200</u>	<u>175,560</u>	<u>(1,024,386)</u>	<u>(261,607)</u>	<u>2,756,767</u>
	<u>₩ 35,020,888</u>	<u>₩ 27,734,460</u>	<u>₩ (27,173,877)</u>	<u>₩ (261,607)</u>	<u>₩ 35,319,864</u>

(In millions of Korean won)

	2016				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Structured debentures	₩ 909,788	₩ -	₩ (137,118)	₩ -	₩ 772,670
Subordinated fixed rate debentures in Korean won	4,586,829	-	(259,530)	-	4,327,299
Fixed rate debentures in Korean won	22,500,223	19,965,600	(20,455,879)	-	22,009,944
Floating rate debentures in Korean won	448,000	100,000	-	-	548,000
	<u>28,444,840</u>	<u>20,065,600</u>	<u>(20,852,527)</u>	<u>-</u>	<u>27,657,913</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,829,124	35,595	(119,165)	(22,137)	1,723,417
Fixed rate debentures	2,325,537	601,550	(407,512)	(35,402)	2,484,173
	<u>4,154,661</u>	<u>637,145</u>	<u>(526,677)</u>	<u>(57,539)</u>	<u>4,207,590</u>
	<u>₩ 32,599,501</u>	<u>₩ 20,702,745</u>	<u>₩ (21,379,204)</u>	<u>₩ (57,539)</u>	<u>₩ 31,865,503</u>

**22. Provisions**

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

(In millions of Korean won)

	March 31, 2017	December 31, 2016
Provisions for unused loan commitments	₩ 182,817	₩ 189,349
Provisions for payment guarantees	110,744	126,428
Provisions for financial guarantee contracts	3,123	4,333
Provisions for restoration cost	84,652	84,854
Others	138,451	132,753
	<u>₩ 519,787</u>	<u>₩ 537,717</u>

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Changes in provisions for unused loan commitments, payment guarantees for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>		
	<b>Provisions for unused loan commitments</b>	<b>Provisions for payment guarantees</b>	<b>Total</b>
Beginning	₩ 189,349	₩ 126,428	₩ 315,777
Effects of changes in foreign exchange rate	(1,976)	(5,680)	(7,656)
Reversal	(4,556)	(10,004)	(14,560)
Ending	<u>₩ 182,817</u>	<u>₩ 110,744</u>	<u>₩ 293,561</u>

*(In millions of Korean won)*

	<b>2016</b>		
	<b>Provisions for unused loan commitments</b>	<b>Provisions for payment guarantees</b>	<b>Total</b>
Beginning	₩ 195,385	₩ 158,454	₩ 353,839
Effects of changes in foreign exchange rate	(247)	(1,599)	(1,846)
Provision	6,322	70,200	76,522
Ending	<u>₩ 201,460</u>	<u>₩ 227,055</u>	<u>₩ 428,515</u>

Changes in provisions for financial guarantee contracts for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	<b>2016</b>
Beginning	₩ 4,333	₩ 3,809
Reversal	(1,210)	(956)
Ending	<u>₩ 3,123</u>	<u>₩ 2,853</u>

Changes in provisions for restoration cost for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	<b>2016</b>
Beginning	₩ 84,854	₩ 75,351
Provision	1,350	837
Reversal	(60)	(8)
Used	(1,997)	(1,798)
Unwinding of discount	505	438
Ending	<u>₩ 84,652</u>	<u>₩ 74,820</u>

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.

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Changes in other provisions for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	<b>2017</b>					
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Greenhouse gas emission liabilities</b>	<b>Others</b>	<b>Total</b>
Beginning	₩ 8,790	₩ 50,396	₩ 20,623	₩ 358	₩ 52,586	₩ 132,753
Increase	26,066	11,515	1,128	-	4,792	43,501
Decrease	(16,286)	(10,881)	(203)	-	(10,433)	(37,803)
Ending	₩ 18,570	₩ 51,030	₩ 21,548	₩ 358	₩ 46,945	₩ 138,451

(In millions of Korean won)

	<b>2016</b>					
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Greenhouse gas emission liabilities</b>	<b>Others</b>	<b>Total</b>
Beginning	₩ 8,630	₩ 41,091	₩ 71,240	₩ 69	₩ 53,831	₩ 174,861
Increase	6,196	5,520	985	-	5,339	18,040
Decrease	(5,982)	(5,103)	(35,088)	-	(3,085)	(49,258)
Ending	₩ 8,844	₩ 41,508	₩ 37,137	₩ 69	₩ 56,085	₩ 143,643

### 23. Net Defined Benefit Liabilities

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 net defined benefit liability recognized in the statements of financial position is calculated in accordance with actuarial valuation methods using data; such as, interest rates, future salary increase rate, and mortality rate based on historical data. Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends.

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Changes in the net defined benefit liabilities for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	<b>2017</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
Beginning	₩ 1,576,003	₩ (1,479,704)	₩ 96,299
Current service cost	46,726	-	46,726
Interest cost(income)	8,653	(8,160)	493
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	4,484	4,484
Contributions	-	(103)	(103)
Payments from plans (benefit payments)	(181,214)	181,193	(21)
Payments from the Group	(15,587)	-	(15,587)
Transfer in	6,340	(6,339)	1
Transfer out	(6,668)	6,665	(3)
Effect of exchange rate changes	(14)	-	(14)
Ending	<u>₩ 1,434,239</u>	<u>₩ (1,301,964)</u>	<u>₩ 132,275</u>

(In millions of Korean won)

	<b>2016</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
Beginning	₩ 1,413,600	₩ (1,340,403)	₩ 73,197
Current service cost	46,709	-	46,709
Interest cost(income)	8,711	(8,263)	448
Past service cost	833	-	833
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	3,107	3,107
Contributions	-	(83)	(83)
Payments from plans (benefit payments)	(34,135)	34,135	-
Payments from the Group	(3,371)	-	(3,371)
Transfer in	3,168	(3,148)	20
Transfer out	(3,589)	3,589	-
Effect of exchange rate changes	18	-	18
Ending	<u>₩ 1,431,944</u>	<u>₩ (1,311,066)</u>	<u>₩ 120,878</u>

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Details of the net defined benefit liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Present value of defined benefit obligation	₩ 1,434,239	₩ 1,576,003
Fair value of plan assets	(1,301,964)	(1,479,704)
Net defined benefit liabilities	<u>₩ 132,275</u>	<u>₩ 96,299</u>

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Current service cost	₩ 46,726	₩ 46,709
Past service cost	-	833
Net interest expenses of net defined benefit liabilities	493	448
Post-employment benefits <sup>1</sup>	<u>₩ 47,219</u>	<u>₩ 47,990</u>

<sup>1</sup> Post-employment benefits amounting to ₩ 401 million and ₩ 338 million for the three-month periods ended March 31, 2017 and 2016, respectively, are recognized as other operating expense in the statements of comprehensive income.

**24. Other Liabilities**

Details of other liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Other financial liabilities</b>		
Other payables	₩ 10,161,075	₩ 6,526,330
Prepaid card and debit card	20,625	19,076
Accrued expenses	2,522,626	2,613,445
Financial guarantee liabilities	33,966	26,449
Deposits for letter of guarantees and others	602,325	561,664
Domestic exchange settlement credits	909,716	1,338,103
Foreign exchanges settlement credits	91,311	116,226
Borrowings from other business accounts	3,570	5,204
Other payables from trust accounts	4,251,636	4,430,508
Liability incurred from agency relationships	1,415,505	386,670
Account for agency businesses	396,541	248,257
Dividend payables	498,444	475
Others	26,375	14,171
	<u>20,933,715</u>	<u>16,286,578</u>
<b>Other non-financial liabilities</b>		
Other payables	16,317	842,902
Unearned revenue	243,816	226,096
Accrued expenses	463,651	395,933
Deferred revenue on credit card points	149,768	145,457
Withholding taxes	128,513	140,258



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Insurance liabilities	7,288,093	7,290,844
Separate account liabilities	972,080	875,015
Others	239,272	126,658
	<u>9,501,510</u>	<u>10,043,163</u>
	<u>₩ 30,435,225</u>	<u>₩ 26,329,741</u>

**25. Equity**

**25.1 Share Capital**

Details of share capital and number of issued shares of the Parent Company as of March 31, 2017 and December 31, 2016, are as follows:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share	₩ 5,000	₩ 5,000
Number of issued shares	418,111,537	418,111,537
Share capital <sup>1</sup>	₩ 2,090,558	₩ 2,090,558

<sup>1</sup> In millions of Korean won.

Changes in outstanding shares for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In number of shares)</i>	<b>2017</b>	<b>2016</b>
Beginning	398,285,437	386,351,693
Increase	73,969	-
Decrease	(1,794,182)	(4,094,697)
Ending	396,565,224	382,256,996

**25.2 Capital Surplus**

Details of capital surplus as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Share premium	₩ 13,190,275	₩ 13,190,274
Loss on sales of treasury shares	(567,979)	(568,544)
Other capital surplus	4,373,252	4,373,172
	<u>₩ 16,995,548</u>	<u>₩ 16,994,902</u>

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**25.3 Accumulated Other Comprehensive Income**

Details of accumulated other comprehensive income as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Remeasurements of net defined benefit liabilities	₩ (124,475)	₩ (121,055)
Exchange differences on translating foreign operations	(7,573)	53,138
Change in value of available-for-sale financial assets	667,958	601,620
Change in value of held-to-maturity financial assets	5,893	6,447
Shares of other comprehensive income of associates	(5,814)	(96,174)
Cash flow hedges	(4,808)	(6,075)
Hedges of a net investment in a foreign operation	(25,321)	(32,572)
Comprehensive income of assets held for sale	(67,337)	-
	<u>₩ 438,523</u>	<u>₩ 405,329</u>

**25.4 Retained Earnings**

Details of retained earnings as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Legal reserves <sup>1</sup>	₩ 334,873	₩ 275,860
Voluntary reserves	982,000	982,000
Unappropriated retained earnings	11,284,488	10,971,368
	<u>₩ 12,601,361</u>	<u>₩ 12,229,228</u>

<sup>1</sup> 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 March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Regulatory reserve for credit losses attributable to:</b>		
Shareholders of the Parent Company	₩ 2,715,021	₩ 2,670,478
Non-controlling interests	39,056	34,650
	<u>₩ 2,754,077</u>	<u>₩ 2,705,128</u>

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The adjustments to the regulatory reserve for credit losses for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won, except earnings per share)</i>	<b>2017</b>		<b>2016</b>	
Provision(Reversal) of regulatory reserve for credit losses	₩	44,544	₩	201,809
Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>		825,557		343,195
Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		2,080		891
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>1</sup>		2,068		887

<sup>1</sup> 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.

**25.5 Treasury Shares**

Changes in treasury shares outstanding for the three-month periods ended March 31, 2017 and 2016, are as follows:

*(In number of shares and millions of Korean won)*

	<b>March 31, 2017</b>			
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Ending</b>
Number of treasury shares	19,826,100	1,794,182	(73,969)	21,546,313
Carrying amount	₩ 721,973	₩ 82,177	₩ (2,949)	₩ 801,201

<sup>1</sup> Total contract amount of ₩ 300,000 million out of ₩ 800,000 million in trust agreement entered into with Samsung Securities Co.,Ltd, for acquisition of treasury shares has been terminated upon natural expiration of the term of the agreement during the three-month periods ended March 31, 2017.

*(In number of shares and millions of Korean won)*

	<b>March 31, 2016</b>			
	<b>Beginning</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Ending</b>
Number of treasury shares <sup>1</sup>	-	4,094,697	-	4,094,697
Carrying amount <sup>1</sup>	₩ -	₩ 127,541	₩ -	₩ 127,541

<sup>1</sup> The Group had entered into a trust agreement with Samsung Securities Co., Ltd. to acquire treasury shares amounting to ₩ 300,000 million in order to enhance shareholder value in the prior quarter.

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**26. Net Interest Income**

Details of interest income and interest expense for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
<b>Interest income</b>				
Due from financial institutions	₩	24,171	₩	30,163
Loans		2,336,976		2,173,742
Financial investments				
Available-for-sale financial assets		121,499		112,406
Held-to-maturity financial assets		96,866		121,194
Other		24,298		28,827
		2,603,810		2,466,332
<b>Interest expenses</b>				
Deposits		579,690		678,498
Debts		79,443		49,829
Debentures		200,702		217,626
Other		17,622		14,095
		877,457		960,048
<b>Net interest income</b>	₩	1,726,353	₩	1,506,284

**27. Net Fee and Commission Income**

Details of fee and commission income, and fee and commission expense for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>		<b>2016</b>	
<b>Fee and commission income</b>				
Banking activity fees	₩	45,472	₩	42,117
Lending activity fees		19,004		18,554
Credit card related fees and commissions		333,694		291,044
Debit card related fees and commissions		98,501		87,721
Agent activity fees		45,095		45,720
Trust and other fiduciary fees		91,499		50,879
Fund management related fees		33,108		28,491
Guarantee fees		10,439		7,707
Foreign currency related fees		24,922		24,225
Commissions from transfer agent services		42,488		41,029
Other business account commission on consignment		8,233		8,408
Commissions received on securities business		90,489		21,570
Lease fees		32,907		12,960
Other		63,227		39,135
		939,078		719,560
<b>Fee and commission expense</b>				
Trading activity related fees <sup>1</sup>		6,250		2,733
Lending activity fees		6,109		5,040

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Credit card related fees and commissions	322,310	269,625
Outsourcing related fees	19,655	19,033
Foreign currency related fees	5,952	3,689
Management fees of written-off loans	1,016	1,139
Other	57,148	50,144
	<u>418,440</u>	<u>351,403</u>
<b>Net fee and commission income</b>	<u>₩ 520,638</u>	<u>₩ 368,157</u>

<sup>1</sup> The fees from financial assets/liabilities at fair value through profit or loss.

**28. Net Gains or Losses on Financial Assets/Liabilities at Fair Value Through Profit or Loss**

**28.1 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 three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Gains related to financial instruments held for trading</b>		
Financial assets held for trading		
Debt securities	₩ 169,181	₩ 136,186
Equity securities	105,722	24,953
	<u>274,903</u>	<u>161,139</u>
<b>Derivatives held for trading</b>		
Interest rate	402,227	453,547
Currency	3,350,385	1,182,373
Stock or stock index	800,017	63,893
Credit	37,760	5,128
Commodity	2,415	292
Other	2,361	1,021
	<u>4,595,165</u>	<u>1,706,254</u>
<b>Financial liabilities held for trading</b>	<u>15,171</u>	<u>12,981</u>
<b>Other financial instruments</b>	-	132
	<u>₩ 4,885,239</u>	<u>₩ 1,880,506</u>
<b>Losses related to financial instruments held for trading</b>		
Financial assets held for trading		
Debt securities	₩ 65,696	₩ 10,428
Equity securities	51,775	14,448
	<u>117,471</u>	<u>24,876</u>
<b>Derivatives held for trading</b>		
Interest rate	367,474	497,450
Currency	3,299,603	1,208,628

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Stock or stock index	388,075	109,438
Credit	36,013	2,558
Commodity	1,371	799
Other	4,132	37
	<u>4,096,668</u>	<u>1,818,910</u>
<b>Financial liabilities held for trading</b>	<u>30,726</u>	<u>41,952</u>
<b>Other financial instruments</b>	<u>26</u>	<u>134</u>
	<u>4,244,891</u>	<u>1,885,872</u>
<b>Net gains or losses on financial instruments held for trading</b>	<u>₩ 640,348</u>	<u>₩ (5,366)</u>

**28.2 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 three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Gains related to financial instruments designated at fair value through profit or loss</b>		
Financial assets designated at fair value through profit or loss	₩ 38,923	₩ 12,468
Financial liabilities designated at fair value through profit or loss	<u>138,532</u>	<u>71,515</u>
	<u>177,455</u>	<u>83,983</u>
<b>Losses related to financial instruments designated at fair value through profit or loss</b>		
Financial assets designated at fair value through profit or loss	39,242	12,292
Financial liabilities designated at fair value through profit or loss	<u>537,275</u>	<u>28,096</u>
	<u>576,517</u>	<u>40,388</u>
<b>Net gains or losses on financial instruments designated at fair value through profit or loss</b>	<u>₩ (399,062)</u>	<u>₩ 43,595</u>

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**29. Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Other operating income</b>		
Revenue related to available-for-sale financial assets		
Gain on redemption of available-for-sale financial assets	₩ 21	₩ -
Gain on sale of available-for-sale financial assets	23,129	61,512
	<u>23,150</u>	<u>61,512</u>
Revenue related to held-to-maturity financial assets		
Gain on redemption of held-to-maturity financial assets	2	-
	<u>2</u>	<u>-</u>
Gain on foreign exchange transactions	554,098	1,312,872
Income related to insurance	268,599	355,963
Dividend income	82,277	54,480
Others	101,150	71,802
	<u>1,029,276</u>	<u>1,856,629</u>
<b>Other operating expenses</b>		
Expense related to available-for-sale financial assets		
Loss on redemption of available-for-sale financial assets	29	-
Loss on sale of available-for-sale financial assets	22,623	1,591
Impairment on available-for-sale financial assets	12,437	3,047
	<u>35,089</u>	<u>4,638</u>
Loss on foreign exchanges transactions	520,157	1,235,472
Expense related to insurance	288,396	385,324
Others	364,956	303,182
	<u>1,208,598</u>	<u>1,928,616</u>
<b>Net other operating expenses</b>	<u>₩ (179,322)</u>	<u>₩ (71,987)</u>

**30. General and Administrative Expenses**

**30.1 General and Administrative Expenses**

Details of general and administrative expenses for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Employee Benefits</b>		
Salaries and short-term employee benefits - salaries	₩ 475,190	₩ 438,595
Salaries and short-term employee benefits - others	248,002	247,704
Post-employment benefits - defined benefit plans	46,818	47,652

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Post-employment benefits - defined contribution plans	1,870	2,771
Termination benefits	(1,445)	(1,311)
Share-based payments	14,766	3,060
	<u>785,201</u>	<u>738,471</u>
<b>Depreciation and amortization</b>	<u>74,282</u>	<u>59,077</u>
<b>Other general and administrative expenses</b>		
Rental expense	74,483	68,575
Tax and dues	44,774	31,771
Communication	7,222	8,447
Electricity and utilities	7,472	8,213
Publication	3,987	4,455
Repairs and maintenance	3,443	3,925
Vehicle	2,262	1,956
Travel	2,175	1,568
Training	5,776	5,612
Service fees	34,909	26,725
Electronic data processing expenses	37,329	39,791
Advertising	34,207	18,771
Others	49,699	36,451
	<u>307,738</u>	<u>256,260</u>
	<u>₩ 1,167,221</u>	<u>₩ 1,053,808</u>

### 30.2 Share-based Payments

#### 30.2.1 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 March 31, 2017, are as follows:

<i>(In number of shares)</i>	<b>Grant date</b>	<b>Number of granted shares<sup>1</sup></b>	<b>Vesting conditions</b>
<b>KB Financial Group Inc.</b>			
Series 4	July 13, 2010	12,429	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,3</sup>
Series 8	Jan. 01, 2012	13,471	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,4</sup>
Series 12	Nov. 21, 2014	32,449	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,5</sup>
Series 14	July 17, 2015	11,363	Services fulfillment,



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				Achievement of targets on the basis of market and non-market performance <sup>2,6</sup>
Series 15	Jan. 01, 2016	71,088		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,6</sup>
Series 17	Jan. 01, 2017	42,032		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,10</sup>
Deferred grant in 2014	-	5,286		Satisfied
Deferred grant in 2015	-	21,987		Satisfied
Deferred grant in 2016	-	15,338		Satisfied
		<u>225,443</u>		
<b>Kookmin Bank</b>				
Series 64	July 24, 2015	11,133		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,7</sup>
Series 65	Aug. 26, 2015	13,828		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,7</sup>
Series 66	Nov. 21, 2014	28,392		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,5</sup>
Series 67	Jan. 01, 2016	133,594		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,8</sup>
Series 68	July 05, 2016	9,621		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,8</sup>
Series 69	Jan. 01, 2017	355,954		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>2,11</sup>
Deferred grant in 2014	-	35,312		Satisfied
Deferred grant in 2015	-	61,328		Satisfied
Deferred grant in 2016	-	152,858		Satisfied
		<u>802,020</u>		
<b>Other subsidiaries and associate</b>				
Stock granted in 2010	-	2,096		Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>

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Stock granted in 2011	-	2,633	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2012	-	7,788	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2013	-	21,289	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2014	-	55,131	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2015	-	197,609	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2016	-	180,530	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
Stock granted in 2017	-	195,934	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
		663,010	
		1,690,473	

<sup>1</sup> 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 March 31, 2017).

<sup>2</sup> 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.

<sup>3</sup> 37.5%, 37.5% and 25% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR (Total Shareholder Return), EPS and qualitative indicators, respectively. 30%, 30% and 40% of the number of certain granted shares to be compensated are determined upon the accomplishment of Performance Results, financial results of the Group and relative TSR, respectively. 40%, 40% and 20% of the number of certain granted shares to be compensated are determined upon the accomplishment of EPS, relative TSR and qualitative indicators, respectively.

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<sup>4</sup> 30%, 30% and 40% 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.

<sup>5</sup> 35%, 35% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of relative TSR, EPS and Asset Quality, respectively.

<sup>6</sup> 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of the 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> 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. 70% of the number of certain granted shares to be compensated is determined upon the accomplishment of Performance Results, while 30% is determined upon the accomplishment of relative TSR.

<sup>11</sup> 40%, 30% and 30% of the number of granted shares to be compensated are determined upon the accomplishment of Performance Results, relative TSR 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.

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<sup>12</sup> 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 certain granted shares to be compensated are determined upon 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 March 31, 2017, are as follows:

	<b>Grant date</b>	<b>Estimated number of vested shares<sup>1</sup></b>	<b>Vesting conditions</b>
<b>KB Financial Group Inc.</b>			
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	6,345	Proportional to service period
<b>Kookmin Bank</b>			
Stock granted in 2013	Jan. 01, 2013	685	Satisfied
Stock granted in 2014	Jan. 01, 2014	66,695	Satisfied
Stock granted in 2015	Jan. 01, 2015	103,061	Satisfied
Stock granted in 2016	Jan. 01, 2016	135,842	Satisfied
Stock granted in 2017	Jan. 01, 2017	32,120	Proportional to service period
<b>Other subsidiaries and associate</b>			
Stock granted in 2014	-	24,976	Satisfied
Stock granted in 2015	-	117,127	Satisfied
Stock granted in 2016	-	183,841	Satisfied
Stock granted in 2017	-	63,747	Proportional to service period

<sup>1</sup> 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.

As of March 31, 2017 and December 31, 2016, the accrued expenses related to share-based payments including share grants amounted to ₩ 75,882 million and ₩ 79,742 million, respectively, and the compensation costs from share grants amounting to ₩ 14,766 million and ₩ 3,060 million were incurred during the three-month periods ended March 31, 2017 and 2016, respectively. There is no intrinsic value of the vested stock options as of March 31, 2017 and December 31, 2016.

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Details of Mileage stock as of March 31, 2017, are as follows:

<i>(in number of shares)</i>		<b>Number of</b>	<b>Expected exercise</b>	<b>Remaining</b>
	<b>Grant date</b>	<b>granted</b>	<b>period (years)<sup>1</sup></b>	<b>shares<sup>2</sup></b>
		<b>shares<sup>1</sup></b>		
Stock granted in 2016	Jan. 23, 2016	33,829	0.00~1.81	23,168
	Apr. 29, 2016	60	0.00~2.08	60
	July 07, 2016	280	0.00~2.27	280
	July 18, 2016	767	0.00~2.30	767
	Aug. 03, 2016	97	0.00~2.34	97
	Aug. 17, 2016	51	0.00~2.38	51
	Aug. 30, 2016	256	0.00~2.42	244
	Sept. 06, 2016	206	0.00~2.44	191
	Oct. 07, 2016	105	0.00~2.52	105
	Nov. 01, 2016	118	0.00~2.59	118
	Dec. 07, 2016	211	0.00~2.69	189
	Dec. 08, 2016	43	0.00~2.69	43
	Dec. 15, 2016	12	0.00~2.71	12
	Dec. 20, 2016	309	0.00~2.72	309
Dec. 28, 2016	76	0.00~2.75	64	
Dec. 30, 2016	210	0.00~2.75	210	
Stock granted in 2017	Jan. 09, 2017	29,086	0.00~2.78	25,883
	Feb. 03, 2017	43	0.00~2.85	43
		65,759		51,834

<sup>1</sup> 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.

<sup>2</sup> The remaining shares are assessed based on the stock price as of March 31, 2017. These shares are vested immediately at grant date.

As of March 31, 2017 and December 31, 2016, the accrued expenses for share-based payments in regards to mileage stock amounted to ₩ 2,540 million and ₩ 1,533 million, respectively, and the compensation costs amounting to ₩ 1,245 million and ₩ 1,077 million were incurred during the three-month periods ended March 31, 2017 and 2016, respectively.

**31. Net Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Other non-operating income</b>		
Gain on disposal in property and equipment	₩ 23	₩ 132
Rent received	5,116	4,001
Others	38,596	21,085
	43,735	25,218

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	43,735	25,218
<b>Other non-operating expenses</b>		
Loss on disposal in property and equipment	110	446
Donation	7,013	3,408
Restoration cost	432	379
Others	10,212	6,823
	<u>17,767</u>	<u>11,056</u>
<b>Net other non-operating income</b>	<u>₩ 25,968</u>	<u>₩ 14,162</u>

**32. Income Tax Expense**

Income tax expense for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
<b>Tax payable</b>		
Current tax expense	₩ 46,668	₩ 231,787
Adjustments recognized in the period for current tax of prior years	(13,268)	34,382
	<u>33,400</u>	<u>266,169</u>
<b>Changes in deferred income tax assets (liabilities)</b>	<u>31,254</u>	<u>(57,409)</u>
<b>Income tax recognized directly in equity</b>		
Exchange difference in foreign operation	8,788	-
Remeasurements of net defined benefit liabilities	1,092	743
Change in value of available-for-sale financial assets	(16,043)	(40,239)
Change in value of held-to-maturity financial assets	177	81
Share of other comprehensive loss of associates	21,577	(1,588)
Cash flow hedges	(261)	32
Hedges of a net investment in a foreign operation	(2,315)	(2,216)
	<u>13,015</u>	<u>(43,187)</u>
<b>Tax expense</b>	<u>₩ 77,669</u>	<u>₩ 165,573</u>

<sup>1</sup> The Group had not recognized deferred income tax assets for the deductible temporary difference of ₩ 786,293 million incurred from valuation loss on JSC BankCenterCredit until the year ended December 31, 2016, because the possibility of disposal of its shares was unlikely. However, considering the overall recent operating conditions, the Group has determined that disposal of shares in JSC BankCenterCredit has become probable and thus recognized deferred income tax assets (and tax income).

**33. Dividends**

The dividends to the shareholders of the Parent Company in respect of the year ended December 31, 2016, of ₩ 1,250 per share, amounting to total dividends of ₩ 497,969 million were declared at the annual general meeting on March 24, 2017. The Group's interim consolidated financial statements as of March 31, 2017, reflect this dividend payable. The dividends paid to the shareholders of the Parent Company in 2016 were ₩ 378,625 million (₩ 980 per share).

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**34. Accumulated Other Comprehensive Income**

Details of accumulated other comprehensive income for the three-month periods ended March 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	Reclassification to assets held for sale	Ending
Remeasurements of net defined benefit liabilities	₩(121,055)	₩ (4,512)	₩ -	₩ 1,092	₩ -	₩(124,475)
Exchange differences on translating foreign operations	53,138	(69,499)	-	8,788	-	(7,573)
Change in value of available-for-sale financial assets	601,620	92,823	(10,442)	(16,043)	-	667,958
Change in value of held-to-maturity financial assets	6,447	(731)	-	177	-	5,893
Shares of other comprehensive income of associates	(96,174)	1,446	-	21,577	67,337	(5,814)
Cash flow hedges	(6,075)	(26,047)	27,575	(261)	-	(4,808)
Hedges of a net investment in a foreign operation	(32,572)	9,566	-	(2,315)	-	(25,321)
Comprehensive income of assets held for sale	-	-	-	-	(67,337)	(67,337)
	<u>₩ 405,329</u>	<u>₩ 3,046</u>	<u>₩ 17,133</u>	<u>₩ 13,015</u>	<u>₩ -</u>	<u>₩ 438,523</u>

(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)	₩ (3,072)	₩ -	₩ 743	₩ (136,205)
Exchange differences on translating foreign operations	32,990	(9,174)	-	-	23,816
Change in value of available-for-sale financial assets	653,130	215,010	(36,642)	(40,239)	791,259
Change in value of held-to-maturity financial assets	2,731	(336)	-	81	2,476
Shares of other comprehensive income of associates	(89,081)	41,045	-	(1,588)	(49,624)
Cash flow hedges	(10,173)	(6,098)	5,506	32	(10,733)
Hedges of a net investment in a foreign operation	(25,477)	9,157	-	(2,216)	(18,536)
	<u>₩ 430,244</u>	<u>₩ 246,532</u>	<u>₩ (31,136)</u>	<u>₩(43,187)</u>	<u>₩ 602,453</u>



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**35. Earnings per Share**

**35.1 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 three-month periods ended March 31, 2017 and 2016.

Weighted average number of ordinary shares outstanding:

<i>(In number of shares)</i>	<b>2017</b>	<b>2016</b>
Beginning (A)	418,111,537	386,351,693
Acquisition of treasury shares (B)	(21,149,770)	(1,215,921)
Weighted average number of ordinary shares outstanding (C=A+B)	396,961,767	385,135,772

Basic earnings per share:

<i>(In Korean won and in number of shares)</i>	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary shares (E)	₩ 870,101,260,162	₩ 545,003,541,904
Weighted average number of ordinary shares outstanding (F)	396,961,767	385,135,772
Basic earnings per share (G = E / F)	₩ 2,192	₩ 1,415

**35.2 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 three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In Korean won)</i>	<b>2017</b>	<b>2016</b>
Profit attributable to ordinary shares	₩ 870,101,260,162	₩ 545,003,541,904
Adjustment	-	-
Adjusted profit for diluted earnings	₩ 870,101,260,162	₩ 545,003,541,904



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Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In number of shares)</i>	<b>2017</b>	<b>2016</b>
Weighted average number of ordinary shares outstanding	396,961,767	385,135,772
Adjustment:		
Stock grants	2,152,426	1,737,067
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	399,114,193	386,872,839

Diluted earnings per share for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(in Korean won and in number of shares)</i>	<b>2017</b>	<b>2016</b>
Adjusted profit for diluted earnings per share	₩ 870,101,260,162	₩ 545,003,541,904
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	399,114,193	386,872,839
Diluted earnings per share	₩ 2,180	₩ 1,409

### **36. Insurance Contracts**

#### **36.1 Insurance Liabilities**

Details of insurance liabilities presented within other liabilities as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Individual insurance		
Pure endowment insurance	₩ 5,179,596	₩ 5,150,946
Death insurance	271,169	243,008
Joint insurance	1,808,592	1,872,706
Group insurance	4,931	2,147
Others	23,805	22,037
	<u>₩ 7,288,093</u>	<u>₩ 7,290,844</u>

#### **36.2 Insurance Assets**

Details of insurance assets presented within other assets as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Reinsurance assets	₩ 6,396	₩ 5,995
Deferred acquisition costs	122,947	122,151
	<u>₩ 129,343</u>	<u>₩ 128,146</u>

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**36.3 Insurance Premiums and Reinsurance**

Details of insurance premiums for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance premiums earned	₩ 140,327	₩ 52,402	₩ 60,856	₩ 4,528	₩ 7,130	₩ 265,243
Reinsurance premiums paid	(118)	(641)	(93)	(642)	(1,583)	(3,077)
Net premiums earned	₩ 140,209	₩ 51,761	₩ 60,763	₩ 3,886	₩ 5,547	₩ 262,166

(In millions of Korean won)

	2016					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance premiums earned	₩ 231,252	₩ 27,448	₩ 84,189	₩ 5,448	₩ 5,458	₩ 353,795
Reinsurance premiums paid	(119)	(637)	(93)	(463)	(2,275)	(3,587)
Net premiums earned	₩ 231,133	₩ 26,811	₩ 84,096	₩ 4,985	₩ 3,183	₩ 350,208

Insurance expenses for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance expense	₩ 1,693	₩ 787	₩ 78,477	₩ 1,130	₩ 1,411	₩ 83,498
Dividend expense	436	7	-	-	-	443
Refund expense	126,781	6,141	49,738	203	-	182,863
Provision(reversal)	28,650	28,161	(64,114)	2,784	1,768	(2,751)
	157,560	35,096	64,101	4,117	3,179	264,053
Reinsurance claims	(62)	(822)	(12)	(641)	(1,819)	(3,356)
Net insurance expense	₩ 157,498	₩ 34,274	₩ 64,089	₩ 3,476	₩ 1,360	₩ 260,697

(In millions of Korean won)

	2016					
	Pure endowment insurance	Death insurance	Joint insurance	Group insurance	Others	Total
Insurance expense	₩ 3,132	₩ 655	₩ 31,866	₩ 1,328	₩ 936	₩ 37,917
Dividend expense	180	6	-	-	-	186
Refund expense	105,124	4,081	50,015	31	-	159,251
Provision	133,947	15,161	9,774	3,885	1,525	164,292
	242,383	19,903	91,655	5,244	2,461	361,646
Reinsurance claims	(48)	(486)	(35)	(666)	(936)	(2,171)
Net insurance expense	₩ 242,335	₩ 19,417	₩ 91,620	₩ 4,578	₩ 1,525	₩ 359,475

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**37. Supplemental Cash Flow Information**

Cash and cash equivalents as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Cash	₩ 2,030,700	₩ 2,158,268
Checks with other banks	472,923	400,422
Due from Bank of Korea	9,827,160	7,676,491
Due from other financial institutions	6,603,220	7,649,682
	<u>18,934,003</u>	<u>17,884,863</u>
Restricted cash from financial institutions	(11,310,684)	(9,301,946)
Due from financial institutions with original maturities over three months	(1,283,842)	(1,168,081)
	<u>(12,594,526)</u>	<u>(10,470,027)</u>
	<u>₩ 6,339,477</u>	<u>₩ 7,414,836</u>

Cash inflows and outflows from income tax, interests and dividends for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>Activity</b>	<b>2017</b>	<b>2016</b>
Income tax paid	Operating	₩ 66,076	₩ 45,554
Interest received	Operating	2,895,971	2,597,116
Interest paid	Operating	917,513	998,571
Dividends received	Operating	64,027	48,951

**38. Contingent Liabilities and Commitments**

Details of payment guarantees as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
<b>Confirmed payment guarantees</b>		
Confirmed payment guarantees in Korean won		
Payment guarantees for KB purchasing loan	₩ 335,444	₩ 329,051
Other payment guarantees	583,443	858,951
	<u>918,887</u>	<u>1,188,002</u>
Confirmed payment guarantees in foreign currency		
Acceptances of letter of credit	217,478	234,125
Letter of guarantees	61,292	64,189
Bid bond	43,061	64,242
Performance bond	654,707	703,076
Refund guarantees	1,432,507	1,689,343
Other payment guarantees in foreign currency	1,530,368	1,593,770
	<u>3,939,413</u>	<u>4,348,745</u>
Financial guarantees		
Guarantees for Debenture-Issuing	31,000	31,000
Payment guarantees for mortgage	37,599	25,994
Overseas debt guarantees	261,796	272,255

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International financing guarantees in foreign currencies	48,912	52,961
Other financing payment guarantees	271,613	334
	<u>650,920</u>	<u>382,544</u>
	<u>5,509,220</u>	<u>5,919,291</u>
<b>Unconfirmed acceptances and guarantees</b>		
Guarantees of letter of credit	1,786,767	2,068,105
Refund guarantees	138,591	217,272
	<u>1,925,358</u>	<u>2,285,377</u>
	<u>₩ 7,434,578</u>	<u>₩ 8,204,668</u>

Commitments as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Commitments</b>		
Corporate loan commitments	₩ 32,286,101	₩ 35,723,627
Retail loan commitments	16,093,469	15,789,809
Credit line on credit cards	45,994,303	43,937,899
Purchase of other security investment and others	1,994,589	1,554,221
	<u>96,368,462</u>	<u>97,005,556</u>
<b>Financial Guarantees</b>		
Credit line	3,451,266	3,334,648
Purchase of security investment	278,200	1,029,100
	<u>3,729,466</u>	<u>4,363,748</u>
	<u>₩ 100,097,928</u>	<u>₩ 101,369,304</u>

Other Matters (including litigation)

a) The Group has filed 146 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 486,666 million, and faces 300 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 279,085 million, which arose in the normal course of the business and are still pending as of March 31, 2017.

b) The face value of the securities which Kookmin Bank sold to general customers through the bank tellers amounts to ₩ 2,020 million and ₩ 5,731 million as of March 31, 2017 and December 31, 2016, respectively.

c) 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 119 legal claims filed as the defendant, with an aggregate claim of ₩ 10,399 million as of March 31, 2017. A provision liability of ₩ 10,261 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.

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**39. Subsidiaries**

Details of subsidiaries as of March 31, 2017, are as follows:

<b>Investor</b>	<b>Investee</b>	<b>Ownership interests(%)</b>	<b>Location</b>	<b>Date of financial statements</b>	<b>Industry</b>	
<b>KB Financial Group Inc.</b>	Kookmin Bank	100.00	Korea	Mar. 31	Banking and foreign exchange transaction	
	KB Securities Co., Ltd.	100.00	Korea	Mar. 31	Financial investment	
	KB Kookmin Card Co., Ltd.	100.00	Korea	Mar. 31	Credit card and installment finance	
	KB Life Insurance Co., Ltd.	100.00	Korea	Mar. 31	Life insurance	
	KB Asset Management Co., Ltd.	100.00	Korea	Mar. 31	Security investment trust management and advisory	
	KB Capital Co., Ltd.	52.02	Korea	Mar. 31	Financial Leasing	
	KB Savings Bank Co., Ltd.	100.00	Korea	Mar. 31	Savings banking	
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Mar. 31	Real estate trust management	
	KB Investment Co., Ltd.	100.00	Korea	Mar. 31	Capital investment	
	KB Credit Information Co., Ltd.	100.00	Korea	Mar. 31	Collection of receivables or credit investigation	
	KB Data System Co., Ltd.	100.00	Korea	Mar. 31	Software advisory, development, and supply	
	<b>Kookmin Bank</b>	Kookmin Bank Int'l Ltd.(London)	100.00	United Kingdom	Mar. 31	Banking and foreign exchange transaction
		Kookmin Bank Hong Kong Ltd.	100.00	Hong Kong	Mar. 31	Banking and foreign exchange transaction
Kookmin Bank Cambodia PLC.		100.00	Cambodia	Mar. 31	Banking and foreign exchange transaction	
Kookmin Bank (China) Ltd.		100.00	China	Mar. 31	Banking and foreign exchange transaction	
KB Microfinance Myanmar Co., Ltd.		100.00	Myanmar	Mar. 31	Banking and foreign exchange transaction	
<b>KB Securities Co., Ltd.</b>	Hyundai Savings Bank	100.00	Korea	Mar. 31	Savings banking	
	Hyundai Asset Management Co.,Ltd.	100.00	Korea	Mar. 31	Collective investment	
	KBFG Securities America Inc.	100.00	United States of America	Mar. 31	Investment advisory and securities dealing activities	
	KB Securities Hong Kong Ltd.	100.00	Hong Kong	Mar. 31	Investment advisory and securities dealing activities	
<b>KB Capital Co., Ltd. and KB Kookmin Card Co., Ltd.</b>	KB KOLAO LEASING Co., Ltd.	80.00	Laos	Mar. 31	Financial Leasing	
<b>Kookmin Bank</b>	Samho Kyungwon Co., Ltd. and	-	Korea	Mar. 31	Asset-backed	

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	24 others <sup>2</sup>					securitization and others
<b>KB Kookmin Card Co., Ltd.</b>	KB Kookmin Card Second Securitization Co., Ltd., and 12 others <sup>2</sup>	0.50	Korea	Mar. 31		Asset-backed securitization
<b>KB Securities Co., Ltd.</b>	Dongbuka No.41 Ship Investment Company	99.99	Korea	Mar. 31		Other financial business
	Able Ocean Co., Ltd. and 47 others <sup>2</sup>	-	Korea	Mar. 31		Asset-backed securitization
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB12-1 Venture Investment	100.00	Korea	Mar. 31		Capital investment
	KB Start-up Creation Fund	62.50	Korea	Mar. 31		Capital investment
<b>KB Investment Co., Ltd.</b>	09-5 KB Venture Fund <sup>4</sup>	33.33	Korea	Mar. 31		Capital investment
	KoFC-KB Pioneer Champ No.2010-8 Investment Partnership <sup>4</sup>	50.00	Korea	Mar. 31		Capital investment
	2011 KIF-KB IT Venture Fund <sup>4</sup>	43.33	Korea	Mar. 31		Capital investment
	KoFC-KB Young Pioneer 1st Fund <sup>4</sup>	33.33	Korea	Mar. 31		Capital investment
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB Intellectual Property Fund <sup>4</sup>	34.00	Korea	Mar. 31		Capital investment
<b>Kookmin Bank, KB life Insurance, KB Investment Co., Ltd.</b>	KB High-tech Company Investment Fund	86.00	Korea	Mar. 31		Capital investment
<b>Kookmin Bank</b>	KB Haeoreum private securities investment trust 26(Bond) and 6 others	100.00	Korea	Mar. 31		Private equity fund
<b>KB Life Insurance Co., Ltd.</b>	KB Haeoreum Private Securities Investment Trust 1st and 3 others	100.00	Korea	Mar. 31		Private equity fund
<b>Kookmin Bank</b>	Hanbando BTL Private Special Asset Fund 1st <sup>3</sup>	39.74	Korea	Mar. 31		Capital investment
	KB Evergreen bond fund No.98 (Bond)	50.34	Korea	Mar. 31		Capital investment
	KB Haeoreum private securities investment trust 45(Bond) <sup>3</sup>	33.00	Korea	Mar. 31		Capital investment
	KB Haeoreum private securities investment trust 70(Bond) <sup>3</sup>	50.00	Korea	Mar. 31		Capital investment
<b>Kookmin Bank, KB life Insurance Co., Ltd.</b>	KB Hope Sharing BTL Private Special Asset <sup>3</sup>	40.00	Korea	Mar. 31		Capital investment
	KB Mezzanine Private Securities Fund 2nd.(Mixed) <sup>3</sup>	40.74	Korea	Mar. 31		Capital investment
	KB Senior Loan Private Fund <sup>3</sup>	28.70	Korea	Mar. 31		Capital investment
<b>Kookmin Bank, KB life Insurance Co., Ltd., KB Securities Co., Ltd., KB Real Estate Trust Co.,</b>	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	Mar. 31		Investment trust

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<b>Ltd.</b>						
<b>KB Securities Co., Ltd.</b>	KB Vintage 16 Private Securities Investment Trust 1st <sup>3</sup>	38.46	Korea	Mar. 31	Capital investment	
	Jueun Power Middle 7 and 6 others	100.00	Korea	Mar. 31	Capital investment	
	Hyundai You First Private Real Estate Investment Trust No. 1	60.00	Korea	Mar. 31	Capital investment	
	Hyundai Smart Index Alpha Securities Feeder Inv Trust 1	98.31	Korea	Mar. 31	Capital investment	
	Hyundai Trust Securities Feeder Investment Trust No.1	99.88	Korea	Mar. 31	Capital investment	
	Hyundai Strong Korea Equity Trust No.1	99.62	Korea	Mar. 31	Capital investment	
	Hyundai Kidzania Equity Feeder Trust No.1	74.73	Korea	Mar. 31	Capital investment	
	Hyundai Value Plus Equity Feeder Trust No.1	99.56	Korea	Mar. 31	Capital investment	
	Hyundai Strong-small Corporate Trust No.1	82.42	Korea	Mar. 31	Capital investment	
	JB New Jersey Private Real Estate Investment Trust No. 1	98.15	Korea	Mar. 31	Capital investment	
	Hyundai Dynamic Mix Securities Feeder Investment Trust	99.97	Korea	Mar. 31	Capital investment	
	Hyundai China Index Plus Securities Investment Trust1	71.40	Korea	Mar. 31	Capital investment	
	Aquila Global Real Assets Fund No.1 LP	99.96	Cayman islands	Mar. 31	Capital investment	
	Hyundai Kon-tiki Specialized Privately Placed Fund <sup>3</sup>	50.00	Korea	Mar. 31	Capital investment	
	Hyundai You First Private Real Estate Investment Trust No. 15 <sup>3</sup>	35.00	Korea	Mar. 31	Capital investment	
<b>KB Securities Co., Ltd. and KB Asset Management Co., Ltd.</b>	KB Star Fund_KB Value Focus Korea Equity	91.08	Luxembourg	Mar. 31	Capital investment	
<b>KB Securities Co., Ltd. and Others</b>	Able Quant Asia Pacific Feeder Fund(T.E.) Limited	100.00	Cayman islands	Mar. 31	Capital investment	
<b>KB Kookmin Card Co., Ltd.</b>	Heungkuk Life Insurance Money Market Trust	100.00	Korea	Mar. 31	Trust asset management	
<b>KB Asset Management Co., Ltd.</b>	KB Wellyan Private Equity Real Estate No. 6	100.00	Korea	Mar. 31	Capital investment	
	KB Wellyan Private Equity Real Estate No. 7	99.83	Korea	Mar. 31	Capital investment	
<b>KB Wellyan Private Equity Real Estate Fund No. 6, No. 7</b>	Boyoung Construction <sup>2</sup>	-	Korea	Dec. 31	Construction	
<b>KB Investment Co., Ltd., KB life Insurance Co.,</b>	KB-Solidus Global Healthcare Fund <sup>4</sup>	36.66	Korea	Mar. 31	Capital investment	



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Ltd.						
<b>KB Wise Star Private Real Estate Feeder Fund 1st.</b>	KB Star Retail Private Master Real Estate 1st <sup>3</sup>	48.98	Korea	Mar. 31	Capital investment	
<b>Able Quant Asia Pacific Feeder Fund(T.E.) Limited and others</b>	KB Star Office Private Real Estate Investment Trust 2nd <sup>3</sup>	44.44	Korea	Mar. 31	Capital investment	
<b>KBFG Securities America Inc.</b>	Able Quant Asia Pacific Master Fund Limited	100.00	Cayman islands	Mar. 31	Capital investment	
<b>Hyundai Smart Index Alpha Securities Feeder Inv Trust 1</b>	Global Investment Opportunity Limited	100.00	Malaysia	Mar. 31	Finance and Real Estate Activities	
<b>Hyundai Trust Securities Feeder Investment Trust No.1- Bond</b>	Hyundai Smart Index Alpha Securities Master Investment Trust	99.48	Korea	Mar. 31	Capital investment	
<b>Hyundai Dynamic Mix Securiticies Feeder Investment Trust</b>	Hyundai Trust Securities Master Investment Trust - Bond	92.85	Korea	Mar. 31	Capital investment	
<b>Hyundai Value Plus Securities Feeder Investment Trust 1 and others</b>	Hyundai Dynamic Mix Securiticies Master Investment Trust	98.92	Korea	Mar. 31	Capital investment	
<b>Hyundai Quant Long Short Securities Feeder Investment Trust</b>	Hyundai Value Plus Securities Master Investment Trust	100.00	Korea	Mar. 31	Capital investment	
<b>Aquila Global Real Assets Fund No.1 LP</b>	Hyundai Quant Long Short Securities Master Investment Trust	100.00	Korea	Mar. 31	Capital investment	
<b>AGRAF Real Estate No.1, Senningerberg</b>	AGRAF Real Estate No.1, Senningerberg	100.00	Luxembourg	Mar. 31	Asset-backed securitization	
<b>AGRAF Real Estate Holding No.1, Senningerberg</b>	Vierte CasaLog GmbH & Co. KG and 2 others	94.90	Germany	Mar. 31	Real Estate Activities	
<b>KB Securities Hong Kong Ltd.</b>	KB Asset Management Singapore PTE., Ltd. and 1 other	100.00	Singapore	Mar. 31	Collective investment and others	
<b>JB New Jersey Private Real Estate Investment Trust No. 1</b>	ABLE NJ DSM INVESTMENT REIT	99.18	United States of America	Mar. 31	Real Estate Activities	



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<b>ABLE NJ DSM INVESTMENT REIT</b>	ABLE NJ DSM, LLC	100.00	United States of America	Mar. 31	Real Estate Activities
<b>Heungkuk Global Highclass Private Real Estate Trust 23</b>	HYUNDAI ABLE INVESTMENT REIT	99.90	United States of America	Mar. 31	Real Estate Activities
<b>HYUNDAI ABLE INVESTMENT REIT</b>	HYUNDAI ABLE PATRIOTS PARK, LLC	100.00	United States of America	Mar. 31	Real Estate Activities
<b>Able Ocean Co., Ltd.</b>	Hyundai Ocean Star Ship Private 2	100.00	Korea	Mar. 31	Capital investment
<b>Dongbuka No.41 Ship Investment Company</b>	WISDOM SHAPLEY 41 SHIPPING S.A. and 1 other	100.00	Panama	Mar. 31	Renting of Transport Equipment
<b>Kookmin Bank</b>	Personal pension trusts and 10 other trusts <sup>1</sup>	-	Korea	Mar. 31	Trust

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

The condensed financial information of major subsidiaries as of March 31, 2017 and December 31, 2016, and for the three-month periods ended March 31, 2017 and 2016, is as follows:

(In millions of Korean won)

	March 31, 2017					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period <sup>5</sup>	Total comprehensive income for the period <sup>5</sup>
Kookmin Bank <sup>1</sup>	₩ 310,145,141	₩ 286,460,379	₩23,684,762	₩ 6,467,093	₩ 663,461	₩ 719,253
KB Securities Co., Ltd. <sup>1,2</sup>	33,689,660	29,458,673	4,230,987	1,855,301	63,780	46,631
KB Kookmin Card Co., Ltd. <sup>1</sup>	16,391,809	12,592,175	3,799,634	804,051	83,270	84,692

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KB Life Insurance Co., Ltd. <sup>1</sup>	8,969,082	8,413,161	555,921	364,131	12,857	6,356
KB Asset Management Co., Ltd. <sup>1</sup>	129,816	13,676	116,140	28,975	12,033	11,964
KB Capital Co., Ltd. <sup>1,2</sup>	7,752,763	6,937,205	815,558	139,577	36,528	35,707
KB Savings Bank Co., Ltd.	1,084,499	904,737	179,762	16,488	3,272	3,074
KB Real Estate Trust Co., Ltd.	206,180	35,203	170,977	16,437	8,112	8,003
KB Investment Co., Ltd. <sup>1</sup>	306,681	165,173	141,508	12,338	(2,552)	(2,879)
KB Credit Information Co., Ltd.	27,571	7,644	19,927	8,324	(397)	(399)
KB Data System Co., Ltd.	31,621	17,148	14,473	21,305	111	91

(In millions of Korean won)

	December 31, 2016			March 31, 2016		
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period <sup>5</sup>	Total comprehensive income for the period <sup>5</sup>
Kookmin Bank <sup>1</sup>	₩307,066,370	₩283,741,368	₩23,325,002	₩ 5,404,012	₩ 387,249	₩ 499,640
KB Securities Co., Ltd. <sup>1,2,4</sup>	32,382,795	28,198,439	4,184,356	318,212	15,951	15,220
KB Kookmin Card Co., Ltd. <sup>1</sup>	15,772,036	11,807,038	3,964,998	739,619	95,183	94,288
KB Life Insurance Co., Ltd. <sup>1</sup>	8,887,413	8,337,849	549,564	430,705	6,710	20,053
KB Asset Management Co., Ltd. <sup>1</sup>	170,781	16,605	154,176	30,204	14,001	12,971
KB Capital Co., Ltd. <sup>2</sup>	7,428,372	6,640,305	788,067	102,770	19,239	19,426
KB Savings Bank Co., Ltd.	1,078,130	895,921	182,209	15,242	2,007	1,868
KB Real Estate Trust Co., Ltd.	216,687	33,713	182,974	13,453	5,954	6,037
KB Investment Co., Ltd. <sup>1</sup>	315,878	168,491	147,387	10,018	1,914	2,915
KB Credit Information Co., Ltd.	27,973	7,647	20,326	8,903	(351)	(352)
KB Data System Co., Ltd.	27,037	12,655	14,382	15,067	(202)	(212)

<sup>1</sup> Financial information is based on its consolidated financial statements.

<sup>2</sup> The amount includes the fair value adjustments due to the merger.

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<sup>3</sup> Operating income (revenue), profit(loss) and total comprehensive income are the amount of the previous quarter.

<sup>4</sup> Operating income (revenue), profit(loss) and total comprehensive income are the amount occurred from formerly known as KB Investment&Securities Co., Ltd.

<sup>5</sup> Attributable to 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 ₩ 1,635,084 million to Growth Investment First Co., Ltd. and other subsidiaries that issued debentures.
- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 7 other subsidiaries. The unexecuted amount of the investment agreement is ₩ 339,873 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 three-month period ended March 31, 2017, are as follows:

<b>Company</b>	<b>Description</b>
KB Microfinance Myanmar Co., Ltd. KB KOLAO LEASING Co., Ltd.	Holds over than a majority of the ownership interests
Able Jungdong Co.,Ltd. and 5 others	Holds the power in the case of default or providing lines of credit or ABCP purchase commitments or is exposed to variable returns due to acquisition of subordinated debt
KB Haeoreum private securities investment trust 70(Bond)	Exposed to variable returns due to the power that determines the management performance over the trust and holding significant amounts of the ownership interests.

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The subsidiaries excluded from consolidation during the year three-month period ended March 31, 2017, are as follows:

Company	Description
2014ABLEOPO 2ND Co.,Ltd. and 7 others	Lost the right of variable returns due to the releasing debt

**40. 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	Fulfillment of Asset-backed securitization plan	Issuance of ABS and ABCP based on securitization assets
	Fees earned as services to SPC, such as providing lines of credit and ABCP purchase commitments	Purchase and transfer of securitization assets Issuance and repayment of ABS and ABCP	
Project Financing	Granting PF loans to SOC and real estate	Construction of SOC and real estate	Loan commitments through Credit Line, providing lines of credit and investment agreements
	Granting loans to ships/aircrafts SPC	Building ships/ construction and purchase of aircrafts	
Trust	Management of financial trusts; -Development trust -Mortgage trust -Management trust	Development, management, and disposal of trusted real estate assets	Distribution of trusted real estate assets and financing of trust company  Public auction of trusted real estate assets and financing of trust company
	-Disposal trust -Distribution and management trust -Other trusts	Payment of trust fees and allocation of trust profits.	
Investment funds	Investment in beneficiary certificates	Management of fund assets	Sales of beneficiary certificate instruments
	Investment in PEF and partnerships	Payment of fund fees and allocation of fund profits	Investment of managing partners and limited partners

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As of March 31, 2017 and December 31, 2016, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities, are as follows:

	March 31, 2017					
	Asset-backed securitization	Project financing	Trusts	Investment funds	Others	Total
(In millions of Korean won)						
Total assets of unconsolidated Structured Entity	₩ 96,569,559	₩ 23,406,648	₩ 605,790	₩ 32,989,964	₩ 4,324,307	₩ 157,896,268
Carrying amount on financial statements						
Assets						
Financial assets at fair value through profit or loss	1,954,586	74,776	-	17,241	-	2,046,603
Loans	748,385	2,989,733	24,500	21,915	212,375	3,996,908
Financial investments	6,121,240	7,867	306	3,795,048	20,362	9,944,823
Investment in associates	-	1,385	-	230,646	-	232,031
Other assets	13,246	11,002	17,263	302	38	41,851
	<u>₩ 8,837,457</u>	<u>₩ 3,084,763</u>	<u>₩ 42,069</u>	<u>₩ 4,065,152</u>	<u>₩ 232,775</u>	<u>₩ 16,262,216</u>
Liabilities						
Deposits	₩ 542,940	₩ 758,468	₩ -	₩ 37,891	₩ 4,670	₩ 1,343,969
Derivative financial liabilities	114	-	-	-	-	114
Other liabilities	16,990	-	-	-	-	16,990
	<u>₩ 560,044</u>	<u>₩ 758,468</u>	<u>₩ -</u>	<u>₩ 37,891</u>	<u>₩ 4,670</u>	<u>₩ 1,361,073</u>
Maximum exposure to loss <sup>1</sup>						
Holding assets	₩ 8,837,457	₩ 3,084,763	₩ 42,069	₩ 4,065,152	₩ 232,775	₩ 16,262,216
Purchase and investment commitments	659,568	-	-	1,193,806	-	1,853,374
Unused credit	2,738,684	-	-	85	38,986	2,777,755
Payment guarantee and loan commitments	278,200	1,611,766	-	-	-	1,889,966
	<u>₩ 12,513,909</u>	<u>₩ 4,696,529</u>	<u>₩ 42,069</u>	<u>₩ 5,259,043</u>	<u>₩ 271,761</u>	<u>₩ 22,783,311</u>
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	

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(In millions of Korean won)

December 31, 2016

	Asset-backed securitization	Project financing	Trusts	Investment 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
	<u>₩7,701,977</u>	<u>₩2,948,578</u>	<u>₩ 64,155</u>	<u>₩3,901,588</u>	<u>₩ 193,658</u>	<u>₩14,809,956</u>
Liabilities						
Deposits	₩ 528,041	₩ 703,049	₩ -	₩ 40,382	₩ 6,895	₩ 1,278,367
Other liabilities	658	-	-	-	-	658
	<u>₩ 528,699</u>	<u>₩ 703,049</u>	<u>₩ -</u>	<u>₩ 40,382</u>	<u>₩ 6,895</u>	<u>₩ 1,279,025</u>
Maximum exposure to loss <sup>1</sup>						
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
	<u>₩11,419,706</u>	<u>₩ 4,424,338</u>	<u>₩ 64,155</u>	<u>₩5,509,130</u>	<u>₩ 227,158</u>	<u>₩21,644,487</u>
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	

<sup>1</sup> 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.

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**41. Related Party Transactions**

Profit and loss arising from transactions with related parties for the three-month periods ended March 31, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>		<b>2017</b>	<b>2016</b>
<b>Associates</b>			
KB Insurance Co., Ltd.	Interest income	₩ 12	₩ 14
	Interest expense	202	88
	Fee and commission income	8,994	2,608
	Fee and commission expense	1,021	-
	Gains on financial assets/liabilities at fair value through profit or loss	796	453
	Losses on financial assets/liabilities at fair value through profit or loss	18,717	8,740
	Other operating income	16,743	8,973
	Other operating expense	633	754
	General and administrative expenses	5,601	3,550
	Provision for credit loss	12	85
	Other non-operating income	51	22
	Other non-operating expense	-	1
Balhae Infrastructure Company	Fee and commission income	2,055	2,023
Korea Credit Bureau Co., Ltd.	Interest expense	24	18
	Fee and commission income	364	448
	Fee and commission expense	892	484
	General and administrative expenses	238	460
	Provision for credit loss	3	1
UAMCO., Ltd. <sup>1</sup>	Interest expense	-	1
	Fee and commission income	-	5
KoFC KBIC Frontier Champ 2010-5(PEF)	Fee and commission income	-	133
United PF 1st Recovery Private Equity Fund <sup>1</sup>	Interest expense	-	1
KB GwS Private Securities Investment Trust	Fee and commission income	210	214
Incheon Bridge Co., Ltd.	Interest income	2,424	2,280
	Interest expense	90	88
	Provision for credit loss	-	31
Jaeyang Industry Co., Ltd.	Reversal for credit loss	-	27
HIMS Co., Ltd. <sup>1</sup>	Interest income	-	9
	Provision for credit loss	-	385
KoFC POSCO HANHWA KB Shared Growth Private Equity	Fee and commission income	96	173

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Fund No. 2			
Aju Good Technology Venture Fund	Interest expense	4	-
KB Star Office Private Real Estate Investment Trust No.1	Interest income	91	92
	Interest expense	18	25
	Fee and commission income	107	108
RAND Bio Science Co., Ltd.	Interest expense	5	-
Inno Lending Co.,Ltd	Other non-operating expense	17	-
KBIC Private Equity Fund No. 3	Interest expense	-	4
	Fee and commission income	38	69
SY Auto Capital Co., Ltd.	Interest income	242	91
	Interest expense	14	-
	Fee and commission income	9	10
	Fee and commission expense	773	-
	Other operating income	145	815
	Other operating expense	46	17
	Other non-operating income	47	250
Kyobo 7 Special Purpose Acquisition Co., Ltd.	Provision for credit losses	44	-
Food Factory Co., Ltd.	Provision for credit losses	28	-
KB Pre IPO Secondary Venture Fund 1st	Fee and commission income	1	-
KB Private Equity Fund III	Fee and commission income	137	-
Wise Asset Management Co., Ltd.8	Interest expense	2	-
KB No.5 Special Purpose Acquisition Company <sup>1</sup>	Interest income	-	17
	Interest expense	-	10
	Gains on financial assets/liabilities at fair value through profit or loss	-	46
KB No.6 Special Purpose Acquisition Company <sup>1</sup>	Interest income	-	13
	Interest expense	-	14
	Gains on financial assets/liabilities at fair value through profit or loss	-	196
KB No.7 Special Purpose Acquisition Company <sup>1</sup>	Interest income	-	9
	Interest expense	-	9
	Losses on financial assets/liabilities at fair value through profit or loss	-	51
KB No.8 Special Purpose Acquisition Company	Interest income	19	18
	Interest expense	10	9
	Losses on financial assets/liabilities at fair value through profit or loss	87	69
KB No.9 Special Purpose Acquisition Company	Interest income	19	18
	Interest expense	9	10
	Fee and commission income	-	473
	Losses on financial assets/liabilities at fair value through profit or loss	107	-



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	Gains on financial assets/liabilities at fair value through profit or loss	-	1,640
KB No.10 Special Purpose Acquisition Company	Interest income	9	-
	Interest expense	5	-
	Losses on financial assets/liabilities at fair value through profit or loss	87	-
KB No.11 Special Purpose Acquisition Company	Interest income	5	-
	Losses on financial assets/liabilities at fair value through profit or loss	23	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	Fee and commission income	18	-
<b>Other</b>			
Retirement pension	Interest expense	83	284
	Fee and commission income	202	177

<sup>1</sup> Excluded from the Group's related party as of March 31, 2017.

Details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Associates</b>			
KB Insurance Co., Ltd.	Derivative financial assets	₩ -	₩ 3,941
	Loans and receivables (Gross amount)	5,155	6,791
	Allowances for loan losses	7	9
	Other assets	26,910	23,341
	Derivative financial liabilities	7,737	13,545
	Deposits	6,318	9,883
	Debts	20,000	20,000
	Provisions	22	8
	Other liabilities	6,944	6,384
Balhae Infrastructure Company	Other assets	2,055	2,123
Korea Credit Bureau Co., Ltd.	Loans and receivables (Gross amount)	31	14
	Deposits	7,026	26,827
	Provisions	4	-
	Other liabilities	401	255
JSC Bank CenterCredit <sup>2</sup>	Cash and due from financial institutions	6	8
KB GwS Private Securities Investment Trust	Other assets	851	673
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	205,656	209,105
	Allowances for loan losses	331	331

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	Other assets	768	821
	Deposits	39,656	38,556
	Provisions	3	3
	Other liabilities	243	166
KoFC POSCO HANHWA	Other assets	96	98
KB Shared Growth			
Private Equity Fund No. 2			
Jaeyang Industry Co., Ltd.	Loans and receivables (Gross amount)	303	303
	Allowances for loan losses	6	6
	Other assets	7	7
Aju Good Technology	Deposits	2,825	1,201
Venture Fund	Other liabilities	1	1
Ejade Co., Ltd.	Deposits	2	2
Jungdong Steel Co., Ltd.	Deposits	3	3
KB Star Office Private	Loans and receivables (Gross amount)	10,000	10,000
Real Estate Investment	Other assets	241	136
Trust No.1	Deposits	6,731	6,682
	Other liabilities	41	50
RAND Bio Science Co., Ltd.	Deposits	1,968	2,356
	Loans and receivables (Gross amount)	1	1
	Other liabilities	12	12
Inno Lending Co.,Ltd	Deposits	1,726	1,902
isMedia Co.,Ltd <sup>1</sup>	Provisions	-	4
KBIC Private Equity Fund	Other assets	-	64
No. 3 <sup>1</sup>	Deposits	-	700
	Other liabilities	-	1
SY Auto Capital Co., Ltd.	Loans and receivables (Gross amount)	30,050	30,049
	Allowances for loan losses	32	32
	Other assets	99	108
	Deposits	10,530	3,997
	Provisions	29	29
	Other liabilities	335	70
Kyobo 7 Special Purpose	Loans and receivables (Gross amount)	746	-
Acquisition Co., Ltd.	Deposits	2,500	-
Food Factory Co., Ltd.	Loans and receivables (Gross amount)	472	-
KB Pre IPO Secondary	Other assets	1,670	-
Venture Fund 1st			
Builton Co., Ltd.	Loans and receivables (Gross amount)	1	-
	Deposits	581	-
Wise Asset Management	Deposits	466	-
Co., Ltd.	Other liabilities	1	-
KB No.8 Special Purpose	Derivative financial assets	2,207	2,235

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Acquisition Company	Loans and receivables (Gross amount)	2,239	2,490
	Deposits	2,323	2,342
	Other liabilities	12	3
KB No.9 Special Purpose Acquisition Company	Derivative financial assets	2,334	2,441
	Loans and receivables (Gross amount)	2,299	2,584
	Deposits	2,375	2,399
	Other liabilities	15	6
KB No.10 Special Purpose Acquisition Company	Derivative financial assets	1,611	1,698
	Loans and receivables (Gross amount)	1,320	1,495
	Deposits	1,733	1,754
	Other liabilities	13	8
KB No.11 Special Purpose Acquisition Company	Derivative financial assets	112	135
	Loans and receivables (Gross amount)	680	790
<b>Key management</b>	Loans and receivables (Gross amount)	1,545	1,982
	Other assets	2	2
	Deposits	11,842	8,217
	Insurance contract liabilities	566	413
	Other liabilities	122	139
<b>Other</b>			
Retirement pension	Other assets	131	304
	Deposits	-	1,464
	Other liabilities	113	16,497

<sup>1</sup> The amounts are not disclosed as these are excluded from the Group's related party as of March 31, 2017.

<sup>2</sup> Reclassified to assets held for sale during the three month periods ended March 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 interim consolidated financial statements. Refer to Note 12 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.

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Significant loan transactions with related parties for the three-month periods ended March 31, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017 <sup>1</sup>				
	Beginning	Loans	Repayments	Others	Ending
<b>Associates</b>					
KB Insurance Co., Ltd.	₩ 6,791	₩ -	₩ (1,636)	₩ -	₩ 5,155
Korea Credit Bureau Co., Ltd.	14	17	-	-	31
Incheon Bridge Co., Ltd.	209,105	8	(3,457)	-	205,656
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
SY Auto Capital Co., Ltd.	30,049	1	-	-	30,050
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	790	-	-	790
Food Factory Co., Ltd.	-	500	-	-	500
Builton Co., Ltd.	-	1	-	-	1
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

(In millions of Korean won)

	2016 <sup>1</sup>				
	Beginning	Loans	Repayments	Others	Ending
<b>Associates</b>					
KB Insurance Co., Ltd.	₩ 5,013	₩ -	₩ (182)	₩ -	₩ 4,831
Korea Credit Bureau Co., Ltd.	19	12	-	-	31
UAMCO., Ltd. <sup>2</sup>	5	-	-	-	5
Incheon Bridge Co., Ltd.	231,674	-	(13,826)	-	217,848
Jaeyang Industry Co., Ltd.	-	-	-	1,499	1,499
HIMS Co., Ltd. <sup>2</sup>	-	3,500	-	-	3,500
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	-	10,000
SY Auto Capital Co., Ltd.	34	20,000	(1)	-	20,033
KB No.5 Special Purpose Acquisition Company <sup>2</sup>	4,065	1,885	-	-	5,950
KB No.6 Special Purpose Acquisition Company <sup>2</sup>	3,420	1,710	-	-	5,130
KB No.7 Special Purpose Acquisition Company <sup>2</sup>	1,250	1,250	-	-	2,500
KB No.8 Special Purpose Acquisition Company	2,490	1,995	-	-	4,485
KB No.9 Special Purpose Acquisition Company	2,584	2,092	-	-	4,676

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<sup>1</sup> Transactions and balances arising from operating activities between related parties; such as, payments, are excluded.

<sup>2</sup> Excluded from the Group's related party as of March 31, 2017.

Unused commitments to related parties as of March 31, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Associates</b>			
KB Insurance Co., Ltd.	Commitments of derivative financial instruments	₩ 165,651	₩ 251,833
	Unused commitments of credit card	55,245	20,859
Balhae Infrastructure Company	Purchase of security investment	13,371	13,371
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	2,099	116
KoFC KBIC Frontier Champ 2010-5(PEF)	Purchase of security investment	2,150	2,150
Aju Good Technology Venture Fund	Purchase of security investment	16,269	18,000
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	50,000	50,000
	Unused commitments of credit card	81	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	10,000
	Unused commitments of credit card	100	101
isMedia Co.,Ltd <sup>1</sup>	Loan commitments in Korean won	-	1,260
KB No.8 Special Purpose Acquisition Company	Unused commitments of credit card	10	-
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	-
<b>Key management</b>	Loan commitments in Korean won	1,048	898

<sup>1</sup> The amounts are not disclosed as these are excluded from the Group's related party as of March 31, 2017.

Compensation to key management for the three-month periods ended March 31, 2017 and 2016, consists of:

*(In millions of Korean won)*

	<b>2017</b>			
	<b>Short-term employee benefits</b>	<b>Post-employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	₩ 619	₩ 15	₩ 394	₩ 1,028
Registered directors (non-executive)	189	-	-	189

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Non-registered directors	2,100	75	2,928	5,103
	₩ 2,908	₩ 90	₩ 3,322	₩ 6,320

(In millions of Korean won)

	2016			
	Short-term employee benefits	Post- employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 604	₩ 16	₩ (13)	₩ 607
Registered directors (non-executive)	205	-	-	205
Non-registered directors	1,320	52	697	2,069
	₩ 2,129	₩ 68	₩ 684	₩ 2,881

Details of assets pledged as collateral to related parties as of March 31, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	March 31, 2017		December 31, 2016	
	Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
<b>Associates</b>				
KB Insurance Co., Ltd. Land and buildings	₩ 217,369	₩ 26,000	₩ 217,369	₩ 26,000
Investment securities	50,000	50,000	50,000	50,000

Collateral received from related parties as of March 31, 2017 and December 31, 2016, is as follows:

(In millions of Korean won)

		March 31, 2017	December 31, 2016
<b>Associates</b>			
KB Insurance Co., Ltd. Investment securities		₩ 50,000	₩ 50,000
Incheon Bridge Co., Ltd. Fund management account for standby loan commitment		65,000	65,000
KB Star Office Private Real Estate Investment Trust No.1	Real estate	13,000	13,000
<b>Key management</b>	Time deposits and others	208	251
	Real estate	2,411	2,759

As of March 31, 2017, Incheon Bridge Co., Ltd., a related party, provided fund management account, civil engineering completed risk insurance, shares and management rights as senior collateral amounting to ₩ 816,400 million to a financial syndicate that consists of the Group and four other institutions, and provided subordinated collateral amounting to ₩ 201,100 million to subordinated debt holders that consist of the Group and two other institutions

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**42. Event after the Reporting Period**

On April 14, 2017, the board of directors of the Group resolved to conduct tender offers and a comprehensive stock swap to acquire all of the outstanding shares of KB Insurance Co., Ltd. ("KB Insurance") and KB Capital Co., Ltd. ("KB Capital") in order to increase its equity interest in KB Capital and KB Insurance to 100% and to convert such entities to wholly owned subsidiaries, through tender offers scheduled to expire in May 2017 and comprehensive stock swaps scheduled to be completed in July 2017.