

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

Consolidated Interim Financial Statements  
June 30, 2017 and 2016



**KB Financial Group Inc. and Subsidiaries**  
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**June 30, 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 consolidated interim financial statements of KB Financial Group Inc. and its subsidiaries (collectively referred to as the “Group”). These financial statements consist of consolidated interim statement of financial position of the Group as of June 30, 2017, and the related consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 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 interim financial statements in accordance with 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 interim financial statements based on our review.

We conducted our review in accordance with 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 Korean Standards on Auditing 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 review, nothing has come to our attention that causes us to believe the accompanying consolidated interim 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 Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 14, 2017. 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.

/s/ Samil PricewaterhouseCoopers  
Seoul, Korea  
August 11, 2017

This report is effective as of August 11, 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 consolidated interim 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**  
**Consolidated Interim Statements of Financial Position**  
**June 30, 2017 and December 31, 2016**

(in millions of Korean won)

	Notes	June 30, 2017 (Unaudited)	December 31, 2016
<b>Assets</b>			
Cash and due from financial institutions	4,6,7,38	W 19,166,122	W 17,884,863
Financial assets at fair value through profit or loss	4,6,11	31,758,525	27,858,364
Derivative financial assets	4,6,8	2,049,604	3,381,935
Loans	4,6,9,10	279,777,638	265,486,134
Financial investments	4,6,11	60,844,468	45,147,797
Investments in associates	12	347,425	1,770,673
Property and equipment	13	4,226,576	3,627,268
Investment property	13	954,495	755,011
Intangible assets	14	3,030,340	652,316
Current income tax assets		40,876	65,738
Deferred income tax assets	15,33	4,905	133,624
Assets held for sale	16	73,119	52,148
Assets of disposal group classified as held for sale	17	1,868,684	-
Other assets	4,6,18	18,106,650	8,857,785
<b>Total assets</b>		<u>W 422,249,427</u>	<u>W 375,673,656</u>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	4,6,19	W 13,023,051	W 12,122,836
Derivative financial liabilities	4,6,8	2,146,808	3,807,128
Deposits	4,6,20	245,351,977	239,729,695
Debts	4,6,21	27,439,465	26,251,486
Debentures	4,6,22	40,309,288	34,992,057
Provisions	23	588,583	537,717
Net defined benefit liabilities	24	294,837	96,299
Current income tax liabilities		79,500	441,812
Deferred income tax liabilities	15,33	589,225	103,482
Insurance liabilities	37	30,781,768	7,290,844
Liabilities of disposal group classified as held for sale	17	1,600,158	-
Other liabilities	4,6,25	27,166,739	19,038,897
<b>Total liabilities</b>		<u>389,371,399</u>	<u>344,412,253</u>
<b>Equity</b>			
Share capital	26	2,090,558	2,090,558
Capital surplus	26	16,988,891	16,994,902
Accumulated other comprehensive income	26,35	699,102	405,329
Accumulated other comprehensive income related to disposal group held for sale	17	(1,049)	-
Retained earnings	26	13,594,934	12,229,228
Treasury shares	26	(801,201)	(721,973)
<b>Equity attributable to shareholders of the Parent Company</b>		<u>32,571,235</u>	<u>30,998,044</u>
<b>Non-controlling interests</b>		<u>306,793</u>	<u>263,359</u>
<b>Total equity</b>		<u>32,878,028</u>	<u>31,261,403</u>
<b>Total liabilities and equity</b>		<u>W 422,249,427</u>	<u>W 375,673,656</u>

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

**KB Financial Group Inc. and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Six-Month Periods Ended June 30, 2017 and 2016**

	Notes	Period Ended June 30			
		2017 (Unaudited)		2016 (Unaudited)	
		Three months	Six months	Three months	Six months
Interest income		₩ 2,835,003	₩ 5,438,813	₩ 2,464,576	₩ 4,930,908
Interest expense		(895,834)	(1,773,291)	(919,935)	(1,879,983)
<b>Net interest income</b>	5,27	<u>1,939,169</u>	<u>3,665,522</u>	<u>1,544,641</u>	<u>3,050,925</u>
Fee and commission income		991,971	1,931,049	759,981	1,479,541
Fee and commission expense		(481,761)	(900,201)	(395,699)	(747,102)
<b>Net fee and commission income</b>	5,28	<u>510,210</u>	<u>1,030,848</u>	<u>364,282</u>	<u>732,439</u>
Insurance income		2,906,818	3,175,417	303,726	659,689
Insurance expense		(2,679,863)	(2,968,259)	(332,043)	(717,367)
<b>Net insurance income(expense)</b>	37	<u>226,955</u>	<u>207,158</u>	<u>(28,317)</u>	<u>(57,678)</u>
<b>Net gains on financial assets/liabilities at fair value through profit or loss</b>	5,29	<u>114,047</u>	<u>355,333</u>	<u>81,624</u>	<u>119,853</u>
<b>Net other operating expenses</b>	5,30	<u>(299,059)</u>	<u>(458,584)</u>	<u>(73,367)</u>	<u>(115,993)</u>
General and administrative expenses	5,31	<u>(1,322,371)</u>	<u>(2,489,592)</u>	<u>(1,069,293)</u>	<u>(2,123,101)</u>
<b>Operating profit before provision for credit losses</b>	5	1,168,951	2,310,685	819,570	1,606,445
Provision for credit losses	5,10,18,23	<u>(52,804)</u>	<u>(307,698)</u>	<u>(194,532)</u>	<u>(313,500)</u>
<b>Net operating income</b>	5	<u>1,116,147</u>	<u>2,002,987</u>	<u>625,038</u>	<u>1,292,945</u>
Share of profit of associates	5,12	6,665	59,115	122,595	160,333
Net other non-operating income	5,32	<u>124,199</u>	<u>150,167</u>	<u>2,720</u>	<u>16,882</u>
<b>Net non-operating income</b>		<u>130,864</u>	<u>209,282</u>	<u>125,315</u>	<u>177,215</u>
<b>Profit before income tax</b>	5	1,247,011	2,212,269	750,353	1,470,160
Income tax expense	5,33	<u>(242,262)</u>	<u>(319,931)</u>	<u>(154,970)</u>	<u>(320,543)</u>
<b>Profit for the period</b>	5	<u>1,004,749</u>	<u>1,892,338</u>	<u>595,383</u>	<u>1,149,617</u>
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities	24	(3,664)	(7,127)	(2,696)	(5,051)
Share of other comprehensive income of associates		150	(131)	334	199
		<u>(3,514)</u>	<u>(7,258)</u>	<u>(2,362)</u>	<u>(4,852)</u>
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		29,019	(31,935)	871	(8,303)
Valuation gains on financial investments		163,882	229,449	5,111	143,046
Shares of other comprehensive income of associates		79,565	102,869	48,406	87,998
Cash flow hedges		1,320	2,587	(942)	(1,447)
Gains(losses) on hedges of a net investment in a foreign operation		(2,524)	4,727	(8,279)	(1,338)
Comprehensive income of separate account		<u>(1,318)</u>	<u>(1,318)</u>	<u>-</u>	<u>-</u>
		<u>269,944</u>	<u>306,379</u>	<u>45,167</u>	<u>219,956</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>266,430</u>	<u>299,121</u>	<u>42,805</u>	<u>215,104</u>
<b>Total comprehensive income for the period</b>		<u>₩ 1,271,179</u>	<u>₩ 2,191,459</u>	<u>₩ 638,188</u>	<u>₩ 1,364,721</u>
<b>Profit is attributable to:</b>					
Shareholders of the Parent Company	5	₩ 990,081	₩ 1,860,182	₩ 580,363	₩ 1,125,367
Non-controlling interests	5	<u>14,668</u>	<u>32,156</u>	<u>15,020</u>	<u>24,250</u>
	5	<u>₩ 1,004,749</u>	<u>₩ 1,892,338</u>	<u>₩ 595,383</u>	<u>₩ 1,149,617</u>
<b>Total comprehensive income for the period is attributable to:</b>					
Shareholders of the Parent Company		₩ 1,253,103	₩ 2,156,398	₩ 623,129	₩ 1,340,342
Non-controlling interests		<u>18,076</u>	<u>35,061</u>	<u>15,059</u>	<u>24,379</u>
		<u>₩ 1,271,179</u>	<u>₩ 2,191,459</u>	<u>₩ 638,188</u>	<u>₩ 1,364,721</u>
<b>Earnings per share</b>	36				
Basic earnings per share		₩ 2,497	₩ 4,688	₩ 1,530	₩ 2,944
Diluted earnings per share		2,485	4,665	1,523	2,931

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

**KB Financial Group Inc. and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Six-Month Periods Ended June 30, 2017 and 2016**

(In millions of Korean won)

	Equity attributable to shareholders of the Parent Company							Total Equity
	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Comprehensive Income of Disposal group Held for sale	Retained Earnings	Treasury Shares	Non-controlling Interests	
<b>Balance at January 1, 2016</b>	W 1,931,758	W 15,854,510	W 430,244	W -	W 10,464,109	W -	W 222,101	W 28,902,722
<b>Comprehensive income</b>	-	-	-	-	1,125,367	-	24,250	1,149,617
Profit for the period	-	-	(4,989)	-	-	-	(52)	(5,051)
Remeasurements of net defined benefit liabilities	-	-	(8,303)	-	-	-	-	(8,303)
Exchange differences on translating foreign operations	-	-	142,985	-	-	-	61	143,046
Change in value of financial investments	-	-	88,197	-	-	-	-	88,197
Shares of other comprehensive income of associates	-	-	(1,567)	-	-	-	120	(1,447)
Cash flow hedges	-	-	(1,338)	-	-	-	-	(1,338)
Losses on hedges of a net investment in a foreign operation	-	-	214,975	-	1,125,367	-	24,379	1,364,721
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-
<b>Transactions with shareholders</b>	-	-	-	-	(378,625)	-	(5,156)	(383,781)
Dividends paid to shareholders of the Parent Company	-	-	-	-	-	(300,006)	-	(300,006)
Acquisition of treasury shares	-	(5)	-	-	-	(300,006)	-	(5)
Changes in interest in subsidiaries	-	(5)	-	-	(378,625)	-	(5,156)	(683,792)
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	-	-
<b>Balance at June 30, 2016 (Unaudited)</b>	W 1,931,758	W 15,854,505	W 645,219	W -	W 11,210,851	W (300,006)	W 241,324	W 29,583,651
<b>Balance at January 1, 2017</b>	W 2,090,558	W 16,994,902	W 405,329	W -	W 12,229,228	W (721,973)	W 263,359	W 31,261,403
<b>Comprehensive income</b>	-	-	-	-	1,860,182	-	32,156	1,892,338
Profit for the period	-	-	(7,047)	-	-	-	(80)	(7,127)
Remeasurements of net defined benefit liabilities	-	-	(32,097)	-	-	-	162	(31,935)
Exchange differences on translating foreign operations	-	-	226,455	-	-	-	2,994	229,449
Change in value of financial investments	-	-	102,738	-	-	-	-	102,738
Shares of other comprehensive income of associates	-	-	2,683	-	-	-	(96)	2,587
Cash flow hedges	-	-	4,727	-	-	-	-	4,727
Losses on hedges of a net investment in a foreign operation	-	-	(1,243)	-	-	-	(75)	(1,318)
Comprehensive income of separate account	-	-	(2,443)	-	3,492	-	-	-
Transfer to other accounts	-	-	293,773	-	1,863,674	-	35,061	2,191,459
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-
<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	-	-	-	-	-	6,020
Changes in interest in subsidiaries	-	(5,169)	-	-	-	-	11,189	932
Others	-	(1,408)	-	-	-	-	2,340	-
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	8,373	(574,834)
<b>Balance at June 30, 2017 (Unaudited)</b>	W 2,090,558	W 16,988,891	W 699,102	W (1,049)	W 13,594,934	W (801,201)	W 306,793	W 32,878,028

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

**KB Financial Group Inc. and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Six-Month Periods Ended June 30, 2017 and 2016**

(in millions of Korean won)

	Note	Six-Month Period Ended June 30	
		2017 (Unaudited)	2016 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		₩ 1,892,338	₩ 1,149,617
Adjustment for non-cash items			
Net loss(gain) on financial assets/liabilities at fair value through profit or loss		19,569	(83,130)
Net loss(gain) on derivative financial instruments for hedging purposes		66,465	(58,114)
Adjustment of fair value of derivative financial instruments		(989)	(1,419)
Provision for credit loss		307,698	313,500
Net loss(gain) on financial investments		81,470	(133,357)
Share of profit of associates		(59,115)	(160,333)
Depreciation and amortization expense		225,203	122,447
Other net losses on property and equipment/intangible assets		11,788	4,964
Share-based payments		36,342	8,350
Policy reserve appropriation		607,447	257,502
Post-employment benefits		102,165	95,149
Net interest expense		212,290	193,142
Loss on foreign currency translation		20,151	92,191
Gains on bargain purchase		(122,986)	-
Net other expense		126,664	59,183
		<u>1,634,162</u>	<u>710,075</u>
Changes in operating assets and liabilities			
Financial asset at fair value through profit or loss		(2,319,800)	(1,462,809)
Derivative financial instruments		34,223	20,112
Loans		(10,025,127)	(8,281,253)
Current income tax assets		24,873	3,311
Deferred income tax assets		82,952	4,084
Other assets		(6,765,813)	(989,926)
Financial liabilities at fair value through profit or loss		529,264	589,786
Deposits		7,267,752	7,115,206
Deferred income tax liabilities		99,788	(30,328)
Other liabilities		2,537,143	3,628,311
		<u>(8,534,745)</u>	<u>596,494</u>
<b>Net cash inflow(outflow) from operating activities</b>		<u>(5,008,245)</u>	<u>2,456,186</u>
<b>Cash flows from investing activities</b>			
Disposal of financial investments		17,988,951	17,239,994
Acquisition of financial investments		(19,671,252)	(17,287,082)
Disposal of investments in associates		95,771	81,409
Acquisition of investments in associates		(34,162)	(1,353,719)
Disposal of property and equipment		3,027	377
Acquisition of property and equipment		(93,376)	(69,258)
Acquisition of investment property		-	(479)
Disposal of intangible assets		4,627	4,847
Acquisition of intangible assets		(50,118)	(42,331)
Net cash flows from the change in subsidiaries		(842,935)	-
Others		162,835	(310,456)
		<u>(2,436,632)</u>	<u>(1,736,698)</u>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instruments for hedging purposes		34,906	12,595
Net increase(decrease) in debts		1,591,298	(1,205,246)
Increase in debentures		69,902,246	46,327,221
Decrease in debentures		(64,378,817)	(45,191,919)
Increase in other payables from trust accounts		248,938	249,480
Dividends paid to shareholders of the Parent Company		(497,968)	(378,625)
Acquisition of treasury shares		(82,177)	(300,006)
Disposal of treasury shares		3,515	-
Dividends paid to non-controlling interests		(5,156)	(5,156)
Increase in non-controlling interests		(163,656)	-
Others		(31,972)	(34,637)
		<u>6,621,157</u>	<u>(526,293)</u>
<b>Net cash inflow(outflow) from financing activities</b>		<u>6,621,157</u>	<u>(526,293)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<u>20,705</u>	<u>81,259</u>
<b>Net increase(decrease) in cash and cash equivalents</b>		<u>(803,015)</u>	<u>274,454</u>
<b>Cash and cash equivalents at the beginning of the period</b>	38	<u>7,414,836</u>	<u>7,457,919</u>
<b>Cash and cash equivalents classified as disposal group held for sale</b>		<u>22,489</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	38	<u>₩ 6,634,310</u>	<u>₩ 7,732,373</u>

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



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

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

### **June 30, 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. KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017.

The Parent Company's share capital as of June 30, 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 interim 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.

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

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

#### **June 30, 2017 and 2016 (Unaudited), and December 31, 2016**

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The Group's consolidated interim financial statements for the six-month period ended June 30, 2017, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed interim consolidated financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of June 30, 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 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

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

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

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

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

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

##### - Enactments to Interpretation 2122 *Foreign Currency Transactions and Advance Consideration*

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

##### - Korean IFRS 1109 *Financial Instruments*

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

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

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

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

Within the Group, Korean IFRS 1109 Task Force Team ('TFT') has been set up to prepare for implementation of Korean IFRS 1109 since October 2015. There are three stages for

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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>
<b>1</b>	From Oct. to Dec. 2015 (for 3 months)	Analysis of GAAP differences and development of methodology
<b>2</b>	From Jan. to Dec. 2016 (for 12 months)	Development of methodology, definition of business requirement, and the system development and test.
<b>3</b>	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.

<b>Business model</b>	<b>Contractual cash flows characteristics</b>	
	<b>Solely represent payments of principal and interest</b>	<b>All other</b>
<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.

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(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 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>
<b>1</b>	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
<b>2</b>	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
<b>3</b>	Credit-impaired	

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

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Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests that are a prospective test to ensure that the hedging relationship is expected to be highly effective and a quantitative retrospective test (within range of 80-125%) to ensure that the hedging relationship has been highly effective throughout the reporting period.

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

Meanwhile, Kookmin Bank(the Bank), a major subsidiary of the Group, performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on retainable information as at December 31, 2016, and the results of the assessment are explained as below. The Bank plans to perform more detailed analysis on financial effects based on additional information in the future; therefore, the results of the assessment may change due to additional information that the Bank may obtain and decisions derived thereof after the assessment.

#### **(a) Classification and Measurement of Financial Assets**

According to Korean IFRS 1109, debt securities those contractual cash flows do not represent solely payments of principal and interest and held for trading, and equity securities that are not designated as instruments measured at fair value through other comprehensive income are measured at fair value through profit or loss. As at December 31, 2016, the Bank holds debt securities, equity securities and other financial assets classified as financial assets at fair value through profit or loss that amount to ₩ 7,693,118 million, ₩ 61,230 million and ₩ 201,884 million, respectively.

Based on results from the impact assessment, if the Bank applies Korean IFRS 1109 to the financial assets measured at fair value through profit or loss as at December 31, 2016, the application will not have a material impact on the financial statements because the majority of the financial assets will still be classified as at fair value through profit or loss.

According to Korean IFRS 1109, a debt security is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on a specific date under contract terms. As at December 31, 2016, the Bank holds debt securities and beneficiary securities of ₩ 25,379,866 million classified as financial assets available-for-sale.

Based on results from the impact assessment of Korean IFRS 1109, if Korean IFRS 1109 is applied for the above debt securities classified as financial assets available-for-sale, the Bank expects the majority of the financial assets to be measured at fair value through other comprehensive income. Meanwhile, the beneficiary securities amounting to ₩ 3,572,421 million which of contractual cash flows under the instrument do not solely represent payments of principal and interest on the principal amount, are measured at fair value through profit or loss, accordingly, the Bank expects volatility in profit or loss may be increased.

According to Korean IFRS 1109, equity securities that are not held for trading, the Bank can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value

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through other comprehensive income, which all subsequent changes in fair value being recognized in other comprehensive income and not recycled to profit or loss. As at December 31, 2016, the Bank holds equity securities of ₩ 1,925,042 million classified as financial assets available-for-sale.

Based on results from the impact assessment of Korean IFRS 1109, the Bank plans to designate most equity securities as instruments measured at fair value through profit or loss except some equity instruments, which are classified in financial assets available-for-sale, held for business agreement and investment purpose. Therefore, the Bank expects the application of Korean IFRS 1109 on these financial assets may increase volatility in profit or loss.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at June 30, 2017, the Bank measured loans and receivables of ₩ 236,551,052 million, cash and due from financial institutions of ₩ 14,681,846 million and financial assets held-to-maturity of ₩ 8,427,498 million at amortized costs.

Based on results from the impact assessment, if the Bank applies Korean IFRS 1109 to the above financial assets, the application will not have a material impact on the financial statements. This is because the Bank holds the majority of financial assets measured at amortized cost that meets the both criteria: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest, although loans with conversion right and a part of due from financial institutions which of contractual cash flows do not represent solely payments of principal and interest, are recognized at fair value through profit or loss.

#### **(b) Classification and Measurement of Financial Liabilities**

Based on results from the impact assessment of Korean IFRS 1109, the Bank expects that the application will have no impact on the financial statements because the Bank had no financial liabilities designated as at fair value through profit or loss as at December 31, 2016.

#### **(c) Impairment: Financial Assets and Contract Assets**

Based on results from the impact assessment, the loss allowance as at December 31, 2016 is expected to be increased by ₩ 146 billion to ₩ 2,004 billion, and the regulatory reserve for credit losses is estimated to be decreased comparing to current level. And the Bank expects that there will be no material change on BIS ratio(Total Regulatory Capital) compared to the current 16.32%.

The results of the assessment may be changed due to additional information that the Bank may obtain after the assessment and related decisions.

#### **(d) Hedge Accounting**

As of December 31, 2016, the Bank applies the hedge accounting to its assets and liabilities that amount to ₩ 4,086,364 million. With applying the hedge accounting, the Bank recognized the changes in fair value of fair value hedging instruments for ₩ 81,884 million in profit or loss, and there was no reclassification of the changes in fair value of cash flow hedging instruments to profit or loss, which were previously recognized in other comprehensive income. As of December 31, 2016, the changes in

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fair values of cash flow hedging instruments and hedge on net investments in foreign operation which have been recognized in accumulated other comprehensive income amount to ₩ 445 million and ₩ 42,602 million, respectively.

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

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

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

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

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

The Group will apply new standard for annual reporting periods beginning on or after January 1, 2018, and early adoption is permitted. The Group 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.



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#### **2.4 Critical Accounting Estimates**

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

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

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 interim 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*

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The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Group's target risk appetite. The Committee approves significant risk matters and reviews the level of risks that the Group is exposed to and the appropriateness of the Group's risk management operations as an ultimate decision-making authority.

#### *Risk Management Council*

The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committee, and discusses the detailed issues relating to the Group's risk management.

#### *Risk Management Division*

The Risk Management Division is responsible for monitoring and managing the Group's 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.

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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 June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Financial assets</b>		
Due from financial institutions	₩ 16,525,274	₩ 15,326,173
Financial assets at fair value through profit or loss		
Financial assets held for trading <sup>1</sup>	25,470,280	23,058,919
Financial assets designated at fair value through profit or loss	1,964,370	1,693,255
Derivatives	2,049,604	3,381,935
Loans <sup>2</sup>	279,777,638	265,486,134
Financial investments		
Available-for-sale financial assets	34,067,083	27,445,752
Held-to-maturity financial assets	16,898,310	11,177,504
Other financial assets <sup>2</sup>	12,258,518	7,322,335
	<u>389,011,077</u>	<u>354,892,007</u>
<b>Off-balance sheet items</b>		
Acceptances and guarantees contracts	6,570,438	7,822,124
Financial guarantee contracts	4,014,048	4,746,292
Commitments	98,118,195	97,005,556
	<u>108,702,681</u>	<u>109,573,972</u>
	<u>₩ 497,713,758</u>	<u>₩ 464,465,979</u>

<sup>1</sup> Financial instruments indexed to the price of gold amounting to ₩ 78,086 million and ₩ 72,349 million as of June 30, 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 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.

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Loans as of June 30, 2017 and December 31, 2016, are classified as follows:

(In millions of Korean won)

Loans	June 30, 2017							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 137,775,854	98.90	₩ 126,262,734	98.64	₩ 14,025,819	96.05	₩278,064,407	98.64
Past due but not impaired	1,003,931	0.72	180,880	0.14	248,229	1.70	1,433,040	0.51
Impaired	524,977	0.38	1,554,872	1.22	327,969	2.25	2,407,818	0.85
	<u>139,304,762</u>	<u>100.00</u>	<u>127,998,486</u>	<u>100.00</u>	<u>14,602,017</u>	<u>100.00</u>	<u>281,905,265</u>	<u>100.00</u>
<b>Less:</b>								
<b>Allowances<sup>1</sup></b>	(428,390)	0.31	(1,259,186)	0.98	(440,051)	3.01	(2,127,627)	0.75
<b>Carrying amount</b>	<u>₩ 138,876,372</u>		<u>₩ 126,739,300</u>		<u>₩ 14,161,966</u>		<u>₩279,777,638</u>	

(In millions of Korean won)

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)

	June 30, 2017			
	Retail	Corporate	Credit card	Total
Grade 1	₩ 116,946,995	₩ 66,355,259	₩ 7,590,983	₩ 190,893,237
Grade 2	16,946,508	51,357,011	4,957,774	73,261,293
Grade 3	2,831,085	6,290,364	1,192,209	10,313,658
Grade 4	821,034	1,651,993	255,746	2,728,773
Grade 5	230,232	608,107	29,107	867,446
	<u>₩ 137,775,854</u>	<u>₩ 126,262,734</u>	<u>₩ 14,025,819</u>	<u>₩ 278,064,407</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

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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:

	<b>Range of Probability of Default (%)</b>	<b>Retail</b>	<b>Corporate</b>
Grade 1	0.0 ~ 1.0	1 ~ 5 grade	AAA ~ BBB+
Grade 2	1.0 ~ 5.0	6 ~ 8 grade	BBB ~ BB
Grade 3	5.0 ~ 15.0	9 ~ 10 grade	BB- ~ B
Grade 4	15.0 ~ 30.0	11 grade	B- ~ CCC
Grade 5	30.0 ~	12 grade or under	CC or under

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

(In millions of Korean won)

	<b>June 30, 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	₩ 838,813	₩ 111,224	₩ 51,182	₩ 2,712	₩ 1,003,931
Corporate	140,362	22,814	17,704	-	180,880
Credit card	200,567	29,798	17,864	-	248,229
	<u>₩ 1,179,742</u>	<u>₩ 163,836</u>	<u>₩ 86,750</u>	<u>₩ 2,712</u>	<u>₩ 1,433,040</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>June 30, 2017</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans	₩ 524,977	₩ 1,554,872	₩ 327,969	₩ 2,407,818
Allowances under				
Individual assessment	(102)	(766,845)	-	(766,947)
Collective assessment	(190,718)	(127,857)	(198,865)	(517,440)
	<u>(190,820)</u>	<u>(894,702)</u>	<u>(198,865)</u>	<u>(1,284,387)</u>
	<u>₩ 334,157</u>	<u>₩ 660,170</u>	<u>₩ 129,104</u>	<u>₩ 1,123,431</u>

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	December 31, 2016			
	Retail	Corporate	Credit card	Total
Loans	₩ 575,711	₩ 1,656,387	₩ 302,122	₩ 2,534,220
Allowances under				
Individual assessment	(3)	(860,829)	-	(860,832)
Collective assessment	(217,535)	(133,507)	(183,211)	(534,253)
	<u>(217,538)</u>	<u>(994,336)</u>	<u>(183,211)</u>	<u>(1,395,085)</u>
	₩ 358,173	₩ 662,051	₩ 118,911	₩ 1,139,135

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017				
	Impaired Loans		Non-impaired Loans		Total
	Individual	Collective	Past due	Not past due	
Guarantees	₩ 19,324	₩ 134,993	₩ 204,033	₩ 55,198,684	₩ 55,557,034
Deposits and savings	11,328	5,158	43,934	3,891,633	3,952,053
Property and equipment	4,305	27,229	33,152	8,434,830	8,499,516
Real estate	246,497	320,715	629,584	142,833,165	144,029,961
	<u>₩ 281,454</u>	<u>₩ 488,095</u>	<u>₩ 910,703</u>	<u>₩ 210,358,312</u>	<u>₩ 212,038,564</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017	December 31, 2016
Securities that are neither past due nor impaired <sup>1</sup>	₩ 78,317,229	₩ 63,298,248
Impaired securities <sup>1</sup>	4,728	4,833
	<u>₩ 78,321,957</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 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	₩ 22,510,489	₩ 2,742,964	₩ 41,453	₩ 21,481	₩ 75,807	₩ 25,392,194
Financial assets designated at fair value through profit or loss	1,921,035	43,335	-	-	-	1,964,370
Available-for-sale financial assets	31,852,610	2,149,833	59,912	-	-	34,062,355
Held-to-maturity financial assets	16,894,086	-	4,224	-	-	16,898,310
	<u>₩ 73,178,220</u>	<u>₩ 4,936,132</u>	<u>₩ 105,589</u>	<u>₩ 21,481</u>	<u>₩ 75,807</u>	<u>₩ 78,317,229</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

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.

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4.2.6 Credit Risk Concentration Analysis

Details of the Group's regional loans as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

June 30, 2017							
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩139,211,189	₩124,367,724	₩14,598,733	₩ 278,177,646	98.68	₩ (2,083,900)	₩ 276,093,746
Europe	-	200,346	287	200,633	0.07	(2,363)	198,270
China	-	1,807,198	1,375	1,808,573	0.64	(24,874)	1,783,699
Japan	613	102,737	227	103,577	0.04	(9,602)	93,975
United States	-	1,128,308	643	1,128,951	0.40	(2,294)	1,126,657
Others	92,960	392,173	752	485,885	0.17	(4,594)	481,291
	<u>₩139,304,762</u>	<u>₩127,998,486</u>	<u>₩14,602,017</u>	<u>₩ 281,905,265</u>	<u>100.00</u>	<u>₩ (2,127,627)</u>	<u>₩ 279,777,638</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

June 30, 2017				
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 11,051,855	8.63	₩ (53,277)	₩ 10,998,578
Manufacturing	39,472,098	30.84	(469,885)	39,002,213
Service	52,527,933	41.04	(289,160)	52,238,773
Wholesale & Retail	14,625,945	11.43	(101,237)	14,524,708
Construction	3,372,315	2.63	(263,338)	3,108,977
Public sector	1,113,768	0.87	(17,794)	1,095,974
Others	5,834,572	4.56	(64,495)	5,770,077
	<u>₩ 127,998,486</u>	<u>100.00</u>	<u>₩ (1,259,186)</u>	<u>₩ 126,739,300</u>



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	December 31, 2016			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 10,603,474	8.90	₩ (20,870)	₩ 10,582,604
Manufacturing	36,505,044	30.62	(539,512)	35,965,532
Service	48,529,236	40.71	(307,132)	48,222,104
Wholesale & Retail	14,246,756	11.95	(116,233)	14,130,523
Construction	3,381,470	2.84	(357,439)	3,024,031
Public sector	886,583	0.74	(6,318)	880,265
Others	5,052,751	4.24	(34,668)	5,018,083
	<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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017			
	Loans	%	Allowances	Carrying amount
Housing	₩ 61,364,598	39.87	₩ (21,963)	₩ 61,342,635
General	77,940,164	50.64	(406,427)	77,533,737
Credit card	14,602,017	9.49	(440,051)	14,161,966
	<u>₩ 153,906,779</u>	<u>100.00</u>	<u>₩ (868,441)</u>	<u>₩ 153,038,338</u>

(In millions of Korean won)

	December 31, 2016			
	Loans	%	Allowances	Carrying amount
Housing	₩ 59,015,452	39.73	₩ (22,787)	₩ 58,992,665
General	76,012,881	51.17	(458,502)	75,554,379
Credit card	13,530,243	9.10	(414,295)	13,115,948
	<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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017	
	Amount	%
<b>Financial assets held for trading</b>		
Government and government funded institutions	₩ 9,086,245	35.78
Banking and insurance	10,928,340	43.04
Others	5,377,609	21.18
	<u>25,392,194</u>	<u>100.00</u>
<b>Financial assets designated at fair value through profit or loss</b>		
Banking and insurance and others	1,964,370	100.00
	<u>1,964,370</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
Government and government funded institutions	16,027	0.78
Banking and insurance	1,895,371	92.47
Others	138,206	6.75
	<u>2,049,604</u>	<u>100.00</u>

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<b>Available-for-sale financial assets</b>		
Government and government funded institutions	9,586,032	28.14
Banking and insurance	16,252,661	47.71
Others	8,228,390	24.15
	<u>34,067,083</u>	<u>100.00</u>
<b>Held-to-maturity financial assets</b>		
Government and government funded institutions	8,050,957	47.64
Banking and insurance	7,224,807	42.75
Others	1,622,546	9.61
	<u>16,898,310</u>	<u>100.00</u>
	<u>₩ 80,371,561</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>June 30, 2017</b>	
	<b>Amount</b>	<b>%</b>
<b>Financial assets held for trading</b>		
Korea	₩ 24,041,454	94.68
United States	351,109	1.38
Others	999,631	3.94
	<u>25,392,194</u>	<u>100.00</u>

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<b>Financial assets designated at fair value through profit or loss</b>		
Korea	1,078,960	54.93
United States	122,514	6.24
Others	762,896	38.83
	<u>1,964,370</u>	<u>100.00</u>
<b>Derivative financial assets</b>		
Korea	1,070,385	52.23
United States	244,586	11.93
Others	734,633	35.84
	<u>2,049,604</u>	<u>100.000</u>
<b>Available-for-sale financial assets</b>		
Korea	31,535,990	92.57
United States	1,149,390	3.38
Others	1,381,703	4.05
	<u>34,067,083</u>	<u>100.00</u>
<b>Held-to-maturity financial assets</b>		
Korea	15,056,488	89.10
United States	773,218	4.58
Others	1,068,604	6.32
	<u>16,898,310</u>	<u>100.00</u>
	<u>₩ 80,371,561</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

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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 insolvent due to uncertain liquidity caused by unexpected cash outflows, or a risk of borrowing high interest debts or disposal of liquid and other assets at a substantial discount. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other 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.

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The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 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>	₩ 5,701,105	₩ 942,374	₩ 465,438	₩ 986,146	₩ 89,377	₩ 52,405	₩ 8,236,845
Financial assets held for trading <sup>2</sup>	29,667,907	-	-	-	-	-	29,667,907
Financial assets designated at fair value through profit or loss <sup>2</sup>	2,090,618	-	-	-	-	-	2,090,618
Derivatives held for trading <sup>2</sup>	1,902,341	-	-	-	-	-	1,902,341
Derivatives held for fair value hedging <sup>3</sup>	334	8,375	7,340	29,015	(3,398)	52,855	94,521
Loans	29,601	25,614,140	30,570,555	94,098,725	74,570,252	95,620,209	320,503,482
Available-for-sale financial assets <sup>4</sup>	9,539,198	994,480	1,873,094	6,914,690	20,054,141	9,419,846	48,795,449
Held-to-maturity financial assets	-	350,782	714,670	1,991,530	8,155,502	11,147,120	22,359,604
Other financial assets	248,789	10,000,889	44,092	1,341,987	96,334	18,751	11,750,842
	<u>₩49,179,893</u>	<u>₩37,911,040</u>	<u>₩33,675,189</u>	<u>₩105,362,093</u>	<u>₩102,962,208</u>	<u>₩116,311,186</u>	<u>₩445,401,609</u>

(In millions of Korean won)

	June 30, 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>	₩ 1,845,480	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,845,480
Financial liabilities designated at fair value through profit or loss <sup>2</sup>	11,177,571	-	-	-	-	-	11,177,571
Derivatives held for trading <sup>2</sup>	2,054,805	-	-	-	-	-	2,054,805
Derivatives held for fair value hedging <sup>3</sup>	2,161	1,665	(444)	(18,979)	(20,484)	1,370	(34,711)
Deposits <sup>5</sup>	120,695,207	11,342,617	21,532,903	80,411,645	10,943,772	3,897,804	248,823,948
Debts	6,345,965	8,456,708	3,222,243	5,277,135	4,305,610	545,313	28,152,974
Debentures	45,410	1,992,976	2,080,853	7,912,044	25,888,136	2,918,403	40,837,822
Other financial liabilities	633,398	15,033,326	54,304	154,158	352,236	851,861	17,079,283
	<u>₩142,799,997</u>	<u>₩36,827,292</u>	<u>₩26,889,859</u>	<u>₩93,736,003</u>	<u>₩41,469,270</u>	<u>₩8,214,751</u>	<u>₩349,937,172</u>

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**Off- balance sheet items**

Commitments <sup>6</sup>	₩ 98,118,195	₩	-	₩	-	₩	-	₩	-	₩	-	₩ 98,118,195
Financial guarantee contract <sup>7</sup>	4,380,386		-		-		-		-		-	4,380,386
	<u>₩102,132,243</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩</u>	<u>-</u>	<u>₩102,132,243</u>

(In millions of Korean won)

	December 31, 2016						
	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>	₩ 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)

	December 31, 2016						
	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>	₩ 1,143,510	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 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 ₩ 11,104,382 million and ₩ 9,307,958 million, which are restricted due from the financial institutions as of June 30, 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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 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	₩ (199)	₩ (2,070)	₩ (6,951)	₩ (14,630)	₩ -	₩ (23,850)
Cash flow to be received of total settlement derivatives	18,507	236,136	1,383,408	1,075,147	-	2,713,198
Cash flow to be paid of total settlement derivatives	(19,639)	(241,333)	(1,402,030)	(1,125,552)	-	(2,788,554)

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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 on a regular basis. The status and limits of interest rate risks; such as, interest rate EaR, duration gap and interest rate VaR (Value at Risk), are reported to the ALCO and Risk



## KB Financial Group Inc. and Subsidiaries

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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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017							Total
	USD	JPY	EUR	GBP	CNY	Others		
<b>Financial Assets</b>								
Cash and due from financial institutions	₩ 1,908,747	₩ 221,605	₩ 336,611	₩ 19,649	₩ 741,158	₩ 406,826	₩ 3,634,596	
Financial assets held for trading	2,005,109	100,165	21,859	8,970	14,393	7,145	2,157,641	
Financial assets designated at fair value through profit or loss	944,101	-	-	-	-	-	944,101	
Derivatives held for trading	223,584	2,046	117,641	-	-	327,168	670,439	
Derivatives held for hedging	60,318	-	-	-	-	-	60,318	
Loans	10,686,053	298,660	804,632	1,767	684,642	71,185	12,546,939	
Available-for-sale financial assets	6,161,852	152,547	55,309	-	39,629	18,182	6,427,519	
Held-to-maturity financial assets	1,897,107	-	-	-	5,027	4,225	1,906,359	
Other financial assets	2,670,265	154,829	43,097	54,407	445,447	499,001	3,867,046	
	₩ 26,557,136	₩ 929,852	₩ 1,379,149	₩ 84,793	₩ 1,930,296	₩ 1,333,732	₩ 32,214,958	
<b>Financial liabilities</b>								
Financial liabilities designated at fair value through profit or loss	₩ 1,383,416	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,383,416	
Derivatives held for trading	223,584	2,046	117,641	-	-	327,168	670,439	

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Derivatives held for hedging	60,318	-	-	-	-	-	60,318
Deposits	7,926,527	517,346	322,637	71,694	983,588	467,348	10,289,140
Debts	7,269,758	49,294	87,949	1,130	94,902	25,484	7,528,517
Debentures	3,643,249	-	-	-	-	115,485	3,758,734
Other financial liabilities	2,661,820	57,315	651,183	2,543	465,540	187,309	4,025,710
	<u>₩ 23,168,672</u>	<u>₩ 626,001</u>	<u>₩ 1,179,410</u>	<u>₩ 75,367</u>	<u>₩ 1,544,030</u>	<u>₩ 1,122,794</u>	<u>₩ 27,716,274</u>
<b>Off-balance sheet items</b>	<u>₩ 13,004,421</u>	<u>₩ 18,643</u>	<u>₩ 70,248</u>	<u>₩ 419</u>	<u>₩ 241,162</u>	<u>₩ 182,026</u>	<u>₩ 13,516,919</u>

(In millions of Korean won)

	December 31, 2016						
	USD	JPY	EUR	GBP	CNY	Others	Total
<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>Securities Business</b>		The activities within this segment include investment banking, brokerage services and other supporting activities.
<b>Non-life Insurance Business</b>		The activities within this segment include non-life insurance 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>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 six-month period ended June 30, 2017, is as follows:

	Banking business										
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total	Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group Adjustments	Total
Operating revenues from external customers	₩ 999,472	₩ 1,298,197	₩ 659,961	₩ 2,957,630	₩ 537,104	₩ 394,065	₩ 659,400	₩ 79,642	₩ 172,436	₩ -	₩ 4,800,277
Intra-segment operating revenues(expenditures)	2,252	-	99,209	101,461	801	7,868	(99,164)	(18,114)	89,468	(82,320)	-
	₩ 1,001,724	₩ 1,298,197	₩ 759,170	₩ 3,059,091	₩ 537,905	₩ 401,933	₩ 560,236	₩ 61,528	₩ 261,904	₩ (82,320)	₩ 4,800,277
Net interest income	1,220,182	1,279,043	85,852	2,585,077	141,337	151,543	529,933	107,700	146,796	3,136	3,665,522
Interest income	1,709,479	1,910,237	389,936	4,009,652	238,494	151,584	655,101	107,714	281,120	(4,852)	5,438,813
Interest expense	(489,297)	(631,194)	(304,084)	(1,424,575)	(97,157)	(41)	(125,168)	(14)	(134,324)	7,988	(1,773,291)
Net fee and commission income	114,163	286,380	200,319	600,862	270,843	(31,160)	80,744	(1,944)	117,338	(5,835)	1,030,848
Fee and commission income	153,161	321,314	244,729	719,204	310,107	645	916,862	37	140,428	(156,234)	1,931,049
Fee and commission expense	(38,998)	(34,934)	(44,410)	(118,342)	(39,264)	(31,805)	(836,118)	(1,981)	(23,090)	150,399	(900,201)
Net insurance income	-	-	-	-	-	251,227	10,881	(65,460)	-	10,510	207,158
Insurance income	-	-	-	-	-	2,653,831	18,182	510,330	-	(6,926)	3,175,417
Insurance expenses	-	-	-	-	-	(2,402,604)	(7,301)	(575,790)	-	17,436	(2,968,259)
Net gains (losses) on financial assets/ liabilities at fair value through profit or loss	(2,535)	-	71,724	69,189	248,611	5,426	-	4,339	18,036	9,732	355,333
Net other operating income (expense)	(330,086)	(267,226)	401,275	(196,037)	(122,886)	24,897	(61,322)	16,893	(20,266)	(99,863)	(458,584)
General and administrative expenses	(439,713)	(859,176)	(346,138)	(1,645,027)	(345,150)	(188,700)	(194,437)	(35,993)	(139,071)	58,786	(2,489,592)
Operating profit before provision for credit losses	562,011	439,021	413,032	1,414,064	192,755	213,233	365,799	25,535	122,833	(23,534)	2,310,685
Provision (reversal) for credit losses	(53,997)	(41,467)	2,912	(92,552)	(20,324)	(4,717)	(165,588)	347	(24,825)	(39)	(307,698)

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Net operating income	508,014	397,554	415,944	1,321,512	172,431	208,516	200,211	25,882	98,008	(23,573)	2,002,987
Share of profit of associates	-	-	13,805	13,805	507	-	(176)	-	4,992	39,987	59,115
Net other non-operating income (expense)	1,939	-	33,811	35,750	2,250	4,940	(4,530)	(8)	(749)	112,514	150,167
Segment profits before income tax	509,953	397,554	463,560	1,371,067	175,188	213,456	195,505	25,874	102,251	128,928	2,212,269
Income tax expense	(123,987)	(96,208)	58,357	(161,838)	(45,502)	(51,627)	(41,956)	(5,257)	(30,954)	17,203	(319,931)
Profit for the year	385,966	301,346	521,917	1,209,229	129,686	161,829	153,549	20,617	71,297	146,131	1,892,338
Profit attributable to shareholders of the Parent Company	385,966	301,346	521,917	1,209,229	129,686	161,688	153,549	20,617	71,495	113,918	1,860,182
Profit attributable to non-controlling interests	-	-	-	-	-	141	-	-	(198)	32,213	32,156
Total assets <sup>1</sup>	114,434,664	123,092,421	80,329,307	317,856,392	37,346,057	31,031,319	16,625,624	9,017,431	37,230,484	(26,857,880)	422,249,427
Total liabilities <sup>1</sup>	97,345,157	142,431,623	53,666,332	293,443,112	33,035,372	27,897,259	12,751,372	8,456,960	14,050,637	(263,313)	389,371,399

<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 six-month period ended June 30, 2016, is as follows:

	Banking business									
	Corporate Banking	Retail Banking	Banking Services	Other	Sub-total	Investment & Securities	Credit Card	Life Insurance	Others	Intra-group Adjustments
Operating revenues from external customers	₩ 882,465	₩ 1,093,502	₩ 755,250	₩ 2,731,217	₩ 110,258	₩ 613,839	₩ 74,304	₩ 199,928	₩ -	₩ 3,729,546
Intra-segment operating revenues(expenses)	8,439	-	106,229	114,668	2,571	(124,299)	(13,290)	75,202	(54,852)	-
	₩ 890,904	₩ 1,093,502	₩ 861,479	₩ 2,845,885	₩ 112,829	₩ 489,540	₩ 61,014	₩ 275,130	₩ (54,852)	₩ 3,729,546
Net interest income	1,115,210	1,129,297	61,246	2,305,753	4,567	482,679	118,589	138,998	339	3,050,925
Interest income	1,631,080	1,855,786	441,693	3,928,559	22,570	630,161	118,600	239,042	(8,024)	4,930,908
Interest expense	(515,870)	(726,489)	(380,447)	(1,622,806)	(18,003)	(147,482)	(11)	(100,044)	8,363	(1,879,983)
Net fee and commission income	119,478	256,265	163,138	538,881	55,936	32,676	50	105,908	(1,012)	732,439
Fee and commission income	145,688	293,344	206,091	645,123	59,882	794,253	50	120,211	(139,978)	1,479,541
Fee and commission expense	(26,210)	(37,079)	(42,953)	(106,242)	(3,946)	(761,577)	-	(14,303)	138,966	(747,102)
Net insurance income	-	-	-	-	-	10,447	(83,111)	-	14,986	(57,676)
Insurance income	-	-	-	-	-	17,428	642,359	-	(98)	659,689
Insurance expenses	-	-	-	-	-	(6,981)	(725,470)	-	15,084	(717,367)
Net gains(losses) on financial assets/ liabilities at fair value through profit or loss	(4,730)	-	59,062	54,332	51,229	-	4,383	15,602	(5,693)	119,853
Net other operating income(expense)	(339,054)	(292,060)	578,033	(53,081)	1,097	(36,262)	21,103	14,622	(63,472)	(115,993)
General and administrative expenses	(383,959)	(869,219)	(492,461)	(1,745,639)	(71,863)	(169,901)	(46,683)	(120,060)	31,045	(2,123,101)
Operating profit before provision for credit losses	506,945	224,283	369,018	1,100,246	40,966	319,639	14,331	155,070	(23,807)	1,606,445
Provision(reversal) for credit losses	(238,342)	71,977	(2,166)	(168,531)	2,304	(123,914)	(609)	(22,963)	213	(313,500)
Net operating income	268,603	296,260	366,852	931,715	43,270	195,725	13,722	132,107	(23,594)	1,292,945
Share of profit of associates	-	-	5,160	5,160	104,900	-	-	50,873	(600)	160,333
Net other non-operating income (expense)	(745)	-	24,328	23,583	(66)	1,253	(110)	(520)	(7,258)	16,882
Segment profits before income tax	267,858	296,260	396,340	960,458	148,104	196,978	13,612	182,460	(31,452)	1,470,160
Income tax expense	(65,667)	(71,695)	(79,910)	(217,272)	(19,721)	(43,705)	(3,346)	(34,909)	(1,590)	(320,543)
Profit for the period	202,191	224,565	316,430	743,186	128,383	153,273	10,266	147,551	(33,042)	1,149,617
Profit attributable to shareholders of the parent company	202,191	224,565	316,430	743,186	128,383	153,273	10,266	123,301	(33,042)	1,125,367
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	24,250	-	24,250
Total assets <sup>1</sup>	109,500,342	122,806,490	74,759,538	307,066,370	32,382,795	15,772,036	8,887,413	36,646,767	(25,081,725)	375,673,656
Total liabilities <sup>1</sup>	91,685,643	140,082,958	51,972,767	283,741,368	28,198,439	11,807,038	8,337,849	12,468,290	(140,731)	344,412,253

<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 six-month periods ended June 30, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	<b>2016</b>
Banking service	₩ 2,957,630	₩ 2,731,217
Securities service	537,104	110,258
Non-life insurance service	394,065	-
Credit card service	659,400	613,839
Life insurance service	79,642	74,304
Other service	172,436	199,928
	₩ 4,800,277	₩ 3,729,546

5.2.2 Geographical information

Geographical operating revenues from external customers for the six-month periods ended June 30, 2017 and 2016, and major non-current assets as of June 30, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	<b>June 30, 2017</b>		<b>June 30, 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>		
Domestic	₩ 4,745,867	₩ 7,626,628	₩ 3,687,630	₩ 4,952,552		
United States	10,020	393,650	5,819	299		
New Zealand	2,945	94	2,653	128		
China	18,647	5,204	20,788	5,038		
Cambodia	3,510	1,305	3,203	1,216		
United Kingdom	5,349	115	5,397	149		
Others	13,939	111,706	4,056	2,242		
Intra-group adjustment	-	72,709	-	72,971		
	₩ 4,800,277	₩ 8,211,411	₩ 3,729,546	₩ 5,034,595		

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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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 19,166,122	₩ 19,151,618	₩ 17,884,863	₩ 17,878,714
Financial assets held for trading	29,667,907	29,667,907	26,099,518	26,099,518
Debt securities	25,392,194	25,392,194	22,986,570	22,986,570
Equity securities	4,197,627	4,197,627	3,040,599	3,040,599
Others	78,086	78,086	72,349	72,349
Financial assets designated at fair value through profit or loss	2,090,618	2,090,618	1,758,846	1,758,846
Debt securities <sup>1</sup>	259,230	259,230	331,664	331,664
Equity securities	126,248	126,248	65,591	65,591
Derivative-linked securities	1,705,140	1,705,140	1,361,591	1,361,591
Derivatives held for trading	1,934,238	1,934,238	3,298,328	3,298,328
Derivatives held for hedging	115,366	115,366	83,607	83,607
Loans	279,777,638	279,856,903	265,486,134	265,144,250
Available-for-sale financial assets	43,946,158	43,946,158	33,970,293	33,970,293
Debt securities	34,067,083	34,067,083	27,445,752	27,445,752
Equity securities	9,879,075	9,879,075	6,524,541	6,524,541
Held-to-maturity financial assets	16,898,310	17,167,343	11,177,504	11,400,616
Other financial assets	12,258,518	12,258,518	7,322,335	7,322,335
	<u>₩405,854,875</u>	<u>₩406,188,669</u>	<u>₩367,081,428</u>	<u>₩366,956,507</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading	₩ 1,845,480	₩ 1,845,480	₩ 1,143,510	₩ 1,143,510
Financial liabilities designated at fair value through profit or loss	11,177,571	11,177,571	10,979,326	10,979,326
Derivatives held for trading	2,060,083	2,060,083	3,717,819	3,717,819
Derivatives held for hedging	86,725	86,725	89,309	89,309
Deposits	245,351,977	246,011,291	239,729,695	240,223,353
Debts	27,439,465	27,446,291	26,251,486	26,247,768
Debentures	40,309,288	40,707,858	34,992,057	35,443,751
Other financial liabilities	21,752,705	21,753,091	16,286,578	16,257,142
	<u>₩350,023,294</u>	<u>₩351,088,390</u>	<u>₩333,189,780</u>	<u>₩334,101,978</u>

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



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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 and Financial assets at fair value through profit or loss</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 June 30, 2017 and December 31, 2016, is as follows:

(In millions of Korean won)

	June 30, 2017			Total
	Fair value hierarchy			
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets held for trading				
Debt securities	₩ 7,632,395	₩ 17,759,799	₩ -	₩ 25,392,194
Equity securities	1,755,593	2,442,034	-	4,197,627
Others	78,086	-	-	78,086
	9,466,074	20,201,833	-	29,667,907
Financial assets designated at fair value through profit or loss				
Debt securities <sup>1</sup>	-	132,741	126,489	259,230
Equity securities	-	-	126,248	126,248
Derivative-linked securities	-	707,356	997,784	1,705,140
	-	840,097	1,250,521	2,090,618
Derivatives held for trading	133,716	1,576,240	224,282	1,934,238
Derivatives held for hedging	-	113,385	1,981	115,366
Available-for-sale financial assets <sup>2</sup>				

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Debt securities	9,534,825	24,480,189	52,069	34,067,083
Equity securities	1,406,819	2,930,856	5,541,400	9,879,075
	<u>10,941,644</u>	<u>27,411,045</u>	<u>5,593,469</u>	<u>43,946,158</u>
	<u>₩ 20,541,434</u>	<u>₩ 50,142,600</u>	<u>₩ 7,070,253</u>	<u>₩ 77,754,287</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading	₩ 1,845,480	₩ -	₩ -	₩ 1,845,480
Financial liabilities designated at fair value through profit or loss	924	1,851,112	9,325,535	11,177,571
Derivatives held for trading	377,684	1,602,529	79,870	2,060,083
Derivatives held for hedging	-	86,537	188	86,725
	<u>₩ 2,224,088</u>	<u>₩ 3,540,178</u>	<u>₩ 9,405,593</u>	<u>₩ 15,169,859</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 ₩ 212,532 million and ₩ 223,398 million as of June 30, 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 fluctuations

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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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Inputs
	June 30, 2017	December 31, 2016		
<b>Financial assets</b>				
Financial assets held for trading				
Debt securities	₩ 17,759,799	₩ 15,560,090	DCF Model	Discount rate, Volatility
Equity securities	2,442,034	1,903,068	DCF Model, Net Asset Value, Option Model	Underlying asset Index, Discount rate, Volatility, Fair value of underlying asset
	<u>20,201,833</u>	<u>17,463,158</u>		
Financial assets designated at fair value through profit or loss				
Debt securities	132,741	237,595	DCF Model, Hull and White Model,	Discount rate, Volatility
Derivative-linked securities	707,356	757,979	DCF Model, Closed Form, Monte Carlo Simulation, Option Model	Underlying asset Index, Discount rate, Volatility
	<u>840,097</u>	<u>995,574</u>		
Derivatives held for trading	1,576,240	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	113,385	82,144	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets				
Debt securities	24,480,189	16,978,619	DCF Model, One Factor Hull and White Model,	Discount rate, Interest rate, Volatility of interest rate
Equity securities	2,930,856	2,349,998	DCF Model, Net Asset Value, Option Model	Discount rate, Fair value of underlying asset
	<u>27,411,045</u>	<u>19,328,617</u>		
	<u>₩ 50,142,600</u>	<u>₩ 40,902,649</u>		
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss				
Derivative-linked securities	₩ 1,851,112	₩ 3,181,621	DCF Model, Closed Form, Monte Carlo Simulation	Discount rate, Volatility of underlying asset
	<u>1,851,112</u>	<u>3,181,621</u>		
Derivatives held for trading	1,602,529	3,041,052	DCF Model, Closed Form,	Discount rate, Volatility, Foreign

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			FDM, Monte Carlo Simulation	exchange rate, Stock price and others
Derivatives held for hedging	86,537	89,123	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	<u>₩ 3,540,178</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

**June 30, 2017**

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	₩ 2,752,870	₩ 13,992,237	₩ 2,406,511	₩ 19,151,618
Loans	-	327,850	279,529,053	279,856,903
Held-to-maturity financial assets	4,460,309	12,702,810	4,224	17,167,343
Other financial assets <sup>2</sup>	-	-	12,258,518	12,258,518
	<u>₩ 7,213,179</u>	<u>₩ 27,022,897</u>	<u>₩ 294,198,306</u>	<u>₩ 328,434,382</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	₩ -	₩ 120,677,567	₩ 125,333,724	₩ 246,011,291
Debts <sup>3</sup>	-	1,705,607	25,740,684	27,446,291
Debentures	-	37,814,549	2,893,309	40,707,858
Other financial liabilities <sup>4</sup>	-	-	21,753,091	21,753,091
	<u>₩ -</u>	<u>₩ 160,197,723</u>	<u>₩ 175,720,808</u>	<u>₩ 335,918,531</u>

(In millions of Korean won)

**December 31, 2016**

	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<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 ₩ 12,258,518 million and ₩ 7,322,335 million are included in Level 3, the carrying amounts that are reasonable approximations of fair values as of June 30, 2017 and December 31, 2016, respectively.

<sup>3</sup> Debts of ₩ 20,307 million and ₩ 70,624 million included in Level 2 are the carrying amounts which are reasonable approximations of fair values as of June 30, 2017 and December 31, 2016, respectively.

<sup>4</sup> Other financial liabilities of ₩ 21,330,945 million and ₩ 15,890,765 million included in Level 3 are the carrying amounts which are reasonable approximations of fair values as of June 30, 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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	Fair value		Valuation technique	Inputs
	June 30, 2017	December 31, 2016		
<b>Financial assets</b>				
Loans	₩ 327,850	₩ -	DCF Model	Discount rate
Held-to-maturity financial assets	12,702,810	9,895,328	DCF Model	Discount rate
<b>Financial liabilities</b>				
Debts	1,685,300	1,374,359	DCF Model	Discount rate
Debentures	37,814,549	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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017			
	Fair value	Valuation technique	Inputs	Unobservable inputs
<b>Financial assets</b>				
Cash and due from financial institutions	₩ 2,406,511	DCF Model	Credit spread, Other spread, Interest rates	Credit spread, Other spread
Loans	279,529,053	DCF Model	Credit spread, Other spread, Prepayment rate, Interest rates	Credit spread, Other spread, Prepayment rate
Held-to-maturity financial assets	4,224	DCF Model	Implied default probability	Implied default probability
	<u>₩ 281,939,788</u>			

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**Financial liabilities**

Deposits	₩ 125,333,724	DCF Model	Other spread, Prepayment rate, Interest rates	Other spread, Prepayment rate
Debts	25,740,684	DCF Model	Other spread, Interest rates	Other spread
Debentures	2,893,309	DCF Model	Other spread, Implied default probability, Interest rates	Other spread, Implied default probability
Other financial liabilities	422,146	DCF Model	Other spread, Interest rates	Other spread
	<u>₩ 154,389,863</u>			

(In millions of Korean won)

**December 31, 2016**

	<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.

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Where a reclassification between the levels of the fair value hierarchy occurs for a financial asset or liability, the Group's policy is to recognize such transfers as having occurred at the beginning of the reporting period.

6.2.2 Changes in Fair Value (Level 3) Measured Using Valuation Technique Based on Unobservable in Market

Details of changes in Level 3 of the fair value hierarchy for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017				
	Financial assets at fair value through profit or loss		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	46,727	690	(618,236)	328,364	516
- Other comprehensive income	-	44,563	-	-	-
Purchases	681,788	766,258	-	15,522	-
Sales	(632,789)	(304,984)	-	(103,018)	-
Issues	-	-	(5,739,076)	(34,491)	-
Settlements	(132,857)	-	4,828,916	2,423	-
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	(33,181)	-	-	-
Business combination	524,380	2,047,831	-	522	-
Ending balance	₩1,250,521	₩ 5,593,469	₩ (9,325,535)	₩144,412	₩ 1,793

(In millions of Korean won)

	2016				
	Financial assets at fair value through profit or loss		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	(57)	(2,016)	16,573	(22,334)	2,510
- Other comprehensive	-	56,632	-	-	-



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income						
Purchases	21,637	510,383	-	1,877	-	
Sales	(29,097)	(81,650)	-	(12,623)	-	
Issues	-	-	(906,606)	(6,264)	-	
Settlements	(2,274)	-	578,135	7,187	-	
Transfers into Level 3	-	-	-	804	-	
Transfers out of Level 3	-	(19,971)	-	-	-	
Ending balance	<u>₩ 377,047</u>	<u>₩ 2,351,817</u>	<u>₩ (2,131,277)</u>	<u>₩ (120,395)</u>	<u>₩ 3,224</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 six-month periods ended June 30, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	
	<b>Net gain(loss) from financial investments at fair value through profit or loss</b>	<b>Other operating income(expense)</b>
Total gains or losses included in profit or loss for the period	₩ (243,145)	₩ 1,206
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	(158,914)	(3,137)

*(In millions of Korean won)*

	<b>2016</b>		
	<b>Net gain(loss) from financial investments at fair value through profit or loss</b>	<b>Other operating income (expense)</b>	<b>Net interest income</b>
Total gains or losses included in profit or loss for the period	₩ (5,818)	₩ 481	₩ 13
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	17,750	(2,905)	13

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### 6.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

Information about fair value measurements using unobservable inputs as of June 30, 2017 and December 31, 2016, are as follows:

		June 30, 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	₩ 126,489	Tree Model, DCF Model, Hull and White Model	Price of the underlying asset, Interest rates, Dividend yield	Volatility of the underlying asset	8.52 ~ 10.73	The higher the volatility, the higher the fair value fluctuation
Equity securities	126,248	Tree Model	Price of the underlying asset, Interest rates, Dividend yield	Volatility of the underlying asset	8.52	The higher the volatility, the higher the fair value fluctuation
Derivative-linked securities	997,784	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Option Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset, Discount rate, Probability of default, Volatility of the interest rate, Recovery rate	Volatility of the underlying asset Recovery rate Correlation between underlying asset	12.00 ~ 43.05 40.00 8.18~90.00	The higher the volatility, the higher the fair value fluctuation The higher the recovery rate, the higher the fair value The higher the correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	182,899	DCF Model, FDM, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Price of the underlying asset, Interest rates, Dividend yield, Discount rate, Volatility of the underlying asset, Correlation between underlying asset, Probability of default, Volatility of the interest rate	Volatility of the underlying asset Correlation between underlying asset	12.00 ~ 67.00 -10.00 ~ 65.00	The higher the volatility, the higher the fair value fluctuation The higher the absolute value of correlation, the higher the fair value fluctuation
Currency, interest rate and others	41,383	DCF Model, Hull and White Model, Tree Model	Interest rates, Foreign exchange rate, Loss	Correlation between underlying asset	-5.00 ~ 48.00	The higher the absolute value of correlation, the higher the fair value fluctuation

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Derivatives held for hedging	1,981	Model, Option Model, Monte Carlo Simulation, Closed Form	given default, Stock price, Volatility of the stock price, Volatility of the interest rates, Price of the underlying asset, Correlation between underlying asset, Volatility of price of the underlying asset, Dividend yield	Loss given default	0.52 ~ 0.69	value fluctuation
Interest rate				Volatility of the stock price	5.10~ 27.06	The higher the loss given default, the lower the fair value
				Volatility of the interest rate	0.41~29.91	The higher the volatility, the higher the fair value fluctuation
				Volatility of the underlying asset	3.00 ~ 74.00	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets	52,069	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	3.66	The higher the volatility, the higher the fair value fluctuation
Debt securities	5,541,400	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Tree Model, Net asset value method, Discounted cash flows to equity, Income approach, Market approach, Asset value approach	Discount rate, Growth rate, Discount rate, Volatility of the interest rate, Coefficient of correlation	Discount rate	6.08 ~15.02	The lower the discount rate, the higher the fair value
				Growth rate	0.00 ~ 6.51	The higher the growth rate, the higher the fair value
				Discount rate	1.37 ~62.68	The lower the discount rate, the higher the fair value
				Coefficient of correlation	57.73~87.04	The coefficient of correlation is different for each item
				Volatility of the interest rate	19.96~43.05	The higher the volatility, the higher the fair value fluctuation

₩ 7,070,253

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**Financial liabilities**

Financial liabilities designated at fair value through profit or loss

Derivative-linked securities	₩ 9,325,535	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	0.50 ~ 74.00 -10.00 ~ 90.00	The higher the volatility, the higher the fair value fluctuation The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for trading						
Stock and index	59,235	DCF Model, Closed Form, 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	2.00 ~ 29.91 13.00 ~ 68.00	The higher the volatility, the higher the fair value fluctuation The higher the correlation, the higher the fair value fluctuation
Others	20,635	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model	Price of the underlying asset, 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, Coefficient of correlation, Volatility of the interest rate,	Volatility of the underlying asset Correlation between underlying asset Volatility of the stock price Volatility of the interest rate Discount rate	0.50~74.00 14.00~88.00 13.83 0.41~29.91 2.16 ~2.28	The higher the volatility, the higher the fair value fluctuation The higher the correlation, 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 The lower the discount rate, the higher the fair value
Derivatives held for hedging						
Interest rate	188	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	2.81	The higher the volatility, the higher the fair value fluctuation

₩ 9,405,593

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		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, Probability of 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 underlying asset, Correlation between underlying asset, Discount rate,	Loss given default Volatility of the stock price Volatility of the interest rate Volatility of the underlying asset Correlation between underlying asset	0.80 ~ 0.84 14.82 ~ 30.97 0.57 18.00 ~ 59.00 -5.00 ~ 47.00	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 The higher the absolute value of correlation, the higher the fair value fluctuation

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Derivatives held for hedging		Dividend yield,			
Interest rate	1,463	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset	5.04	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets					
Debt securities	10,251	DCF Model	Discount rate	6.55	The lower the discount rate, the higher the fair value
Equity securities	3,062,041	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Net asset value method, Dividend discount model, Hull and White model, Discounted cash flows to equity, Income approach	Growth rate, Discount rate, Dividend yield, Volatility of the interest rate, Liquidation value, Recovery rate of receivables' acquisition cost	0.00 ~ 1.00 1.49 ~ 22.01 0.00 155.83	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 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

₩ 3,973,963

**Financial liabilities**

Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 7,797,139	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Price of the underlying asset, Interest rates, Dividend yield, Volatility of the underlying asset, Correlation between underlying asset	1.00 ~ 49.00 -5.00 ~ 77.00	The higher the volatility, the higher the fair value fluctuation The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	153,419	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Price of the underlying asset, Interest rates, Volatility of the 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

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			asset, Correlation between underlying asset, Dividend yield	underlying asset	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, Discount rate	Volatility of the stock price Volatility of the interest rate Discount rate Volatility of the underlying asset Correlation between underlying asset	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 absolute value of correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	186	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Price of the underlying asset, Interest rates, Volatility of the underlying asset	Volatility of the underlying asset	The higher the volatility, the higher the fair value fluctuation

₩ 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)

	June 30, 2017			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss <sup>1</sup>				
Debt securities	₩ 970	₩ (939)	₩ -	₩ -
Equity securities	2,060	(1,867)	-	-
Derivative-linked securities	1,800	(1,910)	-	-
Derivatives held for trading <sup>2</sup>	30,268	(33,277)	-	-
Derivatives held for hedging <sup>2</sup>	1	(1)	-	-
Available-for-sale financial assets				
Debt securities <sup>3</sup>	-	-	-	-
Equity securities <sup>4</sup>	-	-	172,797	(91,142)
	<u>₩ 35,099</u>	<u>₩ (37,994)</u>	<u>172,797</u>	<u>(91,142)</u>
<b>Financial liabilities</b>				
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	₩ 71,035	₩ (66,583)	₩ -	₩ -
Derivatives held for trading <sup>2</sup>	19,807	(19,638)	-	-
Derivatives held for hedging <sup>2</sup>	3	(3)	-	-
	<u>₩ 90,845</u>	<u>₩ (86,224)</u>	<u>₩ -</u>	<u>₩ -</u>

(In millions of Korean won)

	December 31, 2016			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<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 six-month periods ended June 30, 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	13,637	(1,574)
Changes during the period	(37,621)	(784)
Balance at the end of the year	<u>₩ 15,049</u>	<u>₩ 1,697</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

June 30, 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	₩ -	₩ -	₩ 19,166,122	₩ -	₩ -	₩ -	₩ 19,166,122
Financial assets at fair value through profit or loss	29,667,907	2,090,618	-	-	-	-	31,758,525
Derivatives	1,934,238	-	-	-	-	115,366	2,049,604
Loans	-	-	279,777,638	-	-	-	279,777,638
Financial investments	-	-	-	43,946,158	16,898,310	-	60,844,468
Other financial assets	-	-	12,258,518	-	-	-	12,258,518
	<u>₩31,602,145</u>	<u>₩ 2,090,618</u>	<u>₩ 311,202,278</u>	<u>₩43,946,158</u>	<u>₩16,898,310</u>	<u>₩115,366</u>	<u>₩405,854,875</u>

(In millions of Korean won)

June 30, 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	₩ 1,845,480	₩ 11,177,571	₩ -	₩ -	₩ 13,023,051
Derivatives	2,060,083	-	-	86,725	2,146,808

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Deposits	-	-	245,351,977	-	245,351,977
Debts	-	-	27,439,465	-	27,439,465
Debentures	-	-	40,309,288	-	40,309,288
Other financial liabilities	-	-	21,752,705	-	21,752,705
	<u>₩ 3,905,563</u>	<u>₩ 11,177,571</u>	<u>₩ 334,853,435</u>	<u>₩ 86,725</u>	<u>₩ 350,023,294</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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 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	₩ 1,850,734	₩ -	₩ 1,850,734	₩ (1,296,018)	₩ (9,393)	₩ 545,323
Derivatives held for hedging	115,031	-	115,031	(51,063)	-	63,968
Receivable spot exchange	5,499,087	-	5,499,087	(5,496,203)	-	2,884
Reverse repurchase agreements	4,020,525	-	4,020,525	(4,020,525)	-	-
Domestic exchange settlement debits	20,544,105	(19,929,894)	614,211	-	-	614,211
Other financial instruments	1,420,193	(1,309,724)	110,469	(8,392)	-	102,077
	<u>₩ 33,449,675</u>	<u>₩ (21,239,618)</u>	<u>₩12,210,057</u>	<u>₩ (10,872,201)</u>	<u>₩ (9,393)</u>	<u>₩1,328,463</u>

(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
Reverse repurchase	2,926,515	-	2,926,515	(2,926,515)	-	-

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agreements						
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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017					
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Derivatives held for trading	₩ 2,609,540	₩ -	₩ 2,609,540	₩ (2,025,979)	₩ (7,729)	₩ 575,832
Derivatives held for hedging	84,564	-	84,564	(52,762)	-	31,802
Payable spot exchange	5,500,041	-	5,500,041	(5,496,203)	-	3,838
Repurchase agreements <sup>1</sup>	9,307,082	-	9,307,082	(9,307,082)	-	-
Securities borrowing agreements	1,767,170	-	1,767,170	(1,767,170)	-	-
Domestic exchange settlement credits	20,708,573	(19,929,894)	778,679	(778,679)	-	-
Other financial instruments	1,354,669	(1,309,724)	44,945	(11,128)	-	33,817
	<u>₩41,331,639</u>	<u>₩ (21,239,618)</u>	<u>₩ 20,092,021</u>	<u>₩ (19,439,003)</u>	<u>₩ (7,729)</u>	<u>₩ 645,289</u>

(In millions of Korean won)

	December 31, 2016					
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	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>

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

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**7. Due from Financial Institutions**

Details of due from financial institutions as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate(%)	June 30, 2017	December 31, 2016
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~1.28	₩ 8,746,228	₩ 7,259,264
	Due from banks	KEB Hana Bank and others	0.00~2.30	2,451,480	1,233,368
	Due from others	Kyobo Securities Co., Ltd. and others	0.00~1.25	2,310,507	3,276,913
				13,508,215	11,769,545
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	-	1,613,012	2,025,373
	Time deposits in foreign currencies	Shinhan Bank Japan and others	0.14~9.50	738,180	808,253
	Due from others	Bank of Japan and others	0.00~0.10	665,867	723,002
				3,017,059	3,556,628
				₩ 16,525,274	₩ 15,326,173

Restricted due from financial institutions as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		Financial Institutions	June 30, 2017	December 31, 2016	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 8,746,228	₩ 7,259,264	Bank of Korea Act
	Due from Banks	Citibank Korea Inc. and others	872,306	209,676	Deposits related to securitization, withdrawal consent virtual account and others
	Due from others	Morgan Stanley Bank International Ltd.	193,970	580,655	Derivatives margin account and others
			9,812,504	8,049,595	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	676,713	564,099	Bank of Korea Act and others
	Time deposit in foreign currencies	Sumitomo Mitsui New York and others	31,224	24,170	Bank Act of the State of New York and others
	Due from others	Samsung Futures Inc. and others	479,877	664,082	Derivatives margin account and others
			1,187,814	1,252,351	
			₩ 11,000,318	₩ 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 June 30, 2017 and December 31, 2016, are as follows:

	<i>(In millions of Korean won)</i>					
			<b>June 30, 2017</b>			
	<b>Notional amount</b>		<b>Assets</b>		<b>Liabilities</b>	
<b>Interest rate</b>						
Futures <sup>1</sup>	₩	4,679,034	₩	1,552	₩	1,614
Swaps		159,614,642		557,353		542,053
Options		8,054,310		67,484		173,381
		172,347,986		626,389		717,048
<b>Currency</b>						
Forwards		66,863,058		504,212		439,542
Futures <sup>1</sup>		811,710		52		1,262
Swaps		29,223,693		379,635		376,221
Options		611,589		1,784		3,937
		97,510,050		885,683		820,962
<b>Stock and index</b>						
Futures <sup>1</sup>		891,230		907		2,141
Swaps		6,241,069		165,560		88,383
Options		8,776,726		181,238		375,980
		15,909,025		347,705		466,504
<b>Credit</b>						
Swaps		5,344,071		47,931		47,759
		5,344,071		47,931		47,759

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<b>Commodity</b>			
Futures <sup>1</sup>	3,918	117	24
Swaps	85,011	652	1,312
Options	483	29	-
	<u>89,412</u>	<u>798</u>	<u>1,336</u>
<b>Other</b>	<u>1,452,123</u>	<u>25,732</u>	<u>6,474</u>
	<u>₩ 292,652,667</u>	<u>₩ 1,934,238</u>	<u>₩ 2,060,083</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 June 30, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	<b>June 30, 2017</b>					
	<b>Notional amount</b>		<b>Assets</b>		<b>Liabilities</b>	
<b>Interest rate</b>						
Swaps	₩	3,463,444	₩	51,846	₩	47,332
<b>Currency</b>						
Forwards		2,789,045		30,236		20,406
<b>Other</b>		140,000		1,929		188
	₩	6,392,489	₩	84,011	₩	67,926

*(In millions of Korean won)*

	<b>December 31, 2016</b>					
	<b>Notional amount</b>		<b>Assets</b>		<b>Liabilities</b>	
<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 six-month periods ended June 30, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	<b>2017</b>	<b>2016</b>
Gains on hedging instruments	₩ 46,830	₩ 47,688
Gains(losses) on the hedged items attributable to the hedged risk	(39,332)	(47,895)
	₩ 7,498	₩ (207)

*Cash Flow Hedge*

Details of derivative instruments designated as cash flow hedge as of June 30, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	<b>June 30, 2017</b>					
	<b>Notional amount</b>		<b>Assets</b>		<b>Liabilities</b>	
<b>Interest rate</b>						
Swaps	₩	2,274,765	₩	1,863	₩	6,124
<b>Currency</b>						
Swaps		2,409,540		29,177		12,675
	₩	4,684,305	₩	31,040	₩	18,799

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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 six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Gains(losses) on hedging instruments	₩ 18,946	₩ (3,295)
Gains(losses) on effectiveness (amount recognized in other comprehensive income)	19,690	(3,615)
Gains(losses) on ineffectiveness	₩ (744)	₩ 320

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Amount recognized in other comprehensive income	₩ 19,690	₩ (3,615)
Amount reclassified from equity to profit or loss	(16,818)	2,175
Tax effect	(285)	(7)
Amount recognized in other comprehensive income, net of tax	₩ 2,587	₩ (1,447)

*Hedge on Net Investments in Foreign Operations*

Details of derivative instruments designated as fair value hedge as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017					
	Notional amount		Assets		Liabilities	
<b>Currency</b>						
Forwards	₩	12,861	₩	315	₩	-

  

(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 six-month periods ended June 30, 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	₩ 6,236	₩ (1,765)
Tax effect	(1,509)	427
Amount recognized in other comprehensive income, net of tax	<u>₩ 4,727</u>	<u>₩ (1,338)</u>

There are no ineffective portion of gain (loss) related to hedge on net investments in foreign operations for the six-month periods ended June 30, 2017

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

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Financial debentures in foreign currencies	₩ 106,719	₩ 199,478

**9. Loans**

Details of loans as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Loans	₩ 281,195,146	₩ 267,045,265
Deferred loan origination fees and costs	710,119	718,625
Less: Allowances for loan losses	(2,127,627)	(2,277,756)
Carrying amount	<u>₩ 279,777,638</u>	<u>₩ 265,486,134</u>

Details of loans for other banks as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Loans	₩ 5,637,045	₩ 5,542,989
Less: Allowances for loan losses	(87)	(66)
Carrying amount	<u>₩ 5,636,958</u>	<u>₩ 5,542,923</u>

Details of loan types and customer types of loans to customers, other than banks, as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans in Korean won	₩134,172,872	₩108,109,273	₩ -	₩242,282,145
Loans in foreign currencies	88,002	2,992,025	-	3,080,027
Domestic import usance bills	-	2,649,802	-	2,649,802
Off-shore funding loans	-	616,302	-	616,302
Call loans	-	397,100	-	397,100
Bills bought in Korean won	-	4,742	-	4,742
Bills bought in foreign currencies	-	3,652,731	-	3,652,731
Guarantee payments under	134	15,441	-	15,575

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payment guarantee				
Credit card receivables in				
Korean won	-	-	14,598,733	14,598,733
Credit card receivables in				
foreign currencies	-	-	3,284	3,284
Reverse repurchase				
agreements	-	1,640,525	-	1,640,525
Privately placed bonds	-	2,206,020	-	2,206,020
Factored receivables	294,280	5,254	-	299,534
Lease receivables	1,616,197	64,719	-	1,680,916
Loans for installment credit	3,133,277	7,507	-	3,140,784
	<u>139,304,762</u>	<u>122,361,441</u>	<u>14,602,017</u>	<u>276,268,220</u>
Proportion (%)	50.42	44.29	5.29	100.00
Less: Allowances	(428,390)	(1,259,099)	(440,051)	(2,127,540)
	<u>₩138,876,372</u>	<u>₩121,102,342</u>	<u>₩14,161,966</u>	<u>₩274,140,680</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 six-month periods ended June 30, 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	(111,962)	(242,668)	(191,004)	(545,634)
Recoveries from written-off loans	37,854	98,221	66,989	203,064
Sale and repurchase	(25,528)	(12,776)	-	(38,304)
Provision <sup>1</sup>	98,768	85,586	154,118	338,472
Business combination	9,679	50,227	-	59,906
Other changes	(61,710)	(101,576)	(4,347)	(167,633)
Ending	<u>₩ 428,390</u>	<u>₩ 1,259,186</u>	<u>₩ 440,051</u>	<u>₩ 2,127,627</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	(132,287)	(453,776)	(171,980)	(758,043)
Recoveries from written-off loans	92,532	51,604	66,353	210,489
Sale and repurchase	(10,148)	(39,594)	-	(49,742)
Provision(reversal) <sup>1</sup>	(32,559)	217,489	121,546	306,476
Other changes	(8,900)	3,028	(3,030)	(8,902)
Ending	<u>₩ 399,990</u>	<u>₩ 1,471,103</u>	<u>₩ 411,239</u>	<u>₩ 2,282,332</u>

<sup>1</sup> Provision for credit losses in statements of comprehensive income also include provision for unused commitments and guarantees (Note 23.(2)), provision (reversal) for financial guarantees contracts (Note 23.(3)), and provision (reversal) for other financial assets (Note 18.(2)).

**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 June 30, 2017 and December 31, 2016, are as follows:

*(In millions of Korean won)*

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Financial assets held for trading</b>		
Debt securities:		
Government and public bonds	₩ 6,696,486	₩ 5,389,757
Financial bonds	10,748,298	11,186,427
Corporate bonds	5,285,056	4,594,741
Asset-backed securities	180,041	222,076
Others	2,482,313	1,593,569
Equity securities:		
Stocks	777,191	424,637
Beneficiary certificates	3,420,436	2,615,962
Others	78,086	72,349
	<u>29,667,907</u>	<u>26,099,518</u>

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

Debt securities:		
Corporate bonds	117,741	237,595
Equity securities:		
Stocks and others	126,248	65,591
Derivative-linked securities	1,705,140	1,361,591
Privately placed bonds	141,489	94,069
	<u>2,090,618</u>	<u>1,758,846</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>₩ 31,758,525</u>	<u>₩ 27,858,364</u>

**Available-for-sale financial assets**

Debt securities:		
Government and public bonds	₩ 4,800,059	₩ 7,110,899
Financial bonds	13,879,924	11,172,159
Corporate bonds	11,724,782	5,904,414
Asset-backed securities	2,372,737	2,729,749
Others	1,289,581	528,531
Equity securities:		
Stocks	3,089,655	2,590,989
Equity investments and others	499,774	402,659
Beneficiary certificates	6,289,646	3,530,893
	<u>43,946,158</u>	<u>33,970,293</u>

**Held-to-maturity financial assets**

Debts securities:		
Government and public bonds	5,072,196	2,218,274
Financial bonds	3,140,030	1,868,928
Corporate bonds	4,601,307	3,487,787
Asset-backed securities	4,084,777	3,602,515
	<u>16,898,310</u>	<u>11,177,504</u>
<b>Total financial investments</b>	<u>₩ 60,844,468</u>	<u>₩ 45,147,797</u>

The impairment losses and the reversal of impairment losses in financial investments for the six-month periods ended June 30, 2017 and 2016, are as follows:

*(In millions of Korean won)*

	2017		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (19,665)	₩ -	₩ (19,665)

*(In millions of Korean won)*

	2016		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (6,343)	₩ -	₩ (6,343)

**KB Financial Group Inc. and Subsidiaries**  
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**12. Investments in Associates**

Investments in associates as of June 30, 2017 and December 31, 2016, are as follows:

(in millions of Korean won)

June 30, 2017

	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
KB GwS Private Securities Investment Trust	26.74	₩ 113,880	₩ 133,551	₩ 130,080	Investment finance	Korea
Balhae Infrastructure Company <sup>2</sup>	12.61	100,987	104,259	104,259	Investment finance	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	23,385	27,010	26,624	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	25.00	22,701	24,602	24,602	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,213	19,800	Investment finance	Korea
KB Private Equity Fund III <sup>2</sup>	15.68	8,000	7,937	7,937	Investment finance	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	13,950	6,911	Installment loan	Korea
Korea Credit Bureau Co., Ltd. <sup>2</sup>	9.00	4,500	5,179	5,179	Credit information	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	4,645	4,550	4,550	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	3,729	3,463	3,729	Investment finance	Korea
POSCO-KB Shipbuilding Restructuring Fund	31.25	2,500	2,493	2,493	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>2</sup>	14.99	24,677	2,022	2,022	Operation of highways and related facilities	Korea
RAND Bio Science Co., Ltd.	24.24	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund <sup>2</sup>	5.64	1,842	1,814	1,814	Investment finance	Korea
KB Pre IPO Secondary Venture Fund 1st <sup>2</sup>	15.19	1,671	1,552	1,552	Investment finance	Korea
Food Factory Co., Ltd.	30.00	1,000	1,000	1,000	Farm product distribution industry	Korea
Builton Co., Ltd.	22.22	800	800	800	Software Development and Supply	Korea
Korbi Co., Ltd.	21.95	750	750	750	Manufacture of prepared animal feeds and feed additives	Korea
Acts Co.,Ltd.	27.78	500	500	500	Manufacture of optical lens and elements	Korea
Inno Lending Co.,Ltd. <sup>2</sup>	19.90	398	319	319	Credit rating model development	Korea
Shinhwa Underwear Co., Ltd. <sup>7</sup>	26.24	-	(103)	138	Manufacture of underwears and sleepwears	Korea
MJT&I Co., Ltd. <sup>7</sup>	22.89	-	(601)	127	Wholesale of other goods	Korea
Kendae Co., Ltd. <sup>7</sup>	41.01	-	(223)	127	Screen printing	Korea
KB No.9 Special Purpose Acquisition Company <sup>2,4</sup>	0.11	24	31	31	SPAC	Korea
Terra Co., Ltd. <sup>7</sup>	24.06	-	36	20	Manufacture of hand-operated kitchen appliances and metal	Korea

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KB No.10 Special Purpose Acquisition Company <sup>2,5</sup>	0.19	10	20	20	ware SPAC	Korea
KB No.8 Special Purpose Acquisition Company <sup>2,3</sup>	0.10	10	19	19	SPAC	Korea
KB No.11 Special Purpose Acquisition Company <sup>2,6</sup>	0.31	10	19	19	SPAC	Korea
KB IGen Private Equity Fund No. 1 <sup>2,11</sup>	0.03	3	3	3	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>7</sup>	20.24	-	(553)	-	Specialty construction	Korea
Jungdong Steel Co., Ltd. <sup>7</sup>	42.88	-	(436)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>7</sup>	26.52	-	(20)	-	Manufacture of metal products	Korea
Dpaps Co., Ltd. <sup>7</sup>	38.62	-	155	-	Wholesale of paper products	Korea
Jaeyang Industry Co., Ltd. <sup>7</sup>	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Wise Asset Management Co., Ltd. <sup>9</sup>	33.00	-	-	-	Asset management	Korea
Jungdo Co.,Ltd. <sup>7</sup>	25.53	-	1,664	-	Office, commercial and institutional building construction	Korea
Korea NM Tech Co.,Ltd. <sup>7</sup>	22.41	-	580	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
Jinseung Tech Co.,Ltd. <sup>7</sup>	30.04	-	(173)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Dongjo Co.,Ltd. <sup>7</sup>	29.29	-	691	-	Wholesale of agricultural and forestry machinery and equipment	Korea
Dae-A Leisure Co.,Ltd. <sup>7</sup>	49.36	-	1,017	-	Earth works	Korea
			₩ 347,822	₩ 359,568	₩ 347,425	

(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	₩1,052,759	₩1,393,320	₩1,392,194	Non-life insurance	Korea
JSC Bank CenterCredit						
Ordinary share <sup>10</sup>	29.56		(32,191)	-	Banking	Kazakhstan
Preference share <sup>10</sup>	93.15	954,104				
Balhae Infrastructure Company <sup>2</sup>	12.61	130,189	133,200	133,200	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	133,150	129,678	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	25.00	22,701	24,789	24,789	Investment finance	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	23,985	25,105	24,719	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,220	19,807	Investment finance	Korea
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND <sup>9</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
SY Auto Capital Co., Ltd.	49.00	9,800	26,311	5,693	Installment loan	Korea
Korea Credit Bureau Co., Ltd. <sup>2</sup>	9.00	4,500	4,853	4,853	Credit information	Korea



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isMedia Co., Ltd.	22.87	3,978	3,978	3,978	Semiconductor instrument manufacture	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	4,645	3,957	3,957	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
Aju Good Technology Venture Fund	38.46	1,998	1,949	1,998	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
Incheon Bridge Co., Ltd. <sup>2</sup>	14.99	24,677	728	728	Operation of highways and related facilities	Korea
Inno Lending Co., Ltd. <sup>2</sup>	19.90	398	378	378	Credit rating model development	Korea
MJT&I Co., Ltd. <sup>7</sup>	22.89	-	(542)	232	Wholesale of other goods	Korea
Shinhwa Underwear Co., Ltd. <sup>7</sup>	26.24	-	(138)	103	Manufacture of underwears and sleepwears	Korea
KB No.9 Special Purpose Acquisition Company <sup>2,4</sup>	0.11	24	31	31	SPAC	Korea
Terra Co., Ltd. <sup>7</sup>	24.06	-	44	28	Manufacture of hand-operated kitchen appliances and metal ware	Korea
KB No.10 Special Purpose Acquisition Company <sup>2,5</sup>	0.19	10	20	20	SPAC	Korea
KB No.8 Special Purpose Acquisition Company <sup>2,3</sup>	0.10	10	19	19	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>2,11</sup>	0.03	10	10	10	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>7</sup>	20.24	-	(545)	-	Specialty construction	Korea
Jungdong Steel Co., Ltd. <sup>7</sup>	42.88	-	(423)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>7</sup>	26.52	-	(51)	-	Manufacture of metal products	Korea
Dpaps Co., Ltd. <sup>7</sup>	38.62	-	151	-	Wholesale of paper products	Korea
Ejade Co., Ltd. <sup>7</sup>	25.81	-	(523)	-	Wholesale of underwears	Korea
Jaeyang Industry Co., Ltd. <sup>7</sup>	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>7</sup>	41.01	-	(351)	-	Screen printing	Korea
Wise Asset Management Co., Ltd. <sup>9</sup>	33.00	-	-	-	Asset management	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 December 31, 2016, amounts to ₩ 522,288 million.

<sup>2</sup> As of June 30, 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

## KB Financial Group Inc. and Subsidiaries

### Notes to the Consolidated Interim Financial Statements

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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 June 30, 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 June 30, 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 June 30, 2017 and December 31, 2016, amounts to ₩ 20 million and ₩ 20 million.

<sup>6</sup> The market value of KB No.11 Special Purpose Acquisition Company, reflecting the quoted market price as of June 30, 2017, amounts to ₩ 21 million.

<sup>7</sup> The investment in associates was reclassified from available-for-sale financial assets due to reinstated voting rights from termination of rehabilitation procedures.

<sup>8</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>9</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>10</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>11</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)

	June 30, 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 GwS Private Securities Investment Trust	₩ 499,620	₩ 253	₩ 425,814	₩ 499,367	₩ 133,551	₩ (3,471)	₩ 130,080		
Balhae Infrastructure Company	829,061	1,940	801,167	827,121	104,259	-	104,259		
KoFC KBIC Frontier Champ 2010-5(PEF)	54,021	-	46,770	54,021	27,010	(386)	26,624		
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	99,782	1,373	90,800	98,409	24,602	-	24,602		
KB Star office Private real estate	216,124	120,112	95,000	96,012	20,213	(413)	19,800		

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Investment Trust No.1								
KB Private Equity Fund III	50,596	-	8,000	50,596	7,937	-		7,937
SY Auto Capital Co., Ltd.	75,056	46,587	20,000	28,469	13,950	(7,039)		6,911
Korea Credit Bureau Co., Ltd.	71,842	14,297	10,000	57,545	5,179	-		5,179
Hyundai-Tongyang Agrifood Private Equity Fund	18,424	562	15,360	17,862	4,550	-		4,550
Aju Good Technology Venture Fund	9,254	250	9,700	9,004	3,463	266		3,729
POSCO-KB Shipbuilding Restructuring Fund	8,000	24	8,000	7,976	2,493	-		2,493
Incheon Bridge Co., Ltd.	651,604	638,112	164,621	13,492	2,022	-		2,022
RAND Bio Science Co., Ltd.	2,294	6	83	2,288	2,000	-		2,000
Keystone-Hyundai Securities No. 1 Private Equity Fund	139,257	100,746	34,114	38,511	1,814	-		1,814
KB Pre IPO Secondary Venture Fund 1st	10,882	1	11,000	10,881	1,552	-		1,552
Food Factory Co., Ltd.	3,639	3,043	450	596	1,000	-		1,000
Builton Co., Ltd.	1,266	739	321	527	800	-		800
Korbi Co., Ltd.	8,617	5,034	2,168	3,583	750	-		750
Acts Co., Ltd.	8,056	7,935	117	121	500	-		500
Inno Lending Co.,Ltd.	1,691	84	2,000	1,607	319	-		319
KB No.9 Special Purpose Acquisition Company	29,849	2,553	1,382	27,296	31	-		31
KB No.10 Special Purpose Acquisition Company	11,821	1,650	521	10,171	20	-		20
KB No.8 Special Purpose Acquisition Company	22,807	2,335	1,031	20,472	19	-		19
KB No.11 Special Purpose Acquisition Company	6,784	718	321	6,066	19	-		19
KB IGen Private Equity Fund No. 1	7,665	7	11,230	7,658	3	-		3

(In millions of Korean won)

June 30, 2017<sup>1</sup>

	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
<b>Associates</b>					
KB GwS Private Securities Investment Trust	₩ 17,502	₩ 17,016	₩ -	₩ 17,016	₩ 4,146
Balhae Infrastructure Company	82,909	78,001	-	78,001	9,571
KoFC KBIC Frontier Champ 2010-5(PEF)	713	407	4,649	5,056	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	4,627	(1,715)	1,106	(609)	-
KB Star office Private real estate Investment Trust No.1	6,702	3,288	-	3,288	699
KB Private Equity Fund III	-	(404)	-	(404)	-
SY Auto Capital Co., Ltd.	8,802	2,158	-	2,158	-
Korea Credit Bureau Co., Ltd.	31,726	4,944	-	4,944	148
Hyundai-Tongyang Agrifood Private Equity Fund	2,521	2,327	-	2,327	-
Aju Good Technology Venture Fund	184	(563)	-	(563)	-
POSCO-KB Shipbuilding Restructuring Fund	-	(24)	-	(24)	-
Incheon Bridge Co., Ltd.	46,216	7,975	-	7,975	-
RAND Bio Science Co., Ltd.	-	(188)	-	(188)	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	-	(575)	(66)	(641)	-
KB Pre IPO Secondary Venture Fund 1st <sup>2</sup>	39	(119)	-	(119)	-
Food Factory Co., Ltd.	598	(390)	-	(390)	-
Builton Co., Ltd.	380	(26)	-	(26)	-
Korbi Co., Ltd.	-	(258)	-	(258)	-
Acts Co.,Ltd.	4,353	21	-	21	-

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Inno Lending Co., Ltd.	-	(299)	-	(299)	-
KB No.9 Special Purpose Acquisition Company	-	121	-	121	-
KB No.10 Special Purpose Acquisition Company	-	17	-	17	-
KB No.8 Special Purpose Acquisition Company	-	(6)	-	(6)	-
KB No.11 Special Purpose Acquisition Company	-	(208)	-	(208)	-
KB IGen Private Equity Fund No. 1	-	173	-	173	-

<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		
JSC Bank CenterCredit	4,510,673	4,578,854	546,794	(68,181)	(32,191)	32,191	-
Balhae Infrastructure Company	1,059,008	2,288	1,061,216	1,056,720	133,200	-	133,200
KB GwS Private Securities Investment Trust	498,606	741	425,814	497,865	133,150	(3,472)	129,678
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	100,252	1,094	90,800	99,158	24,789	-	24,789
KoFC KBIC Frontier Champ 2010-5(PEF)	50,213	2	47,970	50,211	25,105	(386)	24,719
KB Star office Private real estate Investment Trust No.1	216,988	120,943	95,000	96,045	20,220	(413)	19,807
IMM Investment 5 <sup>th</sup> Private Equity Fund <sup>3</sup>	10,114	1	10,114	10,113	9,999	-	9,999
KB Private Equity Fund III <sup>3</sup>	51,000	-	51,000	51,000	8,000	-	8,000
SY Auto Capital Co., Ltd.	65,292	38,981	20,000	26,311	26,311	(20,618)	5,693
Korea Credit Bureau Co., Ltd.	71,245	17,322	10,000	53,923	4,853	-	4,853
isMedia Co., Ltd. <sup>3</sup>	41,192	20,925	2,520	20,267	3,978	-	3,978
Hyundai-Tongyang Agrifood Private Equity Fund <sup>3</sup>	15,910	375	15,360	15,535	3,957	-	3,957
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
Aju Good Technology Venture Fund <sup>3</sup>	5,249	181	5,200	5,068	1,949	49	1,998
Keystone-Hyundai Securities No. 1 Private Equity Fund <sup>3</sup>	112,865	73,429	34,114	39,436	1,850	-	1,850
Incheon Bridge Co., Ltd.	660,858	656,000	164,621	4,858	728	-	728
Inno Lending Co., Ltd. <sup>3</sup>	1,903	1	2,000	1,902	378	-	378
KB No.9 Special Purpose Acquisition Company	29,677	2,503	1,382	27,174	31	-	31
KB No.10 Special Purpose Acquisition Company <sup>3</sup>	11,795	1,628	521	10,167	20	-	20
KB No.8 Special Purpose Acquisition Company	22,743	2,265	1,031	20,478	19	-	19
KB No.11 Special Purpose Acquisition Company <sup>3</sup>	991	714	21	277	13	-	13
KB-Glenwood Private Equity Fund	30,558	3,204	31,100	27,354	10	-	10

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

	June 30, 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%)	₩ 5,550,709	₩ 145,667	₩ 286,277	₩ 431,944	₩ 7,989
(additional acquisition 10.70%)	5,580,750	173,589	260,766	434,355	-
JSC Bank CenterCredit	69,128	(25,999)	(6,025)	(32,024)	-
Balhae Infrastructure Company	27,116	22,546	-	22,546	2,812
KB GwS Private Securities Investment Trust	18,251	18,004	-	18,004	4,145
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	12,725	9,331	745	10,076	-
KoFC KBIC Frontier Champ 2010- 5(PEF)	1,293	453	478	931	-
KB Star office Private real estate Investment Trust No.1	8,914	3,908	-	3,908	849
SY Auto Capital Co., Ltd.	2,937	3,381	-	3,381	-
Korea Credit Bureau Co., Ltd.	22,593	(342)	-	(342)	135
KBIC Private Equity Fund No. 3	1,402	1,260	-	1,260	-
Incheon Bridge Co., Ltd.	49,809	10,159	-	10,159	-
KB No.9 Special Purpose Acquisition Company	-	(26)	25,393	25,367	-
KB No.8 Special Purpose Acquisition Company	-	133	277	410	-
KB-Glenwood Private Equity Fund	-	(78)	-	(78)	-
NPS KBIC Private Equity Fund No. 1	-	-	-	-	-
KB No.5 Special Purpose Acquisition Company	-	14	-	14	-
KB No.7 Special Purpose Acquisition Company	-	(1)	-	(1)	-

<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.

<sup>3</sup> Details of profit or loss are not disclosed as the entity is classified as an associate during the the second half year.

Changes in investments in associates for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other-comprehensive income	Others	Ending
<b>Associates</b>								
KB Insurance Co., Ltd. <sup>1</sup>	₩1,392,194	₩ -	₩ (1,417,397)	₩ (15,884)	₩ 38,873	₩ 2,214	₩ -	₩ -
KB GwS Private Securities Investment Trust	129,678	-	-	(4,146)	4,548	-	-	130,080

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Balhae Infrastructure Company	133,200	-	(29,202)	(9,571)	9,832	-	-	104,259
KoFC KBIC Frontier Champ 2010-5(PEF)	24,719	-	(600)	-	181	2,324	-	26,624
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	24,789	-	-	-	(464)	277	-	24,602
KB Star office Private real estate Investment Trust No.1	19,807	-	-	(699)	692	-	-	19,800
KB Private Equity Fund III	8,000	-	-	-	(63)	-	-	7,937
SY Auto Capital Co., Ltd.	5,693	-	-	-	1,218	-	-	6,911
Korea Credit Bureau Co., Ltd.	4,853	-	-	(148)	474	-	-	5,179
Hyundai-Tongyang Agrifood Private Equity Fund	3,957	-	-	-	593	-	-	4,550
Aju Good Technology Venture Fund	1,998	1,731	-	-	-	-	-	3,729
POSCO-KB Shipbuilding Restructuring Fund	-	2,500	-	-	(7)	-	-	2,493
Incheon Bridge Co., Ltd.	728	-	-	-	1,294	-	-	2,022
RAND Bio Science Co., Ltd.	2,000	-	-	-	-	-	-	2,000
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,850	-	-	-	(32)	(4)	-	1,814
KB Pre IPO Secondary Venture Fund 1st	-	1,671	-	-	(119)	-	-	1,552
Food Factory Co., Ltd.	-	1,000	-	-	-	-	-	1,000
Builton Co., Ltd.	-	800	-	-	-	-	-	800
Korbi Co., Ltd.	-	750	-	-	-	-	-	750
Acts Co., Ltd.	-	500	-	-	-	-	-	500
Inno Lending Co., Ltd.	378	-	-	-	(59)	-	-	319
Shinhwa Underwear Co., Ltd.	103	-	-	-	35	-	-	138
MJT&I Co., Ltd.	232	-	-	-	(105)	-	-	127
Kendae Co., Ltd.	-	-	-	-	127	-	-	127
KB No.9 Special Purpose Acquisition Company	31	-	-	-	-	-	-	31
Terra Co., Ltd.	28	-	-	-	(8)	-	-	20
KB No.10 Special Purpose Acquisition Company	20	-	-	-	-	-	-	20
KB No.8 Special Purpose Acquisition Company	19	-	-	-	-	-	-	19
KB No.11 Special Purpose Acquisition Company <sup>2</sup>	13	-	-	-	(2)	(3)	11	19
KB IGen Private Equity Fund No. 1	10	-	(7)	-	-	-	-	3
KBIC Private Equity Fund No. 3	2,396	-	(2,763)	-	367	-	-	-
isMedia Co. Ltd	3,978	-	(5,409)	-	1,431	-	-	-
IMM Investment 5 <sup>th</sup> PRIVATE EQUITY FUND	9,999	25,200	(35,185)	-	(14)	-	-	-
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	10	(10)	-	-	-	-	-
	<u>₩1,770,673</u>	<u>₩ 34,162</u>	<u>₩(1,490,573)</u>	<u>₩ (30,448)</u>	<u>₩ 58,792</u>	<u>₩ 4,808</u>	<u>₩ 11</u>	<u>₩ 347,425</u>

<sup>1</sup> KB Insurance Co., Ltd. is included as a subsidiary in April 2017.

<sup>2</sup> Other gain of KB No.11 Special Purpose Acquisition Company amounting to ₩11 million represents the changes in interests due to unequal share capital increase in the associate.

<sup>3</sup> Gain on disposal of investments in associates for the six-month periods ended June 30, 2017, amounts to ₩ 323 million.

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(In millions of Korean won)

	2016							
	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
<b>Associates</b>								
Hyundai Securities Co., Ltd. <sup>1</sup>	₩ -	₩ 1,349,150	₩ -	₩ -	₩ 104,931	₩ -	₩ -	₩ 1,454,081
KB Insurance Co., Ltd.	1,077,014	-	-	(7,989)	51,120	92,568	-	1,212,713
Balhae Infrastructure Company	128,275	2,647	-	(2,812)	2,842	-	-	130,952
KB GwS Private Securities Investment Trust	127,539	-	-	(4,145)	4,747	-	-	128,141
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	28,470	925	-	-	3,161	(41)	-	32,515
KoFC KBIC Frontier Champ 2010-5(PEF)	25,508	-	(900)	-	142	239	-	24,989
KB Star office Private real estate Investment Trust No.1	19,915	-	-	(849)	823	-	-	19,889
SY Auto Capital Co., Ltd.	9,481	-	-	-	(1,126)	-	-	8,355
Korea Credit Bureau Co., Ltd.	4,580	-	-	(135)	61	-	-	4,506
KBIC Private Equity Fund No. 3	2,348	-	-	-	25	-	-	2,373
RAND Bio Science Co., Ltd.	-	2,000	-	-	-	-	-	2,000
MJT&I Co., Ltd.	149	-	-	-	46	-	-	195
Shinwha Underwear Co., Ltd.	56	-	-	-	44	-	-	100
KB No.9 Special Purpose Acquisition Company <sup>2</sup>	15	4,082	(1,219)	-	(3)	(56)	8	2,827
Terra Co., Ltd.	21	-	-	-	(6)	-	-	15
KB No.8 Special Purpose Acquisition Company	19	-	-	-	-	-	-	19
KB-Glenwood Private Equity Fund	10	-	-	-	-	-	-	10
Jungdong Steel Co., Ltd.	33	-	-	-	(33)	-	-	-
Doosung Metal Co., Ltd.	-	-	-	-	17	-	-	17
KB No.5 Special Purpose Acquisition Company	20	-	-	-	-	-	-	20
KB No.7 Special Purpose Acquisition Company	88	-	-	-	-	-	-	88
UAMCO., Ltd.	129,707	-	(101,740)	(26,961)	(1,006)	-	-	-
United PF 1st Recovery Private Equity Fund	183,117	-	(190,863)	-	7,746	-	-	-
Sawnics Co., Ltd.	1,397	-	(1,223)	-	(174)	-	-	-
KB No.6 Special Purpose Acquisition Company	78	-	(79)	-	-	1	-	-
	<u>₩1,737,840</u>	<u>₩ 1,358,804</u>	<u>₩ (296,024)</u>	<u>₩ (42,891)</u>	<u>₩ 173,357</u>	<u>₩ 92,711</u>	<u>₩ 8</u>	<u>₩ 3,023,805</u>

<sup>1</sup> Gain on valuation of equity-method investments amounting to ₩104,931 million of Hyundai Securities Co., Ltd. was recognized due to gains on bargain purchase from additional acquisition.

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

<sup>3</sup> Losses on disposal of investments in associates for the six-month periods ended June 30, 2016, amounts to ₩ 13,024 million.

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

Details of property and equipment as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	₩ 2,518,982	₩ -	₩ (1,018)	₩ 2,517,964
Buildings	2,040,121	(662,934)	(5,859)	1,371,328
Leasehold improvements	733,798	(655,888)	-	77,910
Equipment and vehicles	1,753,031	(1,508,270)	(3,849)	240,912
Construction in progress	8,150	-	-	8,150
Financial lease assets	34,111	(23,799)	-	10,312
	<u>₩ 7,088,193</u>	<u>₩ (2,850,891)</u>	<u>₩ (10,726)</u>	<u>₩ 4,226,576</u>

<i>(In millions of Korean won)</i>	<b>December 31, 2016</b>			
	<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 June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	₩ 294,784	₩ -	₩ (738)	₩ 294,046
Buildings	785,289	(124,840)	-	660,449
	<u>₩ 1,080,073</u>	<u>₩ (124,840)</u>	<u>₩ (738)</u>	<u>₩ 954,495</u>

<i>(In millions of Korean won)</i>	<b>December 31, 2016</b>			
	<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>



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**14. Intangible Assets**

Details of intangible assets as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>June 30, 2017</b>			
	<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	3,957,420	(1,145,239)	(44,233)	2,767,948
	<u>₩ 4,289,127</u>	<u>₩ (1,145,239)</u>	<u>₩ (113,548)</u>	<u>₩ 3,030,340</u>

(In millions of Korean won)

	<b>December 31, 2016</b>			
	<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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>June 30, 2017</b>		<b>December 31, 2016</b>	
	<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. <sup>1</sup>	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>

<sup>1</sup> The amount occurred from formerly known as KB Investment&Securities Co., Ltd.

Details of intangible assets, excluding goodwill, as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	<b>June 30, 2017</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Industrial property rights	₩ 6,683	₩ (1,894)	₩ -	₩ 4,789
Software	1,026,880	(867,582)	-	159,298
Other intangible assets	491,631	(201,080)	(44,233)	246,318
VOBA <sup>1</sup>	2,395,291	(62,031)	-	2,333,260
Finance leases assets	36,935	(12,652)	-	24,283
	<u>₩ 3,957,420</u>	<u>₩ (1,145,239)</u>	<u>₩ (44,233)</u>	<u>₩ 2,767,948</u>

<sup>1</sup> See Note 43 for details on VOBA.

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(In millions of Korean won)

	December 31, 2016			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 4,617	₩ (1,612)	₩ -	₩ 3,005
Software	887,098	(749,997)	-	137,101
Other intangible assets	378,608	(111,814)	(44,927)	221,867
Finance leases assets	42,409	(14,458)	-	27,951
	<u>₩ 1,312,732</u>	<u>₩ (877,881)</u>	<u>₩ (44,927)</u>	<u>₩ 389,924</u>

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

Details of deferred income tax assets and liabilities as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017		
	Assets	Liabilities	Net amount
Other provisions	₩ 104,224	₩ (3,558)	₩ 100,666
Allowances for loan losses	5,542	-	5,542
Impairment losses on property and equipment	5,389	(358)	5,031
Interest on equity index-linked deposits	36	-	36
Share-based payments	15,615	-	15,615
Provisions for guarantees	22,880	-	22,880
Losses(gains) from valuation on derivative financial instruments	10,506	(110,001)	(99,495)
Present value discount	17,300	(7,564)	9,736
Losses(gains) from fair value hedged item	-	(8,981)	(8,981)
Accrued interest	-	(96,452)	(96,452)
Deferred loan origination fees and costs	827	(161,417)	(160,590)
Gains from revaluation	642	(310,117)	(309,475)
Investments in subsidiaries and others	34,064	(81,230)	(47,166)
Gains on valuation of security investment	121,480	(104,133)	17,347
Defined benefit liabilities	359,163	-	359,163
Accrued expenses	85,893	-	85,893
Retirement insurance expense	-	(297,945)	(297,945)
Adjustments to the prepaid contributions	-	(16,030)	(16,030)
Derivative-linked securities	91,666	(29,983)	61,683
Others	335,014	(565,293)	(230,279)
	<u>1,210,241</u>	<u>(1,793,062)</u>	<u>(582,821)</u>
Offsetting of deferred income tax assets and liabilities	(1,205,336)	1,203,837	(1,499)
	<u>₩ 4,905</u>	<u>₩ (589,225)</u>	<u>₩ (584,320)</u>

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(In millions of Korean won)

	December 31, 2016		
	Assets	Liabilities	Net amount
Other provisions	₩ 91,201	₩ -	₩ 91,201
Allowances for loan losses	7,297	-	7,297
Impairment losses on property and equipment	7,920	(359)	7,561
Interest on equity index-linked deposits	41	-	41
Share-based payments	13,709	-	13,709
Provisions for guarantees	30,569	-	30,569
Losses(gains) from valuation on derivative financial instruments	9,761	(46,765)	(37,004)
Present value discount	11,358	(6,160)	5,198
Losses(gains) from fair value hedged item	-	(14,335)	(14,335)
Accrued interest	-	(84,676)	(84,676)
Deferred loan origination fees and costs	1,247	(158,914)	(157,667)
Gains from revaluation	803	(286,119)	(285,316)
Investments in subsidiaries and others	12,014	(109,925)	(97,911)
Gains on valuation of security investment	109,071	(8,279)	100,792
Defined benefit liabilities	319,467	-	319,467
Accrued expenses	273,092	-	273,092
Retirement insurance expense	-	(283,771)	(283,771)
Adjustments to the prepaid contributions	-	(15,142)	(15,142)
Derivative-linked securities	30,102	(42,825)	(12,723)
Others	365,616	(195,856)	169,760
	<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 June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	June 30, 2017			
	Acquisition cost <sup>1</sup>	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 51,603	₩ (6,570)	₩ 45,033	₩ 51,391
Buildings held for sale	51,478	(23,392)	28,086	28,483
	<u>₩ 103,081</u>	<u>₩ (29,962)</u>	<u>₩ 73,119</u>	<u>₩ 79,874</u>

(In millions of Korean won)

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

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**17. Disposal Group Held For Sale**

KB Securities, a subsidiary of the Group, decided to sell Hyundai Savings Bank Co., Ltd. and Hyundai Asset Management Co., Ltd. in the current half year, respectively, with the approval from the Board of Directors, and is currently in negotiations with the preferred bidders. Therefore, the Group classified the assets and liabilities related to Hyundai Savings Bank Co., Ltd. and Hyundai Asset Management Co., Ltd. as disposal group held for sales for the six-month period ended June 30, 2017.

Details of disposal group held for sale as of June 30, 2017, are as follow:

(In millions of Korean won)

	<b>June 30, 2017</b>		
	<b>Hyundai Savings Bank Co., Ltd.</b>	<b>Hyundai Asset Management Co., Ltd.</b>	<b>Total</b>
<b>Assets of disposal group classified as held for sale</b>			
Cash and cash equivalents	₩ 112,119	₩ 24,188	₩ 136,307
Financial assets at fair value through profit or loss	29,451	-	29,451
Derivative financial assets	4,421	-	4,421
Loans	1,599,448	5	1,599,453
Financial investments	42,407	419	42,826
Property and equipment, and investment properties	-	153	153
Intangible assets	-	2,110	2,110
Deferred tax assets	23,237	307	23,544
Other assets	25,231	5,188	30,419
	₩ 1,836,314	₩ 32,370	₩ 1,868,684
<b>Liabilities of disposal group classified as held for sale</b>			
Derivative financial liabilities	₩ 2,726	₩ -	₩ 2,726
Deposits	1,554,872	-	1,554,872
Provisions	276	-	276
Defined benefit liabilities	671	-	671
Deferred tax liabilities	3,528	-	3,528
Other liabilities	37,188	897	38,085
	₩ 1,599,261	₩ 897	₩ 1,600,158

The Group measures the lower amount between the fair value less cost to sell and carrying value, accordingly, recognized impairment loss of ₩ 7,405 million.

Amounts recognized in accumulated other comprehensive income related to disposal group held-for-sale for the six-month period ended June 30, 2017, are as follows:

(In millions of Korean won)

	<b>2017</b>
Remeasurements of net defined benefit liabilities	₩ (1,985)
Change in fair value of available-for-sale financial assets	936
	₩ (1,049)

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**18. Other Assets**

Details of other assets as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>		<b>December 31, 2016</b>	
<b>Other financial assets</b>				
Other receivables	₩	9,006,419	₩	4,326,183
Accrued income		1,445,187		1,305,680
Guarantee deposits		1,230,897		1,230,400
Domestic exchange settlement debits		618,640		535,237
Others		65,323		25,226
Less: Allowances for loan losses		(102,266)		(95,629)
Less: Present value discount		(5,682)		(4,762)
		<u>12,258,518</u>		<u>7,322,335</u>
<b>Other non-financial assets</b>				
Other receivables		11,578		17,727
Prepaid expenses		215,718		188,135
Guarantee deposits		4,661		3,934
Insurance assets		988,493		128,146
Separate account assets		4,188,714		866,310
Others		472,849		356,380
Less: Allowances on other asset		(33,881)		(25,182)
		<u>5,848,132</u>		<u>1,535,450</u>
	₩	<u>18,106,650</u>	₩	<u>8,857,785</u>

Changes in allowances for loan losses on other assets for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<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	(12,212)	(129)	(12,341)
Provision	4,651	1,432	6,083
Business combination	21,293	-	21,293
Others	(7,095)	7,396	301
Ending	<u>₩ 102,266</u>	<u>₩ 33,881</u>	<u>₩ 136,147</u>

<i>(In millions of Korean won)</i>	<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	(269,739)	(374)	(270,113)
Provision	852	611	1,463
Others	33,505	-	33,505
Ending	<u>₩ 73,317</u>	<u>₩ 24,214</u>	<u>₩ 97,531</u>

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

Details of financial liabilities at fair value through profit or loss as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Financial liabilities held for trading</b>		
Securities sold	₩ 1,767,170	₩ 1,070,272
Other	78,310	73,238
	<u>1,845,480</u>	<u>1,143,510</u>
<b>Financial liabilities designated at fair value through profit or loss</b>		
Derivative-linked securities	11,177,571	10,979,326
<b>Total financial liabilities at fair value through profit or loss</b>	<u>₩ 13,023,051</u>	<u>₩ 12,122,836</u>

**20. Deposits**

Details of deposits as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Demand deposits</b>		
Demand deposits in Korean won	₩ 110,535,599	₩ 104,758,222
Demand deposits in foreign currencies	5,533,691	5,305,313
	<u>116,069,290</u>	<u>110,063,535</u>
<b>Time deposits</b>		
Time deposits in Korean won	121,758,995	122,532,476
	<u>121,758,995</u>	<u>122,532,476</u>
Time deposits in foreign currencies	4,800,699	4,314,783
Fair value adjustments on valuation of fair value hedged items	(45,250)	(61,657)
	<u>4,755,449</u>	<u>4,253,126</u>
	<u>126,514,444</u>	<u>126,785,602</u>
<b>Certificates of Deposits</b>	2,768,243	2,880,558
<b>Total deposits</b>	<u>₩ 245,351,977</u>	<u>₩ 239,729,695</u>

**21. Debts**

Details of debts as of June 30, 2017 and December 31, 2016, consist of:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Borrowings	₩ 15,997,576	₩ 14,485,789
Repurchase agreements and others	9,317,961	8,825,564
Call money	2,123,928	2,940,133
	<u>₩ 27,439,465</u>	<u>₩ 26,251,486</u>

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Details of borrowings as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		Lender	Annual interest rate (%)	June 30, 2017	December 31, 2016
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	Bank of Korea	0.50~0.75	₩ 1,779,839	₩ 1,644,260
	Borrowings from the government	Small Enterprise And Market Service and others	0.00~3.00	1,662,932	1,331,688
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	0.20~2.70	1,470,862	889,433
	Other borrowings	The Korea Development Bank and others	0.00~5.70	5,076,010	4,284,108
				9,989,643	8,149,489
<b>Borrowings in foreign currencies</b>	Due to banks	Deutsche Bank and others	-	20,307	70,624
	Borrowings from banking institutions	Commerz Bank and others	0.00~4.60	4,006,359	3,949,376
	Other borrowings from financial institutions	The Export-Import Bank of Korea and others	1.50~2.43	86,308	121,104
	Other borrowings	Standard Chartered Bank and others	0.00~3.66	1,894,959	2,195,196
				6,007,933	6,336,300
				₩ 15,997,576	₩ 14,485,789

**22. Debentures**

Details of debentures as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	June 30, 2017	December 31, 2016
<b>Debentures in Korean won</b>			
Structured debentures	0.29~6.00	₩ 1,067,086	₩ 1,146,300
Subordinated fixed rate debentures in Korean won	3.08~5.70	3,267,221	3,271,693
Fixed rate debentures in Korean won	1.21~4.40	31,301,375	25,627,695
Floating rate debentures in Korean won	1.48~2.09	923,000	1,108,000
		36,558,682	31,153,688
<b>Fair value adjustments on fair value hedged financial debentures in Korean won</b>		24,792	26,724
<b>Less: Discount on debentures in Korean won</b>		(30,420)	(19,064)
		36,553,054	31,161,348

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<b>Debentures in foreign currencies</b>			
Floating rate debentures	1.59~2.17	1,483,005	1,063,480
Fixed rate debentures	1.38~2.25	2,301,992	2,803,720
		<u>3,784,997</u>	<u>3,867,200</u>
<b>Fair value adjustments on fair value hedged debentures in foreign currencies</b>		(16,652)	(24,302)
<b>Less: Discount on debentures in foreign currencies</b>		(12,111)	(12,189)
		<u>3,756,234</u>	<u>3,830,709</u>
		<u>₩ 40,309,288</u>	<u>₩ 34,992,057</u>

Changes in debentures based on face value for the six-month periods ended June 30, 2017 and 2016, are as follows:

	<b>2017</b>				
	<b>Beginning</b>	<b>Issues</b>	<b>Repayments</b>	<b>Others</b>	<b>Ending</b>
<i>(In millions of Korean won)</i>					
<b>Debentures in Korean won</b>					
Structured debentures	₩ 1,146,300	₩ 1,815,246	₩ (1,894,460)	₩ -	₩ 1,067,086
Subordinated fixed rate debentures in Korean won	3,271,693	-	(4,472)	-	3,267,221
Fixed rate debentures in Korean won	25,627,695	66,728,800	(61,055,120)	-	31,301,375
Floating rate debentures in Korean won	1,108,000	245,000	(430,000)	-	923,000
	<u>31,153,688</u>	<u>68,789,046</u>	<u>(63,384,052)</u>	<u>-</u>	<u>36,558,682</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,063,480	1,137,488	(670,236)	(47,727)	1,483,005
Fixed rate debentures	2,803,720	-	(354,150)	(147,578)	2,301,992
	<u>3,867,200</u>	<u>1,137,488</u>	<u>(1,024,386)</u>	<u>(195,305)</u>	<u>3,784,997</u>
	<u>₩ 35,020,888</u>	<u>₩ 69,926,534</u>	<u>₩ (64,408,438)</u>	<u>₩ (195,305)</u>	<u>₩ 40,343,679</u>
<i>(In millions of Korean won)</i>					
<b>2016</b>					
	<b>Beginning</b>	<b>Issues</b>	<b>Repayments</b>	<b>Others</b>	<b>Ending</b>
<b>Debentures in Korean won</b>					
Structured debentures	₩ 909,788	₩ -	₩ (480,268)	₩ -	₩ 429,520
Subordinated fixed rate debentures in Korean won	4,586,829	-	(307,210)	-	4,279,619
Fixed rate debentures in Korean won	22,500,223	45,352,700	(43,602,709)	-	24,250,214
Floating rate debentures in Korean won	448,000	350,000	(40,000)	-	758,000
	<u>28,444,840</u>	<u>45,702,700</u>	<u>(44,430,187)</u>	<u>-</u>	<u>29,717,353</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,829,124	35,595	(250,959)	(6,474)	1,607,286
Fixed rate debentures	2,325,537	601,550	(492,768)	(12,100)	2,422,219
	<u>4,154,661</u>	<u>637,145</u>	<u>(743,727)</u>	<u>(18,574)</u>	<u>4,029,505</u>
	<u>₩ 32,599,501</u>	<u>₩ 46,339,845</u>	<u>₩ (45,173,914)</u>	<u>₩ (18,574)</u>	<u>₩ 33,746,858</u>



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**23. Provisions**

Details of provisions as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Provisions for unused loan commitments	₩ 183,486	₩ 189,349
Provisions for payment guarantees	94,577	126,428
Provisions for financial guarantee contracts	2,455	4,333
Provisions for restoration cost	83,999	84,854
Others	224,066	132,753
	<u>₩ 588,583</u>	<u>₩ 537,717</u>

Changes in provisions for unused loan commitments, payment guarantees for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<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	(1,335)	(2,850)	(4,185)
Reversal	(4,547)	(29,001)	(33,548)
Business combination	19	-	19
Ending	<u>₩ 183,486</u>	<u>₩ 94,577</u>	<u>₩ 278,063</u>

<i>(In millions of Korean won)</i>	<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	(71)	(120)	(191)
Provision	5,521	1,643	7,164
Ending	<u>₩ 200,835</u>	<u>₩ 159,977</u>	<u>₩ 360,812</u>

Changes in provisions for financial guarantee contracts for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Beginning	₩ 4,333	₩ 3,809
Reversal	(1,878)	(992)
Ending	<u>₩ 2,455</u>	<u>₩ 2,817</u>

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Changes in provisions for restoration cost for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
Beginning	₩ 84,854	₩ 75,351
Provision	2,245	1,547
Reversal	(154)	(39)
Used	(4,821)	(3,048)
Unwinding of discount	1,013	868
Business combination	862	-
Ending	<u>₩ 83,999</u>	<u>₩ 74,679</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.

Changes in other provisions for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities	Others	Total
Beginning	₩ 8,790	₩ 50,396	₩ 20,623	₩ 358	₩ 52,586	₩ 132,753
Increase	37,113	18,858	2,266	-	35,463	93,700
Decrease	(33,601)	(21,114)	(65)	(169)	(19,201)	(74,150)
Business combination	-	-	-	-	71,763	71,763
Ending	<u>₩ 12,302</u>	<u>₩ 48,140</u>	<u>₩ 22,824</u>	<u>₩ 189</u>	<u>₩ 140,611</u>	<u>₩ 224,066</u>

(In millions of Korean won)

	2016					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities	Others	Total
Beginning	₩ 8,630	₩ 41,091	₩ 71,240	₩ 69	₩ 53,831	₩ 174,861
Increase	12,125	12,284	681	76	11,627	36,793
Decrease	(12,005)	(11,802)	(50,486)	-	(3,489)	(77,782)
Ending	<u>₩ 8,750</u>	<u>₩ 41,573</u>	<u>₩ 21,435</u>	<u>₩ 145</u>	<u>₩ 61,969</u>	<u>₩ 133,872</u>

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**24. 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.

Changes in the net defined benefit liabilities for the six-month periods ended June 30, 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	100,521	-	100,521
Interest cost(income)	19,172	(17,528)	1,644
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	9,303	9,303
Contributions	-	(1,146)	(1,146)
Payments from plans (benefit payments)	(186,167)	186,142	(25)
Payments from the Group	(17,204)	-	(17,204)
Transfer in	6,424	(6,423)	1
Transfer out	(6,751)	6,749	(2)
Effect of exchange rate changes	(8)	-	(8)
Effect of business combination	287,844	(181,757)	106,087
Others	(4,700)	4,067	(633)
Ending	<u>₩ 1,775,134</u>	<u>₩ (1,480,297)</u>	<u>₩ 294,837</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	93,421	-	93,421
Interest cost(income)	17,422	(16,527)	895
Past service cost	833	-	833
Remeasurements:			
Return on plan assets (excluding	-	6,664	6,664

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amounts included in interest income)			
Contributions	-	(319)	(319)
Payments from plans (benefit payments)	(37,230)	37,230	-
Payments from the Group	(4,011)	-	(4,011)
Transfer in	3,188	(3,149)	39
Transfer out	(3,589)	3,589	-
Effect of exchange rate changes	57	-	57
Ending	₩ 1,483,691	₩ (1,312,915)	₩ 170,776

Details of the net defined benefit liabilities as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Present value of defined benefit obligation	₩ 1,775,134	₩ 1,576,003
Fair value of plan assets	(1,480,297)	(1,479,704)
Net defined benefit liabilities	₩ 294,837	₩ 96,299

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>	<b>2016</b>
Current service cost	₩ 100,521	₩ 93,421
Past service cost	-	833
Net interest expenses of net defined benefit liabilities	1,644	895
Post-employment benefits <sup>1</sup>	₩ 102,165	₩ 95,149

<sup>1</sup> Post-employment benefits amounting to ₩ 805 million and ₩ 687 million for the six-month periods ended June 30, 2017 and 2016, respectively, are recognized as other operating expense in the statements of comprehensive income.

**25. Other Liabilities**

Details of other liabilities as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Other financial liabilities</b>		
Other payables	₩ 11,407,901	₩ 6,526,330
Prepaid card and debit card	19,902	19,076
Accrued expenses	2,563,821	2,613,445
Financial guarantee liabilities	33,357	26,449
Deposits for letter of guarantees and others	586,402	561,664
Domestic exchange settlement credits	788,813	1,338,103
Foreign exchanges settlement credits	142,252	116,226
Borrowings from other business accounts	9,448	5,204
Other payables from trust accounts	4,679,446	4,430,508
Liability incurred from agency relationships	1,020,545	386,670

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Account for agency businesses	469,721	248,257
Dividend payables	474	475
Others	30,623	14,171
	21,752,705	16,286,578
<b>Other non-financial liabilities</b>		
Other payables	26,963	842,902
Unearned revenue	256,118	226,096
Accrued expenses	466,447	395,933
Deferred revenue on credit card points	157,822	145,457
Withholding taxes	97,634	140,258
Separate account liabilities	4,187,718	875,015
Others	221,332	126,658
	5,414,034	2,752,319
	₩ 27,166,739	₩ 19,038,897

**26. Equity**

**26.1 Share Capital**

Details of share capital and number of issued shares of the Parent Company as of June 30, 2017 and December 31, 2016, are as follows:

	<b>June 30, 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 six-month periods ended June 30, 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)	(9,206,975)
Ending	396,565,224	377,144,718

**26.2 Capital Surplus**

Details of capital surplus as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Share premium	₩ 13,190,274	₩ 13,190,274
Loss on sales of treasury shares	(567,979)	(568,544)
Other capital surplus	4,366,596	4,373,172
	₩ 16,988,891	₩ 16,994,902

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**26.3 Accumulated Other Comprehensive Income**

Details of accumulated other comprehensive income as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Remeasurements of net defined benefit liabilities	₩ (126,117)	₩ (121,055)
Exchange differences on translating foreign operations	21,041	53,138
Change in value of available-for-sale financial assets	828,272	601,620
Change in value of held-to-maturity financial assets	5,314	6,447
Shares of other comprehensive income of associates	3,072	(96,174)
Cash flow hedges	(3,392)	(6,075)
Hedges of a net investment in a foreign operation	(27,845)	(32,572)
Other comprehensive income of separate account	(1,243)	-
	<u>₩ 699,102</u>	<u>₩ 405,329</u>

**26.4 Retained Earnings**

Details of retained earnings as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 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	12,278,061	10,971,368
	<u>₩ 13,594,934</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 June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Regulatory reserve for credit losses attributable to:</b>		
Shareholders of the Parent Company	₩ 3,016,508	₩ 2,670,478
Non-controlling interests	24,495	34,650
	<u>₩ 3,041,003</u>	<u>₩ 2,705,128</u>

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The adjustments to the regulatory reserve for credit losses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

*(In millions of Korean won, except earnings per share)*

	2017		2016	
	Three months	Six months	Three months	Six months
Provision of regulatory reserve for credit losses <sup>1</sup>	₩ 251,057	₩ 295,601	₩ 13,376	₩215,185
Adjusted profit after provision of regulatory reserve for credit losses <sup>2</sup>	739,024	1,564,581	566,987	910,182
Adjusted basic earnings per share after provision of regulatory reserve for credit losses <sup>2</sup>	1,864	3,943	1,495	2,381
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses <sup>2</sup>	1,855	3,924	1,488	2,370

<sup>1</sup> The increase in regulatory reserve for credit losses of ₩50,429 million due to the business combination with KB Insurance Co., Ltd. was excluded.

<sup>2</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 of regulatory reserve for credit losses before income tax is adjusted to the profit.

**26.5 Treasury Shares**

Changes in treasury shares outstanding for the six-month periods ended June 30, 2017 and 2016, are as follows:

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

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

<sup>1</sup> The trust agreement with Samsung Securities Co., Ltd. is terminated as the agreement was expired during the six month period ended June 30, 2017.

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

	2016			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares <sup>1</sup>	-	9,206,975	-	9,206,975
Carrying amount <sup>1</sup>	₩ -	₩ 300,006	₩ -	₩ 300,006

<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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**27. Net Interest Income**

Details of interest income and interest expense for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Interest income</b>				
Due from financial institutions	₩ 31,409	₩ 55,580	₩ 28,359	₩ 58,522
Loans	2,471,322	4,808,298	2,186,182	4,359,924
Financial investments				
Available-for-sale financial assets	178,724	300,223	102,876	215,282
Held-to-maturity financial assets	124,961	221,827	119,081	240,275
Other	28,587	52,885	28,078	56,905
	<u>2,835,003</u>	<u>5,438,813</u>	<u>2,464,576</u>	<u>4,930,908</u>
<b>Interest expenses</b>				
Deposits	575,313	1,155,003	638,255	1,316,753
Debts	91,129	170,572	51,520	101,349
Debentures	209,993	410,695	215,167	432,793
Other	19,399	37,021	14,993	29,088
	<u>895,834</u>	<u>1,773,291</u>	<u>919,935</u>	<u>1,879,983</u>
<b>Net interest income</b>	<u>₩1,939,169</u>	<u>₩3,665,522</u>	<u>₩1,544,641</u>	<u>₩3,050,925</u>

**28. Net Fee and Commission Income**

Details of fee and commission income, and fee and commission expense for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Fee and commission income</b>				
Banking activity fees	₩ 47,630	₩ 93,102	₩ 44,250	₩ 86,367
Lending activity fees	17,503	36,507	19,312	37,866
Credit card related fees and commissions	359,712	693,406	310,937	601,981
Debit card related fees and commissions	101,260	199,761	90,824	178,545
Agent activity fees	37,455	82,550	45,293	91,013
Trust and other fiduciary fees	70,347	161,846	51,424	102,303
Fund management related fees	34,061	67,169	28,936	57,427
Guarantee fees	16,198	26,637	7,413	15,120
Foreign currency related fees	27,910	52,832	24,674	48,899
Commissions from transfer agent	47,801	90,289	43,449	84,478



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services				
Other business account commission on consignment	8,228	16,461	8,154	16,562
Commissions received on securities business	122,468	212,957	25,264	46,834
Lease fees	35,353	68,260	14,951	27,911
Other	66,045	129,272	45,100	84,235
	<u>991,971</u>	<u>1,931,049</u>	<u>759,981</u>	<u>1,479,541</u>
<b>Fee and commission expense</b>				
Trading activity related fees <sup>1</sup>	7,142	13,392	3,219	5,952
Lending activity fees	6,450	12,559	1,326	6,366
Credit card related fees and commissions	361,435	683,745	311,805	581,430
Outsourcing related fees	36,714	56,369	22,553	41,586
Foreign currency related fees	6,493	12,445	3,185	6,874
Management fees of written-off loans	1,302	2,318	1,069	2,208
Other	62,225	119,373	52,542	102,686
	<u>481,761</u>	<u>900,201</u>	<u>395,699</u>	<u>747,102</u>
<b>Net fee and commission income</b>	<u>₩510,210</u>	<u>₩1,030,848</u>	<u>₩364,282</u>	<u>₩732,439</u>

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

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

**29.1 Net Gains or Losses on Financial Instruments Held for Trading**

Net gain or loss from financial instruments held for trading includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments held for trading for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Gains related to financial instruments held for trading</b>				
Financial assets held for trading				
Debt securities	₩ 176,159	₩ 345,340	₩ 145,287	₩ 281,473
Equity securities	173,746	279,468	7,019	31,972
	<u>349,905</u>	<u>624,808</u>	<u>152,306</u>	<u>313,445</u>
<b>Derivatives held for trading</b>				
Interest rate	233,400	635,627	407,186	860,733
Currency	(262,256)	3,088,129	267,538	1,449,911
Stock or stock index	415,235	1,215,252	48,413	112,306
Credit	23,629	61,389	12,010	17,138
Commodity	1,979	4,394	618	910
Other	2,868	5,229	634	1,655

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	414,855	5,010,020	736,399	2,442,653
<b>Financial liabilities held for trading</b>	(4,299)	10,872	7,660	20,641
<b>Other financial instruments</b>	22	22	41	173
	<u>₩ 760,483</u>	<u>₩5,645,722</u>	<u>₩ 896,406</u>	<u>₩2,776,912</u>
<b>Losses related to financial instruments held for trading</b>				
Financial assets held for trading				
Debt securities	₩ 45,664	₩ 111,360	₩ 11,071	₩ 21,499
Equity securities	90,421	142,196	8,964	23,412
	<u>136,085</u>	<u>253,556</u>	<u>20,035</u>	<u>44,911</u>
<b>Derivatives held for trading</b>				
Interest rate	241,613	609,087	437,532	934,982
Currency	(271,378)	3,028,225	271,713	1,480,341
Stock or stock index	365,091	753,166	23,785	133,223
Credit	23,313	59,326	11,915	14,473
Commodity	2,386	3,757	792	1,591
Other	774	4,906	157	194
	<u>361,799</u>	<u>4,458,467</u>	<u>745,894</u>	<u>2,564,804</u>
<b>Financial liabilities held for trading</b>	13,134	43,860	25,552	67,504
<b>Other financial instruments</b>	12	38	32	166
	<u>511,030</u>	<u>4,755,921</u>	<u>791,513</u>	<u>2,677,385</u>
<b>Net gains or losses on financial instruments held for trading</b>	<u>₩ 249,453</u>	<u>₩ 889,801</u>	<u>₩ 104,893</u>	<u>₩ 99,527</u>

**29.2 Net Gains or Losses on Financial Instruments Designated at Fair Value Through Profit or Loss**

Net gain or loss from financial instruments designated at fair value through profit or loss includes interest income, dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments designated at fair value through profit or loss for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<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	₩ 38,715	₩ 77,638	₩ 23,799	₩ 36,267
Financial liabilities designated at fair value through profit or loss	62,186	200,718	(7,034)	64,481
	<u>100,901</u>	<u>278,356</u>	<u>16,765</u>	<u>100,748</u>

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**Losses related to financial instruments designated at fair value through profit or loss**

Financial assets designated at fair value through profit or loss	(9,704)	29,538	1,496	13,788
Financial liabilities designated at fair value through profit or loss	246,011	783,286	38,538	66,634
	<u>236,307</u>	<u>812,824</u>	<u>40,034</u>	<u>80,422</u>

**Net gains or losses on financial instruments designated at fair value through profit or loss**

	<u>₩(135,406)</u>	<u>₩(534,468)</u>	<u>₩ (23,269)</u>	<u>₩ 20,326</u>
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**30. Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Other operating income</b>				
Revenue related to available-for-sale financial assets				
Gain on redemption of available-for-sale financial assets	₩ 22	₩ 43	₩ -	₩ -
Gain on sale of available-for-sale financial assets	26,679	49,808	81,747	143,259
	<u>26,701</u>	<u>49,851</u>	<u>81,747</u>	<u>143,259</u>
Revenue related to held-to-maturity financial assets				
Gain on redemption of held-to-maturity financial assets	-	2	-	-
	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>
Gain on foreign exchange transactions	411,718	965,816	766,167	2,079,039
Dividend income	47,237	129,514	14,755	69,235
Others	(49,209)	51,941	86,567	158,369
	<u>436,447</u>	<u>1,197,124</u>	<u>949,236</u>	<u>2,449,902</u>
<b>Other operating expenses</b>				
Expense related to available-for-sale financial assets				
Loss on redemption of available-for-sale financial assets	614	643	-	-

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Loss on sale of available-for-sale financial assets	87,848	110,471	1,968	3,559
Impairment on available-for-sale financial assets	7,228	19,665	3,296	6,343
	<u>95,690</u>	<u>130,779</u>	<u>5,264</u>	<u>9,902</u>
Loss on foreign exchanges transactions	274,972	795,129	703,935	1,939,407
Others	364,844	729,800	313,404	616,586
	<u>735,506</u>	<u>1,655,708</u>	<u>1,022,603</u>	<u>2,565,895</u>
<b>Net other operating expenses</b>	<u>₩ (299,059)</u>	<u>₩(458,584)</u>	<u>₩(73,367)</u>	<u>₩(115,993)</u>

**31. General and Administrative Expenses**

**31.1 General and Administrative Expenses**

Details of general and administrative expenses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Employee Benefits</b>				
Salaries and short-term employee benefits - salaries	₩ 566,031	₩ 1,041,221	₩ 442,570	₩ 881,165
Salaries and short-term employee benefits - others	206,237	454,239	168,403	416,107
Post-employment benefits - defined benefit plans	54,542	101,360	46,810	94,462
Post-employment benefits - defined contribution plans	3,857	5,727	2,215	4,986
Termination benefits	1,179	(266)	59,140	57,829
Share-based payments	21,576	36,342	5,290	8,350
	<u>853,422</u>	<u>1,638,623</u>	<u>724,428</u>	<u>1,462,899</u>
<b>Depreciation and amortization</b>	<u>88,505</u>	<u>162,787</u>	<u>62,964</u>	<u>122,041</u>
<b>Other general and administrative expenses</b>				
Rental expense	81,246	155,729	66,612	135,187
Tax and dues	57,265	102,039	43,793	75,564
Communication	13,343	20,565	9,543	17,990
Electricity and utilities	6,417	13,889	6,717	14,930
Publication	3,893	7,880	4,245	8,700
Repairs and maintenance	6,428	9,871	3,734	7,659
Vehicle	3,009	5,271	2,364	4,320
Travel	5,015	7,190	1,823	3,391
Training	5,966	11,742	4,734	10,346
Service fees	48,394	83,303	28,709	55,434
Electronic data processing expenses	45,356	82,685	38,498	78,289
Advertising	44,551	78,758	27,534	46,305
Others	59,561	109,260	43,595	80,046

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380,444	688,182	281,901	538,161
<u>₩ 1,322,371</u>	<u>₩ 2,489,592</u>	<u>₩ 1,069,293</u>	<u>₩ 2,123,101</u>

**31.2 Share-based Payments**

31.2.1 Stock grants

The Group changed the scheme of share-based payment from stock options to stock grants in November 2007.

Details of stock grants linked to long-term performance as of June 30, 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 9	July 17, 2013	11,486	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, Achievement of targets on the basis of market and non-market performance <sup>2,6</sup>
Series 15	Jan. 01, 2016	72,843	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	-	14,961	Satisfied
Deferred grant in 2016	-	15,338	Satisfied
		<u>231,658</u>	

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**Kookmin Bank**

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	11,587	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	135,934	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	330,194	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	-	155,407	Satisfied
		<u>778,908</u>	

**Other subsidiaries and associate**

Stock granted in 2010	-	2,096	Services fulfillment, Achievement of targets on the basis of market and non-market performance <sup>9,12</sup>
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	-	45,426	Services fulfillment, Achievement of targets on the basis of market and non-

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Stock granted in 2015	-	197,609	market performance <sup>9,12</sup> Services fulfillment, Achievement of targets on the basis of market and non- market performance <sup>9,12</sup>
Stock granted in 2016	-	181,527	Services fulfillment, Achievement of targets on the basis of market and non- market performance <sup>9,12</sup>
Stock granted in 2017	-	242,903	Services fulfillment, Achievement of targets on the basis of market and non- market performance <sup>9,12</sup>
		701,271	
		1,711,837	

<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 June 30, 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.

<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

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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.

<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.



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Details of stock grants linked to short-term performance as of June 30, 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	9,601	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	140,918	Satisfied
Stock granted in 2017	Jan. 01, 2017	53,099	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	-	183,673	Satisfied
Stock granted in 2017	-	107,201	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 June 30, 2017 and December 31, 2016, the accrued expenses related to share-based payments including share grants amounted to ₩ 99,055 million and ₩ 79,742 million, respectively, and the compensation costs from share grants amounting to ₩ 36,342 million and ₩ 8,350 million were incurred during the six-month periods ended June, 2017 and 2016, respectively. There is no intrinsic value of the vested stock options as of June 30, 2017 and December 31, 2016.

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Details of Mileage stock as of June 30, 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	0.00~1.56	20,739
	Apr. 29, 2016	60	0.00~1.83	48
	July 07, 2016	280	0.00~2.02	280
	July 18, 2016	767	0.00~2.05	767
	Aug. 03, 2016	107	0.00~2.09	107
	Aug. 17, 2016	51	0.00~2.13	51
	Aug. 30, 2016	256	0.00~2.17	244
	Sept. 06, 2016	206	0.00~2.19	191
	Oct. 07, 2016	105	0.00~2.27	105
	Nov. 01, 2016	118	0.00~2.34	118
	Dec. 07, 2016	211	0.00~2.44	189
	Dec. 08, 2016	43	0.00~2.44	43
	Dec. 15, 2016	12	0.00~2.46	12
	Dec. 20, 2016	309	0.00~2.47	309
	Dec. 28, 2016	76	0.00~2.50	64
	Dec. 30, 2016	210	0.00~2.50	210
Stock granted in 2017	Jan. 09, 2017	29,086	0.00~2.53	25,769
	Feb. 03, 2017	43	0.00~2.60	43
	Apr. 03, 2017	82	0.00~2.76	82
	May. 22, 2017	20	0.00~2.89	20
		65,871		49,391

<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 June 30, 2017. These shares are vested immediately at grant date.

As of June 30, 2017 and December 31, 2016, the accrued expenses for share-based payments in regards to mileage stock amounted to ₩ 2,850 million and ₩ 1,533 million, respectively, and the compensation costs amounting to ₩ 1,252 million and ₩ 1,105 million were incurred during the six-month periods ended June 30, 2017 and 2016, respectively.

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

Details of other non-operating income and expenses for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017		2016	
	Three months	Six months	Three months	Six months
<b>Other non-operating income</b>				
Gain on disposal in property and equipment	₩ 227	₩ 250	₩ 124	₩ 256
Rent received	9,439	14,555	3,638	7,639
Gains on bargain purchase	122,986	122,986	-	-
Others	22,549	61,145	21,257	42,342
	<u>155,201</u>	<u>198,936</u>	<u>25,019</u>	<u>50,237</u>
<b>Other non-operating expenses</b>				
Loss on disposal in property and equipment	628	738	878	1,324
Donation	9,005	16,018	8,343	11,751
Restoration cost	1,828	2,260	340	719
Others	19,541	29,753	12,738	19,561
	<u>31,002</u>	<u>48,769</u>	<u>22,299</u>	<u>33,355</u>
<b>Net other non-operating income</b>	<u>₩ 124,199</u>	<u>₩ 150,167</u>	<u>₩ 2,720</u>	<u>₩ 16,882</u>

**33. Income Tax Expense**

Income tax expense for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017	2016
<b>Tax payable</b>		
Current tax expense	₩ 152,257	₩ 314,694
Adjustments recognized in the period for current tax of prior years	(13,866)	33,865
	<u>138,391</u>	<u>348,559</u>
<b>Changes in deferred income tax assets (liabilities)</b>	<u>267,438</u>	<u>16,834</u>
<b>Income tax recognized directly in equity</b>		
Exchange difference in foreign operation	6,199	-
Remeasurements of net defined benefit liabilities	2,250	1,596
Change in value of available-for-sale financial assets	(70,082)	(41,886)
Change in value of held-to-maturity financial assets	362	140
Share of other comprehensive loss of associates	20,441	(4,514)
Cash flow hedges	(316)	32
Hedges of a net investment in a foreign operation	(1,509)	427
Comprehensive income of separate account	397	-
Comprehensive income of assets held for sale	(21,498)	-
	<u>(63,756)</u>	<u>(44,205)</u>

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<b>Others</b>		(22,142)		(645)
<b>Tax expense</b>	₩	319,931	₩	320,543

<sup>1</sup> The Group had not recognized deferred income tax assets for the deductible temporary difference 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, the transaction was completed during the six-month period ended June 30, 2017, accordingly, ₩ 158,264 million was recognized as a reduction in income tax expense.

**34. 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 ₩ 497,968 million were paid in April 2017. The dividends paid to the shareholders of the Parent Company in 2016 were ₩ 378,625 million (₩980 per share).

**35. Accumulated Other Comprehensive Income**

Details of accumulated other comprehensive income for the six-month periods ended June 30, 2017 and 2016, are as follows:

(In millions of Korean won)

	2017									
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Replaced by retained earnings	Replaced by assets held for sale	Replaced by disposal group held for sale	Ending		
Remeasurements of net defined benefit liabilities	₩(121,055)	₩ (9,297)	₩ -	₩ 2,250	₩ -	₩ -	₩ 1,985	₩(126,117)		
Exchange differences on translating foreign operations	53,138	(38,296)	-	6,199	-	-	-	21,041		
Change in value of available-for-sale financial assets	601,620	236,419	61,251	(70,082)	-	-	(936)	828,272		
Change in value of held-to-maturity financial assets	6,447	(1,495)	-	362	-	-	-	5,314		
Shares of other comprehensive income of associates	(96,174)	4,808	10,152	20,441	(3,492)	67,337	-	3,072		
Cash flow hedges	(6,075)	19,817	(16,818)	(316)	-	-	-	(3,392)		
Hedges of a net investment in a foreign operation	(32,572)	6,236	-	(1,509)	-	-	-	(27,845)		
Comprehensive income of separate account	-	27	(1,667)	397	-	-	-	(1,243)		
Comprehensive income of disposal group held for sale	-	-	-	-	-	-	(1,049)	(1,049)		
Comprehensive income of assets held for sale	-	-	88,835	(21,498)	-	(67,337)	-	-		
	₩405,329	₩ 218,219	₩ 141,753	₩(63,756)	₩ (3,492)	₩ -	₩ -	₩ 698,053		

(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)	₩ (6,595)	₩ -	₩ 1,596	₩ (138,875)
Exchange differences on	32,990	(8,303)	-	-	24,687

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translating foreign operations					
Change in value of available- for-sale financial assets	653,130	247,606	(62,295)	(41,886)	796,555
Change in value of held-to- maturity financial assets	2,731	(580)	-	140	2,291
Shares of other comprehensive income of associates	(89,081)	92,711	-	(4,514)	(884)
Cash flow hedges	(10,173)	(3,774)	2,175	32	(11,740)
Hedges of a net investment in a foreign operation	(25,477)	(1,765)	-	427	(26,815)
	<u>₩ 430,244</u>	<u>₩ 319,300</u>	<u>₩ (60,120)</u>	<u>₩(44,205)</u>	<u>₩ 645,219</u>

**36. Earnings per Share**

**36.1 Basic Earnings Per Share**

Basic earnings per share is calculated by dividing profit and loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, excluding the treasury shares, during the three-month and six-month periods ended June 30, 2017 and 2016.

Weighted average number of ordinary shares outstanding:

<i>(In number of shares)</i>	<b>2017</b>	<b>2016</b>
<b>Three-month periods</b>		
Beginning (A)	418,111,537	386,351,693
Acquisition of treasury shares (B)	(21,546,313)	(6,996,657)
Weighted average number of ordinary shares outstanding (C)	<u>396,565,224</u>	<u>379,355,036</u>
<b>Six-month periods</b>		
Beginning (A)	418,111,537	386,351,693
Acquisition of treasury shares (B)	(21,349,137)	(4,106,289)
Weighted average number of ordinary shares outstanding (C)	<u>396,762,400</u>	<u>382,245,404</u>

Basic earnings per share:

<i>(In Korean won and in number of shares)</i>	<b>2017</b>	
	<b>Three months</b>	<b>Six months</b>
Profit attributable to ordinary shares (D)	₩ 990,080,543,633	₩ 1,860,181,803,795
Weighted average number of ordinary shares outstanding (E)	396,565,224	396,762,400
Basic earnings per share (F = D / E)	₩ 2,497	₩ 4,688

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(In Korean won and in number of shares)

	2016	
	Three months	Six months
Profit attributable to ordinary shares (D)	₩ 580,362,985,172	₩1,125,366,527,076
Weighted average number of ordinary shares outstanding (E)	379,355,036	382,245,404
Basic earnings per share (F = D / E)	₩ 1,530	₩ 2,944

**36.2 Diluted Earnings per Share**

Diluted earnings per share is calculated using the weighted average number of ordinary shares outstanding which is adjusted by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares include stock grants.

A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Group's outstanding shares for the period) based on the monetary value of the subscription rights attached to the share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of stock grants.

Adjusted profit for diluted earnings per share for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In Korean won)

	2017	
	Three months	Six months
Profit attributable to ordinary shares	₩ 990,080,543,633	₩ 1,860,181,803,795
Adjustment	-	-
Adjusted profit for diluted earnings	₩ 990,080,543,633	₩ 1,860,181,803,795

(In Korean won)

	2016	
	Three months	Six months
Profit attributable to ordinary shares	₩ 580,362,985,172	₩ 1,125,366,527,076
Adjustment	-	-
Adjusted profit for diluted earnings	₩ 580,362,985,172	₩ 1,125,366,527,076

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

(In number of shares)

	2017	
	Three months	Six months
Weighted average number of ordinary shares outstanding	396,565,224	396,762,400
Adjustment		
Stock grants	1,779,299	1,967,124
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	398,344,523	398,729,524

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<i>(In number of shares)</i>	2016	
	Three months	Six months
Weighted average number of ordinary shares outstanding	379,355,036	382,245,404
Adjustment		
Stock grants	1,616,108	1,739,857
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	380,971,144	383,985,261

Diluted earnings per share for the three-month and six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(in Korean won and in number of shares)</i>	2017	
	Three months	Six months
Adjusted profit for diluted earnings per share	₩ 990,080,543,633	₩ 1,860,181,803,795
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	398,344,523	398,729,524
Diluted earnings per share	₩ 2,485	₩ 4,665

<i>(In Korean won and in number of shares)</i>	2016	
	Three months	Six months
Adjusted profit for diluted earnings per share	₩ 580,362,985,172	₩ 1,125,366,527,076
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	380,971,144	383,985,261
Diluted earnings per share	₩ 1,523	₩ 2,931

### 37. Insurance Contracts

#### 37.1 Insurance Assets

Details of deferred policy acquisition costs included in other assets as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>		June 30, 2017	December 31, 2016
Non-life insurance	Pension	₩ 458	₩ -
	Long-term insurance	95,656	-
Life insurance	Pure endowment insurance	24,619	30,111
	Death insurance	88,945	79,261
	Joint insurance	8,541	12,779
		₩ 218,219	₩ 122,151

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Details of reinsurance assets included in other assets as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>		<b>June 30, 2017</b>		<b>December 31, 2016</b>	
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩	431,532	₩	-
	Automobile insurance		14,576		-
	Long-term insurance		91,602		-
	Unearned premium reserve				
	General insurance		210,302		-
	Automobile insurance		16,306		-
	Long-term insurance		3		-
			<u>764,321</u>		<u>-</u>
Life insurance	Reserve for outstanding claims		1,335		1,301
	Unearned premium reserve		483		473
			<u>1,818</u>		<u>1,774</u>
Others	Reserve for outstanding claims		3,947		3,041
	Unearned premium reserve		1,181		1,180
			<u>5,128</u>		<u>4,221</u>
Total reinsurance assets			<u>771,267</u>		<u>5,995</u>
Allowance for impairment			993		-
Total reinsurance assets, net		₩	<u>770,274</u>	₩	<u>5,995</u>

**37.2 Insurance Liabilities**

Details of insurance liabilities as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>			
	<b>Non-life insurance</b>	<b>Life insurance</b>	<b>Others</b>	<b>Total</b>
Long-term insurance premium reserve	₩ 19,802,576	₩ 7,164,439	₩ -	₩ 26,967,015
Reserve for outstanding claims	2,077,121	86,637	3,947	2,167,705
Unearned premium reserve	1,447,620	2,041	1,181	1,450,842
Reserve for participating policyholders' dividends on long-term insurance	83,083	24,187	-	107,270
Unallocated Divisible Surplus to Future Policyholders	35,740	10,990	-	46,730
Reserve for compensation for losses on dividend-paying insurance contracts	20,651	9,353	-	30,004
Guarantee reserve	-	12,202	-	12,202
	<u>₩ 23,466,791</u>	<u>₩ 7,309,849</u>	<u>₩ 5,128</u>	<u>₩ 30,781,768</u>
	<b>December 31, 2016</b>			



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<i>(In millions of Korean won)</i>	December 31, 2016		
	Life insurance	Others	Total
Long-term insurance premium reserve	₩ 7,161,698	₩ -	₩ 7,161,698
Reserve for outstanding claims	69,659	3,041	72,700
Unearned premium reserve	869	1,180	2,049
Reserve for participating policyholders' dividends on long-term insurance	25,923	-	25,923
Unallocated Divisible Surplus to Future Policyholders	9,273	-	9,273
Reserve for compensation for losses on dividend-paying insurance contracts	8,544	-	8,544
Guarantee reserve	10,657	-	10,657
	₩ 7,286,623	₩ 4,221	₩ 7,290,844

**37.3 Insurance Income and Expenses**

<i>(In millions of Korean won)</i>		2017	2016	
Insurance income	Premium income	₩ 2,940,131	₩ 654,394	
	Reinsurance income	165,113	4,925	
	Reversal of policy reserves	-	370	
	Separate account income	39,442	-	
	Income of change in reinsurance assets	30,106	-	
	Other insurance income	625	-	
		3,175,417	659,689	
	Insurance expenses	Insurance claims paid	984,935	78,258
		Dividend expenses	2,287	459
		Refunds of surrender value	854,791	331,929
Reinsurance expenses		220,315	6,610	
Provision of policy reserves		607,447	257,872	
Separate account expenses		18,379	(212)	
Insurance operating expenses		97,046	(3,971)	
Deferred acquisition costs		112,129	46,422	
Expenses of change in reinsurance assets		(44)	-	
Claim survey expenses paid		7,651	-	
Other insurance expenses	63,323	-		
	2,968,259	717,367		
Net insurance income(expenses)	₩ 207,158	₩ (57,678)		

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**38. Supplemental Cash Flow Information**

Cash and cash equivalents as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Cash	₩ 2,074,700	₩ 2,158,268
Checks with other banks	566,148	400,422
Due from Bank of Korea	9,278,063	7,676,491
Due from other financial institutions	7,247,211	7,649,682
	<u>19,166,122</u>	<u>17,884,863</u>
Restricted cash from financial institutions	(11,000,318)	(9,301,946)
Due from financial institutions with original maturities over three months	(1,531,494)	(1,168,081)
	<u>(12,531,812)</u>	<u>(10,470,027)</u>
	<u>₩ 6,634,310</u>	<u>₩ 7,414,836</u>

Cash inflows and outflows from income tax, interests and dividends for the six-month periods ended June 30, 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	₩ 563,597	₩ 140,221
Interest received	Operating	5,658,844	5,125,287
Interest paid	Operating	1,859,360	1,894,421
Dividends received	Operating	162,736	92,660
Dividends paid	Financing	497,968	378,625

**39. Contingent Liabilities and Commitments**

Details of payment guarantees as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2016</b>	<b>December 31, 2016</b>
<b>Confirmed payment guarantees</b>		
Confirmed payment guarantees in Korean won		
Payment guarantees for KB purchasing loan	₩ 328,103	₩ 329,051
Other payment guarantees	565,767	858,951
	<u>893,870</u>	<u>1,188,002</u>
Confirmed payment guarantees in foreign currency		
Acceptances of letter of credit	204,287	234,125
Letter of guarantees	44,661	64,189
Bid bond	46,498	64,242
Performance bond	650,976	703,076
Refund guarantees	1,191,202	1,689,343
Other payment guarantees in foreign currency	1,448,691	1,593,770
	<u>3,586,315</u>	<u>4,348,745</u>
Financial guarantees		
Guarantees for Debenture-Issuing	31,000	31,000
Payment guarantees for mortgage	50,818	25,994
Overseas debt guarantees	318,279	272,255

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International financing guarantees in foreign currencies	49,942	52,961
Other financing payment guarantees	270,122	334
	<u>720,161</u>	<u>382,544</u>
	<u>5,200,346</u>	<u>5,919,291</u>

**Unconfirmed acceptances and guarantees**

Guarantees of letter of credit	1,971,324	2,068,105
Refund guarantees	118,929	217,272
	<u>2,090,253</u>	<u>2,285,377</u>
	<u>₩ 7,290,599</u>	<u>₩ 8,204,668</u>

Commitments as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Commitments</b>		
Corporate loan commitments	₩ 32,999,769	₩ 35,723,627
Retail loan commitments	16,054,644	15,789,809
Credit line on credit cards	46,207,870	43,937,899
Purchase of other security investment and others	2,855,912	1,554,221
	<u>98,118,195</u>	<u>97,005,556</u>
<b>Financial Guarantees</b>		
Credit line	3,026,587	3,334,648
Purchase of security investment	267,300	1,029,100
	<u>3,293,887</u>	<u>4,363,748</u>
	<u>₩ 101,412,082</u>	<u>₩ 101,369,304</u>

Other Matters (including litigation)

a) The Group has filed 3,756 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 518,411 million, and faces 2,055 lawsuits (as the defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 562,053 million, which arose in the normal course of the business and are still pending as of June 30, 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 June 30, 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 ₩ 10,392 million as of June 30, 2017. A provision liability of ₩ 10,565 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.

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

Details of subsidiaries as of June 30, 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	June 30	Banking and foreign exchange transaction
	KB Securities Co., Ltd.	100.00	Korea	June 30	Financial investment
	KB Insurance Co., Ltd.	94.30	Korea	June 30	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00	Korea	June 30	Credit card and installment finance
	KB Life Insurance Co., Ltd.	100.00	Korea	June 30	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	June 30	Security investment trust management and advisory
	KB Capital Co., Ltd.	79.70	Korea	June 30	Financial Leasing
	KB Savings Bank Co., Ltd.	100.00	Korea	June 30	Savings banking
	KB Real Estate Trust Co., Ltd.	100.00	Korea	June 30	Real estate trust management
	KB Investment Co., Ltd.	100.00	Korea	June 30	Capital investment
	KB Credit Information Co., Ltd.	100.00	Korea	June 30	Collection of receivables or credit investigation
	KB Data System Co., Ltd.	100.00	Korea	June 30	Software advisory, development, and supply
	<b>Kookmin Bank</b>	Kookmin Bank Int'l Ltd.(London)	100.00	United Kingdom	June 30
Kookmin Bank Hong Kong Ltd.		100.00	China	June 30	Banking and foreign exchange transaction
Kookmin Bank Cambodia PLC.		100.00	Cambodia	June 30	Banking and foreign exchange transaction
Kookmin Bank (China) Ltd.		100.00	China	June 30	Banking and foreign exchange transaction
KB Microfinance Myanmar Co., Ltd.		100.00	Myanmar	June 30	Other credit granting n.e.c.
<b>KB Securities Co., Ltd.</b>	Hyundai Savings Bank	100.00	Korea	June 30	Savings banking
	Hyundai Asset Management Co.,Ltd.	100.00	Korea	June 30	Collective investment
	KBFG Securities America Inc.	100.00	United States of America	June 30	Investment advisory and securities dealing activities
	KB Securities Hong Kong Ltd.	100.00	China	June 30	Investment advisory and securities dealing activities
<b>KB Insurance Co., Ltd.</b>	KB Claims Survey & Adjusting	100.00	Korea	June 30	Claim service
	KB Sonbo CNS	100.00	Korea	June 30	Management service
	Leading Insurance Services, Inc.	100.00	United States of America	June 30	Management service

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	LIG Insurance (China) Co., Ltd.	100.00	China	June 30	Non-life insurance
	PT. KB Insurance Indonesia	70.00	Indonesia	June 30	Non-life insurance
	KB Golden Life Care Co., Ltd.	100.00	Korea	June 30	Service
<b>KB Capital Co., Ltd. and KB Kookmin Card Co., Ltd.</b>	KB KOLAO LEASING Co., Ltd.	80.00	Laos	June 30	Financial Leasing
<b>Kookmin Bank</b>	KL 1st Inc. and 27 others <sup>2</sup>	-	Korea	June 30	Asset-backed securitization and others
<b>KB Kookmin Card Co., Ltd.</b>	KB Kookmin Card Third Securitization Co., Ltd., and 11 others <sup>2</sup>	0.50	Korea	June 30	Asset-backed securitization
<b>KB Securities Co., Ltd</b>	Able Ocean Co., Ltd. and 49 others <sup>2</sup>	-	Korea	June 30	Asset-backed securitization
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB12-1 Venture Investment	100.00	Korea	June 30	Capital investment
	KB Start-up Creation Fund	62.50	Korea	June 30	Capital investment
<b>KB Investment Co., Ltd.</b>	09-5 KB Venture Fund <sup>4</sup>	33.33	Korea	June 30	Capital investment
	KoFC-KB Pioneer Champ No.2010-8 Investment Partnership <sup>4</sup>	50.00	Korea	June 30	Capital investment
	2011 KIF-KB IT Venture Fund <sup>4</sup>	43.33	Korea	June 30	Capital investment
	KoFC-KB Young Pioneer 1st Fund <sup>4</sup>	33.33	Korea	June 30	Capital investment
<b>Kookmin Bank, KB Investment Co., Ltd.</b>	KB Intellectual Property Fund <sup>4</sup>	34.00	Korea	June 30	Capital investment
<b>Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance, KB Investment Co., Ltd.</b>	KB High-tech Company Investment Fund	100.00	Korea	June 30	Capital investment
<b>Kookmin Bank</b>	KB Haeoreum private securities investment trust 26 and 6 others	100.00	Korea	June 30	Private equity fund
<b>KB Life Insurance Co., Ltd.</b>	KB Haeoreum Private Securities Investment Trust 1st and 3 others	100.00	Korea	June 30	Private equity fund
<b>Kookmin Bank</b>	KB Multi-Asset Private Securities Fund (Bond Mixed-ETF)	99.27	Korea	June 30	Private equity fund
<b>KB Multi-Asset Private Securities Fund (Bond Mixed-ETF)</b>	Global Diversified Multi-Asset Sub-Trust Class I A	100.00	United Kingdom	June 30	Private equity fund
<b>Kookmin Bank, KB Insurance Co., Ltd.</b>	Hanbando BTL Private Special Asset Fund 1st <sup>3</sup>	46.36	Korea	June 30	Capital investment
<b>Kookmin Bank</b>	KB Evergreen bond fund No.98 (Bond) <sup>3</sup>	45.88	Korea	June 30	Capital investment
	KB Haeoreum private securities	44.56	Korea	June 30	Capital investment

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	investment trust 70(Bond) <sup>3</sup>					
<b>Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.</b>	KB Hope Sharing BTL Private Special Asset <sup>3</sup>	46.00	Korea	June 30	Capital investment	
<b>Kookmin Bank, KB life Insurance Co., Ltd.</b>	KB Mezzanine Private Securities Fund 2nd.(Mixed) <sup>3</sup>	40.74	Korea	June 30	Capital investment	
<b>Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.</b>	KB Senior Loan Private Fund <sup>3</sup>	37.39	Korea	June 30	Capital investment	
<b>Kookmin Bank, KB Securities Co., Ltd., KB life Insurance Co., Ltd., KB Real Estate Trust Co., Ltd.</b>	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	June 30	Investment trust	
<b>KB Securities Co., Ltd.</b>	KB Vintage 16 Private Securities Investment Trust 1st <sup>3</sup>	50.00	Korea	June 30	Capital investment	
<b>KB Insurance Co., Ltd.</b>	KB AMP Infra Private Special Asset Fund 1(FoFs) <sup>3</sup>	41.67	Korea	June 30	Capital investment	
<b>Kookmin Bank</b>	Hyundai Trust Securities Feeder Investment Trust No.1- Bond <sup>3</sup>	46.96	Korea	June 30	Capital investment	
<b>Kookmin Bank, KB Insurance Co., Ltd.</b>	KB KBSTAR Short Term KTB Active ETF	99.80	Korea	June 30	Investment trust	
	KB KBSTAR Mid-Long Term KTB Active ETF	99.80	Korea	June 30	Investment trust	
<b>KB Securities Co., Ltd.</b>	Jueun Power Middle 7 and 5 others	100.00	Korea	June 30	Capital investment	
	Hyundai You First Private Real Estate Investment Trust No. 1	60.00	Korea	June 30	Capital investment	
	Hyundai Smart Index Alpha Securities Feeder Investment Trust No.1	98.40	Korea	June 30	Capital investment	
	Hyundai Trust Securities Feeder Investment Trust No.1	99.87	Korea	June 30	Capital investment	
	Hyundai Strong Korea Equity Trust No.1	99.70	Korea	June 30	Capital investment	
	Hyundai Kidzania Equity Feeder Trust No.1	75.59	Korea	June 30	Capital investment	
	Hyundai Value Plus Equity Feeder Trust No.1	99.61	Korea	June 30	Capital investment	
	Hyundai Strong-small Corporate Trust No.1	85.76	Korea	June 30	Capital investment	
	JB New Jersey Private Real Estate Investment Trust No. 1	98.15	Korea	June 30	Capital investment	

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	Hyundai Dynamic Mix Securities Feeder Investment Trust No.1	99.96	Korea	June 30	Capital investment
	Hyundai China Index Plus Securities Investment Trust No.1	77.43	Korea	June 30	Capital investment
	Aquila Global Real Assets Fund No.1 LP	99.96	Cayman islands	June 30	Capital investment
	Hyundai Kon-tiki Specialized Privately Placed Fund No.1	98.12	Korea	June 30	Capital investment
	Hyundai You First Private Real Estate Investment Trust No. 15 <sup>3</sup>	35.00	Korea	June 30	Capital investment
	HANA Private real estate Investment Trust No.43	98.67	Korea	June 30	Capital investment
	HI-AP Private real estate Investment Trust	99.72	Korea	June 30	Capital investment
<b>KB Securities Co., Ltd., KB Insurance Co., Ltd. and KB Asset Management Co., Ltd.</b>	KB Star Fund_KB Value Focus Korea Equity	100.00	Luxembourg	June 30	Capital investment
<b>KB Securities Co., Ltd. and others</b>	Able Quant Asia Pacific Feeder Fund(T.E.) Limited	100.00	Cayman islands	June 30	Capital investment
<b>KB Kookmin Card Co., Ltd.</b>	Heungkuk Life Insurance Money Market Trust	100.00	Korea	June 30	Trust asset management
<b>KB Asset Management Co., Ltd.</b>	KB Wellyan Private Equity Real Estate No. 6	100.00	Korea	June 30	Capital investment
	KB Wellyan Private Equity Real Estate No. 7	99.83	Korea	June 30	Capital investment
<b>KB Wellyan Private Equity Real Estate Fund No. 6, No. 7</b>	Boyoung Construction <sup>2</sup>	-	Korea	June 30	Construction
<b>KB Insurance Co., Ltd., KB life Insurance Co., Ltd., KB Investment Co., Ltd.</b>	KB-Solidus Global Healthcare Fund <sup>4</sup>	43.33	Korea	June 30	Capital investment
<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	June 30	Investment trust
	KB Star Office Private Real Estate Investment Trust 2nd <sup>3</sup>	44.44	Korea	June 30	Investment trust
<b>Able Quant Asia Pacific Feeder Fund(T.E.) Limited</b>	Able Quant Asia Pacific Master Fund Limited	100.00	Cayman islands	June 30	Capital investment
<b>KBFG Securities America Inc.</b>	Global Investment Opportunity Limited	100.00	Malaysia	June 30	Finance and Real Estate Activities
<b>Hyundai Smart</b>	Hyundai Smart Index Alpha	99.59	Korea	June 30	Capital investment

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<b>Index Alpha Securities Feeder Inv Trust 1</b>	Securities Master Investment Trust					
<b>Hyundai Trust Securities Feeder Investment Trust No.1- Bond</b>	Hyundai Trust Securities Master Investment Trust - Bond	93.37	Korea	June 30	Capital investment	
<b>Hyundai Dynamic Mix Securitics Feeder Investment Trust</b>	Hyundai Dynamic Mix Securitics Master Investment Trust	98.86	Korea	June 30	Capital investment	
<b>Hyundai Value Plus Securities Feeder Investment Trust 1 and others</b>	Hyundai Value Plus Securities Master Investment Trust	100.00	Korea	June 30	Capital investment	
<b>Hyundai Quant Long Short Securities Feeder Investment Trust</b>	Hyundai Quant Long Short Securities Master Investment Trust	100.00	Korea	June 30	Capital investment	
<b>Aquila Global Real Assets Fund No.1 LP</b>	AGRAF Real Estate No.1, Senningerberg	100.00	Luxembourg	June 30	Asset-backed securitization	
<b>AGRAF Real Estate No.1, Senningerberg</b>	AGRAF Real Estate Holding No.1, Senningerberg	100.00	Luxembourg	June 30	Asset-backed securitization	
<b>AGRAF Real Estate Holding No.1, Senningerberg</b>	Vierte CasaLog GmbH & Co. KG and 2 others	94.90	Germany	June 30	Real Estate Activities	
<b>KB Securities Hong Kong Ltd.</b>	KB Asset Management Singapore PTE., Ltd. and 1 other	100.00	Singapore	June 30	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	June 30	Real Estate Activities	
<b>ABLE NJ DSM INVESTMENT REIT</b>	ABLE NJ DSM, LLC	100.00	United States of America	June 30	Real Estate Activities	
<b>Heungkuk Global Highclass Private Real Estate Trust 23</b>	HYUNDAI ABLE INVESTMENT REIT	99.90	United States of America	June 30	Real Estate Activities	
<b>HYUNDAI ABLE INVESTMENT REIT</b>	HYUNDAI ABLE PATRIOTS PARK, LLC	100.00	United States of America	June 30	Real Estate Activities	
<b>Able Ocean Co., Ltd.</b>	Hyundai Ocean Star Ship Private 2	100.00	Korea	June 30	Capital investment	
<b>Hyundai Ocean</b>	Dongbuka No.41 Ship	99.99	Korea	June 30	Other financial business	



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<b>Star Ship Private</b>	Investment Company					
<b>2</b>						
<b>Dongbuka No.41</b>	WISDOM SHAPLEY 41	100.00	Panama	June 30	Renting of Transport	
<b>Ship Investment</b>	SHIPPING S.A. and 1 other				Equipment	
<b>Company</b>						
<b>KB Insurance Co.,</b>	Dongbu Private Fund 16 <sup>th</sup>	89.52	Korea	June 30	Financial investment	
<b>Ltd.</b>	Hana Landchip Realestate	99.99	Korea	June 30	Financial investment	
	Private Fund 58 <sup>th</sup>					
	Hyundai Aviation Private Fund 3 <sup>rd</sup>	99.96	Korea	June 30	Financial investment	
	Hyundai Power Private Fund 3 <sup>rd</sup>	99.95	Korea	June 30	Financial investment	
	Hyundai Power Professional	99.77	Korea	June 30	Financial investment	
	Investment Type Private					
	Investment Fund No.4					
	KB U.S. LongShort Private	99.50	Korea	June 30	Financial investment	
	Securities Fund 1					
	Hyundai Infra Professional	99.79	Korea	June 30	Financial investment	
	Investment Type Private					
	Investment Trust No.5					
<b>Kookmin Bank</b>	Personal pension trusts and 10	-	Korea	June 30	Trust	
	other trusts <sup>1</sup>					

<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.

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The condensed financial information of major subsidiaries as of June 30, 2017 and December 31, 2016, and for the six-month periods ended June 30, 2017 and 2016, is as follows:

(In millions of Korean won)

	June 30, 2017					
	Assets	Liabilities	Equity	Operating income (revenue)	Profit(loss) for the period	Total comprehensive income for the period
Kookmin Bank <sup>1</sup>	₩317,856,392	₩293,443,112	₩24,413,280	₩9,220,435	₩1,209,229	₩ 1,447,771
KB Securities Co., Ltd. <sup>1,2</sup>	37,346,057	33,035,372	4,310,685	3,111,153	129,686	126,329
KB Insurance Co., Ltd. <sup>1,2</sup>	31,031,319	27,897,259	3,134,060	2,778,943	161,688	231,400
KB Kookmin Card Co., Ltd. <sup>1</sup>	16,625,624	12,751,372	3,874,252	1,625,004	153,549	159,310
KB Life Insurance Co., Ltd. <sup>1</sup>	9,017,431	8,456,960	560,471	670,741	20,617	10,906
KB Asset Management Co., Ltd. <sup>1</sup>	147,917	20,763	127,154	58,051	22,726	22,978
KB Capital Co., Ltd. <sup>1,2</sup>	8,120,212	7,231,831	888,381	278,526	62,918	61,897
KB Savings Bank Co., Ltd.	1,098,921	915,806	183,115	33,620	6,919	6,427
KB Real Estate Trust Co., Ltd.	214,478	33,422	181,056	35,741	18,077	18,081
KB Investment Co., Ltd. <sup>1</sup>	312,071	170,665	141,406	23,197	(3,396)	(2,981)
KB Credit Information Co., Ltd.	27,439	8,394	19,045	15,879	(1,276)	(1,281)
KB Data System Co., Ltd.	33,135	18,394	14,741	47,830	398	359

(In millions of Korean won)

	December 31, 2016			June 30, 2016		
	Assets	Liabilities	Equity	Operating income (revenue)	Profit for the period	Total comprehensive income for the period
Kookmin Bank <sup>1</sup>	₩307,066,370	₩283,741,368	₩23,325,002	₩9,325,665	₩ 743,186	₩ 845,791
KB Securities Co., Ltd. <sup>1,2,3</sup>	32,382,795	28,198,439	4,184,356	535,117	28,531	29,180
KB Kookmin Card Co., Ltd. <sup>1</sup>	15,772,036	11,807,038	3,964,998	1,475,050	153,273	154,587
KB Life Insurance Co., Ltd. <sup>1</sup>	8,887,413	8,337,849	549,564	794,686	10,266	34,147
KB Asset Management Co., Ltd. <sup>1</sup>	170,781	16,605	154,176	61,848	29,694	28,690

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KB Capital Co.,Ltd. <sup>2</sup>	7,428,372	6,640,305	788,067	226,234	50,545	50,813
KB Savings Bank Co., Ltd.	1,078,130	895,921	182,209	30,253	4,131	4,204
KB Real Estate Trust Co., Ltd.	216,687	33,713	182,974	33,415	16,514	16,735
KB Investment Co., Ltd. <sup>1</sup>	315,878	168,491	147,387	28,287	5,397	3,663
KB Credit Information Co., Ltd.	27,973	7,647	20,326	18,626	43	41
KB Data System Co., Ltd.	27,037	12,655	14,382	31,947	161	141

<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.

<sup>3</sup> Operating income (revenue), profit and total comprehensive income are the amount of KB Investment&Securities Co., Ltd.

**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 ₩ 2,020,468 million to Able Ocean Co., Ltd. and other subsidiaries.
- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 6 other subsidiaries. The unexecuted amount of the investment agreement is ₩ 306,616 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.

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**Changes in subsidiaries**

The subsidiaries newly included in consolidation during the six-month period ended June 30, 2017, are as follows:

<b>Company</b>	<b>Description</b>
KB Insurance Co., Ltd. and 21 others	Holds over than a majority of the ownership interests
Able Jungdong Co.,Ltd. and 26 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) and 2 others	Exposed to variable returns due to the power that determines the management performance over the trust and holding significant amounts of the ownership interests.

The subsidiaries excluded from consolidation for the six-month period ended June 30, 2017, are as follows:

<b>Company</b>	<b>Description</b>
2014ABLEOPO 2ND Co., Ltd. and 23 others	Lost the right of variable returns due to the releasing debt
Wise Mobile Eighth Securitization Specialty Co., Ltd	Liquidated
KB Haeoreum private securities investment trust 45(Bond) and other	Repurchased

**41. Unconsolidated Structured Entity**

The nature, purpose and activities of the unconsolidated structured entities and how the structured entities are financed, are as follows:

<b>Nature</b>	<b>Purpose</b>	<b>Activity</b>	<b>Method of Financing</b>
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	Construction of SOC and	Loan commitments through Credit Line,

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	SOC and real estate	real estate	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 -Disposal trust -Distribution and management trust -Other trusts	Development, management, and disposal of trusted real estate assets  Payment of trust fees and allocation of trust profits.	Distribution of trusted real estate assets and financing of trust company  Public auction of trusted real estate assets and financing of trust company
Investment funds	Investment in beneficiary certificates  Investment in PEF and partnerships	Management of fund assets  Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments  Investment of managing partners and limited partners

As of June 30, 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:

(In millions of Korean won)

	June 30, 2017					
	Asset-backed securitization	Project financing	Trusts	Investment funds	Others	Total
Total assets of unconsolidated structured entity	₩ 99,723,042	₩ 32,511,421	₩ 828,397	₩ 83,276,729	₩ 13,202,600	₩ 229,542,189
Carrying amount on financial statements						
Assets						
Financial assets at fair value through profit or loss	2,380,026	74,225	-	379,451	-	2,833,702
Derivative financial assets	109	-	-	-	-	109
Loans	1,147,127	3,401,147	54,500	292,592	345,292	5,240,658
Financial investments	6,708,481	13,606	307	5,497,678	18,654	12,238,726
Investment in associates	-	2,022	-	223,185	-	225,207
Other assets	22,634	8,533	26,119	1,609	374	59,269
	<u>₩ 10,258,377</u>	<u>₩ 3,499,533</u>	<u>₩ 80,926</u>	<u>₩ 6,394,515</u>	<u>₩ 364,320</u>	<u>₩ 20,597,671</u>
Liabilities						
Deposits	₩ 600,041	₩ 764,015	₩ -	₩ 43,075	₩ 2,604	₩ 1,409,735
Other liabilities	16,857	-	-	13	-	16,870
	<u>₩ 616,898</u>	<u>₩ 764,015</u>	<u>₩ -</u>	<u>₩ 43,088</u>	<u>₩ 2,604</u>	<u>₩ 1,426,605</u>
Maximum exposure to loss <sup>1</sup>						

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Holding assets	₩ 10,258,377	₩ 3,499,533	₩ 80,926	₩ 6,394,515	₩ 364,320	₩ 20,597,671
Purchase and investment commitments	760,332	-	-	1,353,911	-	2,114,243
Unused credit	2,473,086	-	-	721,043	44,578	3,238,707
Payment guarantee and loan commitments	285,280	1,401,767	-	-	-	1,687,047
	<u>₩ 13,777,075</u>	<u>₩ 4,901,300</u>	<u>₩ 80,926</u>	<u>₩ 8,469,469</u>	<u>₩ 408,898</u>	<u>₩ 27,637,668</u>

Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Loan / Loan amount / 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

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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
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<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.

**42. Related Party Transactions**

Profit and loss arising from transactions with related parties for the six-month periods ended June 30, 2017 and 2016, are as follows:

<i>(In millions of Korean won)</i>		2017	2016	
<b>Associates</b>				
KB Insurance Co., Ltd. <sup>1</sup>	Interest income	₩ 12	₩ 29	
	Interest expense	202	552	
	Fee and commission income	8,994	7,123	
	Fee and commission expense	1,021	-	
	Gains on financial assets/liabilities at fair value through profit or loss	796	1,590	
	Losses on financial assets/liabilities at fair value through profit or loss	18,717	9,069	
	Other operating income	16,743	10,620	
	Other operating expense	633	1,602	
	General and administrative expenses	5,601	6,477	
	Reversal for credit loss	-	30	
	Provision for credit loss	12	173	
	Other non-operating income	51	47	
	Other non-operating expense	-	35	
	Balhae Infrastructure Company	Fee and commission income	3,853	4,229
		Interest expense	45	43

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Korea Credit Bureau Co., Ltd.	Fee and commission income	714	869
	Fee and commission expense	1,214	971
	General and administrative expenses	1,260	1,145
	Provision for credit loss	1	1
UAMCO., Ltd. <sup>2</sup>	Interest expense	-	1
	Fee and commission income	-	5
KoFC KBIC Frontier Champ 2010-5(PEF)	Fee and commission income	-	267
United PF 1st Recovery Private Equity Fund <sup>2</sup>	Interest expense	-	1
KB GwS Private Securities Investment Trust	Fee and commission income	422	452
Incheon Bridge Co., Ltd.	Interest income	5,909	6,900
	Interest expense	179	177
	Insurance income	76	-
	Reversal for credit loss	1	-
	Provision for credit loss	1	30
Jaeyang Industry Co., Ltd.	Reversal for credit loss	-	27
HIMS Co., Ltd. <sup>2</sup>	Interest income	-	28
	Gains on financial assets/liabilities at fair value through profit or loss	-	768
	Provision for credit loss	-	200
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Fee and commission income	194	254
Aju Good Technology Venture Fund	Interest expense	8	-
KB Star Office Private Real Estate Investment Trust No.1	Interest income	183	184
	Interest expense	27	42
	Fee and commission income	216	217
RAND Bio Science Co., Ltd.	Interest expense	11	-
Inno Lending Co.,Ltd	Interest expense	1	-
KBIC Private Equity Fund No. 3 <sup>2</sup>	Interest expense	-	7
	Fee and commission income	38	132
SY Auto Capital Co., Ltd.	Interest income	429	267
	Interest expense	20	-
	Fee and commission income	20	20
	Fee and commission expense	1,611	-
	Insurance income	11	-
	Other operating income	310	1,248
	Other operating expense	46	64
	Reversal for credit losses	29	-
	Provision for credit losses	-	61
	Other non-operating income	47	250
Kyobo 7 Special Purpose	Interest expense	1	-



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Acquisition Co., Ltd. <sup>2</sup>	Provision for credit losses	44	-
Food Factory Co., Ltd.	Interest income	7	-
	Insurance income	1	-
	Provision for credit losses	44	-
KB Pre IPO Secondary Venture Fund 1st	Fee and commission income	28	-
KB Private Equity Fund III	Fee and commission income	137	-
Wise Asset Management Co., Ltd.	Interest expense	3	-
Acts Co.,Ltd.	Interest income	120	-
	Losses on financial assets/liabilities at fair value through profit or loss	202	-
	Provision for credit losses	65	-
	General and administrative expenses	75	-
Korbi Co., Ltd.	Interest income	121	-
	Provision for credit losses	83	-
Dongjo Co.,Ltd.	Reversal for credit losses	1	-
POSCO-KB Shipbuilding Restructuring Fund	Fee and commission income	12	-
KB No.5 Special Purpose Acquisition Company <sup>2</sup>	Interest income	-	35
	Interest expense	-	19
	Gains on financial assets/liabilities at fair value through profit or loss	-	354
	Reversal for credit loss	-	14
KB No.6 Special Purpose Acquisition Company <sup>2</sup>	Interest income	-	27
	Interest expense	-	14
	Gains on financial assets/liabilities at fair value through profit or loss	-	38
KB No.7 Special Purpose Acquisition Company <sup>2</sup>	Interest income	-	18
	Interest expense	-	18
	Gains on financial assets/liabilities at fair value through profit or loss	-	2,139
	Losses on financial assets/liabilities at fair value through profit or loss	-	51
KB No.8 Special Purpose Acquisition Company	Interest income	37	36
	Interest expense	19	17
	Gains on financial assets/liabilities at fair value through profit or loss	-	5
	Losses on financial assets/liabilities at fair value through profit or loss	88	101
	Reversal for credit loss	-	24
	Provision for credit loss	6	-
KB No.9 Special Purpose Acquisition Company	Interest income	37	36
	Interest expense	18	21
	Fee and commission income	-	473
	Losses on financial assets/liabilities at fair value through profit or loss	132	466

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	Gains on financial assets/liabilities at fair value through profit or loss	-	1,647
	Reversal for credit loss	-	24
	Provision for credit loss	6	
KB No.10 Special Purpose Acquisition Company	Interest income	19	-
	Interest expense	11	-
	Losses on financial assets/liabilities at fair value through profit or loss	33	-
KB No.11 Special Purpose Acquisition Company	Interest income	11	-
	Fee and commission income	150	
	Losses on financial assets/liabilities at fair value through profit or loss	6	-
	Gains on financial assets/liabilities at fair value through profit or loss	799	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	Fee and commission income	36	-
MJT&I Co., Ltd.	Interest income	-	2
Doosung Metal Co., Ltd.	Insurance income	1	-
<b>Other</b>			
Retirement pension	Interest expense	2	476
	Fee and commission income	408	353

<sup>1</sup> Although the entity became a subsidiary of the Group during the current half-year period its comparative information has been presented for reference.

<sup>2</sup> Excluded from the Group's related party as of June 30, 2017.

Details of receivables and payables, and related allowances for loans losses arising from the related party transactions as of June 30, 2017 and December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>		<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Associates</b>			
KB Insurance Co., Ltd. <sup>1</sup>	Derivative financial assets	₩ -	₩ 3,941
	Loans and receivables (Gross amount)	-	6,791
	Allowances for loan losses	-	9
	Other assets	-	23,341
	Derivative financial liabilities	-	13,545
	Deposits	-	9,883
	Debts	-	20,000
	Provisions	-	8
	Other liabilities	-	6,384
Balhae Infrastructure Company	Other assets	1,798	2,123
Korea Credit Bureau Co., Ltd.	Loans and receivables (Gross amount)	19	14
	Deposits	7,881	26,827

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	Provisions	1	-
	Other liabilities	389	255
JSC Bank CenterCredit <sup>2</sup>	Cash and due from financial institutions	-	8
KB GwS Private Securities Investment Trust	Other assets	212	673
Incheon Bridge Co., Ltd.	Loans and receivables (Gross amount)	202,202	209,105
	Allowances for loan losses	331	331
	Other assets	789	821
	Deposits	42,527	38,556
	Provisions	3	3
	Other liabilities	566	166
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Other assets	194	98
Jaeyang Industry Co., Ltd.	Loans and receivables (Gross amount)	519	303
	Allowances for loan losses	6	6
	Other assets	7	7
Aju Good Technology Venture Fund	Deposits	2,583	1,201
	Other liabilities	1	1
Ejade Co., Ltd. <sup>2</sup>	Deposits	-	2
Jungdo Co.,Ltd.	Deposits	4	-
Dongjo Co.,Ltd.	Loans and receivables (Gross amount)	246	-
	Allowances for loan losses	2	-
Dae-A Leisure Co.,Ltd.	Deposits	466	-
	Other liabilities	13	-
Jungdong Steel Co., Ltd.	Deposits	3	3
KB Star Office Private Real Estate Investment Trust No.1	Loans and receivables (Gross amount)	10,000	10,000
	Other assets	138	136
	Deposits	6,287	6,682
	Other liabilities	30	50
RAND Bio Science Co., Ltd.	Deposits	1,708	2,356
	Loans and receivables (Gross amount)	8	1
	Other liabilities	12	12
Inno Lending Co.,Ltd	Deposits	1,342	1,902
isMedia Co.,Ltd <sup>2</sup>	Provisions	-	4
KBIC Private Equity Fund No. 3 <sup>2</sup>	Other assets	-	64
	Deposits	-	700
	Other liabilities	-	1
SY Auto Capital Co., Ltd.	Loans and receivables (Gross amount)	40,045	30,049
	Allowances for loan losses	32	32
	Other assets	103	108

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	Deposits	22	3,997
	Provisions	-	29
	Other liabilities	410	70
Food Factory Co., Ltd.	Loans and receivables	507	-
	(Gross amount)		
	Allowances for loan losses	44	-
	Deposits	489	-
KB Pre IPO Secondary Venture Fund 1st	Other assets	1	-
Builton Co., Ltd.	Loans and receivables	1	-
	(Gross amount)		
	Deposits	260	-
	Other liabilities	1	-
Wise Asset Management Co., Ltd.	Deposits	316	-
	Other liabilities	1	-
Acts Co.,Ltd.	Deposits	46	-
	Loans and receivables	1,883	-
	(Gross amount)		
	Allowances for loan losses	164	-
	Derivative financial assets	18	-
	Intangible assets	1,350	-
	Other liabilities	1	-
POSCO-KB Shipbuilding Restructuring Fund	Other assets	12	-
Korbi Co., Ltd.	Loans and receivables	2,462	-
	(Gross amount)		
	Allowances for loan losses	215	-
KB No.8 Special Purpose Acquisition Company	Derivative financial assets	2,205	2,235
	Loans and receivables	2,258	2,490
	(Gross amount)		
	Allowances for loan losses	6	-
	Deposits	2,373	2,342
	Other liabilities	2	3
KB No.9 Special Purpose Acquisition Company	Derivative financial assets	2,308	2,441
	Loans and receivables	2,317	2,584
	(Gross amount)		
	Allowances for loan losses	6	-
	Deposits	2,353	2,399
	Other liabilities	24	6
KB No.10 Special Purpose Acquisition Company	Derivative financial assets	1,665	1,698
	Loans and receivables	1,330	1,495
	(Gross amount)		
	Deposits	1,716	1,754
	Other liabilities	18	8
KB No.11 Special Purpose Acquisition Company	Derivative financial assets	1,263	135
	Loans and receivables	934	790
	(Gross amount)		
<b>Key management</b>	Loans and receivables	1,541	1,982
	(Gross amount)		
	Other assets	2	2

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	Deposits	10,719	8,217
	Insurance contract liabilities	193	413
	Other liabilities	122	139
<b>Other</b>			
Retirement pension	Other assets	322	304
	Deposits	-	1,464
	Other liabilities	9	16,497

<sup>1</sup> The amounts are not disclosed because the entity is classified as a subsidiary of the Group for the six-month period ended June 30, 2017.

<sup>2</sup> The amounts are not disclosed as these are excluded from the Group's related party as of June 30, 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. See 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.

Significant loan transactions with related parties for the six-month periods ended June 30, 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. <sup>2</sup>	₩ 6,791	₩ -	₩ -	₩ (6,791)	₩ -
Korea Credit Bureau Co., Ltd.	14	5	-	-	19
Incheon Bridge Co., Ltd.	209,105	11	(6,914)	-	202,202
Jaeyang Industry Co., Ltd.	303	-	-	216	519
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	-	10,000
RAND Bio Science Co., Ltd.	1	7	-	-	8
SY Auto Capital Co., Ltd.	30,049	19,996	(10,000)	-	40,045
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

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(In millions of Korean won)

	2016 <sup>1</sup>				
	Beginning	Loans	Repayments	Others	Ending
<b>Associates</b>					
KB Insurance Co., Ltd.	₩ 5,013	₩ 399	₩ -	₩ -	₩ 5,412
Hyundai Securities Co., Ltd. <sup>3</sup>	-	-	-	2,217	2,217
Korea Credit Bureau Co., Ltd.	19	-	(1)	-	18
UAMCO., Ltd. <sup>3</sup>	5	-	(5)	-	-
Incheon Bridge Co., Ltd.	231,674	4,006	(20,798)	-	214,882
Jaeyang Industry Co., Ltd.	-	-	-	1,511	1,511
HIMS Co., Ltd. <sup>3</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	30,002	-	-	30,036
KB No.5 Special Purpose Acquisition Company <sup>3</sup>	2,180	-	-	-	2,180
KB No.6 Special Purpose Acquisition Company <sup>3</sup>	1,710	-	-	(1,710)	-
KB No.7 Special Purpose Acquisition Company <sup>3</sup>	1,250	-	-	-	1,250
KB No.8 Special Purpose Acquisition Company	2,490	-	-	-	2,490
KB No.9 Special Purpose Acquisition Company	2,584	-	-	-	2,584

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

<sup>2</sup> The amounts are not disclosed because the entity is classified as a subsidiary of the Group for the six-month period ended June 30, 2017.

<sup>3</sup> Excluded from the Group's related party as of June 30, 2017.

Unused commitments to related parties as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		June 30, 2017	December 31, 2016
<b>Associates</b>			
KB Insurance Co., Ltd. <sup>1</sup>	Commitments of derivative financial instruments	₩ -	₩ 251,833
	Unused commitments of credit card	-	20,859
Balhae Infrastructure Company	Purchase of security investment	13,371	13,371
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	111	116
KoFC KBIC Frontier Champ 2010-5(PEF)	Purchase of security investment	2,150	2,150
KB GwS Private Securities Investment Trust	Purchase of security investment	876	876
Aju Good Technology Venture Fund	Purchase of security investment	16,269	18,000
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	50,000	50,000
	Unused commitments of credit card	78	89
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Purchase of security investment	12,550	12,550

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SY Auto Capital Co., Ltd.	Loan commitments in Korean won	3	20,000
	Unused commitments of credit card	102	101
isMedia Co.,Ltd <sup>2</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	17	24
Builton Co., Ltd.	Unused commitments of credit card	4	-
Food Factory Co., Ltd.	Unused commitments of credit card	11	-
<b>Key management</b>	Loan commitments in Korean won	1,027	898

<sup>1</sup> The amounts are not disclosed because the entity is classified as a subsidiary of the Group for the six-month period ended June 30, 2017.

<sup>2</sup> The amounts are not disclosed as these are excluded from the Group's related party as of June 30, 2017.

Compensation to key management for the six-month periods ended June 30, 2017 and 2016, consists of:

(In millions of Korean won)

	2017			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 1,040	₩ 32	₩ 1,361	₩ 2,433
Registered directors (non-executive)	402	-	-	402
Non-registered directors	4,217	150	5,920	10,287
	₩ 5,659	₩ 182	₩ 7,281	₩ 13,122

(In millions of Korean won)

	2016			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 420	₩ 31	₩ (534)	₩ (83)
Registered directors (non-executive)	407	-	-	407
Non-registered directors	3,070	104	2,393	5,567
	₩ 3,897	₩ 135	₩ 1,859	₩ 5,891

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Details of assets pledged as collateral to related parties as of June 30, 2017 and December 31, 2016, are as follows:

(In millions of Korean won)

		June 30, 2017		December 31, 2016	
		Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
<b>Associates</b>					
KB Insurance Co., Ltd. <sup>1</sup>	Land and buildings	₩ -	₩ -	₩ 217,369	₩ 26,000
	Investment securities	-	-	50,000	50,000

<sup>1</sup> The amounts are not disclosed because the entity is classified as a subsidiary of the Group for the six-month period ended June 30, 2017.

Collateral received from related parties as of June 30, 2017 and December 31, 2016, is as follows:

(In millions of Korean won)

		June 30, 2017	December 31, 2016
<b>Associates</b>			
KB Insurance Co., Ltd. <sup>1</sup>	Investment securities	₩ -	₩ 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	2,460	2,759

<sup>1</sup> The amounts are not disclosed because the entity is classified as a subsidiary of the Group for the six-month period ended June 30, 2017.

As of June 30, 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

#### 43. Business Combination

##### 43.1 The Acquisition of Shares of KB Insurance Co., Ltd.

On May 19, 2017, the Group acquired 36,237,649 shares out of all outstanding shares of KB Insurance Co., Ltd., and this share acquisition increased the Group's ownership of KB Insurance Co., Ltd. from 39.81% to 94.30%. Therefore, KB Insurance Co., Ltd. became a subsidiary to the Group.



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The following table summarizes the consideration paid for business combination, and the fair value of assets acquired, liabilities assumed:

<i>(In millions of Korean won)</i>	<b>2017</b>
<b>Consideration</b>	
Fair value of existing holdings at the time of stock exchange	₩ 1,425,743
Equity securities(=36,237,649 shares x ₩ 33,000)	1,195,842
<b>Total consideration transferred</b>	₩ 2,621,585
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	₩ 547,889
Financial assets at fair value through profit or loss	1,095,668
Available-for-sale financial assets	9,186,062
Held-to-maturity financial assets	4,616,377
Loans	6,604,530
Other receivables	767,458
Property plant and equipment(included Investment property)	895,141
Intangible assets	2,434,049
Other assets	4,187,919
<b>Total Assets</b>	30,335,093
Insurance contract liabilities	22,889,439
Financial liabilities	625,850
Other liabilities	3,905,189
<b>Total liabilities</b>	27,420,478
<b>Total identifiable net assets</b>	₩ 2,914,615
Non-controlling interests	170,044
Gains on bargain purchase	122,986

A gain on bargain purchase is recognized as a result of the business combination, and the Group recognized the gain as other non-operating income in the consolidated statement of comprehensive income.

Details of loans acquired are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>
Fair value of loans	₩ 6,604,530
Contractual total amount of loan receivables	6,651,314
Contractual cash flows that are not expected to be recovered	(59,906)

Details of intangible assets recognized as a result of business combinations are as follows:

<i>(In millions of Korean won)</i>	<b>2017</b>
Value of business acquired (VOBA) <sup>1</sup>	₩ 2,395,291
Others <sup>2</sup>	38,758
	₩ 2,434,049

<sup>1</sup> In accordance with Korean IFRS 1104, an indirect method of intrinsic value is applied to the measurement of VOBA. The valuation of the liabilities to identify the intrinsic value of the financial statements, in the case of business combination or pre-contract, is separated from insurance liability,

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and is classified and presented as intangible asset. VOBA is a similar concept to Present value of in force business (PVIF) and Present value of future profits (PVFP or PVP). The intangible assets from intrinsic values is calculated through the Actuarial model and Cash flow that were originally used to calculate the Embedded Value.

<sup>2</sup> Memberships, software, development costs and other intangible assets were previously held by KB Insurance Co., Ltd.

In 2017, the Group measured 39.81% of KB Insurance Co., Ltd.'s equity interest held before the business combination at fair value and recognized ₩ 1,806 million as a loss on investment in the consolidated statements of income.

After the acquisition date, operating income and net income of KB Insurance Co., Ltd. were ₩208,516 million and ₩161,688 million, respectively.

If KB Insurance Co., Ltd. was consolidated from the beginning of the current period, the operating profit and profit for the period of the Group would be ₩335,652 million and ₩261,671 million, respectively, in the consolidated statement of comprehensive income.

**43.2 The Results of VOBA Sensitivity Analysis**

The results of the sensitivity analysis from changes in assumption applied to calculate the value (VOBA) of acquired business recognized by business combination are as follows:

*(In millions of Korean won)*

	June 30, 2017		
	Assumption change	VOBA outputs	Gain or losses from evaluation
Standard amount		₩ 2,395,291	₩ -
Loss ratio	+10%	1,020,243	(1,375,048)
	-10%	3,770,338	1,375,047
Surrenders and termination rates	+10%	2,425,348	30,057
	-10%	2,360,035	(35,256)
Insurance operating expenses ratio	+10%	2,256,197	(139,094)
	-10%	2,534,384	139,093
Return on investment	+0.5%p	3,153,368	758,077
	-0.5%p	1,576,618	(818,673)
Discount rate	+0.5%p	2,250,386	(144,905)
	-0.5%p	2,551,657	156,366

**43.3 Insurance Risk at the Time of Business Combination**

**43.3.1 Overview**

Insurance risk is the risk that arises from a primary operation of insurance companies that is associated with acceptance of insurance contract and payment of claims, and is classified as the insurance price risk and the reserves risk. The insurance price risk is the risk of loss that might occur when the actual risk exceeds the expected risk rate or expected insurance operating expenses ratios in calculation of premiums. It is the risk of loss that arises from differences between actual payment of claims and premiums received from policyholders. The reserves risk is the risk that

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arises due to a deficit in reserves at the date of assessment, making KB Insurance Co., Ltd. unable to cover the actual claims payment in the future.

43.3.2 Purposes, policies and procedures to manage risk arising from insurance contracts

The risks associated with insurance contract that KB Insurance Co., Ltd. faces are the insurance actuarial risk and the acceptance risk. Each risk occurs due to insurance contract's pricing and conditions of acceptance. In order to minimize acceptance risk, KB Insurance Co., Ltd. establishes guidelines and procedure for acceptance and out lines specific conditions for acceptance by product. In addition, expected risk level at the date of pricing is compared with actual risk of contracts after acceptance and the interest rate is adjusted accordingly, conditions of sale is changed, sale of goods is interrupted and other measures are taken in order to reduce insurance actuarial risk. KB Insurance Co., Ltd. has a committee to discuss status of product acceptance risk and interest rate policy. The committee decides important matters to set the processes that allow minimizing the insurance actuarial risk, the acceptance risk and other business related risk.

In addition, according to reinsurance operating standards, KB Insurance Co., Ltd. establishes an operating strategy of reinsurance for large claims expense due to unexpected catastrophic events. KB Insurance Co., Ltd. supports so that policyholders are safe and KB Insurance Co., Ltd.'s stable profit can be achieved. For the long-term goal, KB Insurance Co., Ltd. manages risk at a comprehensive level to keep its value at the maximum

KB Insurance Co., Ltd.'s entire risk is calculated by using RBC method. KB Insurance Co., Ltd. sets the risk appetite limits in order that the calculated risk level is maintained at an appropriate level compared to available capital. Portfolio of assets and products are monitored to improve profit compared to risk.

43.3.3 Exposure to insurance price risk

According to RBC standard, exposure to insurance price risk is defined as net written premiums for prior 1 year that is calculated by adding and subtracting original insurance premium, assumed reinsurance premium and ceded reinsurance premium.

<i>(In millions of won)</i>	2017			Total
	Direct insurance	Inward reinsurance	Outward reinsurance	
General	₩ 908,992	₩ 81,311	₩ 579,954	₩ 410,349
Automobile	1,984,178	-	40,486	1,943,692
Long-term	1,845,647	-	250,459	1,595,188
	<u>₩4,738,817</u>	<u>₩ 81,311</u>	<u>₩870,899</u>	<u>₩3,949,229</u>

43.3.4 Concentration of Insurance risk

KB Insurance Co., Ltd. is selling general non-life insurances (fire, maritime, injury, technology, liability, package, title, guarantee and special type insurances), automobile insurances (for private use, for hire, for business, bicycle and other), long-term insurances (long-term non-life, property damage, injury, driver, savings, illness, nursing and pension) and various other insurances. KB Insurance Co., Ltd.'s risk is distributed through reinsurance, joint acceptance and diversified selling. In addition,

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insurances that cover serious damage of risk, although with rare possibility of the occurrence of disaster, such as storm and flood insurance are limited, and KB Insurance Co., Ltd. controls the risk through joint acquisition.

#### 43.3.5 Loss development tables

KB Insurance Co., Ltd. uses claim development of payments and the estimated ultimate claims for the accident years in order to maintain overall reserve adequacy in respect of general, automobile and long-term insurance. When the estimated ultimate claims are greater than claim payments, KB Insurance Co., Ltd. establishes additional reserves. Loss development tables are as follows:

##### General Insurance

(In millions of won)	Accident year	Payment year								
		After 1 year	After 2 years	After 3 years	After 4 years	After 5 years				
<b>Estimate of gross ultimate claims (A)</b>										
2012.4.1 ~ 2013.3.31	₩	155,846	₩	188,494	₩	194,197	₩	198,574	₩	197,475
2013.4.1 ~ 2014.3.31		168,274		196,711		198,849		198,251		-
2014.4.1 ~ 2015.3.31		121,300		141,807		143,129		-		-
2015.4.1 ~ 2016.3.31		126,747		150,115		-		-		-
2016.4.1 ~ 2017.3.31		148,162		-		-		-		-
		720,329		677,127		536,175		396,825		197,475
<b>Gross cumulative claim payments (B)</b>										
2012.4.1 ~ 2013.3.31		118,748		172,826		185,043		190,131		191,849
2013.4.1 ~ 2014.3.31		129,198		175,994		189,194		191,700		-
2014.4.1 ~ 2015.3.31		88,311		126,826		135,437		-		-
2015.4.1 ~ 2016.3.31		93,964		136,169		-		-		-
2016.4.1 ~ 2017.3.31		107,770		-		-		-		-
		537,991		611,815		509,674		381,831		191,849
<b>Difference (A-B)</b>	₩	182,338	₩	65,312	₩	26,501	₩	14,994	₩	5,626

##### Automobile Insurance

(In millions of won)	Accident year	Payment year												
		After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years						
<b>Estimate of gross ultimate claims (A)</b>														
2010.4.1 ~ 2011.3.31	₩	1,025,148	₩	1,041,743	₩	1,049,759	₩	1,053,279	₩	1,053,674	₩	1,054,482	₩	1,055,616
2011.4.1 ~ 2012.3.31		1,103,363		1,118,764		1,125,789		1,130,637		1,132,811		1,134,588		-
2012.4.1 ~ 2013.3.31		1,129,311		1,151,262		1,160,820		1,166,840		1,169,692		-		-
2013.4.1 ~ 2014.3.31		1,124,402		1,154,322		1,164,003		1,174,204		-		-		-
2014.4.1 ~ 2015.3.31		1,205,298		1,224,037		1,236,693		-		-		-		-
2015.4.1 ~ 2016.3.31		1,242,591		1,257,538		-		-		-		-		-
2016.4.1 ~ 2017.3.31		1,292,711		-		-		-		-		-		-
		8,122,824		6,947,666		5,737,064		4,524,960		3,356,177		2,189,070		1,055,616
<b>Gross cumulative claim payments(B)</b>														
2010.4.1 ~ 2011.3.31		898,401		1,010,255		1,033,873		1,043,730		1,048,664		1,050,860		1,051,681
2011.4.1 ~ 2012.3.31		954,486		1,079,455		1,106,620		1,120,852		1,128,085		1,130,188		-
2012.4.1 ~ 2013.3.31		963,250		1,112,141		1,140,658		1,154,668		1,160,801		-		-
2013.4.1 ~ 2014.3.31		948,421		1,105,324		1,137,731		1,155,656		-		-		-

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2014.4.1 ~ 2015.3.31	1,007,236	1,180,056	1,210,707	-	-	-	-
2015.4.1 ~ 2016.3.31	1,042,046	1,208,525	-	-	-	-	-
2016.4.1 ~ 2017.3.31	1,079,668	-	-	-	-	-	-
	<u>6,893,508</u>	<u>6,695,756</u>	<u>5,629,589</u>	<u>4,474,906</u>	<u>3,337,550</u>	<u>2,181,048</u>	<u>1,051,681</u>
<b>Difference (A-B)</b>	<b>₩ 1,229,316</b>	<b>₩ 251,910</b>	<b>₩ 107,475</b>	<b>₩ 50,054</b>	<b>₩ 18,627</b>	<b>₩ 8,022</b>	<b>₩ 3,935</b>

*Long-term Insurance*

(In millions of won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
<b>Estimate of gross ultimate claims (A)</b>					
2012.4.1 ~ 2013.3.31	₩ 648,694	₩ 871,989	₩ 897,650	₩ 902,898	₩ 904,400
2013.4.1 ~ 2014.3.31	737,540	999,838	1,029,937	1,035,705	-
2014.4.1 ~ 2015.3.31	822,235	1,106,997	1,138,537	-	-
2015.4.1 ~ 2016.3.31	945,954	1,286,361	-	-	-
2016.4.1 ~ 2017.3.31	1,102,183	-	-	-	-
	<u>4,256,606</u>	<u>4,265,185</u>	<u>3,066,124</u>	<u>1,938,603</u>	<u>904,400</u>
<b>Gross cumulative claim payments (B)</b>					
2012.4.1 ~ 2013.3.31	606,551	859,742	889,948	898,142	901,629
2013.4.1 ~ 2014.3.31	696,685	984,891	1,021,364	1,032,301	-
2014.4.1 ~ 2015.3.31	770,283	1,090,501	1,130,781	-	-
2015.4.1 ~ 2016.3.31	892,901	1,271,183	-	-	-
2016.4.1 ~ 2017.3.31	1,051,471	-	-	-	-
	<u>4,017,891</u>	<u>4,206,317</u>	<u>3,042,093</u>	<u>1,930,443</u>	<u>901,629</u>
<b>Difference (A-B)</b>	<b>₩ 238,715</b>	<b>₩ 58,868</b>	<b>₩ 24,031</b>	<b>₩ 8,160</b>	<b>₩ 2,771</b>

43.3.6 Liquidity risk of insurance contracts

Liquidity risk arising from insurance contracts is the increase in refunds at maturity caused by concentrations of maturity, the increase in surrender values caused by unexpected amounts in cancellation and the increase in payments of claims caused by catastrophic events. KB Insurance Co., Ltd. manages payment of refunds payable at maturity by analysing maturity of insurance.

Premium reserve's maturity structure as of the business combination is as follows:

(In millions of won)	2017					Total
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	
<b>Long-term insurance non participating</b>						
Non-linked	₩ 54,301	₩ 202,759	₩ 185,691	₩ 76,049	₩ 97,970	₩ 616,770
Linked	457,494	2,311,040	2,256,942	1,240,524	8,991,508	15,257,508
	<u>511,795</u>	<u>2,513,799</u>	<u>2,442,633</u>	<u>1,316,573</u>	<u>9,089,478</u>	<u>15,874,278</u>
<b>Annuity</b>						
Non-linked	10	143	1,775	4,109	1,490	7,527
Linked	183	44,147	276,785	1,025,511	2,066,527	3,413,153
	<u>193</u>	<u>44,290</u>	<u>278,560</u>	<u>1,029,620</u>	<u>2,068,017</u>	<u>3,420,680</u>
<b>Asset-linked</b>						
Linked	-	27,059	-	-	-	27,059
<b>Total</b>						

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Non-linked	54,311	202,902	187,466	80,158	99,460	624,297
Linked	457,677	2,382,246	2,533,727	2,266,035	11,058,035	18,697,720
	<u>₩ 511,988</u>	<u>₩2,585,148</u>	<u>₩2,721,193</u>	<u>₩2,346,193</u>	<u>₩11,157,495</u>	<u>₩19,322,017</u>

43.3.7 Credit risk of insurance contract

Credit risk of insurance contract is the economic loss arising from non-performing contractual obligations due to decline in credit ratings or default. Through strict internal review, KB Insurance Co., Ltd. cedes insurance contracts to the insurers rated above BBB- of S&P rating.

As of business combination date, there are 219 reinsurance companies that deal with KB Insurance Co., Ltd., and the top three insurance companies' concentration and credit ratings are as follows:

Reinsurance company	Ratio	Credit rating
KOREANRE	66.60%	AA
STARR INTERNATIONAL	3.41%	AA+
SWISSREINSURANCE	3.22%	AAA

Exposures to credit risk related to reinsurance as of business combination date were as follows:

(In millions of won)

	2017	
Reinsurance assets <sup>1</sup>	₩	730,251
Net receivables from reinsurers <sup>2</sup>		44,443
	<u>₩</u>	<u>774,694</u>

<sup>1</sup> Net carrying amounts that deduct impairment loss

<sup>2</sup> Net carrying amounts of each reinsurance company that offsets reinsurance accounts receivable and reinsurance accounts payable and deduct allowance for loan losses

43.3.8 Interest risk of insurance contract

The interest rate risk exposure from KB Insurance Co., Ltd.'s insurance contracts is the risk of unexpected losses in net interest income or net assets arising from changes in interest rates and it is managed to minimize the loss experienced. For long-term, non-life insurance contracts, KB Insurance Co., Ltd. calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves after subtracting costs of termination deductions. Asset exposure is interest-bearing assets. Assets that receive only fees without interest are excluded from interest bearing assets. Exposures to interest rate risk are as follows:

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*Exposure to interest rate risk*

*(In millions of won)*

**2017**

**Liabilities**

Fixed interest rate	₩	622,570
Variable interest rate		18,268,800
		<u>18,891,370</u>

**Assets**

Due from banks		319,960
Financial assets at fair value through profit or loss		386,040
Available-for-sale financial assets		6,660,182
Held-to-maturity financial assets		4,143,851
Loans		6,465,291
	₩	<u>17,975,324</u>

*Measurement and recognition method*

Duration is used to measure interest rate risk within risk based solvency test. ALM system for risk based solvency test is utilized to manage interest rate risk internally. In addition, Risk Management Committee sets ALM strategy every year to manage interest rate risk.

*Sensitivity to changes in interest rates*

Generally, when interest rates rise, the value and duration of assets and liabilities fall, when interest rates fall, value and duration of assets and liabilities increase. When duration of assets is shorter than duration of liabilities, the interest risk is increased if the interest rates fall since increased asset value is smaller than liabilities increase.

*Negative spread risk control*

To control interest expenses from other liabilities and investment incomes from assets, KB Insurance Co., Ltd. publicizes its interest rate considering market interest rate and return on invested insurance assets of KB Insurance Co., Ltd.

**44. Event after the Reporting Period**

After the tender offers, in order to increase its equity interest in KB Capital and KB Insurance to 100% and to convert such entities to wholly owned subsidiaries, the Group conducted comprehensive stock swaps with the remaining ordinary shares of KB Financial Group Inc. with the resolution of the Board of Directors in April 2017. Comprehensive stock swaps was completed in July 2017.