

**KB Financial Group Inc.**

Separate Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

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**Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Stockholders  
KB Financial Group Inc.:

*Opinion*

We have audited the separate financial statements of KB Financial Group Inc. ("the Company"), which comprise the separate statements of financial position as of December 31, 2022 and 2021, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2022 and 2021, and its separate financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2022 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 7, 2023 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

*Basis for Opinion*

We conducted our audits in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

We have determined that there are no key audit matters to communicate in our report.



### *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used in the preparation of the separate financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Young-Min Kwon.

*KPMG Samjory Accounting Corp.*

Seoul, Korea  
March 7, 2023

This report is effective as of March 7, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**KB Financial Group Inc.**  
**Separate Statements of Financial Position**  
**December 31, 2022 and 2021**

(In millions of Korean won)

	<u>Notes</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Assets</b>			
Cash and due from financial institutions	4,5,6,28	₩ 351,056	₩ 608,076
Financial assets at fair value through profit or loss	4,5,7	1,522,314	440,760
Loans measured at amortized cost	4,5,8	522,326	249,128
Investments in subsidiaries	9	26,741,438	26,741,438
Property and equipment	10	3,552	4,444
Intangible assets	11	16,752	16,673
Net defined benefit assets	16	4,288	221
Deferred income tax assets	13	19,904	5,583
Other assets	4,5,14	1,272,197	805,056
<b>Total assets</b>		<u>₩ 30,453,827</u>	<u>₩ 28,871,379</u>
<b>Liabilities</b>			
Debentures	4,5,15	4,956,949	5,552,791
Current income tax liabilities		926,573	570,519
Other liabilities	4,5,17	338,489	235,095
<b>Total liabilities</b>		<u>6,222,011</u>	<u>6,358,405</u>
<b>Equity</b>			
	19		
Share capital		2,090,558	2,090,558
Hybrid securities		4,433,981	2,837,981
Capital surplus		14,754,747	14,754,747
Accumulated other comprehensive loss		(5,847)	(8,330)
Retained earnings		3,794,565	3,974,206
Treasury shares		(836,188)	(1,136,188)
<b>Total equity</b>		<u>24,231,816</u>	<u>22,512,974</u>
<b>Total liabilities and equity</b>		<u>₩ 30,453,827</u>	<u>₩ 28,871,379</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.

**KB Financial Group Inc.**  
**Separate Statements of Comprehensive Income**  
**Years Ended December 31, 2022 and 2021**

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

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
Interest income		₩ 19,402	₩ 9,392
Interest income from financial instruments at amortized cost		16,525	6,548
Interest income from financial instruments at fair value through profit or loss		2,877	2,844
Interest expense		(112,353)	(120,469)
<b>Net interest expense</b>	20	<u>(92,951)</u>	<u>(111,077)</u>
Fee and commission income		3,399	975
Fee and commission expense		(12,085)	(9,132)
<b>Net fee and commission expense</b>	21	<u>(8,686)</u>	<u>(8,157)</u>
<b>Net gains (losses) on financial instruments at fair value through profit or loss</b>	22	<u>(11,794)</u>	<u>20,250</u>
<b>Net other operating income</b>	23	<u>1,871,224</u>	<u>1,620,238</u>
General and administrative expenses	24	<u>(89,149)</u>	<u>(85,417)</u>
<b>Operating income before provision for credit losses</b>		1,668,644	1,435,837
Provision for credit losses		(303)	(417)
<b>Net operating income</b>		1,668,341	1,435,420
Net non-operating income	25	<u>908</u>	<u>1,165</u>
<b>Profit before income tax benefit</b>		1,669,249	1,436,585
Income tax benefit	26	<u>15,263</u>	<u>2,281</u>
<b>Profit for the year</b>		<u>1,684,512</u>	<u>1,438,866</u>
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of net defined benefit liabilities		2,483	(298)
<b>Other comprehensive income(loss) for the year, net of tax</b>		<u>2,483</u>	<u>(298)</u>
<b>Total comprehensive income for the year</b>		<u>₩ 1,686,995</u>	<u>₩ 1,438,568</u>
<b>Earnings per share</b>	27		
Basic earnings per share		₩ 3,999	₩ 3,509
Diluted earnings per share		3,912	3,436

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

**KB Financial Group Inc.**  
**Separate Statements of Changes in Equity**  
**Years Ended December 31, 2022 and 2021**

(In millions of Korean won)

	Share capital	Hybrid securities	Capital surplus	Accumulated other comprehensive income	Retained earnings	Treasury shares	Total equity
<b>Balance as of January 1, 2021</b>	₩ 2,090,558	₩ 1,695,778	₩ 14,754,747	₩ (8,032)	₩ 3,588,757	₩ (1,136,188)	₩ 20,985,620
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	1,438,866	-	1,438,866
Remeasurements of net defined benefit liabilities	-	-	-	(298)	-	-	(298)
<b>Total comprehensive income for the year</b>	-	-	-	(298)	1,438,866	-	1,438,568
<b>Transactions with shareholders</b>							
Annual dividends	-	-	-	-	(689,653)	-	(689,653)
Consideration for exchangeable rights	-	-	-	-	(292,226)	-	(292,226)
Issuance of hybrid securities	-	1,142,203	-	-	-	-	1,142,203
Dividends on hybrid securities	-	-	-	-	(71,538)	-	(71,538)
<b>Total transactions with shareholders</b>	-	1,142,203	-	-	(1,053,417)	-	88,786
<b>Balance as of December 31, 2021</b>	₩ 2,090,558	₩ 2,837,981	₩ 14,754,747	₩ (8,330)	₩ 3,974,206	₩ (1,136,188)	₩ 22,512,974
<b>Balance as of January 1, 2022</b>	₩ 2,090,558	₩ 2,837,981	₩ 14,754,747	₩ (8,330)	₩ 3,974,206	₩ (1,136,188)	₩ 22,512,974
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	1,684,512	-	1,684,512
Remeasurements of net defined benefit liabilities	-	-	-	2,483	-	-	2,483
<b>Total comprehensive income for the year</b>	-	-	-	2,483	1,684,512	-	1,686,995
<b>Transactions with shareholders</b>							
Annual dividends	-	-	-	-	(853,299)	-	(853,299)
Quarterly dividends	-	-	-	-	(584,452)	-	(584,452)
Retirement of shares	-	-	-	-	(300,000)	300,000	-
Issuance of hybrid securities	-	1,596,000	-	-	-	-	1,596,000
Dividends on hybrid securities	-	-	-	-	(126,402)	-	(126,402)
<b>Total transactions with shareholders</b>	-	1,596,000	-	-	(1,864,153)	300,000	31,847
<b>Balance as of December 31, 2022</b>	₩ 2,090,558	₩ 4,433,981	₩ 14,754,747	₩ (5,847)	₩ 3,794,565	₩ (836,188)	₩ 24,231,816

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.



**KB Financial Group Inc.**  
**Separate Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

(In millions of Korean won)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Profit for the year		₩ 1,684,512	₩ 1,438,866
Adjustment for non-cash items			
Depreciation and amortization expense		6,245	6,506
Provision for credit losses		303	417
Share-based payments		5,801	9,230
Net interest expense		3,289	4,379
Valuation losses (gains) on financial assets at fair value through profit or loss		50,002	(355)
Net other income (expense)		2,140	(1,668)
		<u>67,780</u>	<u>18,509</u>
Changes in operating assets and liabilities			
Due from financial institutions		(30,000)	(90,000)
Deferred income tax assets		(15,263)	(2,281)
Other assets		7,011	4,822
Other liabilities		(21,721)	(23,835)
		<u>(59,973)</u>	<u>(111,294)</u>
<b>Net cash inflow from operating activities</b>		<u>1,692,319</u>	<u>1,346,081</u>
<b>Cash flows from investing activities</b>			
Acquisition of financial assets at fair value through profit or loss		(1,330,000)	(3,061,906)
Disposal of financial assets at fair value through profit of loss		200,000	3,096,540
Acquisition of subsidiaries		-	(219,268)
Increase in loans measured at amortized cost		(273,500)	(70,000)
Acquisition of property and equipment		(1,690)	(661)
Disposal of property and equipment		-	194
Acquisition of intangible assets		(1,178)	(3,603)
Disposal of intangible assets		20	3,482
Net increase in guarantee deposits paid		(2,325)	(2,358)
Other investing activities		(827)	(1,165)
<b>Net cash outflow from investing activities</b>		<u>(1,409,500)</u>	<u>(258,745)</u>
<b>Cash flows from financing activities</b>			
Decrease in borrowings		-	(100,000)
Increase in debentures		498,898	389,405
Decrease in debentures		(1,100,000)	(970,000)
Dividends paid to shareholders		(1,437,751)	(981,879)
Redemption of principal of lease liabilities		(584)	(535)
Issuance of hybrid securities		1,596,000	1,142,203
Dividends paid on hybrid securities		(126,402)	(71,538)
<b>Net cash outflow from financing activities</b>		<u>(569,839)</u>	<u>(592,344)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(287,020)	494,992
<b>Cash and cash equivalents at the beginning of the year</b>	28	518,073	23,081
<b>Cash and cash equivalents at the end of the year</b>	28	<u>₩ 231,053</u>	<u>₩ 518,073</u>

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

# **KB Financial Group Inc.**

## **Notes to the Separate Financial Statements**

### **December 31, 2022 and 2021**

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#### **1. The Company**

KB Financial Group Inc. (the “Company”), in accordance with Financial Holding Companies Act, was established on September 29, 2008, through stock transfers with the former shareholders of Kookmin Bank, KB Investment & Securities Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Investment Co., Ltd., KB Futures Co., Ltd., KB Credit Information Co., Ltd., and KB Data Systems Co., Ltd., and the Company’s main business purpose is to control subsidiaries that engage in the financial business or subsidiaries closely related to the financial business through the stock ownership. The headquarter is located at 26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul. The Company’s share capital as of December 31, 2021, is ₩ 2,090,558 million. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Company established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Company acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Company included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015, and KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017. Also, the Company 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 its name to KB Securities Co., Ltd. in January 2017. In August 2020, the Group acquired Prudential Life Insurance Company of Korea Ltd. which was classified as a subsidiary and the name was changed to KB Life Insurance Co., Ltd. in December 2022.

The Company has been listed on the Korea Exchange (“KRX”) since October 10, 2008, and on the New York Stock Exchange (“NYSE”) for its American Depositary Shares (“ADS”) since September 29, 2008. Number of shares authorized on its Articles of Incorporation is 1,000 million.

#### **2. Basis of Preparation**

##### **2.1 Application of Korean IFRS**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”). The accompanying separate financial statements have been translated into English from the Korean language separate financial statements.

The separate financial statements of the Company have been prepared in accordance with Korean IFRS. Korean IFRS are the standards and related interpretations issued by the International Accounting Standards Board (“IASB”) that have been adopted by the Republic of Korea.

The preparation of separate financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in applying the Company’s accounting policies. The areas that require a more complex and higher level of judgment or areas that require significant assumptions and estimations are disclosed in Note 2.4.

The separate financial statements have been prepared in accordance with Korean IFRS No.1027 *Separate Financial Statements*.

## **KB Financial Group Inc.**

### **Notes to the Separate Financial Statements**

#### **December 31, 2022 and 2021**

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2.1.1 The Company has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2022.

*- Amendments to Korean IFRS No.1116 Leases - COVID-19-Related Rent Concessions, etc. beyond June 30, 2021*

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before 30 June 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. These amendments do not have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition as part of a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korean IFRS No.1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS No.2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. These amendments do not have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1016 Property, Plant and Equipment - Proceeds Before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. These amendments do not have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. These amendments do not have a significant impact on the financial statements.

*- Annual improvements to Korean IFRS 2018-2020*

These amendments do not have a significant impact on the financial statements.

- Korean IFRS No.1101 First-time Adoption of Korean International Financial Reporting Standards – Subsidiary as a first-time adopter
- Korean IFRS No.1109 *Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
- Korean IFRS No.1116 *Leases – Lease incentives*
- Korean IFRS No.1041 *Agriculture – Measuring fair value*

**KB Financial Group Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2022 and 2021**

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2.1.2 The following amended standards have been published that are not mandatory for December 31, 2022 reporting period and have not been adopted by the Company.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Issuance of Korean IFRS No.1117 Insurance Contracts*

Korean IFRS No.1117 *Insurance Contracts* will replace Korean IFRS No.1104 *Insurance Contracts*. This standard requires an entity to estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date and recognize insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual reporting period. In addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income. This standard should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS No.1109 *Financial Instruments*. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements – Accounting Policy Disclosure*

The amendments require an entity to define and disclose their material accounting policy information. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

# **KB Financial Group Inc.**

## **Notes to the Separate Financial Statements**

### **December 31, 2022 and 2021**

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2.1.2 The following amended standards have been published that are not mandatory for December 31, 2022 reporting period and have not been adopted by the Company. (cont'd)

*- Amendments to Korean IFRS No.1012 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

*- Amendments to Korean IFRS No.1001 Presentation of Financial Statements - Disclosure of gains or losses on valuation of financial liabilities subject to exercise price adjustment conditions*

The amendments require disclosures about gains or losses on valuation occurred for the reporting period (but are limited to those included in profit or loss) for the conversion options or warrants (or financial liabilities with warrants), if all or part of the financial instrument whose exercise price is adjusted due to the issuers' stock price fluctuations, are classified as financial liabilities according to paragraph 11 of Korean IFRS No.1032 *Financial Instruments: Presentation*. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the consolidated financial statements.

## **2.2 Measurement Basis**

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

## **2.3 Functional and Presentation Currency**

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

## **2.4 Critical Accounting Estimates**

The Company applies accounting policies and uses judgements, accounting estimates, and assumptions that may have a significant impact on the assets (liabilities) and incomes (expenses) in preparing the separate financial statements. Management's estimates of outcomes may differ from actual outcomes if management's estimates and assumptions based on management's best judgment are different from the actual environment.

Estimates and underlying assumptions are continually evaluated, and changes in accounting estimates are recognized in the period in which the estimates are changed and in any future periods affected.

Uncertainties in estimates and assumptions with significant risks that may result in material adjustments to the separate financial statements are as follows:

### **2.4.1 Income taxes**

As the income taxes on the Company's taxable income is calculated by applying the tax laws of various countries and the decisions of tax authorities, there is uncertainty in calculating the final tax effect.

**KB Financial Group Inc.**  
**Notes to the Separate Financial Statements**  
**December 31, 2022 and 2021**

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If a certain portion of the taxable income is not used for investments, wages, etc. in accordance with the Korean regulation called 'Special Taxation for Facilitation of Investment and Mutually-beneficial Cooperation', the Company is liable to pay additional income tax calculated based on the tax laws. Therefore, the effect of recirculation of corporate income should be reflected in current and deferred income tax. As the Company's income tax is dependent on the actual investments, wages, etc. per each year, there are uncertainties in measuring the final tax effects during the period when the tax law is applied.

**2.4.2 Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. Financial instruments, which are not actively traded in the market and those with less transparent market prices, will have less objective fair values and require broad judgment on liquidity, concentration, uncertainty in market factors, assumptions in fair value determination, and other risks.

As described in the significant accounting policies in Note 3.1 Recognition and Measurement of Financial Instruments, diverse valuation techniques are used to determine the fair value of financial instruments, from generally accepted market valuation models to internally developed valuation models that incorporate various types of assumptions and variables.

**2.4.3 Net defined benefit liability**

The present value of the net defined benefit liability is affected by changes in the various factors determined by the actuarial method.

# **KB Financial Group Inc.**

## **Notes to the Separate Financial Statements**

### **December 31, 2022 and 2021**

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

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **3.1 Recognition and Measurement of Financial Instruments**

##### **3.1.1 Initial recognition**

The Company recognizes a financial asset or a financial liability in its statement of financial position when the Company becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned) is recognized and derecognized using trade date accounting.

For financial reporting purpose, the Company classifies (a) financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortized cost and (b) financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. These classifications are based on the business model for managing financial instruments and the contractual cash flow characteristics of the financial instrument at initial recognition.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received) in an arm's length transaction.

##### **3.1.2 Subsequent measurement**

After initial recognition, financial instruments are measured at amortized cost or fair value based on classification at initial recognition.

###### **3.1.2.1 Amortized cost**

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

###### **3.1.2.2 Fair value**

The Company uses quoted price in an active market which is based on listed market price or dealer price quotations of financial instruments traded in an active market as best estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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#### 3.1.2.2 Fair value (cont'd)

If there is no active market for a financial instrument, fair value is determined either by using a valuation technique or independent third-party valuation service. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, referencing the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.

The Company uses valuation models that are commonly used by market participants and customized for the Company to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps, and currency swaps which are based on the inputs observable in markets. However, for some complex financial instruments that require fair value measurement by valuation techniques based on certain assumptions because some or all inputs used in the model are not observable in the market, the Company uses internal valuation models developed from general valuation models or valuation results from independent external valuation institutions.

In addition, the fair value information recognized in the statement of financial position is classified into the following fair value hierarchy, reflecting the significance of the input variables used in the fair value measurement.

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : Unobservable inputs for the asset or liability

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. 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 using unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in pricing the asset or liability, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, liquidity risk, and others.

The Company uses valuation technique which maximizes the use of market inputs and minimizes the use of entity-specific inputs. It incorporates all factors that market participants would consider in pricing the asset or liability and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests its validity using prices of observable current market transactions of the same instrument or based on other relevant observable market data.



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#### 3.1.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The derecognition criteria for financial assets and financial liabilities are as follows:

##### 3.1.3.1 Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all the risks and rewards of ownership of the financial asset, or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Company has not retained control. Therefore, if the Company does not transfer substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Company transfers the contractual rights to receive the cash flows of the financial asset but retains substantially all the risks and rewards of ownership of the financial asset, the Company continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Company writes off a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In general, the Company considers write-off when it is determined that the debtor does not have sufficient funds or income to cover the principal and interest. The write-off decision is made in accordance with internal regulations. After the write-off, the Company can collect the written-off loans continuously according to the internal policy. Recovered amounts from financial assets previously written-off are recognized in profit or loss.

##### 3.1.3.2 Derecognition of financial liabilities

A financial liability is derecognized from the statement of financial position when it is extinguished (i.e., the obligation specified in the contract is discharged, canceled or expires).

##### 3.1.4 Offsetting

A financial asset and a financial liability are offset, and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default, and the event of insolvency or bankruptcy of the Company and all of the counterparties.

## **3.2 Cash and Due from Financial Institutions**

Cash and due from financial institutions include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and due from financial institutions. Cash and due from financial institutions are measured at amortized cost.

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**3.3 Non-derivative Financial Assets**

3.3.1 Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss unless they are classified as financial assets at amortized cost or at fair value through other comprehensive income.

The Company may designate certain financial assets upon initial recognition as at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in fair value are recognized in profit or loss. Interest income using the effective interest method and dividend income from financial assets at fair value through profit or loss are also recognized in profit or loss.

3.3.2 Financial assets at fair value through other comprehensive income

The Company classifies below financial assets as financial assets at fair value through other comprehensive income:

- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding and;
- Equity instruments that are not held for short-term trading but held for strategic investment, and designated as financial assets at fair value through other comprehensive income

After initial recognition, a financial asset at fair value through other comprehensive income is measured at fair value. Gains or losses arising from a change in fair value, other than dividend income, interest income calculated using the effective interest method and exchange differences arising on monetary items which are recognized directly in profit or loss, are recognized in other comprehensive income in equity.

When the financial assets at fair value through other comprehensive income is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, cumulative gain or loss of equity instruments designated at fair value through other comprehensive income is reclassified to retained earnings not to profit or loss at disposal.

A financial asset at fair value through other comprehensive income denominated in foreign currency is translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized in equity.

3.3.3 Financial assets at amortized cost

A financial asset, which is held within the business model whose objective is achieved by collecting contractual cash flows, and where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, is classified as a financial asset at amortized cost. After initial recognition, a financial asset at amortized cost is measured at amortized cost using the effective interest method and interest income is calculated using the effective interest method.

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**3.4 Expected Credit Losses of Financial Assets (Debt Instruments)**

The Company recognizes loss allowances for expected credit losses at the end of the reporting period for financial assets at amortized cost and fair value through other comprehensive income except for financial assets at fair value through profit or loss.

Expected credit losses are estimated at present value of probability-weighted amount that is determined by evaluating a range of possible outcomes. The Company measures expected credit losses by reflecting all reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The approaches of measuring expected credit losses in accordance with Korean IFRS are as follows:

- General approach: for financial assets and unused loan commitments not subject to the below 2 approaches
- Simplified approach: for trade receivables, contract assets, and lease receivables
- Credit-impaired approach: for financial assets that are credit-impaired at the time of acquisition

Application of general approach is differentiated depending on whether credit risk has increased significantly after initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures loss allowances for that financial instrument at an amount equal to 12-month expected credit losses, whereas if the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures loss allowances for a financial instrument at an amount equal to the lifetime expected credit losses. Lifetime is the period until the contractual maturity date of financial instruments and means the expected life.

The Company assesses whether the credit risk has increased significantly using the following criteria, and if one or more of the following criteria are met, it is deemed as significant increase in credit risk. If the contractual cash flows of a financial asset have been renegotiated or modified, the Company assesses whether the credit risk has increased significantly using the same following criteria.

- More than 30 days past due
- Decline in credit rating at the end of the reporting period by certain notches or more compared to the time of initial recognition
- Debt restructuring (except for impaired financial assets) and
- Credit delinquency information of Korea Federation of Banks, etc.

Under simplified approach, the Company always measures loss allowances at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Company only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as loss allowances at the end of the reporting period. In assessing credit impairment, the Company uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Company generally considers the loan to be credit-impaired if one or more of the following criteria are met:

- 90 days or more past due
- Legal proceedings related to collection
- A borrower registered on the credit management list of Korea Federation of Banks
- A corporate borrower with the credit rating C and D
- Debt restructuring, etc.

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3.4.1 Forward-looking information

The Company uses forward-looking information, when determining whether credit risk has increased significantly and measuring expected credit losses.

The Company assumes that the risk components have a constant correlation with the economic cycle and uses statistical methodologies to estimate the relation between key macroeconomic variables and risk components for the expected credit losses.

The correlation between the major macroeconomic variables and the credit risk are as follows:

<b>Key macroeconomic variables</b>	<b>Correlation between the major macroeconomic variables and the credit risk</b>
Domestic GDP growth rate	(-)
Composite stock index	(-)
Rate of change of construction investment	(-)
Rate of change of housing transaction price index	(-)
Interest rate spread	(+)
Private consumption growth rate	(-)

Forward-looking information used in calculation of expected credit losses is based on the macroeconomic forecasts utilized by management of the Company for its business plan considering reliable external agency's forecasts and others. The forward-looking information is generated by KB Research with a comprehensive approach to capture the possibility of various economic forecast scenarios that are derived from the internal and external viewpoints of the macroeconomic situation. The Company determines the macroeconomic variables to be used in forecasting future conditions of the economy, considering the direction of the forecast scenario and the significant relationship between macroeconomic variables and time series data. And there are some changes compared to the macroeconomic variables used in the previous year.

3.4.2 Measuring expected credit losses on financial assets at amortized cost

The expected credit losses of financial assets at amortized cost are measured as present value of the difference between the contractual cash flows to be received and the cash flows expected to be received. The Company estimates expected future cash flows for financial assets that are individually significant. The Company selects the individually significant financial assets by comprehensively considering quantitative and qualitative factors (such as debt restructuring or negative net assets, etc.) among financial assets with the credit risk has increased significantly or credit-impaired (individual assessment of impairment).

For financial assets that are not individually significant, the Company collectively estimates expected credit losses by grouping loans with a homogeneous credit risk profile (collective assessment of impairment).

3.4.2.1 Individual assessment of impairment

Individual assessment of impairment losses is performed using management's best estimate on the present value of expected future cash flows. The Company uses all the available information including financial condition of the borrower such as operating cash flow and net realizable value of any collateral held.

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#### 3.4.2.2 Collective assessment of impairment

Collective assessment of impairment losses is performed by using a methodology based on historical loss experience and reflecting forward-looking information. Such a process incorporates factors such as type of collateral, type of product, type of borrower, credit rating, size of portfolio, and recovery period and applies Probability of Default (“PD”) on a group of assets and Loss Given Default (“LGD”) by type of recovery method. Also, the Company applies certain assumptions to model expected credit losses assessment and to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce the gap between loss estimate and actual loss experience.

The lifetime expected credit losses are measured by applying the PD to the carrying amount calculated by deducting the expected principal repayment amount from the carrying amount as of the reporting date and the LGD adjusted to reflect changes in the carrying amount.

#### 3.4.3 Measuring expected credit losses on financial assets at fair value through other comprehensive income

The Company measures expected credit losses on financial assets at fair value through other comprehensive income in a manner that is consistent with the requirements that are applicable to financial assets at amortized cost. However, loss allowances are recognized in other comprehensive income. Upon disposal or repayment of financial assets at fair value through other comprehensive income, the amount of loss allowances is reclassified from other comprehensive income to profit or loss.

### 3.5 Revenue Recognition

The Company recognizes revenues in accordance with the following steps determined in accordance with Korean IFRS No.1115 *Revenue from Contracts with Customers*.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

#### 3.5.1 Interest income and expense

Interest income and expense on debt securities at fair value through profit or loss (excluding beneficiary certificates, equity investments, and other debt securities), loans, financial instruments at amortized cost, and debt securities at fair value through other comprehensive income are recognized in the statement of comprehensive income using the effective interest method in accordance with Korean IFRS No.1109 *Financial Instruments*. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Company estimates expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and points paid (main components of effective interest rate only) or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to reliably estimate the cash flows and the expected life of a financial instrument, the Company uses the contractual cash flows over the full contractual term of the financial instrument.

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3.5.1 Interest income and expense (cont'd)

Interest income on impaired financial assets is recognized using the interest rate used to discount the expected cash flows for the purpose of measuring the impairment loss.

Interest income on debt securities at fair value through profit or loss is also classified as interest income in the statement of comprehensive income.

3.5.2 Fee and commission income

The Company recognizes financial service fees in accordance with the purpose of charging the fees and the accounting standards of the financial instrument related to the fees earned.

3.5.2.1 Fees that are an integral part of the effective interest of a financial instrument

Such fees are generally treated as adjustments of effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents, and closing the transaction and origination fees received on issuing financial liabilities at amortized cost. However, fees relating to the creation or acquisition of a financial instrument at fair value through profit or loss are recognized as revenue immediately.

3.5.2.2 Fees related to performance obligations satisfied over time

If the control of a good or service is transferred over time, the Company recognizes revenue related to performance obligations over the period of performance obligations. Fees charged in return for the services for a certain period of time, such as asset management fees, consignment business fees, etc. are recognized over the period of performance obligations.

3.5.2.3 Fees related to performance obligations satisfied at a point in time

Fees earned at a point in time are recognized as revenue when a customer obtains controls of a promised good or service and the Company satisfies a performance obligation.

3.5.3 Net gains/losses on financial instruments at fair value through profit or loss

Net gains or losses on financial instruments at fair value through profit or loss (including changes in fair value, dividends, and gains or losses from foreign currency translation) include gains or losses on financial instruments as follows:

- Gains or losses relating to financial instruments at fair value through profit or loss (excluding interest income using the effective interest rate method)
- Gains or losses relating to derivative financial instruments for trading (including derivative financial instruments for hedging purpose but do not qualify for hedge accounting)

3.5.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as net gains or losses on financial instruments at fair value through profit or loss or other operating income depending on the classification of equity securities.

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#### 3.6 Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are accounted at cost method in accordance with Korean IFRS No.1027. The Company determines at each reporting period whether there is any objective evidence that the investments in the subsidiaries and associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries or associates and its carrying value.

#### 3.7 Property and Equipment

##### 3.7.1 Recognition and measurement

Property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of property and equipment has a useful life different from that of the entire asset, it is recognized as a separate asset.

##### 3.7.2 Depreciation

Land is not depreciated, whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. The depreciable amount of an asset is determined after deducting its residual value.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method and estimated useful life of property and equipment are as follows:

<b>Property and equipment</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Leasehold improvements	Declining-balance	4 years
Equipment and vehicles	Declining-balance	4 years

The residual value, the useful life, and the depreciation method applied to an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

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### **3.8 Intangible Assets**

Intangible assets are measured initially at cost and subsequently carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets, except for membership rights, are amortized using the straight-line method with no residual value over their estimated useful life since the assets are available for use.

<b>Intangible assets</b>	<b>Amortization method</b>	<b>Estimated useful life</b>
Software	Straight-line	4 years
Others	Straight-line	4 ~ 19 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Where an intangible asset is not being amortized because its useful life is indefinite, the Company carries out a review in each accounting period to confirm whether events and circumstances still support an indefinite useful life assessment. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

### **3.9 Impairment of Non-financial Assets**

The Company assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (a) deferred income tax assets, (b) assets arising from employee benefits and (c) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit that are discounted by a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

### **3.10 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Inevitable risks and uncertainties surrounding related events and circumstances are considered in measuring the best estimate of the provisions, and where the effect of the time value of money is material, the amount of provisions is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.



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**3.11 Equity Instrument Issued by the Company**

An equity instrument is any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

3.11.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or the exercise of stock option are deducted from the equity, net of any tax effects.

3.11.2 Hybrid securities

The financial instruments can be classified as either financial liabilities or equity in accordance with the terms of the contract. The Company classifies hybrid securities as an equity if the Company has the unconditional right to avoid any contractual obligation to deliver cash or another financial asset in relation to the financial instruments.

**3.12 Employee Compensation and Benefits**

3.12.1 Post-employment benefits

3.12.1.1 Defined contribution plans

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as post-employment benefits for the period.

3.12.1.2 Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a net defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses resulted from changes in actuarial assumptions and experience adjustments are recognized in other comprehensive income.

When the present value of the defined benefit obligation minus the fair value of plan assets results in an asset, it is recognized to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from the introduction or changes to a defined benefit plan. Such past service cost is immediately recognized as an expense for the period.

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3.12.2 Short-term employee benefits

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense for the period.

The expected cost of profit-sharing and bonus payments is recognized as liabilities when the Company has a present legal or constructive obligation to make payments as a result of past events, such as service rendered by employees, and a reliable estimate of the obligation can be made.

3.12.3 Share-based payment

The Company provides stock grants program to executives and employees of the Company and its subsidiaries. When stock grants are exercised, the Company can either select to distribute newly issued shares or treasury shares or compensate in cash based on the share price.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice of whether to settle in cash or by issuing equity instruments, the Company accounts for the transaction in accordance with the requirements applying to cash-settled share-based payment transactions because the Company determines that it has a present obligation to settle in cash based on a past practice and a stated policy of settling in cash.

Therefore, the Company measures the liability incurred as consideration for the service received at fair value and recognizes related expense and accrued expense over the vesting periods. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss as share-based payments.

3.12.4 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes a liability and expense for termination benefits at the earlier of the following dates; when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that is within the scope of Korean IFRS No.1037 and involves the payment of termination benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, then the termination benefits are discounted to present value.

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#### **3.13 Income Tax Expense**

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense and included in profit or loss for the period, except to the extent that the tax arises from (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and (b) a business combination.

##### **3.13.1 Current income tax**

Current income tax is the amount of income tax payable (recoverable) in respect of the taxable profit (tax loss) for a period. A difference between the taxable profit and accounting profit may arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Differences may also arise if there is revenue that is exempt from taxation, or expense that is not deductible in determining taxable profit (loss). Current income tax liabilities for the current and prior periods are measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company offsets current income tax assets and current income tax liabilities if, and only if, the Company (a) has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

##### **3.13.2 Deferred income tax**

Deferred income tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred income tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred income tax assets and deferred income tax liabilities if, and only if the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

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#### 3.13.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Company which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, such as a claim for rectification, a claim for a refund related to additional tax or a tax investigation by the tax authorities. The Company recognizes its uncertain tax positions in the financial statements in accordance with Korean IFRS No.1012 and Interpretation of Korean IFRS No.2123. The income tax asset is recognized if a tax refund is probable for taxes levied by the tax authority, and the amount to be paid as a result of the tax investigation and others is recognized as the current tax payable. However, penalty tax and additional refund on tax are regarded as penalty or interest and are accounted for in accordance with Korean IFRS No.1037.

#### 3.14 Earnings per Share

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss for the period and presents them in the statement of comprehensive income. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary equity holders of the Parent Company and weighted average number of shares outstanding, taking into account all potential dilution effects, such as exchangeable bonds and share-based payments given to employees.

#### 3.15 Lease

The Company as a lessor recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

A lessee is required to recognize a right-of-use asset (lease assets) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured at the present value.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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**3.15 Lease (cont'd)**

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the lessee, and
- An estimate of restoration costs

However, the Company can elect not to apply the requirements of Korean IFRS No.1116 to short-term lease (lease that, at the commencement date, has a lease term of 12 months or less) and leases for which the underlying asset is of low value (for example, underlying leased asset under \$ 5,000).

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For sale and leaseback transactions, the Company applies the requirements of Korean IFRS No.1115 *Revenue from Contracts with Customers*, to determine whether the transfer of an asset is accounted for as a sale of that asset.

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#### **4. Financial Risk Management**

##### 4.1 Summary

##### 4.1.1 Overview of financial risk management policy

The financial risks that the Company is exposed to are credit risk, market risk, liquidity risk, operational risk and others.

This note regarding financial risk management provides information about the risks that the Company is exposed to and about its objectives, policies, risk assessment and management procedures, and capital management. Additional quantitative information is disclosed throughout the separate financial statements.

The Company's risk management system focuses on efficiently supporting long-term strategy and management decisions of the Company by increasing risk transparency, preventing risk transfer between subsidiaries and preemptive response to rapidly changing financial environments. Credit risk, market risk, liquidity risk, operational risk, interest rate risk, insurance risk, credit concentration risk, strategy risk, and reputation risk are recognized as significant risks.

##### 4.1.2 Risk management organization

##### 4.1.2.1 Risk Management Committee

The Risk Management Committee, as the ultimate decision-making body, deals with risk-related issues, such as establishing risk management strategies in accordance with the strategic direction determined by the board of directors, determining the affordable level of risk appetite, reviewing the level of risk and the status of risk management activities, approving the application of risk management systems, methodologies, and major improvements, and establishing and approving risk management policies and procedures to timely recognize, measure, monitor, and control risks arising from various transactions by the Company and subsidiaries (the "Group").

##### 4.1.2.2 Risk Management Council

The Risk Management Council is responsible for consulting on matters delegated by the Risk Management Committee and requests for review by the Group Management Executive Committee, consulting on details of each subsidiary's risk management policies and procedures, monitoring the Group's risk management status, and establishing and implementing necessary measures.

##### 4.1.2.3 Risk Management Department

The Risk Management Department performs the Company's risk management detailed policies, procedures, and business processes, and is responsible for calculating the Group's risk-weighted assets, monitoring and managing internal capital limits.

#### 4.2 Credit Risk

##### 4.2.1 Overview of credit risk

Credit risk is the risk of loss from the portfolio of assets held due to the counterparty's default, breach of contract, and deterioration of credit quality. For risk management purposes, the Company considers default risk of individual borrowers.

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4.2.2 Credit risk management

The Company measures the expected losses of assets subject to credit risk management and uses them as a management indicator.

4.2.3 Maximum exposure to credit risk

The Company's maximum exposures to credit risk without consideration of collateral values in relation to financial instruments other than equity securities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
Due from financial institutions	₩	351,056	₩	608,076
Loans measured at amortized cost *		522,326		249,128
Loans measured at fair value through profit or loss		343,525		51,154
Other financial assets *		44,841		36,078
	₩	<u>1,261,748</u>	₩	<u>944,436</u>

\* After netting of allowance

4.2.4 Credit risk of loans

The Company maintains allowances for loan losses associated with credit risk of loans to manage its credit risk.

The Company assesses expected credit losses and recognizes loss allowances of financial assets at amortized cost and financial asset at fair value through other comprehensive income. Financial assets at fair value through profit or loss are excluded. Expected credit losses are a probability-weighted estimate of possible credit losses occurring in a certain range by reflecting reasonable and supportable information that is reasonably available at the end of the reporting period without undue cost or effort, including information about past events, current conditions, and forecasts of future economic conditions. The Company measures the expected credit losses on loans classified as financial assets at amortized cost, by deducting allowances for credit losses. The expected credit losses of loans classified as financial assets at fair value through other comprehensive income are presented in other comprehensive income in the financial statements.

Credit qualities of loans measured at amortized cost as of December 31, 2022 and 2021, are classified as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>				
	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses</b>		<b>Not applying expected credit losses</b>	<b>Total</b>
		<b>Non-impaired</b>	<b>Impaired</b>		
<b>Loans measured at amortized cost *</b>					
<b>Corporate</b>					
Grade 1	₩ 523,500	₩ -	₩ -	₩ -	₩ 523,500
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	<u>₩ 523,500</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 523,500</u>

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4.2.4 Credit risk of loans (cont'd)

(In millions of Korean won)

	December 31, 2021				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non-impaired	Impaired		
<b>Loans measured at amortized cost *</b>					
<b>Corporate</b>					
Grade 1	₩ 250,000	₩ -	₩ -	₩ -	₩ 250,000
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 250,000	₩ -	₩ -	₩ -	₩ 250,000

\* Before netting of allowance

Credit qualities of loans graded according to the probability of default as December 31, 2022 and 2021, are as follows:

	Range of probability of default (%)
Grade 1	0.0 ~ 1.0
Grade 2	1.0 ~ 5.0
Grade 3	5.0 ~ 15.0
Grade 4	15.0 ~ 30.0
Grade 5	30.0 ~

4.2.5 Credit risk of due from financial institutions

Credit qualities of due from financial institutions as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022				
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total
		Non- impaired	Impaired		
<b>Due from financial institutions measured at amortized cost</b>					
Grade 1	₩ 351,056	₩ -	₩ -	₩ -	₩ 351,056
Grade 2	-	-	-	-	-
Grade 3	-	-	-	-	-
Grade 4	-	-	-	-	-
Grade 5	-	-	-	-	-
	₩ 351,056	₩ -	₩ -	₩ -	₩ 351,056



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4.2.5 Credit risk of due from financial institutions (cont'd)

(In millions of Korean won)

	December 31, 2021									
	12-month expected credit losses	Lifetime expected credit losses		Not applying expected credit losses	Total					
		Non-impaired	Impaired							
<b>Due from financial institutions measured at amortized cost</b>										
Grade 1	₩	608,076	₩	-	₩	-	₩	-	₩	608,076
Grade 2		-		-		-		-		-
Grade 3		-		-		-		-		-
Grade 4		-		-		-		-		-
Grade 5		-		-		-		-		-
	₩	608,076	₩	-	₩	-	₩	-	₩	608,076

4.2.6 Credit risk concentration analysis

4.2.6.1 Classifications of loans by country as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022					
	Corporate loans *	%	Allowances	Carrying amount		
Korea	₩	867,025	100.00	₩ (1,174)	₩	865,851

(In millions of Korean won)

	December 31, 2021					
	Corporate loans *	%	Allowances	Carrying amount		
Korea	₩	301,154	100.00	₩ (872)	₩	300,282

\* Amount includes loans measured at fair value through profit or loss and amortized cost.

4.2.6.2 Classifications of corporate loans by industry as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022					
	Corporate loans *	%	Allowances	Carrying amount		
Financial institutions	₩	867,025	100.00	₩ (1,174)	₩	865,851

(In millions of Korean won)

	December 31, 2021					
	Corporate loans *	%	Allowances	Carrying amount		
Financial institutions	₩	301,154	100.00	₩ (872)	₩	300,282

\* Amount includes loans measured at fair value through profit or loss and amortized cost.

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4.2.6.3 Classifications of due from financial institutions by industry as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions measured at amortized cost</b>				
Financial institutions	₩ 351,056	100.00	₩ -	₩ 351,056

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions measured at amortized cost</b>				
Financial institutions	₩ 608,076	100.00	₩ -	₩ 608,076

4.2.6.4 Classifications of due from financial institutions by country as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions measured at amortized cost</b>				
Korea	₩ 351,056	100.00	₩ -	₩ 351,056

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions measured at amortized cost</b>				
Korea	₩ 608,076	100.00	₩ -	₩ 608,076

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4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Company becomes insolvent due to the mismatch between the inflow and outflow of funds, unexpected cash outflows, or a risk of loss due to financing funds at a high interest rate or disposing of securities at an unfavorable price due to lack of available funds. The Company manages its liquidity risk through analysis of the contractual maturity of all financial assets and liabilities and discloses in six categories such as on demand, less than one month, between one month to three months, between three months to one year, between one year to five years, and over five years.

4.3.2. Liquidity risk management

The liquidity risk is managed by risk management policies and liquidity risk management guidelines set forth in these policies that apply to all risk management policies and procedures that may arise throughout the overall business of the Company.

4.3.3. Analysis of remaining contractual maturity of financial liabilities

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts including principal and future interest payments; as such, amounts in the table below do not match with those in the statements of financial position which are based on discounted cash flows. The future interest payments for floating-rate liabilities are calculated on the assumption that the current interest rate is the same until maturity.

Remaining contractual maturity of financial liabilities as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	December 31, 2022						
	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Debentures	₩ -	₩ 275,723	₩ 160,712	₩ 756,380	₩ 2,863,695	₩ 1,330,748	₩ 5,387,258
Lease liabilities	-	49	88	381	330	-	848
Other financial liabilities	-	1,620	-	-	-	-	1,620
	₩ -	₩ 277,392	₩ 160,800	₩ 756,761	₩ 2,864,025	₩ 1,330,748	₩ 5,389,726

*(In millions of Korean won)*

	December 31, 2021						
	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial liabilities</b>							
Debentures	₩ -	₩ 5,723	₩ 281,461	₩ 910,178	₩ 3,398,017	₩ 1,403,061	₩ 5,998,440
Lease liabilities	-	40	63	263	333	-	699
Other financial liabilities	-	1,491	-	-	-	-	1,491
	₩ -	₩ 7,254	₩ 281,524	₩ 910,441	₩ 3,398,350	₩ 1,403,061	₩ 6,000,630

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#### 4.4 Market Risk

##### 4.4.1 Concept

Market risk refers to risks that can result in losses due to changes in market factors such as interest rate, stock price, and foreign exchange rate, etc. The Company manages the market risks by dividing them into those arising from the trading position and those arising from the non-trading position.

##### 4.4.2 Trading position

In accordance with Financial Holding Companies Act, the Company's main business is to control financial companies or companies closely related to the financial service. And the Company cannot perform any other business other than managing activities as a holding company, therefore there is no risk of trading position.

##### 4.4.3 Non-trading position

Non-trading position refers to the part except trading position, and the main risk the Company is managing is interest rate risk.

###### 4.4.3.1 Interest rate risk

###### (a) Definition of interest rate risk

Interest rate risk refers to the risk of changes in the value (fair value) of the items in the statement of financial position due to changes in interest rate and the risk of changes in cash flows related to interest income and interest expense arising from investment and financing activities.

###### (b) Observation method and management indicator on interest rate risk

The main objective of interest rate risk management is to protect the value changes from interest rate fluctuations. In addition to the Interest Rate Risk in the Banking Book ("IRRBB") standard methodology required for disclosure, the Company applies the IRRBB methodology to measure and manage interest rate risk in a historical-simulation VaR method including interest rate volatility during the past financial crisis (FY2008-FY2009).

###### (c) Changes in Economic Value of Equity (" $\Delta$ EVE") and Changes in Net Interest Income (" $\Delta$ NII")

$\Delta$ EVE means changes in equity and earnings due to the changes in value of interest-sensitive assets and liabilities, etc. when interest rate changes, and  $\Delta$ NII means changes in net interest income. The Company calculates  $\Delta$ EVE by applying following six interest rate shock and stress scenarios, and  $\Delta$ NII by applying parallel shock up and parallel shock down scenarios. The interest rate risk for the interest rate shock and stress scenario is calculated only when the risk for each scenario is a loss.

- Scenario 1 : Parallel shock up
- Scenario 2 : Parallel shock down
- Scenario 3 : Steepener shock (short rates down and long rates up)
- Scenario 4 : Flattener shock (short rates up and long rates down)
- Scenario 5 : Short rates shock up
- Scenario 6 : Short rates shock down

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4.4.3.1 Interest rate risk (cont'd)

$\Delta$ EVE is maximum out of six interest rate shock and stress scenarios, and  $\Delta$ NII is maximum of parallel shock up and parallel shock down scenarios. Results as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022		December 31, 2021	
$\Delta$ EVE	₩	819,850	₩	733,729
$\Delta$ NII		9,484		1,530

4.5 Capital Management

The Company as a financial holding company under the Financial Holding Companies Act, complies with the consolidated capital adequacy standard established by the financial supervisory authority. This capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements (“BIS”) in June 2011 and was implemented in Korea in December 2013. According to this standard, the Group is required to maintain a minimum capital adequacy ratio to risk-weighted assets (Common Equity Tier 1 Capital ratio of 8.0%, Tier 1 Capital ratio of 9.5%, and Total Capital ratio of 11.5%) as of December 31, 2022.

The Group's capital is classified into three categories in accordance with the Detailed Regulations on Supervision of Financial Holding Companies as follows:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital is the first to take losses of the Group and is the last to be compensated in liquidation of the Group and not repaid except for liquidation. It includes capital, capital surplus, retained earnings, non-controlling interests of the consolidated subsidiaries, accumulated other comprehensive income, and other capital surplus, etc.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes capital, capital surplus, etc. related to the issuance of capital securities of a permanent nature that meets the conditional capital securities requirements.
- Tier 2 Capital: Tier 2 Capital means capital that can compensate for losses of the Group upon liquidation, including (a) the amount of subordinated bonds with maturity of not less than 5 years that meet the conditional capital securities requirements, and (b) the allowances for credit losses accumulated on the loans which are classified as normal or precautionary in accordance with Regulations on Supervision of Financial Holding Companies, and others.

The risk-weighted assets are the magnitude of the amount of risk inherent in the total asset held by the Group. The Group calculates risk-weighted assets by each risk (credit risk, market risk, and operational risk) based on the Detailed Regulations on Supervision of Financial Holding Companies and uses them to calculate capital adequacy ratio.

The Group evaluates and manages capital adequacy through separate internal policies. The evaluation of capital adequacy compares the size of available capital (the amount of capital actually available) to the size of internal capital (the amount of capital required to cover all the significant risks faced by the Group under its target credit rating), which monitors financial soundness and provides a risk-adjusted performance measurement basis.

Internal capital refers to the capital required to prevent the Group's insolvency from future unexpected losses. The Group operates a system to measure, allocate and manage internal capital to major subsidiaries by risk type.

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4.5 Capital Management (cont'd)

The Risk Management Committee of the Company determines the risk appetite of the Group, allocates internal capital by risk type and major subsidiaries, and major subsidiaries operate capital efficiently within the range of the allocated internal capital. The Risk Management Department of the Group monitors internal capital limit management and reports it to management and the Risk Management Committee. If the limit of internal capital is expected to be exceeded due to new businesses or business expansion, the Group's capital adequacy management is carried out through review and approval by the Risk Management Committee in advance.

Details of the Company's capital adequacy ratio in accordance with Basel III requirements as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>December 31,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
Total Capital:	₩	48,969,952	₩	45,882,765
Tier 1 Capital		45,032,020		42,305,442
Common Equity Tier 1 Capital		40,103,660		39,144,259
Additional Tier 1 Capital		4,928,360		3,161,183
Tier 2 Capital		3,937,932		3,577,323
Risk-Weighted Assets:		302,967,993		290,913,570
Total Capital ratio (%):		16.16		15.77
Tier 1 Capital ratio (%)		14.86		14.54
Common Equity Tier 1 Capital ratio (%)		13.24		13.46

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**5. Financial Assets and Financial Liabilities**

5.1 Classification and Fair Value of Financial Instruments

5.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Hybrid securities	₩ 874,171	₩ 874,171
Beneficiary certificates	304,618	304,618
Loans	343,525	343,525
<b>Financial assets at amortized cost</b>		
Due from financial institutions	351,056	351,056
Loans	522,326	522,326
Other financial assets	44,841	44,841
	<b>₩ 2,440,537</b>	<b>₩ 2,440,537</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Debentures	₩ 4,956,949	₩ 4,576,973
Other financial liabilities	13,331	13,331
	<b>₩ 4,970,280</b>	<b>₩ 4,590,304</b>

(In millions of Korean won)

	<b>December 31, 2021</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
Hybrid securities	₩ 389,606	₩ 389,606
Loans	51,154	51,154
<b>Financial assets at amortized cost</b>		
Due from financial institutions	608,076	608,076
Loans	249,128	249,128
Other financial assets	36,078	36,078
	<b>₩ 1,334,042</b>	<b>₩ 1,334,042</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Debentures	₩ 5,552,791	₩ 5,509,648
Other financial liabilities	13,913	13,913
	<b>₩ 5,566,704</b>	<b>₩ 5,523,561</b>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company discloses the fair value of each class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

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5.1.1 Carrying amount and fair value of financial assets and liabilities by category as of December 31, 2022 and 2021, are as follows: (cont'd)

Methods of determining fair value of financial instruments are as follows:

<b>Cash and due from financial institutions</b>	Fair value of cash is same as carrying amount. Carrying amount of demand deposit and settlement deposit is a reasonable approximation of fair value because these financial instruments do not have a fixed maturity and are receivable on demand. Fair value of general deposit is measured using Discounted Cash Flow ("DCF") Model.
<b>Securities</b>	Fair value of financial instruments that are quoted in an active market is determined using the quoted prices. If there is no quoted price, fair value is determined using external professional valuation institutions. The institutions use one or more valuation techniques that are deemed appropriate considering the characteristics of the financial instruments among DCF Model, Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
<b>Derivatives</b>	Fair value of exchange traded derivatives is determined using quoted price in an active market, and fair value of OTC derivatives is determined using valuation techniques. The Company uses internally developed valuation models that are widely used by market participants to determine fair value 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 ("FDM"), and the MonteCarlo Simulation or valuation results from independent external professional valuation institution.
<b>Loans measured at amortized cost</b>	Fair value of loans is determined using DCF model discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Borrowings</b>	DCF model is used to determine the fair value of borrowings, but in the case of short-term maturity, carrying amount is a reasonable approximation of fair value.
<b>Debentures</b>	Fair value is determined by using valuation results of external professional valuation institutions, which are calculated using market inputs.
<b>Other financial assets and other financial liabilities</b>	Carrying amount is a reasonable approximation of fair value because other financial assets and other financial liabilities are temporary accounts used for other various transactions and their maturities are relatively short or not defined.



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5.1.2 Fair value hierarchy

The Company believes that valuation techniques used for measuring the fair value of financial instruments are reasonable and that the fair value recognized in the statements of financial position is appropriate. However, the fair value of the financial instruments recognized in the statements of financial position may be different if other valuation techniques or assumptions are used. Additionally, as there are a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Company classifies and discloses fair value of the financial instruments into the three fair value levels 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 fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorized within Level 3 of the fair value hierarchy.

5.1.2.1 Fair value hierarchy of financial assets and liabilities at fair value in the statements of financial position

Fair value hierarchy of financial assets at fair value in the statements of financial position as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</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 at fair value through profit or loss:				
Hybrid securities	₩ -	₩ -	₩ 874,171	₩ 874,171
Beneficiary certificates	-	304,618	-	304,618
Loans	-	343,525	-	343,525
	<u>₩ -</u>	<u>₩ 648,143</u>	<u>₩ 874,171</u>	<u>₩ 1,522,314</u>

(In millions of Korean won)

	<b>December 31, 2021</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 at fair value through profit or loss:				
Hybrid securities	₩ -	₩ -	₩ 389,606	₩ 389,606
Loans	-	51,154	-	51,154
	<u>₩ -</u>	<u>₩ 51,154</u>	<u>₩ 389,606</u>	<u>₩ 440,760</u>

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5.1.2.1 Fair value hierarchy of financial assets and liabilities at fair value in the statements of financial position (cont'd)

Valuation techniques and inputs of financial assets and liabilities classified as Level 2 and measured at fair value in the statements of financial position as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	December 31, 2022		
	Fair value	Valuation techniques	Inputs
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:			
Beneficiary certificates	₩ 304,618	DCF model	Interest rate, Discount rate, etc.
Loans	343,525	DCF model	Interest rate, Discount rate, etc.
	<u>₩ 648,163</u>		

<i>(In millions of Korean won)</i>	December 31, 2021		
	Fair value	Valuation techniques	Inputs
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:			
Loans	₩ 51,154	DCF model	Interest rate, Discount rate, etc.

5.1.2.2 Fair value hierarchy of financial assets and liabilities whose fair value is disclosed

Fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	December 31, 2022			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	₩ -	₩ 351,056	₩ -	₩ 351,056
Loans measured at amortized cost <sup>2</sup>	-	-	522,326	522,326
Other financial assets <sup>3</sup>	-	-	44,841	44,841
	<u>₩ -</u>	<u>₩ 351,056</u>	<u>₩ 567,167</u>	<u>₩ 918,223</u>
<b>Financial liabilities</b>				
Debentures	₩ -	₩ 4,576,973	₩ -	₩ 4,576,973
Other financial liabilities <sup>3</sup>	-	-	13,331	13,331
	<u>₩ -</u>	<u>₩ 4,576,973</u>	<u>₩ 13,331</u>	<u>₩ 4,590,304</u>

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5.1.2.2 Fair value hierarchy of financial assets and liabilities whose fair value is disclosed (cont'd)

<i>(In millions of Korean won)</i>	<b>December 31, 2021</b>							
	<b>Fair value hierarchy</b>							
	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>	
<b>Financial assets</b>								
Cash and due from financial institutions <sup>1</sup>	₩	-	₩	608,076	₩	-	₩	608,076
Loans measured at amortized cost <sup>2</sup>		-		-		249,128		249,128
Other financial assets <sup>3</sup>		-		-		36,078		36,078
	₩	-	₩	608,076	₩	285,206	₩	893,282
<b>Financial liabilities</b>								
Debentures	₩	-	₩	5,509,648	₩	-	₩	5,509,648
Other financial liabilities <sup>3</sup>		-		-		13,913		13,913
	₩	-	₩	5,509,648	₩	13,913	₩	5,523,561

<sup>1</sup> Because due from financial institutions classified as level 2 are deposits on demand and with remaining maturities of less than one year, carrying amounts are reasonable approximations of fair values.

<sup>2</sup> Because loans measured at amortized cost classified as level 3 are loans with residual maturity of less than one year, carrying amounts are reasonable approximations of fair values.

<sup>3</sup> For other financial assets and other financial liabilities classified as level 3, carrying amounts are reasonable approximations of fair values.

Financial assets and liabilities whose carrying amount is a reasonable approximation of fair value, valuation techniques and inputs are not disclosed.

Valuation techniques and inputs of financial assets and liabilities classified as Level 2, and whose fair value is disclosed as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<b>Fair value</b>				<b>Valuation techniques</b>	<b>Inputs</b>
	<b>December 31, 2022</b>		<b>December 31, 2021</b>			
<b>Financial liabilities</b>						
Debentures	₩	4,576,973	₩	5,509,648	DCF model	Discount rate

5.2 Disclosure of Fair Value Hierarchy Level 3

5.2.1 Valuation policy and process of Level 3 fair value

The Company uses external, independent and qualified valuation service to determine the fair value of financial instruments at the end of every reporting period.

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5.2.2 Changes in fair value (Level 3) measured using valuation technique based on unobservable inputs in the market

5.2.2.1 Changes in financial instruments classified as Level 3 of the fair value hierarchy for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
	Financial assets at fair value through profit or loss		Financial assets at fair value through profit or loss	
Beginning	₩	389,606	₩	388,895
Total gains or losses:				
- Profit or loss		(45,435)		711
- Other comprehensive income		-		-
Purchases		530,000		-
Sales		-		-
Issues		-		-
Settlements		-		-
Transfers into Level 3		-		-
Transfers out of Level 3		-		-
Ending	₩	874,171	₩	389,606

5.2.2.2 In relation to changes in financial instruments classified as Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses recognized in profit or loss from financial instruments held at the end of the reporting period for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			2021		
	Losses on financial instruments at fair value through profit or loss	Other operating income	Net interest income	Gains on financial instruments at fair value through profit or loss	Other operating income	Net interest income
Total gains (losses) included in profit or loss for the period	₩ (45,435)	₩ -	₩ -	₩ 711	₩ -	₩ -
Total gains (losses) for the period included in profit or loss for financial instruments held at the end of the reporting period	(45,435)	-	-	711	-	-

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5.2.3 Sensitivity analysis of changes in unobservable inputs

5.2.3.1 Information about fair value measurements using unobservable inputs as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		<b>December 31, 2022</b>				
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>	<b>Unobservable inputs</b>	<b>Range of unobservable inputs (%)</b>	<b>Relationship of unobservable inputs to fair value</b>
<b>Financial assets</b>						
Financial assets at fair value through profit or loss:						
Hybrid securities	₩ 874,171	Hull and White Model, MonteCarlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Estimated volatility of Interest rate	Discount rate  Volatility of interest rate	5.54 ~ 7.05  0.64	The lower the discount rate, the higher the fair value  The higher the volatility, the higher the fair value fluctuation

(In millions of Korean won)

		<b>December 31, 2021</b>				
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>	<b>Unobservable inputs</b>	<b>Range of unobservable inputs (%)</b>	<b>Relationship of unobservable inputs to fair value</b>
<b>Financial assets</b>						
Financial assets at fair value through profit or loss:						
Hybrid securities	₩ 389,606	Hull and White Model, MonteCarlo Simulation	Matrix YTM, Additional spread by grade, Risk spread of company, Valid credit rating, Disclosed information of securities, Estimated volatility of Interest rate	Discount rate  Volatility of interest rate	2.30 ~ 5.05  0.46	The lower the discount rate, the higher the fair value  The higher the volatility, the higher the fair value fluctuation

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5.2.3.2 Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome. There are hybrid securities whose fair value changes are recognized in profit or loss.

Results of the sensitivity analysis of changes in unobservable inputs as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	December 31, 2022			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Hybrid securities *	₩ 10,460	₩ (10,199)	₩ -	₩ -

\* The changes in fair value are calculated by increasing or decreasing discount rates (5.54% ~ 7.05%) by 1%, which are principal unobservable input parameters.

<i>(In millions of Korean won)</i>	December 31, 2021			
	Profit or loss		Other comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Hybrid securities *	₩ 8,316	₩ (8,072)	₩ -	₩ -

\* The changes in fair value are calculated by increasing or decreasing discount rates (2.30% ~ 5.05%) by 1%, which are principal unobservable input parameters.

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**6. Due from Financial Institutions**

6.1 Details of due from financial institutions as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

		Financial Institution	Interest rate (%)	December 31, 2022		December 31, 2021	
			as of	December 31, 2022	December 31, 2022	December 31, 2021	December 31, 2021
Due from financial institutions in Korean won	Due from banks	Kookmin Bank	0.00 ~ 1.20	₩	231,056	₩	518,076
		KB Savings Bank Co., Ltd.	2.50 ~ 2.90		120,000		90,000
				₩	351,056	₩	608,076

6.2 Details of a maturity analysis of due from financial institutions other than restricted due from financial institutions, as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

		December 31, 2022					Total
		Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	
Due from financial institutions in Korean won		₩ 231,053	₩ 30,000	₩ 60,000	₩ 30,000	₩ -	₩ 351,053

*(In millions of Korean won)*

		December 31, 2021					Total
		Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	
Due from financial institutions in Korean won		₩ 518,073	₩ 90,000	₩ -	₩ -	₩ -	₩ 608,073

6.3 Details of restricted due from financial institution as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

		Financial Institution	December 31, 2022		December 31, 2021		Reasons of restriction
Due from financial institutions in Korean won		Kookmin Bank	₩	3	₩	3	Pledged as collateral for the overdraft account

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**7. Financial Assets at Fair Value through Profit or Loss**

Details of financial assets at fair value through profit or loss as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets at fair value through profit or loss:		
Hybrid securities	₩ 874,171	₩ 389,606
Beneficiary certificates	304,618	-
Loans	343,525	51,154
	<b>₩ 1,522,314</b>	<b>₩ 440,760</b>

**8. Loans Measured at Amortized Cost**

8.1 Details of loans measured at amortized cost as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Loans measured at amortized cost	₩ 523,500	₩ 250,000
Less: Allowances for loan losses	(1,174)	(872)
	<b>₩ 522,326</b>	<b>₩ 249,128</b>

8.2 Details of loan types and customer types of loans to customers other than banks, as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans	₩ -	₩ 523,500	₩ -	₩ 523,500
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	(1,174)	-	(1,174)
	<b>₩ -</b>	<b>₩ 522,326</b>	<b>₩ -</b>	<b>₩ 522,326</b>

(In millions of Korean won)

	<b>December 31, 2021</b>			
	<b>Retail</b>	<b>Corporate</b>	<b>Credit card</b>	<b>Total</b>
Loans	₩ -	₩ 250,000	₩ -	₩ 250,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	(872)	-	(872)
	<b>₩ -</b>	<b>₩ 249,128</b>	<b>₩ -</b>	<b>₩ 249,128</b>



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**9. Investments in Subsidiaries**

9.1 Details of subsidiaries as of December 31, 2022, are as follows:

<b>Name of subsidiaries</b>	<b>Industry</b>	<b>Location</b>
Kookmin Bank	Banking and foreign exchange transaction	Korea
KB Securities Co., Ltd.	Financial investment	Korea
KB Insurance Co., Ltd.	Non-life insurance	Korea
KB Kookmin Card Co., Ltd.	Credit card and installment financial business	Korea
KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.)	Life insurance	Korea
KB Asset Management Co., Ltd.	Investment advisory and investment trust	Korea
KB Capital Co., Ltd.	Financial leasing	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Savings Bank Co., Ltd.	Savings banking	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea

9.2 Details of investments in subsidiaries as of December 31, 2022 and 2021, are as follows:  
*(In millions of Korean won, except for shares)*

<b>Name of subsidiaries</b>	<b>As of December 31, 2022</b>		<b>Carrying amount</b>	
	<b>Number of issued shares</b>	<b>Ownership (%)</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Kookmin Bank	404,379,116	100.00	₩ 14,821,721	₩ 14,821,721
KB Securities Co., Ltd.	298,620,424	100.00	3,342,391	3,342,391
KB Insurance Co., Ltd.	66,500,000	100.00	2,375,430	2,375,430
KB Kookmin Card Co., Ltd.	92,000,000	100.00	1,953,175	1,953,175
KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.)	15,000,000	100.00	2,310,054	2,310,054
KB Asset Management Co., Ltd.	7,667,550	100.00	96,312	96,312
KB Capital Co., Ltd.	32,175,147	100.00	873,811	873,811
KB Life Insurance Co., Ltd.	91,200,000	100.00	485,314	485,314
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	121,553	121,553
KB Savings Bank Co., Ltd.	8,001,912	100.00	176,813	176,813
KB Investment Co., Ltd.	22,525,328	100.00	154,910	154,910
KB Data System Co., Ltd.	800,000	100.00	6,334	6,334
KB Credit Information Co., Ltd.	1,252,400	100.00	23,620	23,620
			<b>₩ 26,741,438</b>	<b>₩ 26,741,438</b>

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9.3 Changes in accumulated impairment losses of investments in subsidiaries for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>			
	<b>Beginning</b>	<b>Impairment</b>	<b>Reversal</b>	<b>Ending</b>
Accumulated impairment losses of investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

*(In millions of Korean won)*

	<b>2021</b>			
	<b>Beginning</b>	<b>Impairment</b>	<b>Reversal</b>	<b>Ending</b>
Accumulated impairment losses of investments in subsidiaries	₩ (54,031)	₩ -	₩ 2,289	₩ (51,742)

**10. Property and Equipment**

10.1 Details of property and equipment as of December 31, 2022 and 2021, are as follows:

	<b>December 31, 2022</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Leasehold improvements	₩ 7,768	₩ (6,424)	₩ -	₩ 1,344
Equipment and others	7,857	(6,511)	-	1,346
Right-of-use assets (buildings)	1,981	(1,620)	-	361
Right-of-use assets (vehicles)	2,052	(1,592)	-	460
Right-of-use assets (others)	197	(156)	-	41
	<b>₩ 19,855</b>	<b>₩ (16,303)</b>	<b>₩ -</b>	<b>₩ 3,552</b>

	<b>December 31, 2021</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Leasehold improvements	₩ 6,856	₩ (5,095)	₩ -	₩ 1,761
Equipment and others	7,079	(5,341)	-	1,738
Right-of-use assets (buildings)	1,684	(1,155)	-	529
Right-of-use assets (vehicles)	1,616	(1,239)	-	377
Right-of-use assets (others)	143	(104)	-	39
	<b>₩ 17,378</b>	<b>₩ (12,934)</b>	<b>₩ -</b>	<b>₩ 4,444</b>

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10.2 Changes in property and equipment for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 1,761	₩ 912	₩ -	₩ (1,329)	₩ 1,344
Equipment and others	1,738	778	-	(1,170)	1,346
Right-of-use assets (buildings)	529	296	-	(464)	361
Right-of-use assets (vehicles)	377	704	(13)	(608)	460
Right-of-use assets (others)	39	54	-	(52)	41
	₩ 4,444	₩ 2,744	₩ (13)	₩ (3,623)	₩ 3,552

(In millions of Korean won)

	2021				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 3,407	₩ 244	₩ -	₩ (1,890)	₩ 1,761
Equipment and others	3,186	417	(204)	(1,661)	1,738
Right-of-use assets (buildings)	769	152	-	(392)	529
Right-of-use assets (vehicles)	322	731	(53)	(623)	377
Right-of-use assets (others)	46	52	-	(59)	39
	₩ 7,730	₩ 1,596	₩ (257)	₩ (4,625)	₩ 4,444

**11. Intangible Assets**

11.1 Details of intangible assets as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 5,819	₩ (5,044)	₩ -	₩ 775
Membership rights	10,743	-	(792)	9,951
Other intangible assets	13,523	(7,497)	-	6,026
	₩ 30,085	₩ (12,541)	₩ (792)	₩ 16,752

(In millions of Korean won)

	December 31, 2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Software	₩ 5,716	₩ (4,395)	₩ -	₩ 1,321
Membership rights	10,744	-	(792)	9,952
Other intangible assets	10,925	(5,525)	-	5,400
	₩ 27,385	₩ (9,920)	₩ (792)	₩ 16,673

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11.2 Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022					
	Beginning	Acquisition	Disposal	Amortization	Reversal of impairment *	Ending
Software	₩ 1,321	₩ 103	₩ -	₩ (649)	₩ -	₩ 775
Membership rights	9,952	19	(20)	-	-	9,951
Other intangible assets	5,400	2,597	-	(1,971)	-	6,026
	₩ 16,673	₩ 2,719	₩ (20)	₩ (2,620)	₩ -	₩ 16,752

(In millions of Korean won)

	2021					
	Beginning	Acquisition	Disposal	Amortization	Reversal of Impairment *	Ending
Software	₩ 2,484	₩ 482	₩ (814)	₩ (831)	₩ -	₩ 1,321
Membership rights	8,965	979	-	-	8	9,952
Other intangible assets	1,818	5,842	(1,210)	(1,050)	-	5,400
	₩ 13,267	₩ 7,303	₩ (2,024)	₩ (1,881)	₩ 8	₩ 16,673

\* Impairment losses for membership rights of other intangible assets with indefinite useful life are recognized when its recoverable amount is lower than its carrying amount, and reversal of impairment losses are recognized when its recoverable amount is higher than its carrying amount.

11.3 Changes in accumulated impairment losses of intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022				
	Beginning	Impairment	Reversal of impairment	Disposal and others	Ending
Accumulated impairment losses of intangible assets	₩ (792)	₩ (2)	₩ 2	₩ -	₩ (792)

(In millions of Korean won)

	2021				
	Beginning	Impairment	Reversal of impairment	Disposal and others	Ending
Accumulated impairment losses of intangible assets	₩ (800)	₩ (3)	₩ 11	₩ -	₩ (792)

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**12. Lease**

12.1 Amounts Recognized in the Statements of Financial Position

Amounts recognized in the statements of financial position related to lease as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Right-of-use property and equipment: <sup>1</sup>				
Real estate	₩	361	₩	529
Vehicles		460		377
Others		41		39
	₩	<u>862</u>	₩	<u>945</u>
Lease liabilities <sup>2</sup>	₩	828	₩	689

<sup>1</sup> Included in property and equipment.

<sup>2</sup> Included in other liabilities.

12.2 Amounts Recognized in the Statements of Comprehensive Income

Amounts recognized in the statements of comprehensive income related to lease for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	<u>2022</u>		<u>2021</u>	
Depreciation and amortization of right-of-use assets:				
Real estate	₩	464	₩	392
Vehicles		608		623
Others		52		59
	₩	<u>1,124</u>	₩	<u>1,074</u>
Interest expenses on the lease liabilities	₩	18	₩	12
Expense relating to short-term lease		28		27
Expense relating to lease of low-value assets that are not short-term lease		2		2

12.3 Total cash outflows for lease for the years ended December 31, 2022 and 2021 are ₩ 614 million and ₩ 565 million, respectively.

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

13.1 Details of deferred income tax assets and liabilities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
Share-based payments	₩ 4,502	₩ -	₩ 4,502
Membership rights	210	-	210
Defined benefit obligation	3,226	-	3,226
Plan assets	-	(3,393)	(3,393)
Short-term employee benefits	650	-	650
Losses on valuation of financial assets at fair value through profit or loss	14,795	-	14,795
Others	3,233	(3,319)	(86)
	<u>26,616</u>	<u>(6,712)</u>	<u>19,904</u>
Offsetting of deferred tax assets and liabilities	(6,712)	6,712	-
	<u>₩ 19,904</u>	<u>₩ -</u>	<u>₩ 19,904</u>

(In millions of Korean won)

	<b>December 31, 2021</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
Share-based payments	₩ 4,486	₩ -	₩ 4,486
Membership rights	218	-	218
Defined benefit obligation	3,189	-	3,189
Plan assets	-	(3,189)	(3,189)
Short-term employee benefits	808	-	808
Losses on valuation of financial assets at fair value through profit or loss	2,858	-	2,858
Others	761	(3,548)	(2,787)
	<u>12,320</u>	<u>(6,737)</u>	<u>5,583</u>
Offsetting of deferred tax assets and liabilities	(6,737)	6,737	-
	<u>₩ 5,583</u>	<u>₩ -</u>	<u>₩ 5,583</u>

**13.2 Unrecognized Deferred Income Tax Assets**

No deferred income tax assets have been recognized for the deductible temporary differences of ₩ 2,896,164 million and ₩ 51,742 million associated with investments in subsidiaries and impairment losses on investments in subsidiaries, respectively, as of December 31, 2022, due to the uncertainty that these temporary differences will be realized in the future. And no deferred income tax assets have been recognized for the deductible temporary differences of ₩ 16,934 million associated subordinated bond as of December 31, 2022, as they affect neither accounting profit nor taxable profit (tax loss) at the time of the transaction.

**13.3 Unrecognized Deferred Income Tax Liabilities**

No deferred income tax liabilities have been recognized for the taxable temporary differences of ₩ 2,415,073 million associated with investments in subsidiaries as of December 31, 2022, due to the following reasons:

- The Company is able to control the timing of the reversal of the temporary differences.
- It is probable that these temporary differences will not reverse in the foreseeable future.

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13.4 Changes in cumulative temporary differences for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>			
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
<b>Deductible temporary differences</b>				
Share-based payments	₩ 16,314	₩ 5,124	₩ 5,800	₩ 16,990
Membership rights	792	-	-	792
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	11,595	2,206	2,784	12,173
Short-term employee benefits	2,937	2,876	2,394	2,455
Impairment losses of investments in subsidiaries	51,742	-	-	51,742
Losses on valuation of financial assets at fair value through profit or loss	10,394	-	45,435	55,829
Others	21,259	2,155	10,028	29,132
	<u>3,011,197</u>	<u>12,361</u>	<u>66,441</u>	<u>3,065,277</u>
<b>Unrecognized deferred income tax assets:</b>				
Investments in subsidiaries	2,896,164			2,896,164
Impairment losses of investments in subsidiaries	51,742			51,742
Others	18,490			16,934
	<u>44,801</u>			<u>100,437</u>
Tax rate (%) *	27.5			26.5
<b>Total deferred income tax assets</b>	<u>₩ 12,320</u>			<u>₩ 26,616</u>
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ (2,415,073)	₩ -	₩ -	₩ (2,415,073)
Plan assets	(11,595)	(2,206)	(3,415)	(12,804)
Others	(12,902)	(4,467)	(4,090)	(12,525)
	<u>(2,439,570)</u>	<u>(6,673)</u>	<u>(7,505)</u>	<u>(2,440,402)</u>
<b>Unrecognized deferred income tax liabilities:</b>				
Investments in subsidiaries	(2,415,073)			(2,415,073)
	<u>(24,497)</u>			<u>(25,329)</u>
Tax rate (%) *	27.5			26.5
<b>Total deferred income tax liabilities</b>	<u>₩ (6,737)</u>			<u>₩ (6,712)</u>

\* The corporate tax rate was changed due to the amendment of corporate tax law in 2022. Accordingly, the rate of 26.5% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2022.

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13.4 Changes in cumulative temporary differences for the years ended December 31, 2022 and 2021, are as follows: (cont'd)

(In millions of Korean won)

	<b>2021</b>			
	<b>Beginning</b>	<b>Decrease</b>	<b>Increase</b>	<b>Ending</b>
<b>Deductible temporary differences</b>				
Share-based payments	₩ 11,531	₩ 4,447	₩ 9,230	₩ 16,314
Membership rights	800	11	3	792
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	11,686	2,805	2,714	11,595
Short-term employee benefits	2,713	2,713	2,937	2,937
Impairment losses of investments in subsidiaries	54,031	2,289	-	51,742
Losses on valuation of financial assets at fair value through profit or loss	11,105	711	-	10,394
Others	1,809	1,642	21,092	21,259
	<u>2,989,839</u>	<u>14,618</u>	<u>35,976</u>	<u>3,011,197</u>
<b>Unrecognized deferred income tax assets:</b>				
Investments in subsidiaries	2,896,164			2,896,164
Impairment losses of investments in subsidiaries	54,031			51,742
Others	-			18,490
	<u>39,644</u>			<u>44,801</u>
Tax rate (%)	27.5			27.5
<b>Total deferred income tax assets</b>	<u>₩ 10,902</u>			<u>₩ 12,320</u>
<b>Taxable temporary differences</b>				
Investments in subsidiaries	₩ (2,395,805)	₩ -	₩ (19,268)	₩ (2,415,073)
Plan assets	(11,686)	(2,805)	(2,714)	(11,595)
Others	(16,361)	(4,642)	(1,183)	(12,902)
	<u>(2,423,852)</u>	<u>(7,447)</u>	<u>(23,165)</u>	<u>(2,439,570)</u>
<b>Unrecognized deferred income tax liabilities:</b>				
Investments in subsidiaries	(2,395,805)			(2,415,073)
	<u>(28,047)</u>			<u>(24,497)</u>
Tax rate (%)	27.5			27.5
<b>Total deferred income tax liabilities</b>	<u>₩ (7,713)</u>			<u>₩ (6,737)</u>



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**14. Other Assets**

14.1 Details of other assets as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Other financial assets</b>		
Accrued income	₩ 11,556	₩ 5,270
Guarantee deposits	33,297	30,818
Less: Allowances for credit losses	(12)	(10)
	<u>44,841</u>	<u>36,078</u>
<b>Other non-financial assets</b>		
Receivables	1,226,359	767,382
Prepaid expenses	946	831
Advanced payments	51	765
	<u>1,227,356</u>	<u>768,978</u>
	<u>₩ 1,272,197</u>	<u>₩ 805,056</u>

14.2 Changes in allowances for credit losses of other assets for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	₩ 10	₩ -	₩ 10
Provision	2	-	2
Ending	<u>₩ 12</u>	<u>₩ -</u>	<u>₩ 12</u>

*(In millions of Korean won)*

	<b>2021</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	₩ 7	₩ -	₩ 7
Provision	3	-	3
Ending	<u>₩ 10</u>	<u>₩ -</u>	<u>₩ 10</u>

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**15. Debentures**

15.1 Details of debentures as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	Issuance date	Maturity date	Interest rate (%) as of				
			December 31, 2022	December 31, 2022	December 31, 2021		
Unguaranteed debentures No.6	Feb. 26, 2015	Feb. 26, 2022	-	₩	-	₩	30,000
Unguaranteed debentures No.9	Jun. 23, 2015	Jun. 23, 2022	-		-		150,000
Unguaranteed debentures No.12-3	Nov. 27, 2015	Nov. 27, 2022	-		-		50,000
Unguaranteed debentures No.14-2	Dec. 9, 2015	Dec. 9, 2022	-		-		30,000
Unguaranteed debentures No.15-3	May 12, 2016	May 12, 2026	2.01		200,000		200,000
Unguaranteed debentures No.16-3	May 27, 2016	May 27, 2023	1.91		150,000		150,000
Unguaranteed debentures No.18-3	Jul. 25, 2016	Jul. 25, 2026	1.69		80,000		80,000
Unguaranteed debentures No.19-3	Aug. 25, 2016	Aug. 25, 2026	1.69		120,000		120,000
Unguaranteed debentures No.22-2	Feb. 28, 2017	Feb. 28, 2022	-		-		110,000
Unguaranteed debentures No.25-3	May 24, 2017	May 24, 2022	-		-		270,000
Unguaranteed debentures No.25-4	May 24, 2017	May 24, 2027	2.62		80,000		80,000
Unguaranteed debentures No.26-1	Jun. 27, 2017	Jun. 27, 2022	-		-		50,000
Unguaranteed debentures No.26-2	Jun. 27, 2017	Jun. 27, 2024	2.34		200,000		200,000
Unguaranteed debentures No.27	Jul. 19, 2017	Jul. 19, 2024	2.41		100,000		100,000
Unguaranteed debentures No.28-1	Aug. 30, 2017	Aug. 30, 2022	-		-		60,000
Unguaranteed debentures No.28-2	Aug. 30, 2017	Aug. 30, 2024	2.43		30,000		30,000
Unguaranteed debentures No.28-3	Aug. 30, 2017	Aug. 30, 2027	2.60		60,000		60,000
Unguaranteed debentures No.29-1	Sep. 19, 2017	Sep. 19, 2022	-		-		150,000
Unguaranteed debentures No.29-2	Sep. 19, 2017	Sep. 19, 2024	2.44		110,000		110,000
Unguaranteed debentures No.31-2	Feb. 28, 2018	Feb. 28, 2023	2.81		50,000		50,000
Unguaranteed debentures No.31-3	Feb. 28, 2018	Feb. 28, 2028	3.02		60,000		60,000
Unguaranteed debentures No.32-2	Apr. 6, 2018	Apr. 6, 2023	2.71		80,000		80,000
Unguaranteed debentures No.32-3	Apr. 6, 2018	Apr. 6, 2028	2.86		20,000		20,000
Unguaranteed debentures No.33-1	Jun. 12, 2018	Jun. 12, 2023	2.81		100,000		100,000
Unguaranteed debentures No.33-2	Jun. 12, 2018	Jun. 12, 2028	2.92		30,000		30,000
Unguaranteed debentures No.34-2	Jul. 25, 2018	Jul. 25, 2023	2.65		70,000		70,000
Unguaranteed debentures No.34-3	Jul. 25, 2018	Jul. 25, 2025	2.71		20,000		20,000
Unguaranteed debentures No.34-4	Jul. 25, 2018	Jul. 25, 2028	2.76		20,000		20,000
Unguaranteed debentures No.35	Oct. 5, 2018	Oct. 5, 2023	2.52		120,000		120,000
Unguaranteed debentures No.36-1	Feb. 22, 2019	Feb. 22, 2022	-		-		120,000
Unguaranteed debentures No.36-2	Feb. 22, 2019	Feb. 22, 2024	2.11		230,000		230,000
Unguaranteed debentures No.36-3	Feb. 22, 2019	Feb. 22, 2029	2.22		60,000		60,000
Unguaranteed debentures No.37-1	Mar. 15, 2019	Mar. 15, 2024	2.06		140,000		140,000
Unguaranteed debentures No.37-2	Mar. 15, 2019	Mar. 15, 2029	2.16		70,000		70,000
Unguaranteed debentures No.38-1	Jun. 19, 2019	Jun. 19, 2026	1.73		80,000		80,000
Unguaranteed debentures No.38-2	Jun. 19, 2019	Jun. 19, 2029	1.77		120,000		120,000
Unguaranteed debentures No.39-1	Oct. 15, 2019	Oct. 15, 2024	1.60		80,000		80,000
Unguaranteed debentures No.39-2	Oct. 15, 2019	Oct. 15, 2029	1.67		40,000		40,000
Unguaranteed debentures No.40-1	Dec. 4, 2019	Dec. 4, 2024	1.76		70,000		70,000
Unguaranteed debentures No.40-2	Dec. 4, 2019	Dec. 4, 2029	1.87		30,000		30,000
Unguaranteed debentures No.41-1	Jan. 16, 2020	Jan. 16, 2023	1.64		110,000		110,000
Unguaranteed debentures No.41-2	Jan. 16, 2020	Jan. 16, 2025	1.74		100,000		100,000
Unguaranteed debentures No.41-3	Jan. 16, 2020	Jan. 16, 2030	1.88		40,000		40,000

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15.1 Details of debentures as of December 31, 2022 and 2021, are as follows: (cont'd)

(In millions of Korean won)	Issuance date	Maturity date	Interest rate	December 31,	December 31,
			(%) as of	December 31,	December 31,
			December 31,	2022	2021
			2022	2022	2021
Subordinated debentures No.1-1	Feb. 18, 2020	Feb. 18, 2030	2.21	₩ 370,000	₩ 370,000
Subordinated debentures No.1-2	Feb. 18, 2020	Feb. 18, 2035	2.26	30,000	30,000
Unguaranteed debentures No.42-1	May 13, 2020	May 13, 2025	1.59	130,000	130,000
Unguaranteed debentures No.42-2	May 13, 2020	May 13, 2030	1.78	70,000	70,000
Unguaranteed debentures No.43-1	Jun. 16, 2020	Jun. 16, 2023	1.18	50,000	50,000
Unguaranteed debentures No.43-2	Jun. 16, 2020	Jun. 16, 2025	1.44	110,000	110,000
Unguaranteed debentures No.43-3	Jun. 16, 2020	Jun. 16, 2030	1.63	50,000	50,000
Exchangeable bonds No.1 *	Jun. 30, 2020	Jun. 30, 2025	-	240,000	240,000
Unguaranteed debentures No.44-1	Aug. 11, 2020	Aug. 11, 2022	-	-	80,000
Unguaranteed debentures No.44-2	Aug. 11, 2020	Aug. 11, 2023	1.07	50,000	50,000
Unguaranteed debentures No.44-3	Aug. 11, 2020	Aug. 9, 2024	1.18	30,000	30,000
Unguaranteed debentures No.44-4	Aug. 11, 2020	Aug. 11, 2027	1.39	20,000	20,000
Unguaranteed debentures No.45	Nov. 23, 2020	Nov. 23, 2023	1.19	60,000	60,000
Unguaranteed debentures No.46-1	Jan. 14, 2021	Jan. 13, 2023	1.09	160,000	160,000
Unguaranteed debentures No.46-2	Jan. 14, 2021	Jan. 14, 2026	1.43	30,000	30,000
Unguaranteed debentures No.46-3	Jan. 14, 2021	Jan. 14, 2028	1.62	10,000	10,000
Unguaranteed debentures No.46-4	Jan. 14, 2021	Jan. 14, 2031	1.84	100,000	100,000
Unguaranteed debentures No.47	Feb. 24, 2021	Feb. 24, 2023	1.07	90,000	90,000
Unguaranteed debentures No.48-1	Jun. 16, 2022	Jun. 17, 2024	4.15	85,000	-
Unguaranteed debentures No.48-2	Jun. 16, 2022	Jun. 16, 2025	4.27	240,000	-
Unguaranteed debentures No.48-3	Jun. 16, 2022	Jun. 16, 2027	4.34	80,000	-
Unguaranteed debentures No.48-4	Jun. 16, 2022	Jun. 16, 2032	4.40	95,000	-
				4,970,000	5,570,000
			Less: Bond Discounts	(4,616)	(7,000)
			Less: adjustment on exchange right	(8,435)	(14,957)
				₩ 4,956,949	₩ 5,552,791

\* Fair value of the liability component of exchangeable bonds is calculated by using market interest rate of bonds under the same conditions without the exchange right. The residual amount, after deducting liability component from the issuance amount, represents the value of exchange right and is recorded in equity. Shares to be exchanged are 5 million treasury shares of KB Financial Group Inc. with the exchange price of ₩ 48,000. Exercise period for exchange right is from the 60th day of the issuance date to 10 days before the maturity date.

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15.2 Maturities of debentures as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	December 31, 2022					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 410,000	₩ 380,000	₩ 300,000	₩ 1,915,000	₩ 1,965,000	₩ 4,970,000

*(In millions of Korean won)*

	December 31, 2021					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 260,000	₩ 470,000	₩ 370,000	₩ 2,080,000	₩ 2,390,000	₩ 5,570,000

15.3 Changes in debentures based on par value for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	2022			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,570,000	₩ 500,000	₩ (1,100,000)	₩ 4,970,000

*(In millions of Korean won)*

	2021			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 6,150,000	₩ 390,000	₩ (970,000)	₩ 5,570,000

**16. Net Defined Benefit Liabilities(Assets)**

16.1 Defined Benefit Plan

The Company operates defined benefit plans which have the following characteristics:

- The Company has the obligation to pay the agreed benefits to all its current and former employees.
- The Company assumes actuarial risk (that benefits will cost more than expected) and investment risk.

The net defined benefit liabilities recognized in the statements of financial position are calculated in accordance with actuarial valuation method using assumptions based on market data and historical data such as discount rate, future salary increase rate, and mortality. Actuarial assumptions may differ from actual results, due to changes in the market conditions, economic trends, and mortality trends.

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16.2 Changes in net defined benefit liabilities for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities (assets)</b>
Beginning	₩ 22,557	₩ (22,778)	₩ (221)
Current service cost	2,200	-	2,200
Interest expense (income)	584	(590)	(6)
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	(4,510)	-	(4,510)
Actuarial gains and losses by experience adjustments	388	-	388
Return on plan assets (excluding amounts included in interest income)	-	698	698
Contributions by the Company	-	(2,655)	(2,655)
Payments from plans (benefit payments)	(2,206)	2,206	-
Payments from the Company	(207)	-	(207)
Transfer in	3,211	(3,186)	25
Transfer out	(4,044)	4,044	-
Ending	₩ 17,973	₩ (22,261)	₩ (4,288)

(In millions of Korean won)

	<b>2021</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities (assets)</b>
Beginning	₩ 21,951	₩ (21,892)	₩ 59
Current service cost	2,104	-	2,104
Interest expense (income)	437	(436)	1
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	-	-	-
Actuarial gains and losses by changes in financial assumptions	(523)	-	(523)
Actuarial gains and losses by experience adjustments	696	-	696
Return on plan assets (excluding amounts included in interest income)	-	238	238
Contributions by the Company	-	(2,798)	(2,798)
Payments from plans (benefit payments)	(2,805)	2,805	-
Payments from the Company	(26)	-	(26)
Transfer in	2,623	(2,595)	28
Transfer out	(1,900)	1,900	-
Ending	₩ 22,557	₩ (22,778)	₩ (221)

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16.3 Details of the net defined benefit liabilities as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligation	₩ 17,973	₩ 22,557
Fair value of plan assets	(22,261)	(22,778)
Net defined benefit liabilities (assets)	<u>₩ (4,288)</u>	<u>₩ (221)</u>

16.4 Details of post-employment benefits recognized in profit or loss for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Current service cost	₩ 2,200	₩ 2,104
Net interest expense(income) on net defined benefit liabilities	(6)	1
Post-employment benefits	<u>₩ 2,194</u>	<u>₩ 2,105</u>

16.5 Details of remeasurements of net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	₩ (698)	₩ (238)
Actuarial gains or losses	4,122	(173)
Income tax effect	(941)	113
Remeasurements after income tax expense	<u>₩ 2,483</u>	<u>₩ (298)</u>

16.6 Details of fair value of plan assets as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>		
	<b>Assets quoted in an active market</b>	<b>Assets not quoted in an active market</b>	<b>Total</b>
Cash and due from financial institutions	₩ -	₩ 22,261	₩ 22,261

*(In millions of Korean won)*

	<b>December 31, 2021</b>		
	<b>Assets quoted in an active market</b>	<b>Assets not quoted in an active market</b>	<b>Total</b>
Cash and due from financial institutions	₩ -	₩ 22,778	₩ 22,778

16.7 Details of significant actuarial assumptions used as of December 31, 2022 and 2021, are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate (%)	5.20	2.60
Future salary increase rate (%)	4.20	4.10
Turnover rate (%)	1.00	1.00

Mortality assumptions are based on the experience-based mortality table issued by Korea Insurance Development Institute in 2019.

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16.8 Results of sensitivity analysis of significant actuarial assumptions as of December 31, 2022, are as follows:

	Changes in assumptions	Effect on defined benefit obligation	
		Increase in assumptions	Decrease in assumptions
Discount rate (%)	0.5%p	4.16% decrease	4.42% increase
Salary increase rate (%)	0.5%p	4.66% increase	4.42% decrease
Turnover rate (%)	0.5%p	0.24% increase	0.25% decrease

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in significant actuarial assumptions is calculated using the same projected unit credit method used in calculating the defined benefit obligation recognized in the statement of financial position.

16.9 Expected maturity analysis of undiscounted pension benefit payments (including expected future benefits) as of December 31, 2022, are as follows:

(In millions of Korean won)

	Up to 1 year	1 ~ 2 years	2 ~ 5 years	5 ~ 10 years	Over 10 years	Total
Pension benefits	₩ 211	₩ 1,265	₩ 4,462	₩ 12,159	₩ 39,056	₩ 57,153

The weighted average duration of the defined benefit obligation is 9.02 years.

16.10 Reasonable estimation of expected contribution to plan assets for the next annual reporting period after December 31, 2022 is ₩ 1,800 million.

## 17. Other Liabilities

Details of other liabilities as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022	December 31, 2021
<b>Other financial liabilities</b>		
Payables	₩ 881	₩ 828
Accrued expenses	11,622	12,396
Lease liabilities	828	689
	<u>13,331</u>	<u>13,913</u>
<b>Other non-financial liabilities</b>		
Payables	133,741	23,679
Accrued expenses	190,759	197,042
Withholding taxes	658	461
	<u>325,158</u>	<u>221,182</u>
	<u>₩ 338,489</u>	<u>₩ 235,095</u>

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**18. Equity**

18.1 Share Capital

18.1.1 Details of share capital as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share <i>(In Korean won)</i>	₩ 5,000	₩ 5,000
Number of issued shares	408,897,068	415,807,920
Share capital *	₩ 2,090,558	₩ 2,090,558

\* Due to the retirement of shares deducted through retained earnings, it is different from the total par value of the shares issued.

18.1.2 Changes in shares for the years ended December 31, 2022 and 2021, are as follows:

*(In number of shares)*

	<b>2022</b>	<b>2021</b>
Beginning	389,634,335	389,634,335
Increase	-	-
Decrease	-	-
Ending	389,634,335	389,634,335

18.2 Hybrid Securities

Details of hybrid securities classified as equity as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

<b>Hybrid securities</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Interest rate (%)</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
			<b>as of December 31, 2022</b>		
The 1-1 <sup>st</sup>	May 2, 2019	Perpetual bond	3.23	₩ 349,204	₩ 349,204
The 1-2 <sup>nd</sup>	May 2, 2019	Perpetual bond	3.44	49,881	49,881
The 2-1 <sup>st</sup>	May 8, 2020	Perpetual bond	3.30	324,099	324,099
The 2-2 <sup>nd</sup>	May 8, 2020	Perpetual bond	3.43	74,812	74,812
The 3-1 <sup>st</sup>	Jul. 14, 2020	Perpetual bond	3.17	369,099	369,099
The 3-2 <sup>nd</sup>	Jul. 14, 2020	Perpetual bond	3.38	29,922	29,922
The 4-1 <sup>st</sup>	Oct. 20, 2020	Perpetual bond	3.00	433,918	433,918
The 4-2 <sup>nd</sup>	Oct. 20, 2020	Perpetual bond	3.28	64,843	64,843
The 5-1 <sup>st</sup>	Feb. 19, 2021	Perpetual bond	2.67	419,056	419,056
The 5-2 <sup>nd</sup>	Feb. 19, 2021	Perpetual bond	2.87	59,862	59,862
The 5-3 <sup>rd</sup>	Feb. 19, 2021	Perpetual bond	3.28	119,727	119,727
The 6-1 <sup>st</sup>	May 28, 2021	Perpetual bond	3.20	165,563	165,563
The 6-2 <sup>nd</sup>	May 28, 2021	Perpetual bond	3.60	109,708	109,708
The 7-1 <sup>st</sup>	Oct. 8, 2021	Perpetual bond	3.57	208,453	208,453
The 7-2 <sup>nd</sup>	Oct. 8, 2021	Perpetual bond	3.80	59,834	59,834



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Details of hybrid securities classified as equity as of December 31, 2022 and 2021, are as follows: (cont'd)

(In millions of Korean won)

Hybrid securities	Issuance date	Maturity	Interest rate (%)				
			as of	December 31,	December 31,		
			December 31, 2022	2022	2021		
The 8-1 <sup>st</sup>	Feb. 16, 2022	Perpetual bond	4.00	₩	442,955	₩	-
The 8-2 <sup>nd</sup>	Feb. 16, 2022	Perpetual bond	4.30		155,626		-
The 9-1 <sup>st</sup>	May 12, 2022	Perpetual bond	4.68		478,814		-
The 9-2 <sup>nd</sup>	May 12, 2022	Perpetual bond	4.97		19,906		-
The 10-1 <sup>st</sup>	Aug. 26, 2022	Perpetual bond	4.90		407,936		-
The 10-2 <sup>nd</sup>	Aug. 26, 2022	Perpetual bond	5.15		70,819		-
The 10-3 <sup>rd</sup>	Aug. 26, 2022	Perpetual bond	5.30		19,944		-
				₩	4,433,981	₩	2,837,981

The above hybrid securities are early redeemable by the Company after 5 or 7 or 10 years from the issuance date.

18.3 Capital Surplus

Details of capital surplus as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022		December 31, 2021	
Paid-in capital in excess of par value	₩	13,190,275	₩	13,190,275
Other capital surplus		1,465,893		1,465,893
Gains on sales of treasury shares		86,646		86,646
Consideration for exchange right of exchangeable bonds		11,933		11,933
	₩	14,754,747	₩	14,754,747

18.4 Accumulated Other Comprehensive Income (Loss)

18.4.1 Details of accumulated other comprehensive income (loss) as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	December 31, 2022		December 31, 2021	
Remeasurements of net defined benefit liabilities	₩	(5,847)	₩	(8,330)

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18.4.2 Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>			
	<b>Beginning</b>	<b>Changes</b>	<b>Tax effect</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	₩ (8,330)	₩ 3,424	₩ (941)	₩ (5,847)

*(In millions of Korean won)*

	<b>2021</b>			
	<b>Beginning</b>	<b>Changes</b>	<b>Tax effect</b>	<b>Ending</b>
Remeasurements of net defined benefit liabilities	₩ (8,032)	₩ (411)	₩ 113	₩ (8,330)

18.5 Retained Earnings

18.5.1 Details of retained earnings as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Legal reserves	₩ 839,235	₩ 695,348
Voluntary reserves	982,000	982,000
Regulatory reserve for credit losses	4,490	5,154
Unappropriated retained earnings	1,968,840	2,291,704
	<b>₩ 3,794,565</b>	<b>₩ 3,974,206</b>

With respect to the allocation of net profit earned in a fiscal term, the Company must set aside in its legal reserve an amount equal to at least 10% of its profit after tax as reported in the financial statements, each time it pays dividends on its net profits earned until its legal reserve reaches the aggregate amount of its paid-in 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.

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18.5.2 Statement of appropriation of retained earnings

(Expected date of appropriation for 2022: March 24, 2023)  
(Date of appropriation for 2021: March 25, 2022)

(In millions of Korean won)

	<b>2022</b>	<b>2021</b>
<b>Unappropriated retained earnings</b>		
Unappropriated retained earnings carried over from prior years	₩ 1,295,182	₩ 1,216,602
Profit for the year	1,684,512	1,438,866
Quarterly dividends	(584,452)	(292,226)
Dividends on hybrid securities	(126,402)	(71,538)
Retirement of shares	(300,000)	-
	<u>1,968,840</u>	<u>2,291,704</u>
<b>Transfer from voluntary reserves and others</b>		
Regulatory reserve for credit losses	-	664
	<u>-</u>	<u>664</u>
<b>Appropriation of retained earnings</b>		
Legal reserves	168,451	143,887
Regulatory reserve for credit losses	4,850	-
Cash dividends:	564,970	853,299
(Dividends (rate) per share: ₩ 1,450 (29.0%) in 2022)		
(Dividends (rate) per share: ₩ 2,190 (43.8%) in 2021)		
	<u>738,271</u>	<u>997,186</u>
<b>Unappropriated retained earnings to be carried forward</b>	<u>₩ 1,230,569</u>	<u>₩ 1,295,182</u>

18.5.3 Regulatory reserve for credit losses

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 26 through 28 of the Regulations on Supervision of Financial Holding Companies.

18.5.3.1 Details of regulatory reserve for credit losses as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Amounts before appropriation	₩ 4,490	₩ 5,154
Amounts estimated to be appropriated (reversed)	4,850	(664)
	<u>₩ 9,340</u>	<u>₩ 4,490</u>

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18.5.3.2 Regulatory reserve for credit losses estimated to be appropriated (reversed) and adjusted profit after provision (reversal) of regulatory reserve for credit losses for the years ended December 31, 2022 and 2021, are as follows:

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

	<b>2022</b>		<b>2021</b>	
Regulatory reserve for credit losses estimated to be appropriated (reversed)	₩	4,850	₩	(664)
Adjusted profit after provision (reversal) of regulatory reserve for credit losses <sup>1,2</sup>		1,553,261		1,367,992
Adjusted basic earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>1</sup>		3,986		3,511
Adjusted diluted earnings per share after provision (reversal) of regulatory reserve for credit losses <sup>1</sup>		3,899		3,438

<sup>1</sup> Adjusted profit after provision (reversal) of regulatory reserve for credit losses is not based on Korean IFRS. It is calculated by reflecting provision (reversal) of regulatory reserve for credit losses before tax to the net profit for the period.

<sup>2</sup> After deducting dividends on hybrid securities

**18.6 Treasury Shares**

Changes in treasury shares for the years ended December 31, 2022 and 2021, are as follows:

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

	<b>2022</b>			
	<b>Beginning</b>	<b>Acquisition</b>	<b>Retirement</b>	<b>Ending</b>
Number of treasury shares *	26,173,585	-	(6,910,852)	19,262,733
Carrying amount	₩ 1,136,188	₩ -	₩ (300,000)	₩ 836,188

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

	<b>2021</b>			
	<b>Beginning</b>	<b>Acquisition</b>	<b>Retirement</b>	<b>Ending</b>
Number of treasury shares *	26,173,585	-	-	26,173,585
Carrying amount	₩ 1,136,188	₩ -	₩ -	₩ 1,136,188

\* 5 million treasury shares are deposited at the Korea Securities Depository for the exchange of exchangeable bonds.

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**19. Dividends**

The annual dividends to the shareholders of the Parent Company for the year ended December 31, 2021, amounting to ₩ 853,299 million (₩ 2,190 per share) were declared at the annual general shareholders' meeting on March 25, 2022 and paid in April 11, 2022. According to the resolution of the board of directors on April 22, 2022, the quarterly dividend amounting to ₩ 194,817 million (₩ 500 per share) with dividend record date of March 31, 2022 were paid on May 9, 2022; according to the resolution of the board of directors on July 21, 2022, the quarterly dividend amounting to ₩ 194,817 million (₩ 500 per share) with dividend record date of June 30, 2022 were paid on August 9, 2022; and according to the resolution of the board of directors on October 25, 2022, the quarterly dividend amounting to ₩ 194,817 million (₩ 500 per share) with dividend record date of September 30, 2022 were paid on November 10, 2022. The annual dividends to the shareholders of the Parent Company for the year ended December 31, 2022, amounting to ₩ 564,970 million (₩ 1,450 per share) is to be proposed at the general shareholders' meeting scheduled for March 24, 2023. The Company's financial statements as of and for the year ended December 31, 2022, do not reflect this dividend payable.

Meanwhile, the annual dividends and quarterly dividends paid in 2021 were ₩ 689,653 million (₩ 1,770 per share) and ₩ 292,226 million (₩ 750 per share), respectively.

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**20. Net Interest Expense**

Details of interest income, interest expense, and net interest expense for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Interest income</b>		
Due from financial institutions	₩ 9,019	₩ 2,164
Loans measured at amortized cost	7,073	4,045
Loans measured at fair value through profit or loss	2,877	2,844
Others	433	339
	<u>19,402</u>	<u>9,392</u>
<b>Interest expense</b>		
Borrowings	-	141
Debentures	112,334	120,316
Others	19	12
	<u>112,353</u>	<u>120,469</u>
<b>Net interest expense</b>	<u>₩ (92,951)</u>	<u>₩ (111,077)</u>

**21. Net Fee and Commission Expense**

Details of fee and commission income, fee and commission expense, and net fee and commission expense for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Fee and commission income</b>		
Fees earned in Korean won	₩ 3,399	₩ 975
<b>Fee and commission expense</b>		
Fees paid in Korean won	11,655	8,812
Fees paid in foreign currency	430	320
	<u>12,085</u>	<u>9,132</u>
<b>Net fee and commission expense</b>	<u>₩ (8,686)</u>	<u>₩ (8,157)</u>

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**22. Net Gains or Losses on Financial Instruments at Fair value through Profit or Loss**

Net gains or losses on financial instruments at fair value through profit or loss include dividend income, gains or losses arising from changes in fair value, and gains or losses arising from sales and redemptions. Details of net gains or losses on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<u>2022</u>	<u>2021</u>
<b>Gains on financial instruments at fair value through profit or loss</b>		
Dividend income from financial assets at fair value through profit or loss	₩ 36,409	₩ 19,895
Gains on valuation of financial assets at fair value through profit or loss	7,067	3,911
Gains on disposal of financial assets at fair value through profit or loss	1,799	-
	<u>45,275</u>	<u>23,806</u>
<b>Losses on financial instruments at fair value through profit or loss</b>		
Losses on valuation of financial assets at fair value through profit or loss	57,069	3,556
	<u>57,069</u>	<u>3,556</u>
<b>Net gains on financial instruments at fair value through profit or loss</b>	<u>₩ (11,794)</u>	<u>₩ 20,250</u>

**23. Net Other Operating Income and Expenses**

Details of other operating income and expenses for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<u>2022</u>	<u>2021</u>
<b>Other operating income</b>		
Dividend income from subsidiaries	₩ 1,871,223	₩ 1,617,949
Reversal of impairment losses of investments in subsidiaries	-	2,289
Others	1	-
	<u>1,871,224</u>	<u>1,620,238</u>
<b>Other operating expenses</b>	-	-
	<u>-</u>	<u>-</u>
<b>Net other operating income</b>	<u>₩ 1,871,224</u>	<u>₩ 1,620,238</u>

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**24. General and Administrative Expenses**

24.1 Details of general and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>		<b>2021</b>
<b>Expenses related to employee</b>			
Employee benefits - salaries	₩ 36,254	₩	33,178
Employee benefits - others	5,847		5,499
Post-employment benefits - defined benefit plans	2,194		2,105
Post-employment benefits - defined contribution plans	621		523
Share-based payments	5,801		9,230
	<u>50,717</u>		<u>50,535</u>
<b>Depreciation and amortization</b>	<u>6,245</u>		<u>6,506</u>
<b>Other general and administrative expenses</b>			
Travel	1,115		21
Communications	1,030		1,502
Tax and dues	478		413
Publication	345		371
Rental expense	1,876		1,636
Vehicle	173		142
Service fees	15,441		13,691
Advertising	1,017		973
Training	1,297		1,158
Others	9,415		8,469
	<u>32,187</u>		<u>28,376</u>
	<u>₩ 89,149</u>	₩	<u>85,417</u>



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24.2 Share-based Payments

Share-based payments plan for executives and employees of the Company and its subsidiaries as of December 31, 2022, are as follows:

24.2.1 Stock grants linked to long-term performance

(In number of shares)

	<b>Grant date</b>	<b>Number of granted shares <sup>1</sup></b>	<b>Vesting conditions <sup>2</sup></b>
<b>KB Financial Group Inc.</b>			
Series 27	Jun. 16, 2020	184	Services fulfillment, market performance <sup>3</sup> 30%, and non-market performance <sup>4</sup> 70%
Series 28	Nov. 21, 2020	68,135	Services fulfillment, market performance <sup>3</sup> 35%, and non-market performance <sup>5</sup> 65%
Series 29	Jan. 1, 2021	79,840	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 30	Apr. 1, 2021	3,069	Services fulfillment, market performance <sup>3</sup> 30%, and non-market performance <sup>4</sup> 70%
Series 33	Jan. 1, 2022	62,991	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 34	Feb. 1, 2022	654	Services fulfillment, market performance <sup>3</sup> 30%, and non-market performance <sup>4</sup> 70%
Series 35	May 27, 2022	6,126	Services fulfillment, market performance <sup>3</sup> 30%, and non-market performance <sup>4</sup> 70%
Deferred grant in 2015		4,243	Satisfied
Deferred grant in 2016		3,533	Satisfied
Deferred grant in 2017		1,127	Satisfied
Deferred grant in 2018		1,766	Satisfied
Deferred grant in 2019		7,598	Satisfied
Deferred grant in 2020		27,956	Satisfied
Deferred grant in 2021		27,204	Satisfied
		<u>294,426</u>	
<b>Kookmin Bank</b>			
Series 80	Mar. 1, 2020	7,982	Services fulfillment, market performance <sup>3</sup> 30~50%, and non-market performance <sup>4</sup> 50~70%
Series 81	Jan. 1, 2021	139,783	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 83	Apr. 1, 2021	15,278	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 85	Jan. 1, 2022	292,777	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
			Services fulfillment, market performance <sup>3</sup> 30%, and EPS & Asset Quality <sup>6</sup> 70%
Series 86	Feb. 1, 2022	1,525	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 87	Mar. 1, 2022	2,599	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 88	Mar. 14, 2022	5,884	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 89	May 26, 2022	2,363	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 90	Jul. 18, 2022	4,131	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%
Series 91	Aug. 24, 2022	7,277	Services fulfillment, market performance <sup>3</sup> 0~30%, and non-market performance <sup>4</sup> 70~100%

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24.2.1 Stock grants linked to long-term performance (cont'd)

(In number of shares)

	Grant date	Number of granted shares <sup>1</sup>	Vesting conditions <sup>2</sup>
Deferred grant in 2016		2,426	Satisfied
Deferred grant in 2017		4,582	Satisfied
Deferred grant in 2018		2,287	Satisfied
Deferred grant in 2019		32,756	Satisfied
Deferred grant in 2020		53,502	Satisfied
Deferred grant in 2021		156,939	Satisfied
		732,091	
<b>Other subsidiaries</b>			
Stock granted in 2010		106	
Stock granted in 2011		146	
Stock granted in 2012		420	
Stock granted in 2013		544	
Stock granted in 2014		1,028	
Stock granted in 2015		2,374	
Stock granted in 2016		3,749	
Stock granted in 2017		14,006	Services fulfillment, market performance <sup>3</sup> 0~50%, and non-market performance <sup>4</sup> 50~100%
Stock granted in 2018		26,572	
Stock granted in 2019		42,273	
Stock granted in 2020		165,810	
Stock granted in 2021		501,365	
Stock granted in 2022		249,267	
		1,007,660	
		2,034,177	

<sup>1</sup> Granted shares represent the total number of shares initially granted to executives and employees who have residual shares as of December 31, 2022 (Deferred grants are residual shares vested as of December 31, 2022).

<sup>2</sup> Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

<sup>3</sup> Relative TSR (Total Shareholder Return): [(Fair value at the end of the contract - Fair value at the beginning of the contract) + (Total amount of dividend per share paid during the contract period)] / Fair value at the beginning of the contract

<sup>4</sup> Performance results of company and employee

<sup>5</sup> EPS (Earnings Per Share), Asset Quality, HCROI (Human Capital Return on Investment), Profit from non-banking segments

<sup>6</sup> EPS, Asset Quality

The stock grant linked to long-term performance is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined in accordance with achievement of pre-set performance targets over the vesting period.

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24.2.2 Stock grants linked to short-term performance

<i>(In number of shares)</i>	<b>Estimated number of vested shares *</b>	<b>Vesting conditions</b>
<b>KB Financial Group Inc.</b>		
Stock granted in 2015	3,725	Satisfied
Stock granted in 2016	4,223	Satisfied
Stock granted in 2017	1,401	Satisfied
Stock granted in 2018	760	Satisfied
Stock granted in 2019	9,354	Satisfied
Stock granted in 2020	22,586	Satisfied
Stock granted in 2021	35,497	Satisfied
Stock granted in 2022	46,898	Proportional to service period
<b>Kookmin Bank</b>		
Stock granted in 2015	1,292	Satisfied
Stock granted in 2016	4,875	Satisfied
Stock granted in 2017	1,998	Satisfied
Stock granted in 2018	2,109	Satisfied
Stock granted in 2019	41,737	Satisfied
Stock granted in 2020	89,888	Satisfied
Stock granted in 2021	130,331	Satisfied
Stock granted in 2022	134,402	Proportional to service period
<b>Other subsidiaries</b>		
Stock granted in 2015	5,762	Satisfied
Stock granted in 2016	25,831	Satisfied
Stock granted in 2017	46,223	Satisfied
Stock granted in 2018	99,594	Satisfied
Stock granted in 2019	243,130	Satisfied
Stock granted in 2020	433,210	Satisfied
Stock granted in 2021	610,167	Satisfied
Stock granted in 2022	324,412	Proportional to service period
	<b>2,319,405</b>	

\* Executives and employees were given the right of choice about the timing of the deferred payment (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted shares is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

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24.2.3 Stock grants are measured at fair value using the MonteCarlo simulation model and assumptions used in measuring the fair value as of December 31, 2022, are as follows:

<i>(In Korean won)</i>	<u>Risk-free rate (%)</u>	<u>Fair value (market performance condition)</u>	<u>Fair value (non-market performance condition)</u>
<b>Linked to long-term performance</b>			
<i>(KB Financial Group Inc.)</i>			
Series 27	3.78	-	43,157~46,663
Series 28	3.78	35,289~39,662	41,704~46,873
Series 29	3.78	40,757~48,322	43,157~50,973
Series 30	3.78	38,805~43,583	41,548~46,663
Series 33	3.78	37,409~45,666	41,548~50,973
Series 34	3.78	35,486~39,839	39,958~44,859
Series 35	3.78	38,247~42,939	39,958~44,859
Deferred grant in 2015	3.78	-	43,157~50,973
Deferred grant in 2016	3.78	-	46,663~50,973
Deferred grant in 2017	3.78	-	50,973
Deferred grant in 2018	3.78	-	46,663~50,973
Deferred grant in 2019	3.78	-	50,973
Deferred grant in 2020	3.78	-	43,157~50,973
Deferred grant in 2021	3.78	-	44,859~50,973
<i>(Kookmin Bank)</i>			
Series 80	3.78	43,157~50,973	43,157~50,973
Series 81	3.78	35,905~41,289	43,157~50,973
Series 83	3.78	38,660~43,583	41,548~46,663
Series 85	3.78	33,668~37,813	41,548~46,663
Series 86	3.78	35,486~39,839	39,958~44,859
Series 87	3.78	38,957~46,013	43,157~50,973
Series 88	3.78	37,288~41,862	39,958~44,859
Series 89	3.78	40,943~48,358	43,157~50,973
Series 90	3.78	39,554~44,405	39,958~44,859
Series 91	3.78	37,840~42,481	39,958~44,859
Grant deferred in 2016	3.78	-	46,663~50,973
Grant deferred in 2017	3.78	-	46,663~50,973
Grant deferred in 2018	3.78	-	46,663~50,973
Grant deferred in 2019	3.78	-	50,973
Grant deferred in 2020	3.78	-	46,663~50,973
Grant deferred in 2021	3.78	-	44,859~50,973
<i>(Other subsidiaries)</i>			
Stock granted in 2010	3.78	-	44,859
Stock granted in 2011	3.78	-	44,859
Stock granted in 2012	3.78	-	44,859~46,663
Stock granted in 2013	3.78	-	44,859~46,663
Stock granted in 2014	3.78	-	46,663
Stock granted in 2015	3.78	-	41,548~50,973
Stock granted in 2016	3.78	-	44,859~56,379
Stock granted in 2017	3.78	-	41,548~61,294
Stock granted in 2018	3.78	-	39,958~56,379
Stock granted in 2019	3.78	-	38,393~56,379
Stock granted in 2020	3.78	43,157~50,973	39,958~56,379
Stock granted in 2021	3.78	39,042~50,651	41,548~56,379
Stock granted in 2022	3.78	35,286~49,647	39,958~62,269

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24.2.3 Stock grants are measured at fair value using the MonteCarlo simulation model and assumptions used in measuring the fair value as of December 31, 2022, are as follows: (cont'd)

<i>(In Korean won)</i>	<u>Risk-free rate (%)</u>	<u>Fair value (market performance condition)</u>	<u>Fair value (non-market performance condition)</u>
<b>Linked to short-term performance</b>			
<i>(KB Financial Group Inc.)</i>			
Stock granted in 2015	3.78	-	43,157~50,973
Stock granted in 2016	3.78	-	38,393~50,973
Stock granted in 2017	3.78	-	46,663~50,973
Stock granted in 2018	3.78	-	46,663~50,973
Stock granted in 2019	3.78	-	50,973
Stock granted in 2020	3.78	-	43,157~50,973
Stock granted in 2021	3.78	-	44,859~50,973
Stock granted in 2022	3.78	-	43,157~50,973
<i>(Kookmin Bank)</i>			
Stock granted in 2015	3.78	-	46,663~50,973
Stock granted in 2016	3.78	-	44,859~50,973
Stock granted in 2017	3.78	-	46,663~50,973
Stock granted in 2018	3.78	-	0~56,379
Stock granted in 2019	3.78	-	45,096~56,379
Stock granted in 2020	3.78	-	46,663~56,379
Stock granted in 2021	3.78	-	44,859~50,973
Stock granted in 2022	3.78	-	39,958~46,663
<i>(Other subsidiaries)</i>			
Stock granted in 2015	3.78	-	41,548~50,973
Stock granted in 2016	3.78	-	41,548~50,973
Stock granted in 2017	3.78	-	39,958~50,973
Stock granted in 2018	3.78	-	38,393~56,379
Stock granted in 2019	3.78	-	38,393~56,379
Stock granted in 2020	3.78	-	41,548~56,379
Stock granted in 2021	3.78	-	41,548~50,973
Stock granted in 2022	3.78	-	39,958~56,379

The Company use the volatility of the stock price over the previous year as the expected volatility, and uses the arithmetic mean of the price-dividend ratio of one year before, two years before, and three years before the base year as the dividend yield and uses one-year risk-free rate of Korea Treasury Bond in order to measure the fair value.

Share-based payments arrangement for subsidiaries was transferred to the Company in 2010, and the related compensation cost paid to the executives and employees of subsidiaries is reimbursed by subsidiaries. The accrued expenses for share-based payments as of December 31, 2022 and 2021, are ₩ 186,908 million and ₩ 193,023 million, respectively, and the receivables to be reimbursed by subsidiaries for the compensation costs as of December 31, 2022 and 2021, are ₩ 169,918 million and ₩ 176,709 million, respectively. And compensation costs from share-based payments amounting to ₩ 5,801 million and ₩ 9,230 million were recognized for the years ended December 31, 2022 and 2021, respectively.

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**25. Net Other Non-Operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Other non-operating income</b>		
Reversal of impairment losses of intangible assets	₩ 2	₩ 11
Others	2,008	2,377
	<u>2,010</u>	<u>2,388</u>
<b>Other non-operating expenses</b>		
Losses on disposal of property and equipment	-	10
Impairment losses of intangible assets	2	3
Donation	1,097	1,028
Others	3	182
	<u>1,102</u>	<u>1,223</u>
<b>Net other non-operating income</b>	<u>₩ 908</u>	<u>₩ 1,165</u>

**26. Income Tax Benefit**

26.1 Details of income tax benefit for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

	<b>2022</b>	<b>2021</b>
<b>Income tax payable</b>	₩ -	₩ -
<b>Changes in deferred tax assets and liabilities *</b>	(14,321)	(2,394)
Origination and reversal of temporary differences	(14,321)	(2,394)
<b>Income tax recognized directly in equity</b>	(942)	113
Remeasurements of net defined benefit liabilities	(942)	113
<b>Income tax benefit</b>	<u>₩ (15,263)</u>	<u>₩ (2,281)</u>

\* Due to amendments of tax laws at the end of 2022, the effect of corporate tax rate change is reflected in deferred income tax assets and liabilities that are expected to be realized after 2023. (Corporate tax rates after the amendments: 10% for tax base ₩ 200 million or less, 21% for tax base over ₩ 200 million to ₩ 20,000 million, 23.2% for tax base over ₩ 20,000 million to ₩ 300,000 million, 26.5% for tax base over ₩ 300,000 million)

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26.2 Analysis of the relationship between net profit before income tax expense and income tax benefit for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before income tax expense		₩ 1,669,249		₩ 1,436,585
Income tax at the applicable tax rate *	26.88	448,682	26.78	384,699
Non-taxable income	(29.21)	(487,657)	(27.26)	(391,645)
Non-deductible expenses	0.05	882	0.05	774
Tax rate change effect	0.04	751	-	-
Consolidated tax return effect	1.38	23,021	0.26	3,778
Others	(0.06)	(942)	0.01	113
Average effective tax rate and income tax benefit	(0.91)	₩ (15,263)	(0.16)	₩ (2,281)

\* Applicable income tax rate for ₩ 200 million and below is 11%, for over ₩ 200 million to ₩ 20,000 million is 22%, for over ₩ 20,000 million to ₩ 300,000 million is 24.2% and for over ₩ 300,000 million is 27.5% for the years ended December 31, 2022 and 2021.

## 27. Earnings per Share

### 27.1 Basic Earnings per Share

Basic earnings per share is calculated from the earnings attributable to ordinary shares.

#### 27.1.1 Weighted average number of ordinary shares outstanding

(In number of shares)

	2022		2021	
	Number of shares	Accumulated number of shares	Number of shares	Accumulated number of shares
Number of issued ordinary shares	408,897,068	150,138,929,728	415,807,920	151,769,890,800
Number of treasury shares *	(19,262,733)	(7,922,397,453)	(26,173,585)	(9,553,358,525)
Average number of ordinary shares outstanding	389,634,335	142,216,532,275	389,634,335	142,216,532,275
Number of days		365		365
Weighted average number of ordinary shares outstanding		389,634,335		389,634,335

\* The number of treasury shares have excluded the initial redemption of treasury shares from February 14, 2022, and the 2nd redemption from August 1, 2022.

#### 27.1.2 Basic earnings per share

(In Korean won and in number of shares)

	2022	2021
Profit for the period	₩ 1,684,512,284,129	₩ 1,438,865,627,868
Deduction: Dividends on hybrid securities	(126,402,175,000)	(71,537,500,000)
Profit attributable to ordinary equity holders (A)	1,558,110,109,129	1,367,328,127,868
Weighted average number of ordinary shares outstanding (B)	389,634,335	389,634,335
Basic earnings per share (A/B)	₩ 3,999	₩ 3,509

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27.2 Diluted Earnings per Share

Diluted earnings per share is calculated through increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares such as stock grants and ordinary share exchange right of exchangeable bonds.

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 for the year) based on the monetary value of stock grants. The number of shares calculated above is compared with the number of shares that would have been issued assuming the settlement of stock grants.

Exchangeable bonds are included in potential ordinary shares from the exercisable date of the exchange right, and interest expense after tax for the period is added to profit for diluted earnings per share.

27.2.1 Adjusted profit for diluted earnings per share

*(In Korean won)*

	<b>2022</b>	<b>2021</b>
Profit attributable to the ordinary equity holders *	₩ 1,558,110,109,129	₩ 1,367,328,127,868
Adjustment:		
Interest expense on exchangeable bonds	2,380,953,816	2,347,186,871
Adjusted profit for diluted earnings per share	<u>₩ 1,560,491,062,945</u>	<u>₩ 1,369,675,314,739</u>

\* The amount is after deducting dividends on hybrid securities.

27.2.2 Weighted average number of ordinary shares outstanding for diluted earnings per share

*(In number of shares)*

	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares outstanding	389,634,335	389,634,335
Adjustment:		
Stock grants	4,306,711	3,945,208
Exchangeable bonds	5,000,000	5,000,000
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	<u>398,941,046</u>	<u>398,579,543</u>

27.2.3 Diluted earnings per share

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

	<b>2022</b>	<b>2021</b>
Adjusted profit for diluted earnings per share	₩ 1,560,491,062,945	₩ 1,369,675,314,739
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	398,941,046	398,579,543
Diluted earnings per share	<u>₩ 3,912</u>	<u>₩ 3,436</u>



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**28. Statement of Cash Flows**

28.1 Details of cash and cash equivalents as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>December 31,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
Due from financial institutions	₩	351,056	₩	608,076
Deduction:				
Restricted due from financial institutions		(3)		(3)
Due from financial institutions with original maturities over three months		(120,000)		(90,000)
		(120,003)		(90,003)
	₩	231,053	₩	518,073

28.2 Significant non-cash transactions for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>		<b>2021</b>	
Changes in receivables and payables from consolidated tax return	₩	485,720	₩	(125,916)
Changes in receivables and payables related to stock grants		(6,791)		52,912

28.3 Cash inflows and outflows from income tax, interest, and dividends for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>Activity</b>	<b>2022</b>		<b>2021</b>	
Income tax paid	Operating	₩	3,887	₩	1,968
Interest received	Operating		14,229		7,976
Interest paid	Operating		107,924		116,449
Dividends received	Operating		1,904,586		1,637,727
Dividends paid	Financing		1,564,153		1,053,417

28.4 Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	<b>2022</b>			
	<b>Beginning</b>	<b>Net cash flows</b>	<b>Non-cash changes</b>	<b>Ending</b>
Debentures	₩	5,552,791	₩	(601,102)
			₩	5,260
			₩	4,956,949

(In millions of Korean won)

	<b>2021</b>			
	<b>Beginning</b>	<b>Net cash flows</b>	<b>Non-cash changes</b>	<b>Ending</b>
Borrowings	₩	100,000	₩	(100,000)
Debentures		6,128,043		(580,595)
				5,343
	₩	6,228,043	₩	(680,595)
			₩	5,343
			₩	5,552,791

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**29. Contingent Liabilities and Commitments**

29.1 Commitments made with financial institutions as of December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

		<b>December 31, 2022</b>				<b>December 31, 2021</b>			
		<b>Amount of commitments</b>		<b>Amount borrowed</b>		<b>Amount of commitments</b>		<b>Amount borrowed</b>	
General loan	Hana Bank	₩	200,000	₩	-	₩	200,000	₩	-

29.2 Other Matters (including litigation)

The Company has 1 pending lawsuit as a defendant with aggregate claims amount of ₩0.1 million, which arose in the normal course of the management activities, as of December 31, 2022.

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**30. Related Party Transactions**

According to Korean IFRS No.1024, the Company includes subsidiaries and key management personnel (including family members) in the scope of related parties. The Company discloses balances (receivables and payables) and other amounts arising from transactions with related parties in the notes to the financial statements. Refer to Note 9 for details of subsidiaries. Key management personnel include the executives of the Company, their close family members, and the companies where the executives and/or their close family members have control or joint control.

30.1 Details of significant profit or loss arising from transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

*(In millions of Korean won)*

Subsidiaries	Profit or loss	2022	2021
Kookmin Bank	Interest income	₩ 6,247	₩ 1,761
	Fee and commission income	1,262	926
	Net other operating income <sup>1</sup>	1,031,167	917,941
	General and administrative expenses	11,351	8,863
	Net non-operating income <sup>2</sup>	-	1,448
KB Securities Co., Ltd.	Interest expense	15	-
	Fee and commission income	119	15
	Net gains on financial assets at fair value through profit or loss	(18,596)	-
	Net other operating income <sup>1</sup>	400,000	200,000
	General and administrative expenses	440	659
KB Insurance Co., Ltd.	Fee and commission income	170	21
	General and administrative expenses	1,631	1,628
KB Kookmin Card Co., Ltd.	Fee and commission income	39	5
	Net other operating income <sup>1</sup>	250,056	200,008
	General and administrative expenses	92	189
KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.)	Net non-operating income	6	4
	Fee and commission income	29	4
	Net other operating income <sup>1</sup>	100,000	200,000
KB Asset Management Co., Ltd.	General and administrative expenses	572	691
	Net other operating income <sup>1</sup>	40,000	55,000
KB Capital Co., Ltd	General and administrative expenses	-	10
	Interest income	487	-
	Fee and commission income	17	2
	Net gains on financial assets at fair value through profit or loss	9,570	20,606
	General and administrative expenses	40	108
	Provision for credit losses	234	-
KB Life Insurance Co., Ltd.	Fee and commission income	24	3
	General and administrative expenses	346	452
KB Real Estate Trust. Co., Ltd.	Net other operating income <sup>1</sup>	40,000	35,000
KB Savings Bank Co., Ltd.	Interest income	3,990	2,091
	Fee and commission income	1	-
	Net losses on financial assets at fair value through profit or loss	(9,185)	(356)

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30.1 Details of significant profit or loss arising from transactions with related parties for the years ended December 31, 2022 and 2021, are as follows: (cont'd)

(In millions of Korean won)

Subsidiaries	Profit or loss	2022		2021	
KB Investment Co., Ltd.	Interest income	₩	6,537	₩	4,045
	Net other operating income <sup>1</sup>		10,000		10,000
	Provision for credit losses		53		417
KB Data Systems Co., Ltd.	General and administrative expenses		2,653		2,022
KB Credit Information Co., Ltd.	Interest income		49		-
	Provision for credit losses		16		-

<sup>1</sup> Net other operating income includes dividend income from subsidiaries.

<sup>2</sup> Gains on disposal of intangible assets and others to Kookmin Bank for ₩ 3,676 million in 2021.

30.2 Details of significant outstanding balances of receivables and payables arising from transactions with related parties as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

Subsidiaries	Assets or liabilities	December 31, 2022		December 31, 2021	
Kookmin Bank	Cash and due from financial institutions	₩	231,056	₩	518,076
	Other assets		828,505		462,250
	Other liabilities		97		71
	Property and equipment		357		518
KB Securities Co., Ltd.	Financial assets at fair value through profit or loss		401,732		-
	Other assets		66,162		106,320
	Other liabilities		116,503		85
KB Insurance Co., Ltd.	Other assets		111,433		37,209
	Other liabilities		47		6
KB Kookmin Card Co., Ltd.	Other assets		88,968		88,060
	Other liabilities		755		700
KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.)	Other assets		70,534		2,626
	Other liabilities		67		7,264
KB Asset Management Co., Ltd.	Other assets		21,033		20,502
KB Capital Co., Ltd.	Financial assets at fair value through profit or loss		472,439		389,606
	Loans measured at amortized cost (gross amount)		200,000		-
	Allowances for credit losses		234		-
	Other assets		52,941		40,701
	Other liabilities		9,188		10,877
KB Life Insurance Co., Ltd.	Other assets		4,655		5,196
KB Real Estate Trust Co., Ltd.	Other liabilities		9,188		10,877
	Other assets		8,860		19,360

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30.2 Details of significant outstanding balances of receivables and payables arising from transactions with related parties as of December 31, 2022 and 2021, are as follows: (cont'd)

(In millions of Korean won)

Subsidiaries	Assets or liabilities	December 31, 2022	December 31, 2021
KB Savings Bank Co., Ltd.	Cash and due from financial institutions	₩ 120,000	₩ 90,000
	Financial assets at fair value through profit or loss	43,524	51,154
	Other assets	7,280	7,984
	Other liabilities	67	67
KB Investment Co., Ltd.	Loans measured at amortized cost (gross amount)	310,000	250,000
	Allowances for credit losses	924	872
	Other assets	5,943	9,157
KB Data Systems Co., Ltd.	Property and equipment	-	68
	Intangible assets	1,716	3,341
	Other assets	3,456	2,554
	Other liabilities	208	160
KB Credit Information Co., Ltd.	Loans measured at amortized cost (gross amount)	13,500	-
	Allowances for credit losses	16	-
	Other assets	1,054	1,239
	Other liabilities	61	-

30.3 Right-of-use assets and lease liabilities with related parties as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

			December 31, 2022	December 31, 2021
Subsidiary	Kookmin Bank	Right-of-use assets	₩ 357	₩ 518

30.4 Unused commitments provided from related parties as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

			December 31, 2022	December 31, 2021
Subsidiary	KB Kookmin Card Co., Ltd.	Unused lines of credit for credit card	₩ 2,245	₩ 2,300

30.5 Share transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

			2022	2021
Subsidiary	KB Capital Co., Ltd.	Paid-in capital increase of ordinary shares	₩ -	₩ 200,000
		Acquisition of hybrid securities	100,000	-
	KB Securities Co., Ltd.	Acquisition of hybrid securities	430,000	-

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30.6 Details of significant lending transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Beginning	Loan	Collection	Ending
Subsidiary KB Investment Co., Ltd.	₩ 250,000	₩ 60,000	₩ -	₩ 310,000
KB Credit Information Co., Ltd.	-	13,500	-	13,500
KB Capital Co., Ltd.	-	200,000	-	200,000
KB Savings Bank Co., Ltd. *	70,000	-	-	70,000

(In millions of Korean won)

	2021			
	Beginning	Loan	Collection	Ending
Subsidiary KB Investment Co., Ltd.	₩ 180,000	₩ 70,000	₩ -	₩ 250,000
KB Savings Bank Co., Ltd. *	-	70,000	-	70,000

\* Par value of subordinated bond issued by KB Savings Bank Co., Ltd. The difference between par value and fair value at the acquisition date was accounted for as investments in subsidiaries.

30.7 Details of compensation to key management personnel for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 1,100	₩ 33	₩ 932	₩ 2,065
Registered directors (non-executive)	638	-	-	638
Non-registered directors	6,955	140	4,869	11,964
	₩ 8,693	₩ 173	₩ 5,801	₩ 14,667

(In millions of Korean won)

	2021			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered director (executive)	₩ 871	₩ 29	₩ 1,937	₩ 2,837
Registered director (non-executive)	666	-	-	666
Non-registered director	5,746	61	7,293	13,100
	₩ 7,283	₩ 90	₩ 9,230	₩ 16,603

30.8 The Company paid ₩ 45 million and ₩ 30 million to KB Securities Co., Ltd., a subsidiary, for the underwriting and arrangement of debentures and hybrid securities for the years ended December 31, 2022 and 2021, respectively.

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**31. Events after the reporting period**

31.1 Merger of subsidiaries

At the board of directors meeting and shareholder's meeting on August 9, 2022, it is determined to merge the Group's subsidiaries, KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.) and KB Life Insurance Co., Ltd.. Accordingly, the merger was completed with KB Life Insurance Co., Ltd.(former Prudential Life Insurance Company of Korea Ltd.) as a surviving corporation on January 1, 2023, and KB Life Insurance Co., Ltd. was dissolved after the merger.

31.2 retirement of treasury shares

The Company plans to acquire 5,385,996 shares(W 300,000 million) of its own shares and retire the treasury shares by May 7, 2023 pursuant to board resolutions dated February 7, 2023.

However, the treasury shares were calculated based on the closing price (W 55,700) on the day before the board meeting, on February 6, 2023, and the final number of shares to be retired may vary depending on the stock price.

**32. Approval of Issuance of the Financial Statements**

The issuance of the Company's financial statements as of and for the year ended December 31, 2022, was approved by the board of directors on February 23, 2023.

**Independent Auditors' Report on Internal Control over Financial Reporting**

Based on a report originally issued in Korean

The Board of Directors and Stockholders  
KB Financial Group Inc.:

*Opinion on Internal Control over Financial Reporting*

We have audited the internal control over financial reporting (“ICFR”) of KB Financial Group Inc. (the “Company”) as of December 31, 2022 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR (“ICFR Design and Operation Framework”) issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the “ICFR Committee”).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statements of financial position as of December 31, 2022 and 2021, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and our report dated March 7, 2023 expressed an unmodified opinion on those separate financial statements.

*Basis for Opinion*

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting*

The Company’s management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying ‘Operating Status Report of the Internal Control over Financial Reporting.’

Those charged with governance are responsible for overseeing the Company’s internal control over financial reporting.

*Auditors’ Responsibilities for the Audit of the Internal Control over Financial Reporting*

Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

*Definition and Limitations of Internal Control over Financial Reporting*

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards (“K-IFRS”). A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide





reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditors' report is Young-Min Kwon.

*KPMG Samjory Accounting Corp.*

Seoul, Korea  
March 7, 2023

This report is effective as of March 7, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## **Operating Status Report of the Internal Control over Financial Reporting**

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

We, as the Chief Executive Officer (“CEO”) and the Internal Accounting Manager of KB Financial Group Inc. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ended December 31, 2022.

The Company’s management, including ourselves, is responsible for designing and operating ICFR.

We assessed whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s ICFR. We also conducted an assessment of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, we concluded that the Company’s ICFR is designed and operated effectively as of December 31, 2022, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

March 2, 2023

Jong Kyoo Yoon,  
Chief Executive Officer

Young Ho Seo,  
Internal Accounting Manager