

Financial Service Delivering Changes for

HAPPIER LIFE & BETTER WORLD

ANNUAL REPORT 2018



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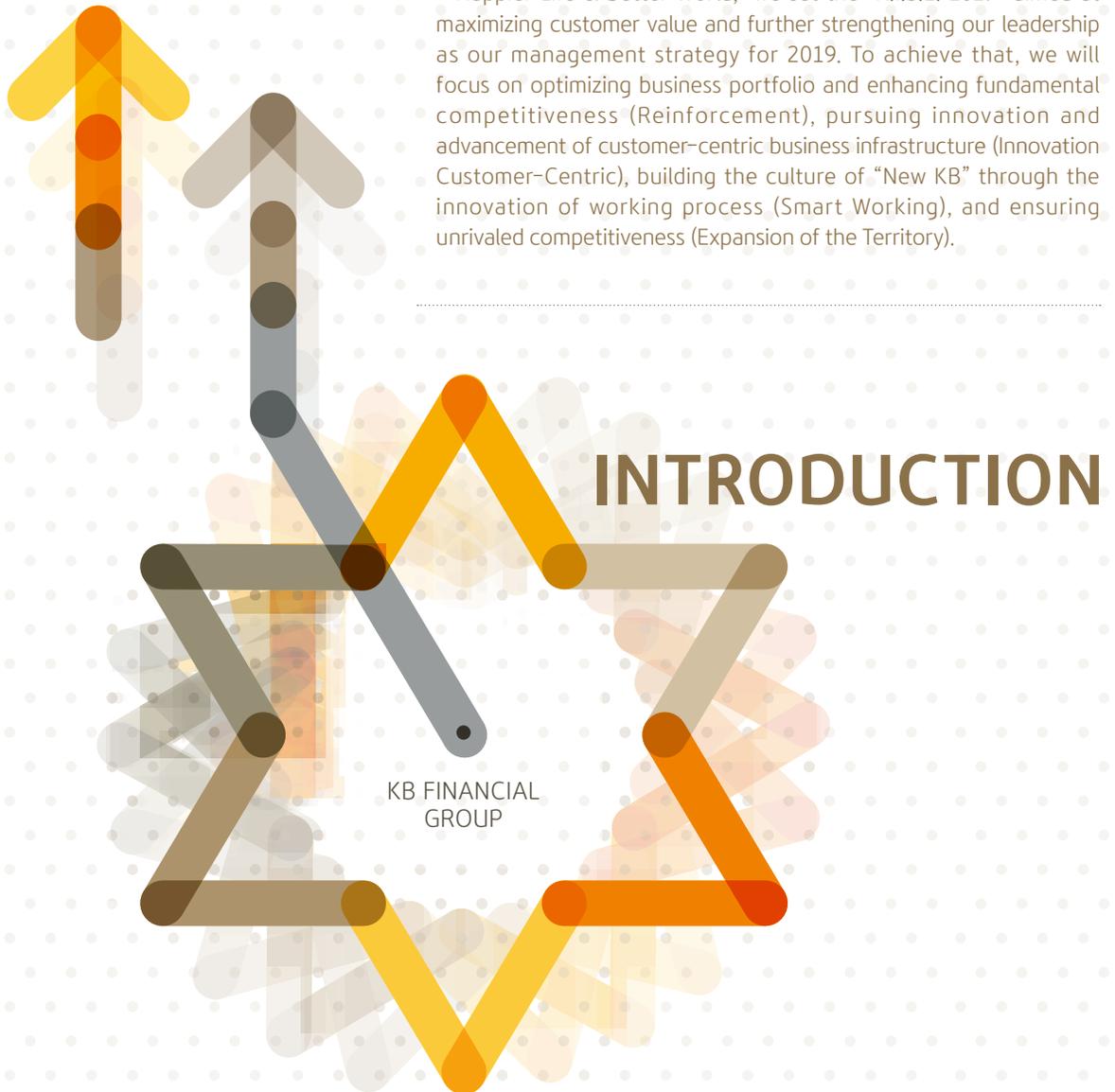
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You can find this report and other KB Financial Group publications
on our internet homepage www.kbfg.com



In 2018, KB Financial Group has built the culture of “One-Firm, KB” based on organically collaborative system among 12 subsidiaries with the aim of enhancing convenience and satisfaction in financial service from the customers’ perspective, thereby solidifying its position as a leading financial group.

The Group’s total assets in 2018 increased KRW 42.8 trillion from the previous year to KRW 479.6 trillion, and net profit stood at KRW 3,061.2 billion. Moreover, the total number of customers exceeded 34 million.

Based on the new mission “Financial Service Delivering Changes – Happier Life & Better World,” we set the “R.I.S.E. 2019” aimed at maximizing customer value and further strengthening our leadership as our management strategy for 2019. To achieve that, we will focus on optimizing business portfolio and enhancing fundamental competitiveness (Reinforcement), pursuing innovation and advancement of customer-centric business infrastructure (Innovation Customer-Centric), building the culture of “New KB” through the innovation of working process (Smart Working), and ensuring unrivaled competitiveness (Expansion of the Territory).



As Korea's representative financial group, we are committed to maximizing customer value and pursuing sustainable growth with all stakeholders.

Group at a Glance



Under the culture of “One Firm, One KB,” we bring together the capabilities of 12 subsidiaries to become the leading financial group that can be the first choice of customers.

KB Kookmin Bank

KB Kookmin Bank boasts industry-leading branches and mobile & internet banking network as well as 31.1 million customers. KB Kookmin Bank also stands as the leader in digital finance service by operating mobile platforms including Liiv and Liiv Talk Talk as well as KB Star Banking with more than 14.6 million customers. It plays a key role in creating synergy among affiliates.

KB Securities

KB Securities is a mega investment firm boasting more than KRW 4 trillion in equity capital and 118 competitive WM branches nationwide at the end of 2018. Particularly, in the IB business, it has ranked top in underwriting the issue of corporate bond and ABS for eight consecutive years. It is also proactive in expanding global network to evolve into a leader in the Asian financial market.

KB Insurance

KB Insurance aspires to become the best insurance firm in customer preference by offering both optimum insurance coverage and comprehensive financial services. It also demonstrates excellence in financial soundness by obtaining “A” credit rating from the A.M. Best of the U.S. and industry-leading digital competitiveness.

KB Kookmin Card

KB Kookmin Card handles the issuance and management of KB credit, check and prepaid cards and provides card payment services. Particularly, it has ranked top in check card business for eight consecutive years among card companies. The company is proactive in launching innovative products, strengthening digital financing services, and entering foreign markets to secure future growth engines and play a role as a digital hub for KB Financial Group.



KB Asset Management

KB Asset Management operates the most diverse investment portfolio in the industry and the AUM reaches KRW 51 trillion. The company is sustaining growth even in the fields of infrastructure fund, real estate fund, and NPL as well as stock fund and bond fund. In 2018, a local subsidiary was launched in Shanghai, China, with the aim of making inroads into the global market.

KB Capital

KB Capital has taken the first place in imported car financing and the second place in used car financing market. In terms of asset volume, the company maintains top position among bank-affiliated capital firms. Laos subsidiary, launched in 2017, passed the break-even point in cumulative profit just in 19 months by diversifying business portfolio and securing stable profit creation sources.

KB Life Insurance

KB Life Insurance provides a variety of financial and insurance services through bancassurance, TM, agency, and consultant channels across the nation. The company endeavors to enhance digital competence such as RPA and big data analysis and diversify product portfolio in order to deliver better services to customers and secure future growth engines.

KB Real Estate Trust

KB Real Estate Trust is dedicated to providing customers with optimized real estate finance solutions through diverse real estate development projects. The company shifted the market paradigm by first launching the completion guarantee-based land trust product in the industry and maintained its leadership in the urban regeneration and REITs sectors.

KB Savings Bank

KB Savings Bank takes the lead in inclusive finance by offering financial services tailored to those with less access to credit loans in the prime banking sector. The company pursues digital innovation for better customer services and is highly recognized for financial soundness and business portfolio by obtaining "A" credit rating, the highest level in the industry.

KB Investment

KB Investment, as a leading venture investment firm, contributes to developing new growth engines of national economy by focusing on partnering with innovative entrepreneurs. The company has strengthened collaboration with subsidiaries of the Group, raised large-scale venture funds, and actively invested in promising startups, thereby attaining record-high net profit in 2018.

KB Data Systems

KB Data Systems plays a key role in supplying IT services to subsidiaries of the Group at the right time by capitalizing on industry-leading expertise and experience in the fields of system integration, system management, and system outsourcing. The company is also proactive in supporting the establishment of their next-generation digital finance system.

KB Credit Information

KB Credit Information contributes to improving loan quality of the Group by strictly managing non-performing loans of affiliates. The company maintains top position in the lease investigation market on the strength of advanced IT technology and endeavors to diversity business portfolio to secure growth engines.

CEO's Message

KB Financial Group has remained adamant
in our determination to be at the forefront of
financial innovation



Dear respected shareholders at home and abroad!

I would like to deliver my heartfelt gratitude to our shareholders for the unwavering support and encouragement you have extended to KB Financial Group.

The business environment in the previous year was marked by deepening uncertainties. The domestic economy struggled with a slowdown and mounting anxieties over growing household debt. On the external front, we saw financial volatility increase due to interest rate hikes and a prolonged U.S.-China trade conflict. Confronted with those challenges, however, KB Financial Group has remained steadfast in our determination to be at the forefront of financial innovation and to secure stable sources of growth in the years ahead.

In our preemptive response to the rapidly changing digital environment, we undertook the “Digital Transformation” initiative which included expanding our digital banking counters, upgrading our core mobile applications and introducing RPA (Robotic Process Automation) for work process automation. As a financial group with the nation's most diversified business network, we have also expanded our multi-service branch network based on collaboration among subsidiaries and launched a variety of packaged products, thereby enhancing the “One firm” synergy objective for better customer experience.

Moreover, we have continued our efforts to secure new customers and expand our loyal customer base, having been selected as the national defense welfare card and

military pension certificate issuer and custodian bank of local governments.

In the meantime, KB Financial Group has strengthened the foundation for our global business. This includes acquiring shares in Bank Bukopin of Indonesia, launching “KB Securities Vietnam,” a local subsidiary of KB Securities, taking over “KB Daehan Specialized Bank,” a specialized bank in Cambodia, and expanding our global IB network.

Let me briefly review our operating performance in the previous year.

In 2018, KB Financial Group posted KRW 3,061.2 billion in net profit, down KRW 250.2 billion from the previous year despite an increase in interest income delivered by robust growth of operating assets and improved net interest margins. This result is mainly attributable to the decline in commission revenues and other operating gains due to the sluggish stock market and a worsened insurance loss ratio. Also contributing were an increase in general and administrative expenses due to a year-end voluntary retirement scheme and special bonuses.

Total assets of the Group as of the end of 2018 reached KRW 479.6 trillion, an increase of KRW 42.8 trillion year-on-year due mainly to well-balanced growth of loans targeting strategic household products and valued small and SoHo businesses as well as the expansion of securities operation volume aimed at diversifying revenue sources.

It is with regret that we could not deliver improved performance over the previous year in terms of margins despite our employees' passionate dedication to asset growth. This year, we at KB Financial Group pledge to

KB Financial Group will pool our wisdom and capacity even harder, thus raising our status as the market-leading financial group guiding financial innovation and securing sustainable growth engines

ensure that the Group's many resources are mobilized in order to achieve financial outcomes which live up to shareholders' expectations and the status of KBFG.

The business environment in 2019 is anticipated to be difficult as the uncertainty in global financial markets persists, owing to, in great part, the continuing U.S.-China trade conflict and changes in U.S. monetary policy.

Moreover, the inroads of global ICT businesses, equipped with advanced technologies and comprehensive platforms, into the financial industry will continue as a major challenge to the financial industry.

In an era where these uncertainties and risks have all become the norm and as we strive to establish our status as the innovative "market-leading financial group," KBFG is committed to concentrating resources on the following initiatives:

First, we will further enhance the competitive edge of each subsidiary and business segment to solidify our status as Korea's leading financial group.

Kookmin Bank will maintain its superiority over our competitors and secure unrivaled positions in key banking areas. Core subsidiaries such as KB Securities, KB Insurance and KB Kookmin Card will sharpen their

competitive edge under the philosophy of "back to the basics" and lead their respective markets as top-tier financial institutions. In each business segment, we will provide differentiated services based on organic collaboration under the "One firm" system.

Second, we will innovate and advance core infrastructure to ensure more efficient business systems thus improving customer convenience.

By pursuing digital innovation with a flexible mindset that suits the needs of customers, we will become the leading financial group that can be most trusted and preferentially selected by customers.

Third, we will set in place a dynamic and creative corporate culture representative of KBFG and innovate the way we work.

We will continue to pursue our ubiquitous and mobile working environment for higher business efficiency and establish the "Smart Work" system aimed at handling value added tasks in a swift manner. In addition, we will endeavor to build KB's unique agile organizational structure to make our businesses more creative and productive. We will enhance our group-wide collaboration system among core business sectors encompassing digital innovation, WM, CIB, capital market, retail, SME and insurance.

With the management keyword “R.I.S.E. 2019,” we will rise to challenges and take a step forward

Lastly, we will continue to diversify into business areas that will allow us to secure sustainable growth for years to come.

We pledge to further expand our business portfolio while promoting strategic M&As with the aim of identifying future growth engines. Based on the two-track strategy targeting both South East Asian markets and advanced economies, the Group will globally diversify its revenue sources. Opportunities with promising growth potential in the asset management business will be strategically and collaboratively reviewed at the Group level to ensure our competitive position.

The management environment this year will be no less challenging than last. However, we at KB Financial Group, by pooling our experience, capabilities and resources to an even greater degree, will raise our status as the leading innovative, sustainable growth financial company in Korea.

I ask for your continued support and encouragement in this journey and wish you and your loved ones good health and happiness.

Jong Kyoo Yoon

Chairman and CEO
KB Financial Group Inc.



Financial Highlights

Summarized Operating Results

	2018	2017	2016
PROFITABILITY (KRW in billions)			
Gross operating income	10,859.7	10,192.2	7,444.9
Operating profit	4,267.5	4,015.3	1,676.9
Net profit	3,061.2	3,311.4	2,143.7
ROA (%)	0.7	0.8	0.6
ROE (%)	8.8	10.2	7.3
Cost-income ratio (CIR) (%)	54.5	55.2	70.2
FINANCIAL POSITION (KRW in trillions)			
Assets	479.6	436.8	375.7
Liabilities	443.9	402.7	344.4
Shareholders' equity	35.7	34.0	31.3
ASSET QUALITY (%)			
NPL ratio	0.6	0.7	0.9
NPL coverage ratio	138.9	107.9	104.3
Credit cost ratio (CCR)	0.2	0.2	0.2
CAPITAL ADEQUACY (%)			
BIS ratio	14.6	15.2	15.3
Tier 1	14.0	14.6	14.4
CET 1	14.0	14.6	14.3



Net Interest Income Growth

+8.0%



Operating Profit Growth

+6.3%



Asset Growth

+9.8%

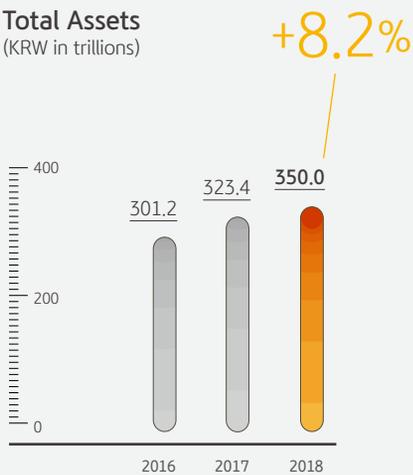
KB Financial Group achieved remarkable operating performances both in profitability and assets growth in 2018, thereby solidifying the position as a leading financial group and creating higher shareholder value.



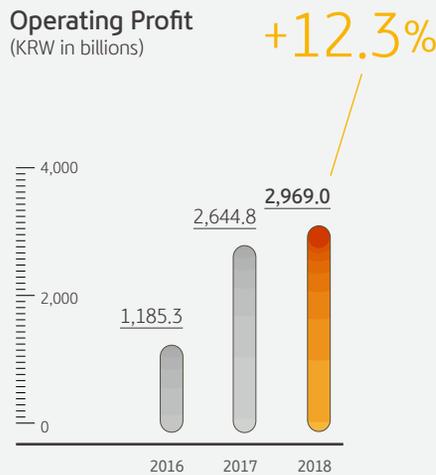
Financial Highlights

*b KB Kookmin Bank

Total Assets
(KRW in trillions)



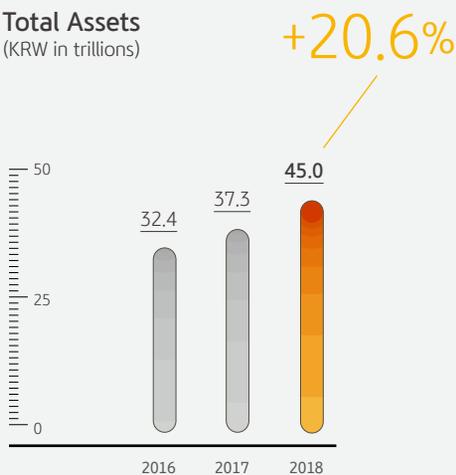
Operating Profit
(KRW in billions)



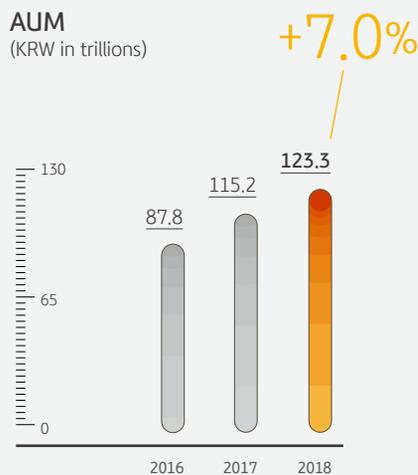
- Secured more than 14.6 million KB Star Banking users and upgraded Liiv Talk Talk services
- Issued foreign currency sustainability bond worth USD 300 million for the first time in the industry
- Expanded global network by taking over shares of Bank Bukopin in Indonesia and launching new local branches in Cambodia
- Succeeded in underwriting a PF project worth KRW 110 billion for the construction of a gas-fueled power plant through collaboration with affiliates
- Strengthened global CIB business by converting London subsidiary into a branch

*b KB Securities

Total Assets
(KRW in trillions)



AUM
(KRW in trillions)

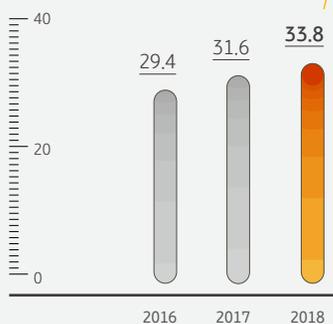


- Achieved KRW 20.4 trillion, up 32.4% year-on-year, in financial product assets held by customers by developing diverse investment products and enhancing asset management services
- Ranked top in underwriting corporate bond and ABS issuance for eight consecutive years on the strength of unrivaled competitiveness in IB business (source: Bloomberg)
- Expanded the number of WM multi-service branches to 118
- Selected as a trustee company for the operation of the Secondary Fund by the National Pension Service (KRW 235.3 billion)
- Established a local subsidiary in Vietnam (KB Securities Vietnam) where stable growth is expected

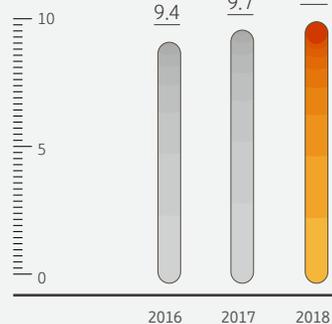
KB Financial Group achieved remarkable operating performances both in profitability and assets growth in 2018, thereby solidifying the position as a leading financial group and creating higher shareholder value.

KB Insurance

Total Assets
(KRW in trillions)



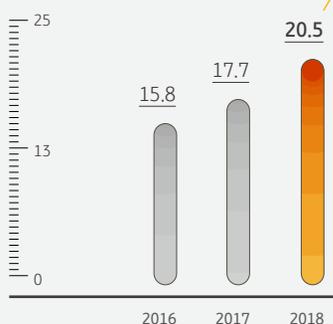
Premium Written
(KRW in trillions)



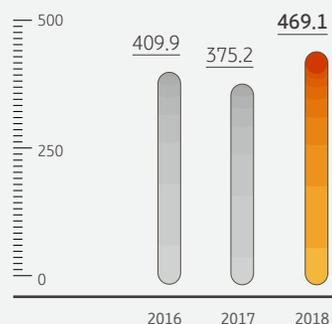
- Secured more than 6.6 million customers as of the end of 2018 by actively capitalizing on life planner channel and infrastructure of affiliates
- Launched innovative digital-based services such as industry-first simple insurance claim service, mobile registered mail service, and smart scrapping service
- Ranked top in the call center quality index in the non-life insurance sector and selected as the best insurance company in online communication for seven consecutive years
- Achieved 74.6% in the proportion of new sales of 10-year maturity and renewable insurance products
- 10-year maturity and renewable insurance products accounted for 74.6% of total new sales in 2018, the highest in the industry

KB Kookmin Card

Total Assets
(KRW in trillions)



Operating Profit
(KRW in billions)



- Recorded KRW 136.5 trillion, an increase of 10.4% from the previous year, in the amount of card use in 2018 (excluding foreign members' card use in Korea)
- Took first place in the check card business for eight consecutive years among card companies by achieving KRW 33.7 trillion in check card use in 2018
- Launched the first overseas local subsidiary "KB Daehan Specialized Bank" in Cambodia
- Opened the Data Open Lab to accelerate the analysis and commercialization of big data
- Maintained the highest level of international credit ratings among specialized credit financial businesses in Korea for two consecutive years

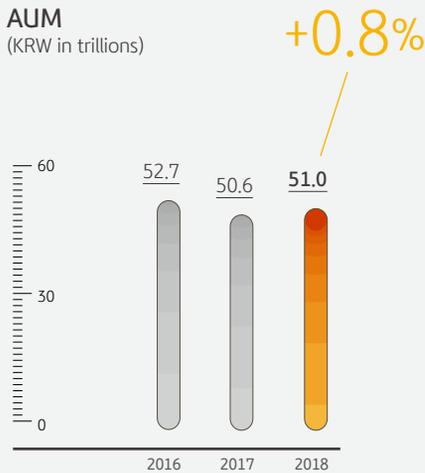
Financial Highlights

*b KB Asset Management

Total Assets
(KRW in trillions)



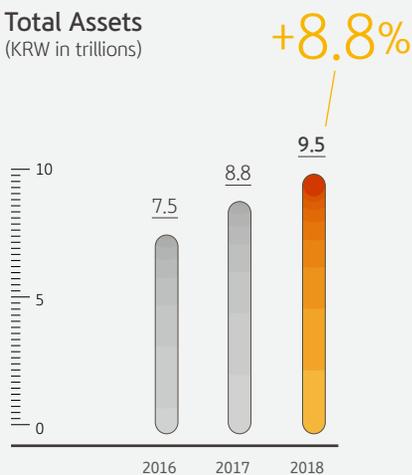
AUM
(KRW in trillions)



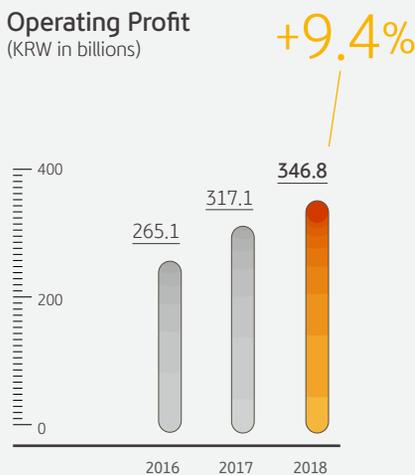
- Reinforced product lineup by launching 56 new public offering funds and 126 new private equity funds including KB KoVIC Fund
- Established a local subsidiary in Shanghai, China, in August 2018 to strengthen overseas business and took first place in the public offering equity fund in China (22% market share)
- Surpassed KRW 10 trillion in alternative investment AUM on the strength of active investments in new & renewable energy, office building, hotel, and overseas infrastructure
- Maintained the 3rd position in the domestic ETF market by managing KRW 3.5 trillion, larger by at least KRW 1.4 trillion than the 4th player

*b KB Capital

Total Assets
(KRW in trillions)



Operating Profit
(KRW in billions)

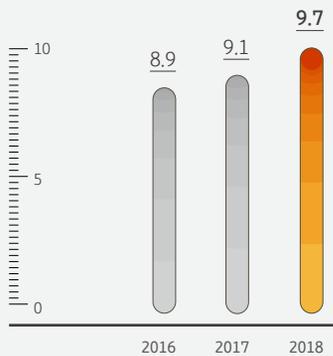


- Upgraded the used car trade platform “KB Cha Cha Cha” and industry-first non-face-to-face mobile loan commitment platform “KB Car Easy”
- Solidified the 1st place and 2nd place in the exported car and used car rental markets, respectively
- Laos subsidiary passed break-even point on a cumulative basis just in 19 months since its launch.
- Achieved net profit of more than KRW 100 billion for two consecutive years and ranked top among bank-affiliated capital firms in terms of total assets (KRW 9.5 trillion)
- Expanded direct online sales in collaboration with external partners specializing in platform business

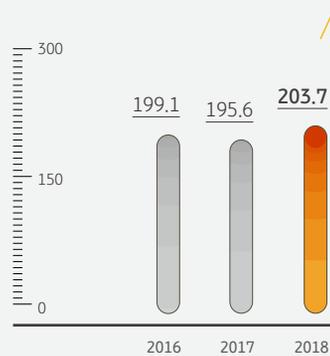
KB Financial Group achieved remarkable operating performances both in profitability and assets growth in 2018, thereby solidifying the position as a leading financial group and creating higher shareholder value.

*b KB Life Insurance

Total Assets
(KRW in trillions)



RBC
(%)



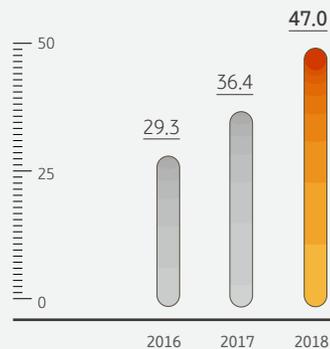
- Achieved KRW 23.8 billion of VNB (value of new business) and 2.7% in ROE by focusing on sales of protection and variable insurance products, exceeding the annual targets by KRW 3.3 billion and 0.8%p, respectively
- Established a CPC-oriented integrated marketing system such as the customer segment analysis, customers targeting DB, a strengthened product lineup and so forth
- Enhanced digital competence by promoting RPA-driven business automation, building digital channel system, and introducing a big data analysis platform
- Promoted the development of InsurTech-based new business models

*b KB Real Estate Trust

Operating Profit
(KRW in billions)



Net Profit
(KRW in billions)

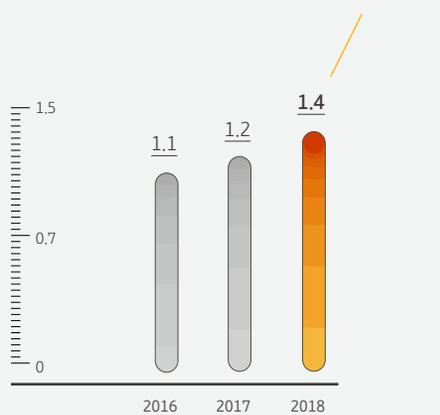


- Attained commission revenue of KRW 106.3 billion, up 47.2% from the previous year, on the strength of proactive sales activities despite sluggish real estate market
- Won new contracts for completion-guaranteed land trust projects requiring advanced capabilities and low-risk promising borrowed land trust projects
- Achieved record-high operating performance by purchasing a large-scale office building in Gangnam-gu, Seoul, in the REITs sector

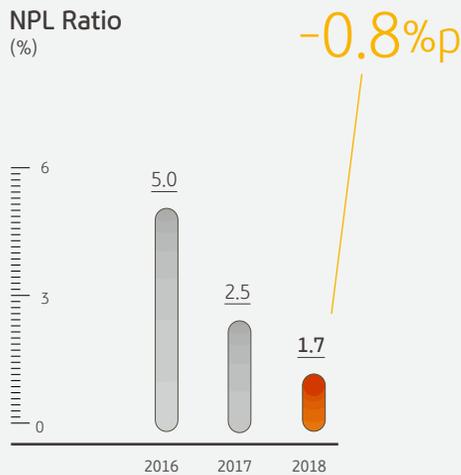
Financial Highlights

*b KB Savings Bank

Total Assets
(KRW in trillions)



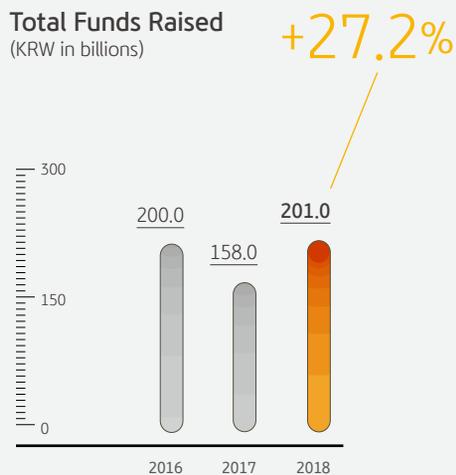
NPL Ratio
(%)



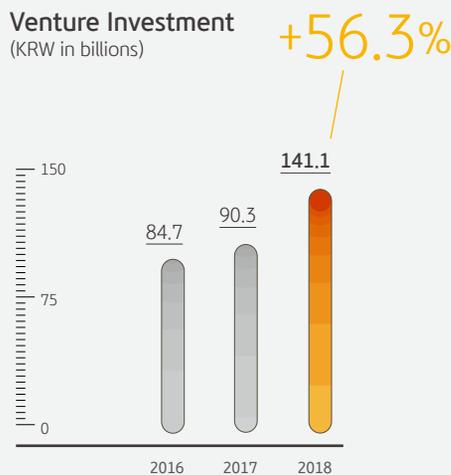
- First launched online Sunshine Loan in the financial industry and introduced the Group's integrated credit evaluation system to boost loan products with mid-range interest rate
- Initiated innovative customer protection and convenience services including the industry-first voice phishing prevention fund transfer, mutual agreement fund transfer services
- Saw a net increase of KRW 80.3 billion in three major loan products with mid-range interest rate including KB Kind Loan
- Grew 19% year-on-year in affiliate-linked loans by accelerating collaboration with subsidiaries of the Group
- Became the first savings bank to obtain the ISO37001, the anti-bribery management system

*b KB Investment

Total Funds Raised
(KRW in billions)



Venture Investment
(KRW in billions)

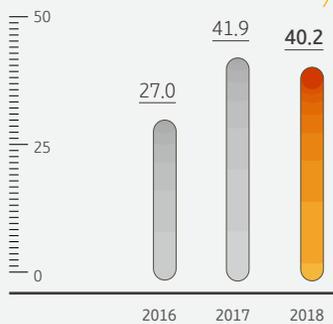


- Secured KRW 744.0 billion, up KRW 141.0 billion year-on-year, in venture fund AUM, taking fourth place in the industry
- Conducted the largest-ever investments in venture firms based on abundant financial resources and achieved record-high net profit in 2018
- Strengthened collaboration with affiliates and investments in new growth businesses and startups by raising large-scale venture funds

KB Financial Group achieved remarkable operating performances both in profitability and assets growth in 2018, thereby solidifying the position as a leading financial group and creating higher shareholder value.

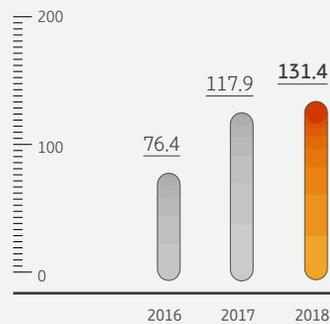
*b KB Data Systems

Total Assets
(KRW in billions)



-4.1%

Operating Revenue
(KRW in billions)

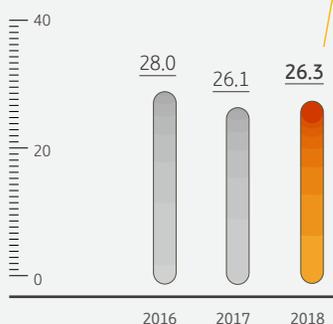


+11.5%

- Completed the construction of KB Capital's next-generation system and supported the preparation for next-generation system of KB Kookmin Bank and KB Kookmin Card
- Established the Digital R&D Lab to support and accelerate the digitalization strategy of the Group
- Promoted the development of the Group-level integrated IT system including the upgrade of the Group's portal system

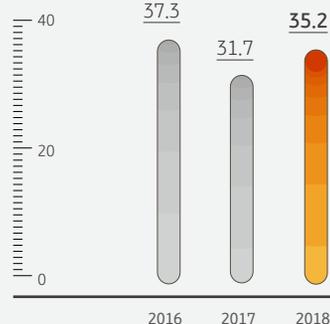
*b KB Credit Information

Total Assets
(KRW in billions)



+0.8%

Commission Revenue
(KRW in billions)



+11.0%

- Realized KRW 320.3 billion in debt collection within the Group and KRW 35.2 billion, up 11%, in commission revenue
- Strengthened the efficiency and competitiveness in debt collection by recruiting professionals and reinforcing debt-specific management systems
- Improved the completion and delivery rate of commissioned projects in the lease investigation business by promoting IT-based business process

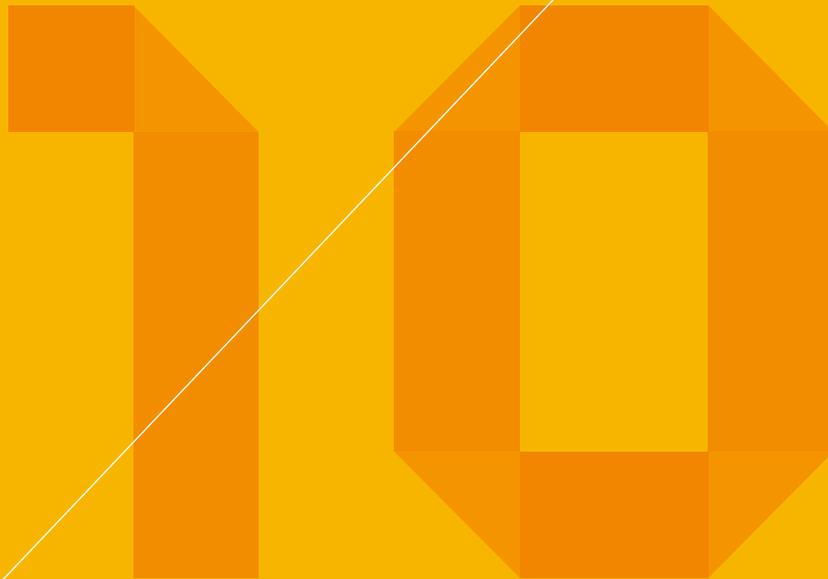
10-year Growth

Established in 2008 with the aim of providing customer-centric differentiated services based on comprehensive financial group, KB Financial Group has attained remarkable growth by dedicating to innovation and challenging spirit for the past decade, shaping its status as the leading financial group. We are committed to building dynamic corporate culture, enhancing competitiveness, and creating synergy to make a greater future.



KB Financial Group

● 2018

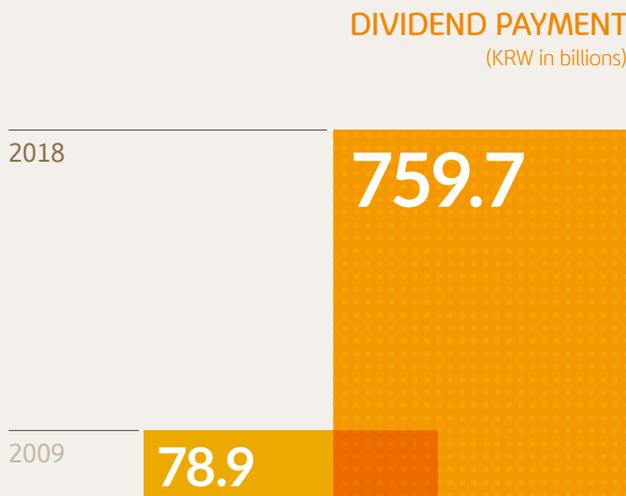
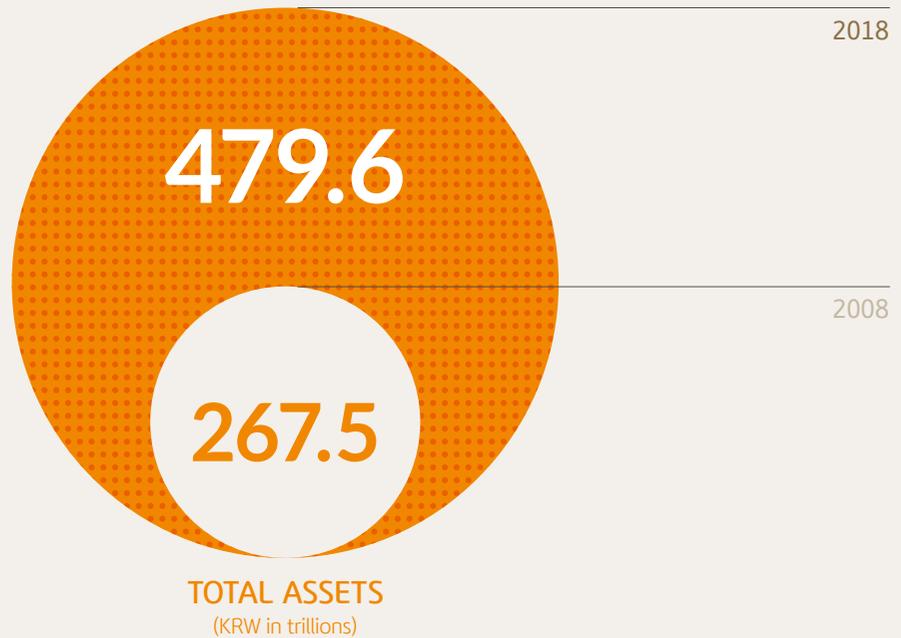


● 2008

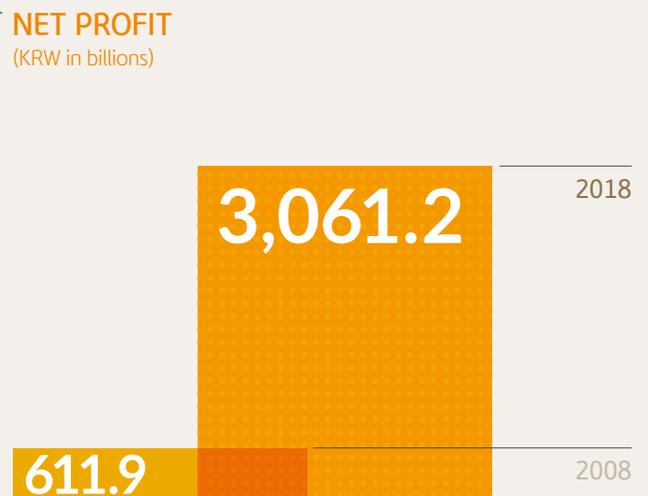
RISING TO CHALLENGES,
CONTINUOUSLY PURSUING INNOVATION

Key Figures in 10-year Growth

KB Financial Group has made a concerted effort to amplify group-wide synergies and secure profitability. As a result, for a decade, our total assets soared 79.3% to KRW 479.6 trillion at the end of 2018. We have also seen solid loan growth and enhanced asset quality. Most indicators with regard to financial soundness are second-to-none in the industry.



KB Financial Group has made a concerted effort to create better shareholder return. The total amount of dividend payment sharply increased 862.9% from KRW 78.9 billion in 2009 to KRW 759.7 billion in 2018.



Our net profit has soared 400.3% for a decade on the strength of improving profitability and pursuing balanced growth between banking and non-banking sectors.

10-year growth and milestones

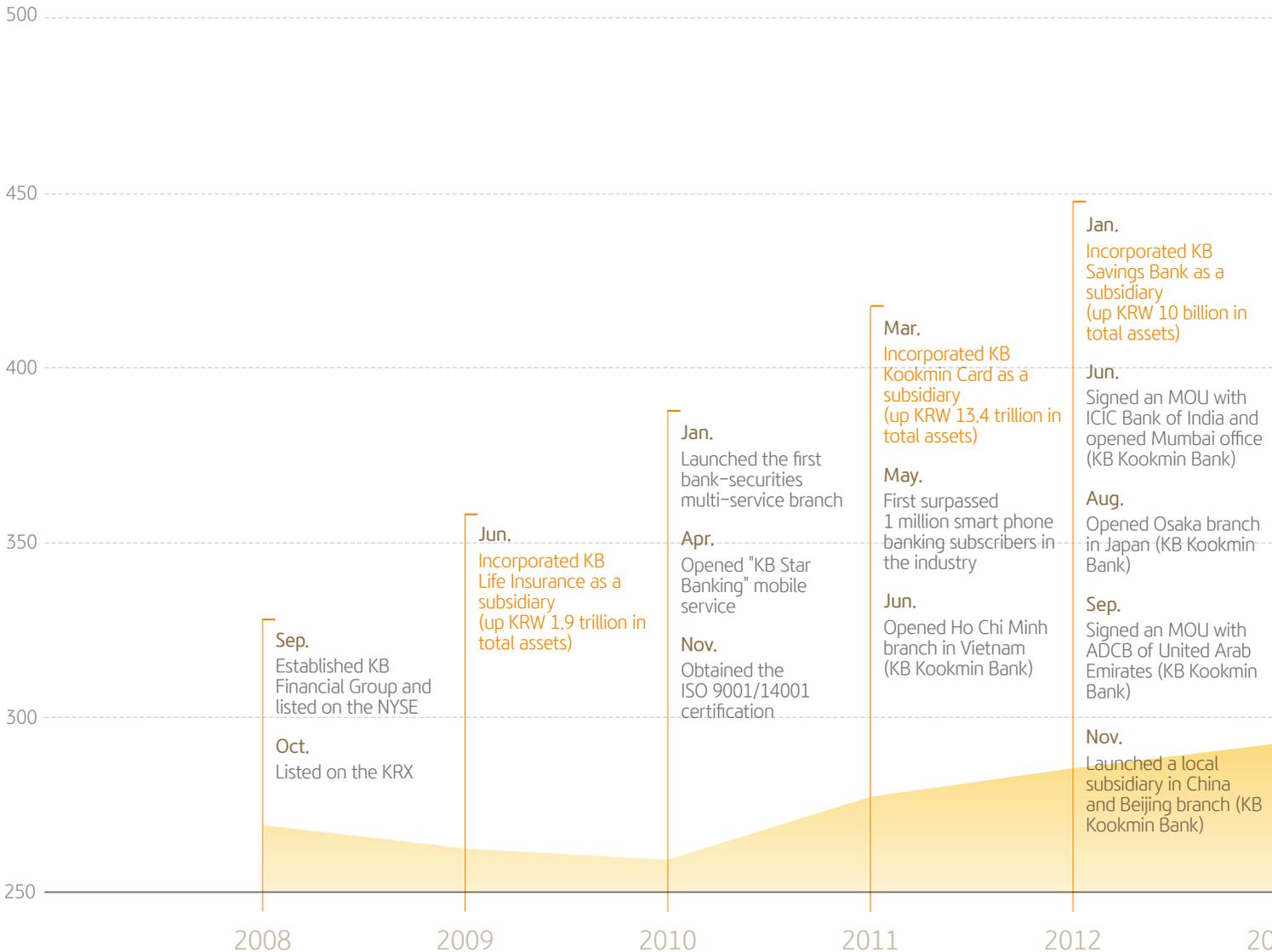
A growing and diversifying portfolio:

Since the establishment in 2008, our business has grown and diversified significantly by focusing on creating synergy among subsidiaries. This page shows the growth trend of total assets of KB Financial Group and key milestones in our business for a decade.

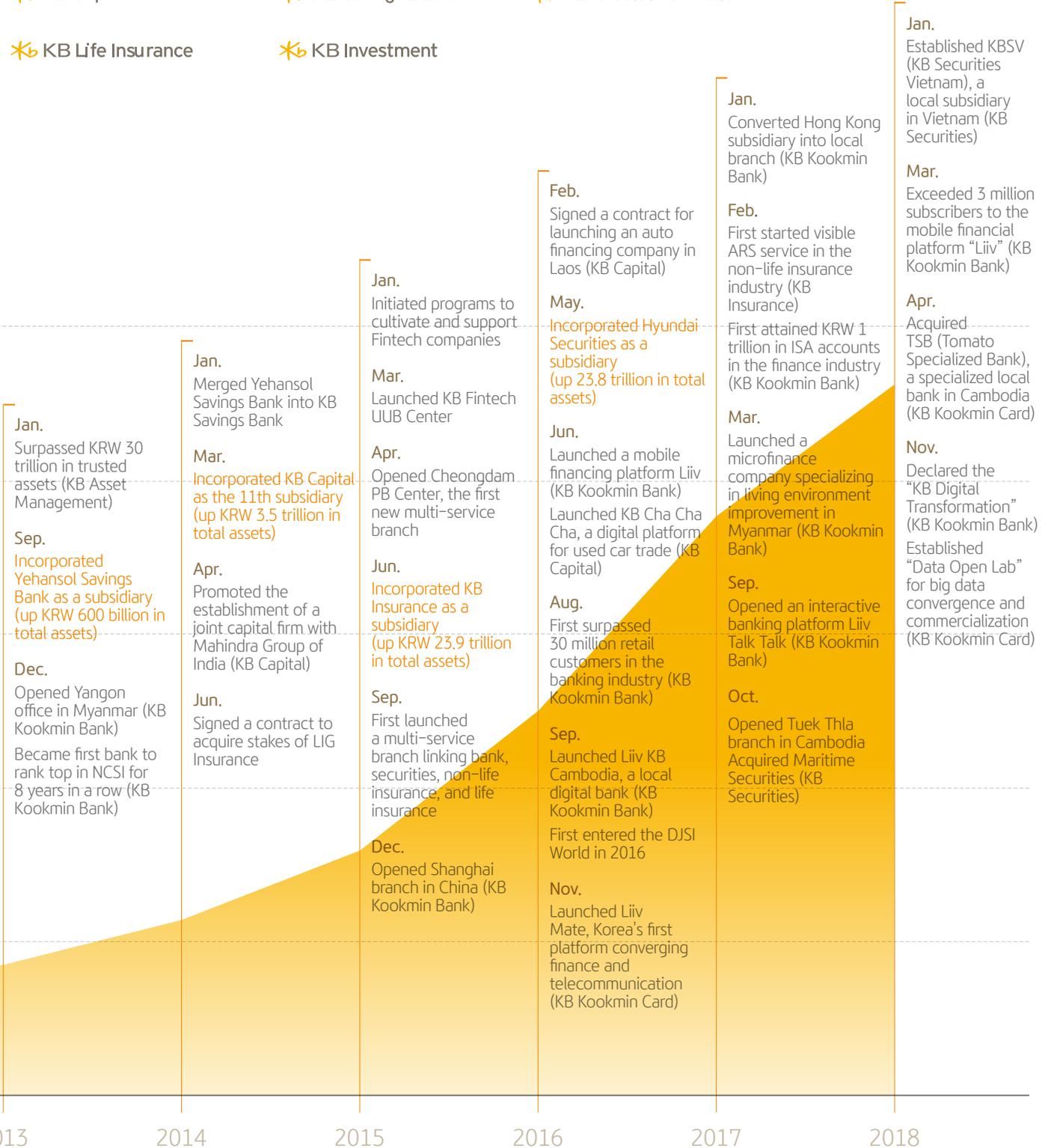
-  KB Kookmin Bank
-  KB Securities
-  KB Insurance
-  KB Kookmin Card

Total Assets

(KRW in trillions)



- * KB Asset Management
- * KB Capital
- * KB Life Insurance
- * KB Real Estate Trust
- * KB Savings Bank
- * KB Investment
- * KB Data Systems
- * KB Credit Information



Vision & Strategies

Major Activities and Achievements in 2018

Global Business Expansion and Competitiveness Enhancement

KB Financial Group continues to increase its presence in the global market, diversifying revenue portfolio. Particularly, our global business strategy has focused on cultivating some hub markets to ensure more effective use of the Group’s resources. It has resulted in the Group securing a stable foundation for localized digital banking, auto finance, MFI, and securities in Cambodia, Laos, Myanmar, and Vietnam. Now we are striving to generate synergy among businesses in those countries.

KB Kookmin Bank has acquired a 22 percent stake in Bank Bukopin of Indonesia in July 2018, becoming the second-largest shareholder of the bank. In May, KB Kookmin Bank converted its London subsidiary into branch office. It enables the branch office to raise capital more efficiently by capitalizing on the credit rating of KB Kookmin Bank headquarters. Going forward, we plan to further boost our CIB business including the increase of syndicated loan through the expansion of individual exposure limit. KB Kookmin Card acquired the entire shares in TSB (Tomato Specialized Bank) of Cambodia in April 2018 along with Indochina Bank, a subsidiary of Kolao Group. The ownership of KB Kookmin Card and Indochina Bank is 90% and 10%, respectively. Renamed into KB Daehan Specialized Bank, the bank is now in full operation. To begin with, the bank will promote auto financing, credit loan, and credit card businesses, ultimately focusing on installment financing for automobiles locally produced by Kolao Group.

KB Asset Management initiated global business by acquiring the Singapore subsidiary of KB Securities in October 2017. The company established a local subsidiary in Shanghai, China, in September 2018 to survey local market and business conditions. Moreover, in response to growing investment in China and South East Asia by Korean investors and expanding asset management market, KB Asset Management is preparing to enter the Southeast Asian asset management market going forward.

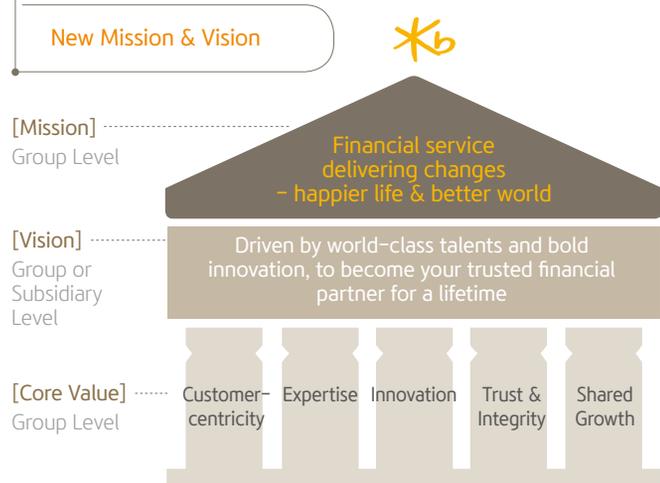
Reorganization for Stronger Synergy Creation

The Group newly formed the Digital Transformation Business Unit for the purpose of coping with digital environmental changes and securing the driving force for group-wide digital transformation. The Retail Customer Business Unit and Small&Medium Enterprise Business Unit were launched to prepare an integrated service system for individuals and SMEs. We also introduced the Insurance Business Unit to swiftly respond to increasingly stringent capital regulations and to boost synergy between KB Insurance and KB Life Insurance. As a result, KB Finance Group operates seven strategic Business Unit (Digital Transformation, WM, CIB, Capital Market, Retail Customer, SME, Insurance) beyond existing three

Business Unit (WM, CIB, Capital Market). The strategic Business Unit system, which has been a universal management system in many global financial companies, is expected to help us further enhance synergy among subsidiaries and solidify our status as the leading financial group.

“New Mission & Vision” and Innovative Corporate Culture

We set forth a new mission and vision 10 years after the foundation as a holdings company. The new mission “Financial service delivering changes – happier life & better world,” which we came up in close communication with employees, represents the Group’s firm commitment to creating a better and more convenient world for customers. In the meantime, the new vision “Driven by world-class talents and bold innovation, to become your trusted financial partner for a lifetime” is the Group’s guiding principle as we strive to become a trusted financial group which provides differentiated products and services based on swift decision-making process and agile execution capability. Also, we innovate working environment across the board to create an efficient and fast “Smart Work” culture.



Management Strategy to Achieve Goals of 2019

Business environment in 2019 seems to be unfavorable due to growing uncertainties caused by prolonged U.S.-China trade conflict and changes in the U.S. monetary policy and adverse production and consumption trend resulting from demographic changes. Entrance of global ICT businesses with competitive technologies and platforms into financial industry will also become a menace. KB Financial Group determined to actively rise to those challenges with the management keyword of “R.I.S.E. 2019,” solidifying the status as the leading financial group delivering changes. The keyword symbolizes our commitment to achieving four strategies: solidifying the status as the leading

bank by optimizing the Group's business portfolio and reinforcing our core competency (Reinforcement); innovating customer-centric business infrastructure (Innovation); creating the culture of New KB for leading changes and innovation (Smart Work); and expanding business to secure structural difference and deliver fundamental changes (Expansion).

Reinforcement: We will solidify our leadership by further strengthening the competence of subsidiaries and business divisions.

KB Kookmin Bank will maintain insurmountable superiority over competitors and secure the status as No. 1 bank. Key subsidiaries such as KB Securities, KB Insurance and KB Kookmin Card will sharpen their competitive edge to lead the market as the top-tier businesses. For strategic businesses, we will reinforce organic collaboration among subsidiaries, maximizing "One firm" synergy.

Innovation: We will innovate and advance core infrastructure to ensure differentiated business system, thus improving customer convenience.

We promise to deliver digital innovation by diversifying customer relation channels and sharpening sales capabilities based on flexible mindset and behavior from the customer's perspective, thereby becoming the No. 1 financial group trusted by customers for differentiated products and services.

Smart Work: We will create dynamic and creative corporate culture representative of KB and innovate the way we work.

We will streamline work flow by introducing ubiquitous mobile working environment and disseminate the culture of "Smart Work" to handle works of value in a swift manner. The Group also pursues KB-only agile organization system to make our business smarter, more dynamic, creative, and productive. Major strategic business divisions including digital, WM, CIB, insurance will pursue wider and stronger collaboration at the Group level.

Expansion: We will continue to diversify business areas in order to secure sustainable growth engines.

We pledge to further expand business portfolio while seeking strategic M&As aimed at identifying future growth engines. In the global business, the two-track strategy will be promoted to diversify revenue sources. We will continue to expand our business to neighboring countries based on hub nations including Indonesia and Vietnam in Southeast Asian market, while promoting equity investment in or strategic alliance with local asset management companies to secure new business foundation in the advanced markets. As for asset management business with great potential, we will pull ahead of competitors through strategic preparation and Group-wide collaboration.

Group Senior Management (As of March 31, 2019)

Jong Kyoo Yoon • Chairman & Chief Executive Officer	Ki Hwan Kim • Deputy President • Chief Finance Officer	Pil Kyu Im • Deputy President • Chief Human Resources Officer
Kyung Yup Cho • Deputy President • Head of KB Research	Young Hyuk Cho • Deputy President • Internal Audit	Chang Kwon Lee • Senior Managing Director • Chief Strategy Officer
Hyun Jin Shin • Senior Managing Director • Chief Risk Management Officer	Nam Hoon Cho • Managing Director • Chief Global Strategy Officer	Chan Il Park • Managing Director • Chief Compliance Officer
Soon Bum Kwon • Managing Director • Research on Finance Industry	Jeong Rim Park • Head of Capital Market Business Unit	Jong Hee Yang • Head of Insurance Business Unit
Dong Cheol Lee • Head of Retail Customer Business Unit	Bo Youl Oh • Head of Corporate and Investment Banking Business Unit	Young Gil Kim • Head of Wealth Management Business Unit
Deok Soon Shin • Head of Small and Medium Enterprise Business Unit	Chai Hyun Sung • Chief Public Relation Officer	Dong Whan Han • Chief Digital Innovation Officer • Chief Data Officer
Woo Yeul Lee • Chief Information Technology Officer	Jin Gyu Maeng • General Manager of Planning and Coordination Office	

Corporate Governance

PRINCIPLE

The Board of Directors (BOD), as the supreme decision-making body at KB Financial Group, deliberates and votes on major management items of the holding company and its subsidiaries. As of the end of 2018, non-executive directors held a majority of the BOD (7 non-executive directors, 1 executive director, and 1 non-standing director), ensuring faithful check function on the management. The Chairman and CEO of KB Financial Group is appointed at the general meeting of shareholders in accordance with the Articles of Incorporation. Candidates are selected and screened through fair and strict processes by the CEO Nominating Committee consisting solely of non-executive directors in advance.

The BOD has defined “shareholder representative, professionalism, and diversity” as core principles in appointing non-executive directors. To this end, the BOD maintains a pool of candidates with expertise in financial business, accounting, finance, law and regulation, risk management, HR, IT, and consumer protection. The candidate nomination process consists of three stages; candidate pooling, evaluation, and nomination. We set up fire walls between each stage to operate the process independently and fairly. The candidate pool is regularly managed twice a year and headhunting firms are employed when searching candidates. We also operate a system to give any shareholder who has at least 1 share chances to recommend candidates. This system was introduced for the first time in the industry to strengthen communication with them.

Corporate Governance Goal



Moreover, an advisory panel participates in screening candidates and headhunting firm conducts reference check for evaluating candidates objectively. And then the Non-Executive Director Nominating Committee nominates candidates to the general meeting of shareholders after evaluating their qualifications in accordance with pre-defined criteria by law and procedures. The BOD Chairman is appointed among non-executive directors and responsible for presiding over meetings and invigorating the BOD.

Transparent and Trustworthy Operation of the BOD

Subcommittees under the BOD consist of directors with expertise in each relevant area perform their duties delegated by the BOD which are stipulated in the laws and the Articles of Incorporation.

Audit Committee

The Audit Committee audits the assets and business areas of the holding company and its subsidiaries. It also inspects the performance of directors by deliberating and voting on attendant matters of such audits..

Risk Management Committee

The Risk Management Committee is the top decision-making body dedicated to establishing risk management strategies and policies that can identify, measure, inspect, and control risks associated with all business operations of the Group and its subsidiaries.

Evaluation & Compensation Committee

The Evaluation & Compensation Committee establishes compensation policies for the holding company and its subsidiaries and supervises the formulation and operation of their compensation systems.

Non-Executive Director Nominating Committee

The committee manages the pool of non-executive director candidates on a regular basis and nominates candidates to the general meeting of shareholders.

Audit Committee Members Nominating Committee

The committee nominates auditor candidates to be appointed at the general meeting of shareholders.

Subsidiaries' CEO Director Nominating Committee

The committee manages subsidiaries' CEO candidates on a regular basis and establishes and revises management succession plan of each subsidiary.

CEO Nominating Committee

The committee manages the Group’s CEO candidates on a regular basis and plays a pivotal role in establishing and revising CEO succession plan and implementing CEO succession process.

At the regular quarterly meetings, the BOD received reports on operating performances and discussed pending management issues. At the ad-hoc meeting in December, the Group’s management strategies and budget plans for 2018 were finalized.

Major Activities in 2018

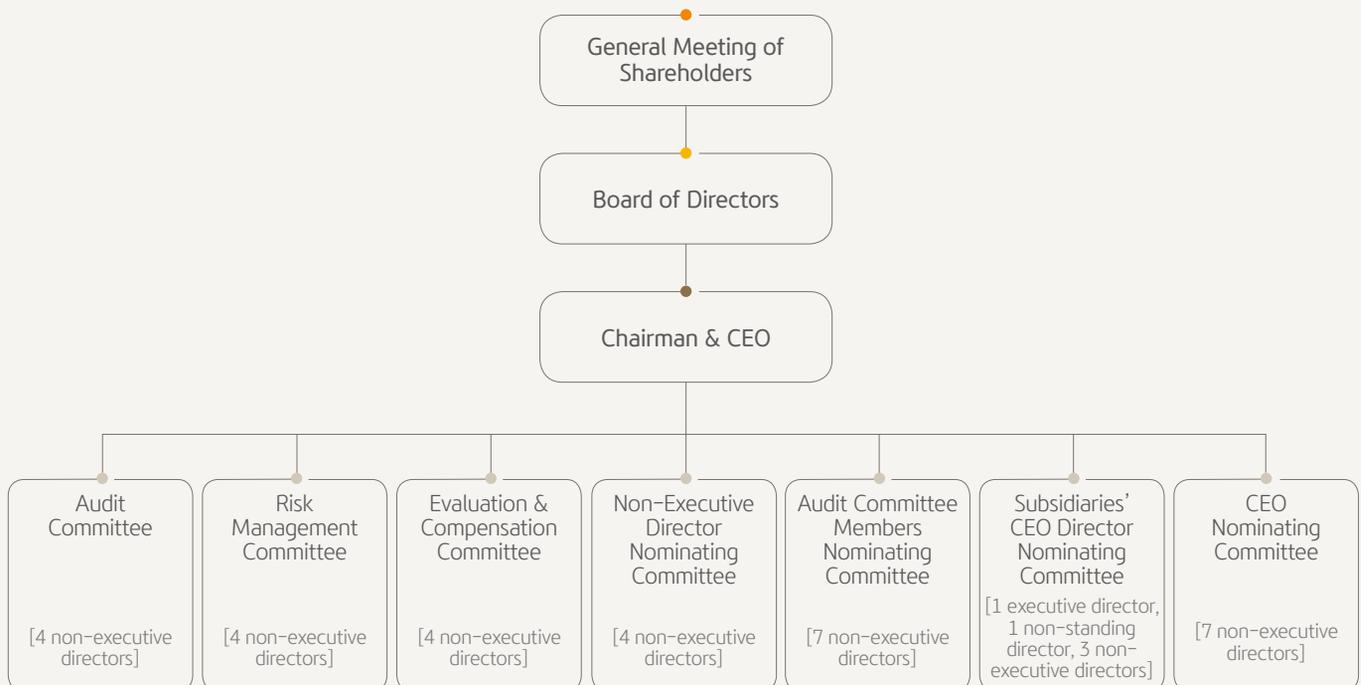
In 2018, the BOD held 13 meetings in which 23 resolutions were passed and 29 reporting items were deliberated. In February, the BOD resolved the amendment of the BOD regulation including the separation of CEO Nominating Committee and Subsidiaries’ CEO Director Nominating Committee by function and exclusion of the Chairman of the Group from the CEO Nominating Committee and Non-Executive Director Nominating Committee, improving the transparency and fairness of the governance.

Plans for 2019

KB Financial Group is committed to establishing stable corporate governance and laying the groundwork for substantial management to ensure sustainable growth, higher corporate value, and protection of stakeholders’ interest. In 2019, we will do our utmost to conduct reasonable and transparent decision-makings, thereby increasing the value of the Group and shareholders.



Governance Structure



Board of Directors (As of March 31, 2019)

● Non-executive Director ● Executive Director ● Non-standing Director

● Suk Ryul Yoo	● Stuart B. Solomon	● Suk Ho Sonu
<ul style="list-style-type: none"> Chairman, Board of Directors, KB Financial Group Chairman, CEO Nominating Committee Member, Evaluation and Compensation Committee Member, Non-Executive Director Nominating Committee Member, Subsidiaries' CEO Director Nominating Committee <p>1998-2000 President & CEO, Samsung Capital</p> <p>2000-2001 President & CEO, Samsung Securities</p> <p>2001-2003 President & CEO, Samsung Life Insurance</p> <p>2003-2009 President & CEO, Samsung Card</p> <p>2006-2007 Chairman, Credit Finance Association</p> <p>2009-2010 President & CEO, Samsung Total</p> <p>2011-2013 Visiting Professor, College of Engineering, Seoul National University</p> <p>2015-2017 Senior Advisor, Samsung Electronics</p>	<ul style="list-style-type: none"> Member, Risk Management Committee Member, Subsidiaries' CEO Director Nominating Committee Member, CEO Nominating Committee <p>1998-2000 Executive Managing Director, MetLife Life Insurance</p> <p>2000-2001 Executive Vice President and Representative Director, MetLife Life Insurance</p> <p>2001-2009 Representative Director, MetLife Life Insurance</p> <p>2009-2011 Chairman, MetLife Life Insurance</p>	<ul style="list-style-type: none"> Chairman, Risk Management Committee Member, Audit Committee Member, Non-Executive Director Nominating Committee Member, CEO Nominating Committee <p>2007-2007 President, Korea Finance Association</p> <p>2009-2010 President, Korea Money and Finance Association</p> <p>2011-2013 Dean, Hongik Graduate School of Business Administration</p> <p>2017-2019 SNU Business School, Visiting Professor</p>
● Myung Hee Choi	● Kou Whan Jeong	● Kyung Ho Kim
<ul style="list-style-type: none"> Chairman, Evaluation and Compensation Committee Member, Risk Management Committee Member, Non-Executive Director Nominating Committee Member, CEO Nominating Committee <p>1974-1991 Senior Operation Officer, Citibank, Seoul Br.</p> <p>2003-2005 Director, Financial Supervisory Service</p> <p>2005-2009 Auditor, Korea Exchange Bank</p> <p>2011-present Vice President, Korea Internal Control Assessment Institute</p>	<ul style="list-style-type: none"> Member, Audit Committee Member, Evaluation and Compensation Committee Member, Subsidiaries' CEO Director Nominating Committee Member, CEO Nominating Committee <p>2002-2003 Branch Chief Prosecutor of Bucheon Branch Office of the Incheon District Prosecutor's Office</p> <p>2006-2009 Chairperson of Consumer Dispute Settlement Commission, Korea Consumer Agency</p> <p>2013-2014 Standing Mediator of Korea Medical Dispute Mediation and Arbitration Agency</p> <p>2016-present Nambujeil Law and Notary Office Inc. President Attorney at Law</p>	<ul style="list-style-type: none"> Chairman, Audit Committee Member, Risk Management Committee Member, CEO Nominating Committee <p>1991-present Professor, Hongik University</p> <p>2000-2003 Vice President, Korea Accounting Standards Board</p> <p>2004-2010 Outside director, Shinhan Investment Co.</p> <p>2007 President, Korea Government Accounting Association</p> <p>2015-2019 Outside Director, Citibank Korea</p> <p>2017-2018 Vice President, Hongik University</p>
● Jae Ha Park	● Jong Kyoo Yoon	● Yin Hur
<ul style="list-style-type: none"> Chairman, Non-Executive Director Nominating Committee Member, Audit Committee Member, Evaluation and Compensation Committee Member, CEO Nominating Committee <p>1991-present Senior Research Fellow, Korea Institute of Finance</p> <p>1992-2000 Senior Counselor to the Minister of Economy and Finance</p> <p>2004-2007 Outside Director, Jeonbuk Bank</p> <p>2007-2011 Outside Director, Shinhan Bank</p> <p>2008-2009 Vice Chairman, Korea Money and Finance Association</p> <p>2008-2010 Vice President, Korea Institute of Finance</p> <p>2009-2010 Outside Director, Daewoo Securities</p> <p>2011-2015 Deputy Dean, Asia Development Bank Institute</p>	<ul style="list-style-type: none"> Chairman & CEO, KB Financial Group Member, Subsidiaries' CEO Director Nominating Committee <p>2002-2004 Senior Executive Vice President of Finance & Strategic Planning Division, Kookmin Bank</p> <p>2004 Senior Executive Vice President & Head of Retail Banking Group, Kookmin Bank</p> <p>2010-2013 Deputy President & Chief Financial Officer, KB Financial Group</p> <p>2014-2017 President & CEO, Kookmin Bank</p> <p>2014-present Chairman & CEO, KB Financial Group</p>	<ul style="list-style-type: none"> Member, Subsidiaries' CEO Director Nominating Committee <p>2013-2014 Managing Director, Credit Analysis Division, Kookmin Bank</p> <p>2015 Chief Financial Officer of the Strategy and Finance Planning Group, Kookmin Bank</p> <p>2016 Senior Executive Vice President of the Sales Group, Kookmin Bank</p> <p>2017-present President & CEO, Kookmin Bank</p>

Awards & Recognitions

*b KB Financial Group

- Included in the 2018 DJSI World (Dow Jones & Robeco SAM, 3rd in a row)
- Ranked top in the finance sector at the 2018 Excellent Corporate Governance Company Award (Korea Corporate Governance Service)
- Won the grand prize for sustainability report at the 2016/2017 LACP Vision Awards (League of American Communications Professionals)
- Chairman Jong Kyoo Yoon won the grand prize in the finance specialist sector at the 27th Dasan Finance Award (Korea Economic Daily)

*b KB Kookmin Bank

- Took first place in the banking sector at the NBCI (National Brand Competitiveness Index) (Korea Productivity Center, 15th in a row)
- Won the gold prize in the banking sector at the 15th International Business Award (Steivie Awards)
- Won the grand prize in the banking sector at the 2018 Korea Consumer Confidence Representative Brand Award (Korea Brand Management Association)
- Ranked 5th in the 2018 Korea's Top 100 Brands (Brandstock)
- Ranked 1st in the banking sector of the National Brand Competitiveness Index (NBCI) (Korea Productivity Center, 12th top place)
- Won the Ministry Award of Culture and Sports at the 2018 Korea's Space Culture Award (Rock Star Youth Arena)
- Selected as Korea's best trade finance bank (The Asian Banker, 7th in a row)
- Selected as Korea's best custodian bank (The Asian Banker)

*b KB Securities

- Won the best prize in the research sector at the 2018 Asia Capital Investment Award (Asia Business Daily)
- Won the excellence award in the financial customer protection sector at the Financial Customer Protection Merit Award (Financial Supervisory Service)
- Won the grand prize in the mobile trading sector at the 2018 Star Brand Award (Maeil Business News Korea)
- Won the excellence award in the DCM (Debt Capital Market) sector at the Market Leader of the Year Award (e-Today)
- Selected as the best DCM underwriter at the 15th Korea's IB Award (Money Today)

*b KB Insurance

- Won the grand prize in the service innovation sector at the 2018 Korea's Finance Innovation Award (Money Today)
- Awarded in the non-life insurance sector at the 2018 Korea Service Award (Korean Standards Association)
- Won the best award in the service & insurance sector at the 3rd Hankyung PinTech Award (Korea Economic Daily)
- Won the gold award in the insurance sector at the 27th Dasan Finance Award (Korea Economic Daily)

*b KB Kookmin Card

- Won the excellence award in the card business sector at the 25th World Advertising Award (Segye Times)
- Won the best tax payment award in the card business sector at the 1st Taxpayer Festival (The Federation of Korean Taxpayers)
- Won the best award in the credit finance sector at the 7th Financial Customer Protection Award (Korea Economic Daily)
- Selected as the most trustworthy financial company by customers (Korea Finance Consumer Federation)

*b KB Asset Management

- Selected as the best Korean equity fund at the 2018 Korea Fund Award (Money Today)
- Won the best ETF award at the 2018 Korea Fund Award (Korea Economic Daily)

*b KB Capital

- Awarded in the shared growth management sector at the 2018 Korea's Best Business Awards Selected by Management Scholars (Korean Academic Society of Business Administration)
- Won the grand prize in the membership service sector at the Web Award Korea 2018 (Korea Internet Professionals Association)
- Won the best award in the customer service sector at the Smart App Award 2018 (Korea Internet Professionals Association)

*b KB Savings Bank

- Awarded in the savings bank/loans with mid-range interest rate sector at the 2018 National Service Award (Institute for Industrial Policy Studies)
- Awarded in the savings bank sector at the 2018 Star Brand Award (Maeil Business News Korea, 4th in a row)
- Won the participation award in the brand sector at the 20th Korea Brand Award (Ministry of Trade, Industry and Energy)
- Awarded in the savings bank sector at the 1st National Brand Award (Chosun Ilbo)



Synergy Creation

KB Financial Group focuses on sharpening fundamental competitiveness of subsidiaries and creating synergy through organic cooperation in order to provide customers with better one-stop services. In 2018, we implemented various synergy creation initiatives to ensure customer-centric management.

Customer-centric Process Innovation

To establish the industry-first corporate customer management system from the One-firm perspective and promote the expansion of cross-transaction among subsidiaries and shared growth with corporate customers, KB Financial Group launched the “Group Corporate KB Star Club System” in April 2019. This system allows us to devise criteria of selecting loyal corporate customers and provide them with non-financial services such as premium affiliate-specific consultation service, VIP invitational event, affiliation discounts and more.

We also raised the awareness of premium benefits of the “Group Individual KB Star Club System” in order to strengthen loyal customers’ satisfaction with KB Financial Group while upgrading the “KB Maestro Service” offered to MVP customers who have multiple transactions with our subsidiaries. Promotional menu has been newly added onto the mobile app of KB Insurance and KB Life Insurance to help customers become more familiar with grade-specific benefits. The UX of KB Kookmin Bank’s star banking app has been revamped to make grade-specific services more insightful to customers while star alarm sends out notices explaining incentive services on a regular basis.

Other activities aimed at reinforcing loyal customer relationship included launching the “Free Lounge/Ballet Parking Service at Incheon National Airport” for MVP customers, elevating customer convenience by offering mobile coupon available on the Liiv Mate platform and improving the “KB Maestro Service” by providing integrated customer grade-specific credits beneficial to subscribing to subsidiaries’ financial products.

With these improvements in the loyal customer incentive system at the Group level, we saw the number of total customers at KB Financial Group rise to 34.2 million, an increase of 578 year-on-year. Particularly, the number of cross-transaction customers increased by 434,000 from the end of last year to 9,950,000, a substantial growth in our customer base.

Launch of Diverse Products and Services for Synergy Generation

Our various package products designed in consideration of demographic changes and evolving financial consumers’ needs

allowed KB Financial Group to secure the “One-firm” image and improve customer relationship. We also strived to strengthen partnership with third-party institutions by carrying out collaboration projects for specialized products at the Group level.

Launch of Customer-tailored Products

Customized package products for youth customers were launched both in June and September. Featuring “KBX BTS package (installment savings/check card)” in collaboration with celebrities popular with young customers, Youth Package Season 1 has attracted about 200,000 subscribers in 6 months after launch. For Youth Package Season 2, “KB Young Youth package (payable on demand/installment savings/deposits/check card/insurance/trust/housing application)” was launched as an integrated financial solution in consideration of parents who bequeath basic asset and secure asset for children.

Moreover, KB Financial Group unveiled the “KB Package for School Teachers (installment savings/credit card/card/pension savings fund)” based on segmented analysis of customers’ vocation and age in August. In November, the “KB Golden Life 12 Happiness Package (fund/trust/wrap)” was launched, designed for income distribution on a monthly basis by managing different investment assets both at home and abroad. KB Financial Group promises to take better heed to customers’ needs through market survey and KB Tribunus Plebis, thus delivering group package financial products that meet changing financial needs.

No. of customers for cross-selling among subsidiaries



Expansion of Business Partnership

KB Financial Group signed MOUs with Korea International Trade Association and Association of Korean Medicine to stir up co-

marketing in the corporate financing business. We also provided financial services customized for corporate customers by combining products and services of subsidiaries while launching specialized products for their business partners.

Under the strategic partnership with platform service providers which are growing exponentially in mobile payment and mobile shopping industry, KB Financial Group launched the “Wemakeprice-linked Seller Loan (for online market sellers).” We also expanded financial services specialized for platform users, thereby building cooperative models between platform service operators and KB Financial Group.

Enhancement of Customer Service Channels

Our field-centered business collaboration system was further strengthened in 2018 by streamlining and standardizing call center work process, expanding the outbound channel organization of the Group, building an integrated process for using marketing information among subsidiaries, and improving the Co-RM system.

Improvement of Call Center Operation Process for Customer Convenience

In response to growing customers’ needs for multi-channel and call center services grow, KB Financial Group established personalized ARS system and customer management system based on data analysis by improving IT infrastructure for multi-channel customer experience analysis. We also simplified customer notification system while expanding call center one-stop service and 24/365 customer service. We laid out the execution strategy to establish integrated customer service by call center staff. To ensure swift execution of the strategy, the Group is reorganizing the call center system at KB Securities, KB Insurance, KB Kookmin Card, and KB Life Insurance from the customer’s perspective based on the existing operation model of KB Kookmin Bank.

Expansion of Outbound Channels and Enhancement of Co-marketing Activities

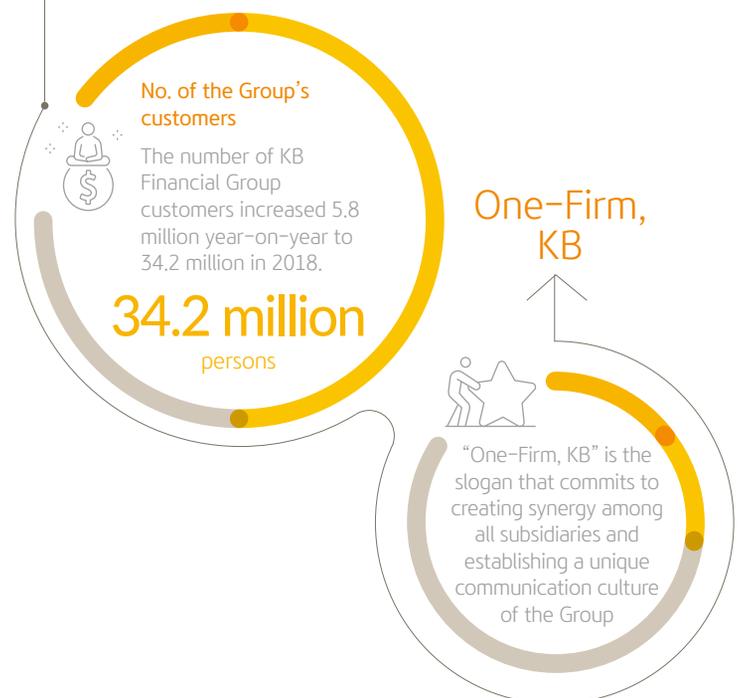
KB Financial Group has made advantage of the consultant network at KB Insurance and KB Life Insurance since January 2017 to increase cross-selling of group products in card, fund, and loan. In addition, we integrated commissions system of subsidiaries’ products and established independent outbound channel support system to help consultants generate higher income from cross-selling activities. A consultant recruitment course (Financial Multi-Service Academy) has been run since July 2018 to grow consultant network, which resulted in the number

of central group consultants at KB Life Insurance rising from 75 in December 2016 to 132 two years later. We plan to strengthen the competence of consultants through offering integrated sales support app and using the information of customers who agreed on marketing among subsidiaries.

KB Financial Group has been phasing in the consent system on personal information analysis and its sharing with subsidiaries since March 2017. In December 2018, the Group started providing KB Insurance and KB Life Insurance with information of customers who agreed to payment and behavior analysis. The Group has reported customer information analysis to Financial Supervisory Service before it started to share information with KB Kookmin Bank, KB Securities, KB Insurance, KB Life Insurance, and KB Capital.

Total Solution for Corporate Customers

The Co-RM system allows KB Finance Group to offer core products and services of five subsidiaries engaging in corporate financing business including KB Kookmin Bank, KB Securities, KB Insurance, KB Card, and KB Capital to SMEs in an integrated manner. The total solution assists the Group in meeting life-cycle financial needs of corporate customers on capital raise and operation, and risk management. Moreover, we operate the “One-stop Support Desk,” “SME One-firm Promotion Meeting” by regional sales group, and “Co-RM Communication Meeting” to facilitate the advancement of field-centered co-marketing system at the Group level.



Risk Management

Risk Management System and Type-specific Risk Management

KB Financial Group's risk management system focuses on efficiently supporting the mid to long-term strategies and management decision-making processes of the Group. To that end, it pursues enhancing risk transparency of the Group, preventing risk transfer among subsidiaries, and making preemptive responses to the rapidly-changing financial environment.

Risk Governance

The Risk Management Committee establishes risk management strategies, determines the bearable risk appetite, reviews the Group's risk management status, and approves whether to apply the risk management system, methodologies, and major improvements. The Risk Management Council consists of the Risk Management Officers from the holding company and its subsidiaries. The Council deliberates matters delegated by the Risk Management Committee and discusses the details of the risk management. Risk Management Department of the holding company monitors and manages Group risk status and internal capital limits by establishing risk management policies and operating relevant processes.

Credit Risk Management

KB Financial Group defines credit risk as the expected/unexpected losses arising from default of the counterparty or declining creditworthiness.

- **Credit Policy Direction:** Based on management strategies, KB Financial Group establishes its credit policy in consideration of economic outlook, business environment, asset soundness trends, and risk management capabilities. The credit policy is made the basis of household, corporate, and credit card loan policies. The basic direction of the credit policy is to generate stable income and maximize the Group's value by maintaining asset soundness and minimizing mid to long-term credit cost volatility.
- **Credit Risk Measurement and Management:** KB Financial Group applies the credit risk measurement system that adopted calculation standards of the Internal Ratings Based Approach to the check of CaR (Capital at Risk). The CaR means possible maximum amount of loss under a certain level in business activities due to credit rating changes of borrowers or trade partners. It is calculated by reflecting the possibility of borrowers' bankruptcy, potential loss of exposure, remaining maturity, and correlation with the economy. We also recognize, check, and monitor the credit concentration risk that can be arisen from unequal distribution of business portfolio to specific borrowers or sectors.

- **Total Exposure Limit Management:** We operate the Total Exposure Limit Management System to prevent excessive credit risk exposure and concentration of assets in specific sectors and optimize credit portfolio through stable asset management. Risk Management Department of the holding company monitors and reports the results to the Risk Management Committee on a regular basis.

Market Risk Management

Defining market risk as possible losses from trading positions mainly due to fluctuating market drivers such as interest rate, exchange rate, and stock price, KB Financial Group recognizes, measures, monitors, controls, and reports market risks inherent in bonds, foreign currencies, stocks, and derivatives. VaR (Market Value at Risk), as a quantification index to measure the risk inherent in a trading account, indicates the maximum amount of loss that can be incurred in a portfolio over a period of time at a certain level of confidence. The Group verifies the adequacy of the VaR model on a daily basis by comparing actual and virtual profit/loss with the VaR calculation results. In the case of assets or subsidiaries where Market VaR cannot be applied, we adopt the standard method of supervision at the group level to manage risk capital.

Interest Rate Risk Management

Interest rate risk is defined as the risk of a decrease in the net asset value or net interest income (NII) caused by unfavorable interest rate trends. The goal of interest rate risk management is to maximize net interest income within the acceptable risk range by managing assets and liabilities in a comprehensive manner and minimize the loss of net interest margin that can be caused by adverse interest rate fluctuations.

Liquidity Risk Management

Liquidity risk is defined as the risk arising from inconsistency in the maturity of funds and failure to respond to unexpected demand/supply of funds. We manage liquidity risk in a systemic manner in order to secure liquidity for loans and investment in bonds as well as to meet the demand for cash outflows such as deposit withdrawals, maturity of financial bonds, and repayment of borrowings.

Operational Risk Management

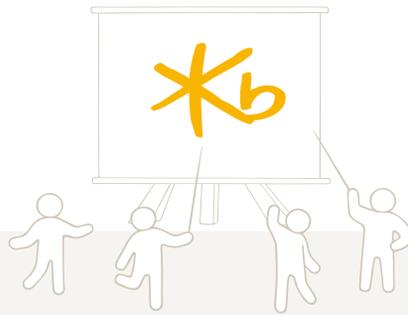
Operational risk is defined as any financial and non-financial risks with negative affect on capital management arising from operating activities. Operational risk management aims to meet regulatory objectives of the supervisory agency and to spread the risk management culture companywide by tightening internal control process.

Internal Capital Management

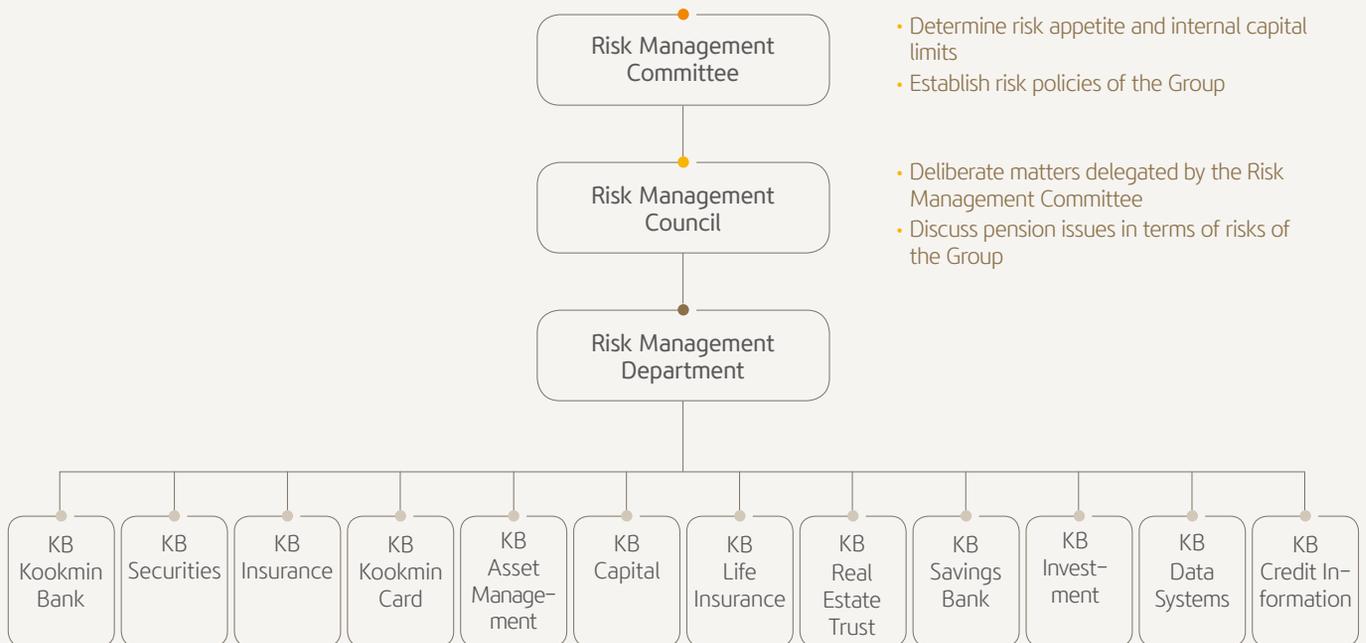
Internal capital is the capital required to prevent economic insolvency due to unexpected losses under the target confidence level. KB Financial Group manages group capital adequacy by measuring, allocating, and managing internal capital of each subsidiary by risk type. The Risk Management Committee determines the risk appetite of the Group and allocates internal capital by risk type and by subsidiary. Each subsidiary then operates businesses within the allocated capital.

Stress Testing

Stress testing is conducted to analyze the potential vulnerabilities of business portfolio based on a scenario set at changes in economic conditions and to establish optimum countermeasures. KB Financial Group carries out stress testing that reflects business cycle and economic outlook at least once a year to analyze how rapidly-changing environment affects the Group and preemptively respond to those risks. The results are reported to the management and Risk Management Committee to help them set risk appetite/limits and make proper decisions at the Group level.



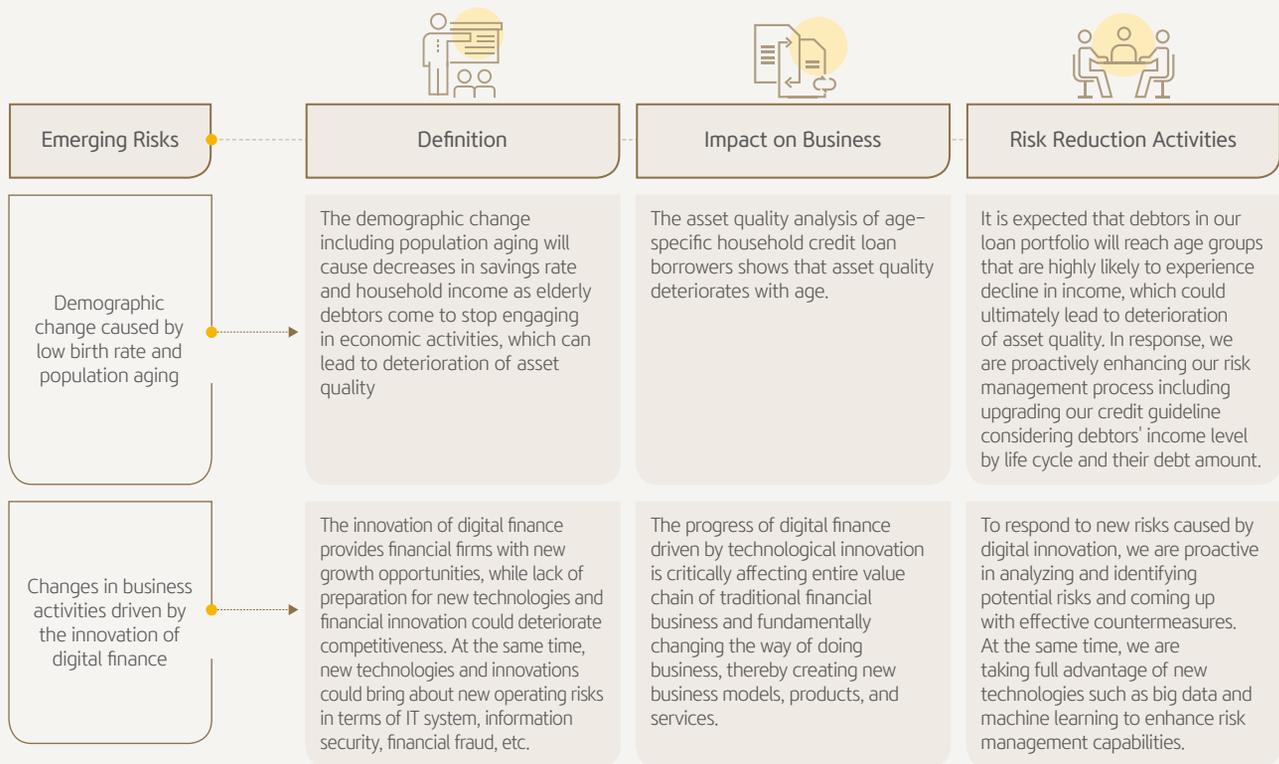
Risk Management Organization



Risk Management

Emerging Risk Management

We define emerging risks as new types of risks arising from economic, environmental, and social changes that have significant impacts on our business activities in the long term. Emerging risks are efficiently managed through preemptive response activities. We have also identified “demographic change caused by low birth rate and population aging” and “changes in business activities driven by innovation of digital finance” as critical emerging risks. Definition, long-term impact on business, and our responses in terms of the risks are as follows:



Operating the Basel III Internal Ratings Based Approach for Group Credit Risk

In response to the introduction of the Basel III regulation framework, KB Financial Group had established human and physical infrastructure that can cope with changes in financial regulation environment. As a result, the Group has been calculating risk-weighted assets and capital adequacy ratio in accordance with the Basel III framework since December 2013. Furthermore, with the aim of improving the risk management capability of subsidiaries, we built the Group-level Internal Ratings Based Approach system which was approved by the FSS. This system has been applied to the calculation of BIS ratio of the Group since 2016, contributing to improving the Group's capital adequacy, advancing risk management system including risk control methods, data handling, and control structure, establish the culture of risk management. We expect this system to help us further upgrade Group-wide risk management level, international creditworthiness, and management soundness.

Direction of Group Risk Management for 2019

The financial market environment seems to be unfavorable in 2019 due to uncertainties at home and abroad caused by prolonged U.S.-China trade conflict, changes in interest rate policy of the U.S., household debt burden, and sluggish real estate market. As those potential risks can pose a threat to the soundness and profitability of financial companies, efficient risk management is more critical than ever before. Therefore, KB Financial Group intends to reinforce monitoring and pre-risk management activities on fluctuations of interest rate, exchange rate, and stock prices to help subsidiaries minimize risks and maintain industry-leading asset quality. We will also be proactive in monitoring possible risks with regard to their overseas expansion and new business operation.

Digital Finance

Key Tasks in 2018

KB Finance Group has been focusing on advancing the Group's core platforms, nurturing core technologies, and expanding cooperation with external institutions in order to innovate customer-centric non-face-to-face channel services and boost digital transformation.

Providing Innovative Experience to Non-face-to-face Channel Customers

The Group has not only improved UX/UI of our major digital platforms including KB Star Banking, Liiv, Liiv On, Liiv Mate, and KB Cha Cha Cha to raise user convenience, but also introduced the block chain identification system to KB Kookmin Bank .

In a joint marketing effort with smartphone manufacturers and telecommunication carriers, we launched the "KB Galaxy Star (so-called finance phone)" which comes pre-installed with our subsidiaries' apps that provide the Group's exclusive services. We also obtained technology patents on "app security solution based on block chain technology" and "development of a leading index for housing prices through big data analysis," thereby sharpening our competitiveness in fintech technology.

Establishing a KB-centric Digital Eco-system through External Cooperation

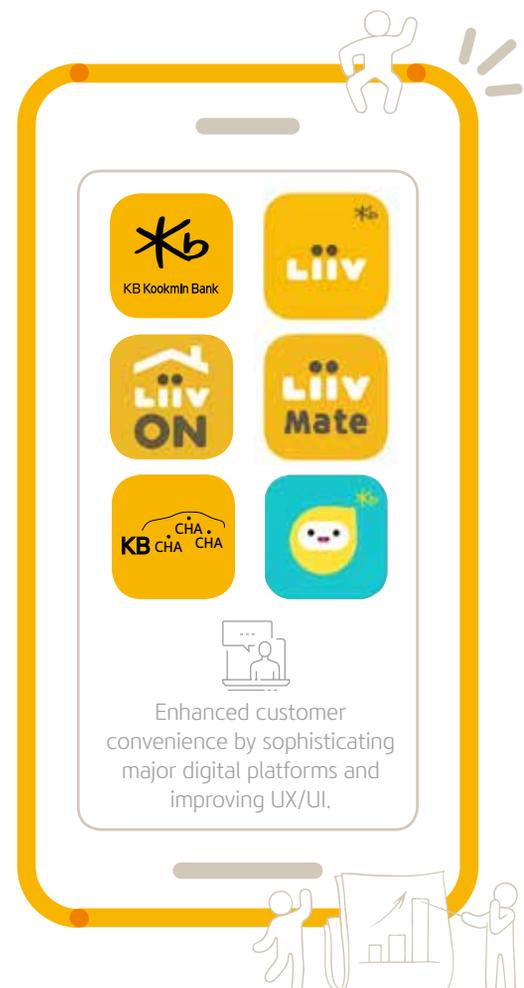
We established the open cloud-based "CLAYON" as a platform to promote external cooperation, thereby laying the foundation to reinvigorate cooperation through Open Source/API. Under strategic partnership with platform service providers such as NHN Entertainment, we are strengthening cooperation in the fields of technology exchange, contents creation, content marketing. The Group CVC fund, which was launched to discover and invest in promising fintech businesses, began to boost investment return from 2018.

Meanwhile, the "KB Innovation HUB Center" which pursues developing and supporting startups of growth potential is working on connecting promising fintech companies with subsidiaries.

The Center has been chosen as a participant in a commissioned test of financial regulation, completing two commercialization projects. It also supported fintech business incubation program and subsidiary-linked investment.

Fostering Core Competence to Accelerate Digitalization

- The execution system of RPA (Robotic Process Automation) has been established and introduced onto 268 processes. As a result, a total of 50,371 hours of work have been saved as of the end of 2018. We also established the chatbot customer support system for subsidiaries to promote work efficiency.
- We introduced a new unit named ACE for digital innovation to disseminate agile corporate culture and encouraged collaboration between planning teams and development teams to ensure swift work process and execution capabilities. The Group also run the "KB digital finance ACE Academy (1,650 trainees)" and "Advanced Course on Blockchain (100 trainees)" to cultivate core talents. Professionals recruitment in new technology (block chain and AI), app design, and planning has been expanded.



Digital Finance

- The “KB D.N.A (digital innovation project for college students)” and “KB Digital Customer Advisory Board” contributed to enhancing digital communication with outside parties. The “KB App Challenge,” a competition for everyday life finance service for youth, was held to solicit innovative ideas from outside.

Launching Customized Services Based on Big Data Analysis

We launched “KB Cha Cha Cha 2.0,” an AI-based used-car price calculation model developed in cooperation with KAIST. Featuring the law of one price model (individual pricing) powered by deep learning analysis method, the solution comes up with optimized market price on used cars. The big data-based solution will be applied to the Smart Offering Service.

Big Data Convergence and Commercialization through the Data Open Lab

The Group runs the Data Open Lab, a platform where partners, startups, college students, and other participants can analyze data related to card and hybrid businesses to generate added value through data economy such as value chain, customer identification, and data consulting. 25 members including marketing partners, data companies, and schools are making use of the platform which was launched in November 2018. We plan to identify new revenue sources by developing data products and launching data brokerage business.

Further Application of Big Data and AI

The Group created the “KB data analysis platform” to meet the growing needs for unstructured data and log data. We also established the AI test bed to commercialize and apply different deep learning algorithms such as text mining, CNN image analysis, RNN chatbot, and more.

We expect the projects to contribute to vitalizing big data analysis and delivering analysis-based decision-making corporate culture. In addition, we have run the “KB-KAIST AI course” in cooperation with KAIST Electrical Engineering and signed an MOU with Ajou University to enhance Group-wide AI capacity.

Systematic Supports for Tightening Private Information Protection

We carried out a Group-wide investigation of IT vulnerability and private information protection compliance. KB Kookmin Bank established the “Integrated information protection platform” including the FrameWork/Dash Board which combines data analysis functions in individual security system.

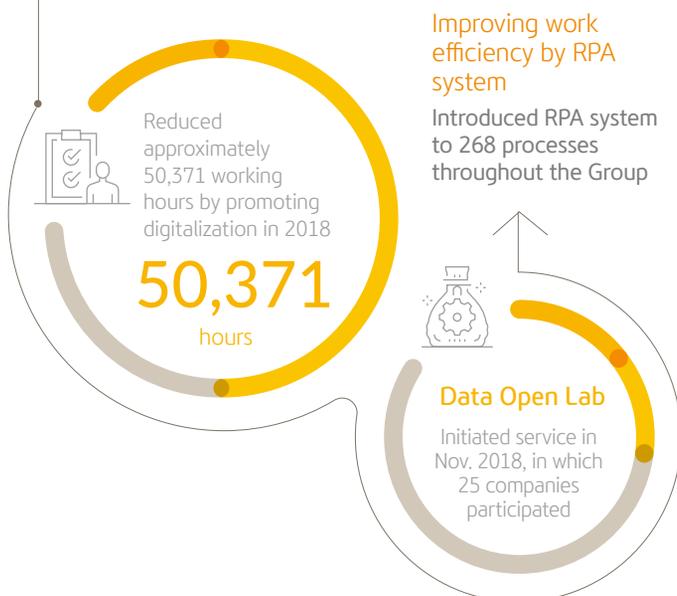
The platform is capable of conducting connection analysis of abnormal signs and policy monitoring. We expect the platform to enhance the effectiveness of security measures while strengthening security response system linked with threat information. In the meantime, KB Kookmin Card has set up customized security management infrastructure designed to help employees check individual security danger levels in real time and take self-countermeasures, thus creating an effective security control system on high-risk customers.

Plans in 2019

Creating KB-centric Digital Ecosystem with Better Platform Business Connectivity

In 2019, we will complete customer-oriented mobile finance system which provides products and services optimized for mobile environment by discovering diverse digital finance contents and mobile-specific services. For example, Liiv, Liiv TalkTalk, LiivMate, and KB Cha Cha Cha will accommodate not only wider life-friendly contents such as travel, shopping, and car maintenance but also new services including

AI chatbot, voice recognition banking, QR payment, biometric authentication, and VR/AR-driven real estate information. We also plan to expand cooperation with subsidiaries and fintech businesses via the cloud-based platform CLAYON set up in 2018, offering exclusive combined services via Open API.



Developing Big Data-based Products and Services and Marketing Strategy

We will develop models aimed at improving the retention rate and forecasting churn rate in the long-term insurance sector by combining structured and unstructured data in the Group, while sophisticating automobile U/W model and early detection model of long-term bad contract to increase profitability and asset quality.

We also plan to enhance real-time marketing by capitalizing on the Smart Offering System for elaborate customer target strategy. Besides, business alliance with other industries will be promoted to embrace for the Government's 4th Industrial Revolution policies regarding fintech deregulation and MyData business. We will continue to make a concerted effort to lead innovation and secure competitive edge in the data business.

Sophisticating the Integrated Information Protection Platform

With regard to the establishment of the Group's Integrated IT Center, we will introduce new infrastructure for safe transfer

of information protection system, thus generating operational efficiency and enhancing reliability of IT security infrastructure service. In addition, to cope with rapid pace of open innovation including Open API and increasingly sophisticated security threats, we will not only prepare systematic response system but also carry out execution plans such as enhancing coding education, securing principles and standards for vulnerability prevention in development stage, and reinforcing staff for KDS permanent vulnerability inspection and inspection cycle, vulnerability investigation of affiliates by outside experts.

KB Kookmin Bank will raise convenience and operational efficiency with standardized authentication system by establishing user identification platform while introducing internal network and Internet contact point forensic to lay the foundation to analyze and solve error and other work-related issues.

Digital Finance Strategy in 2019



Social Contribution

Our social contribution focuses on two directions – Fostering Future Generations and Creating Greater Social Value– under the mission “Financial Service Delivering Changes.” In 2018, we launched and actively promoted the “Dream’s Coming Project” aimed at creating quality jobs and further implementing social responsibility.



Customized economic
education in 2018

3,119 times

137,509 persons

Fostering Future Generations

Supporting the growth of youth and multicultural families

With the aim of fostering future generations, KB Financial Group is proactive in conducting social contribution activities to support the growth of children and youth.

For example, KB Kookmin Bank is dedicated to mentoring activities to help youth follow their dreams with hope by promoting the “KB – Mentoring youth!” program.

Moreover, KB Financial Group supports the establishment and expansion of kindergartens attached to national schools and elementary schools’ daycare programs along with the Ministry of Education as part of the “Dream’s Coming Project” at the Group level.

A total of KRW 75 billion will be invested in those activities for five years from 2018, which will contribute to creating daycare spaces where parents feel safe leaving their children.

We also operate a variety of educational and cultural programs to help youth grow into healthy members of society. Those include “KB Hope Camp” aimed at supporting youth with disabilities to map out their career path and improve sociality and “KB Youth Music College” designed to foster musical talent of underprivileged youth.

Supporting multicultural families is also one of our key social contribution activities. The “KB Rainbow Camp” program provides multicultural children with opportunities to enjoy cultural experience as well as economic and financial education.

KB Kookmin Bank independently runs the “Multicultural Art School” and “Multicultural Technical School” programs. KB Financial Group is committed to supporting multicultural families to become healthy members of Korean society.

Providing economic and financial education

We conduct the “One Company, One School Financial Education” program to offer economic and financial education to the public. As of 2018, a total of 915 schools nationwide set up a relation with KB Financial Group and 52,178 students benefited from the program.

The KB Foundation, funded by all subsidiaries, has carried out visiting education by operating a team of economic and financial education instructors. In 2018, they visited elementary, middle, and high schools, military camps, and childcare centers across the nation 3,119 times to offer economic and financial education to 137,509 persons.

Besides, we developed an app titled “KB Star Economy Class” based on VR and AR technology to propose a new direction of economic and financial education to future generations.



KB Good Job

14 times since 2011

7,914 persons found jobs

Creating Greater Social Value

Satisfying social needs and pursuing shared growth with local communities

KB financial Group leverages business capability to create social value through Group-wide social contribution activities.

For example, we are raising a social investment fund in partnership with the K-Growth for the purpose of fostering social enterprises and social finance ecosystem. In June 2018, both companies signed an agreement to raise a total of KRW 100 billion worth of social investment fund for the next five years by matching grant for "KB Finance Fund (KRW 15 billion) and Growth Ladder Fund (KRW 5 billion). In pursuit of the UN SDGs, this fund will be invested in social enterprises that can create positive effect on social and environmental areas.

KB Kookmin Bank conducts the "KB Good Job" program to help overcome youth unemployment issue and create quality jobs. As part of this, KB Kookmin Bank has provided various job-related information such as job posting, resume preparation, interview preparation, and job consulting through the KB Good Job website.

Every year, we also have held "KB Good Job Fair", the event that recognized as the largest job fair in Korea. A total of 7,914 persons have been employed through 14 job fairs so far.

The "KB Star Dream Volunteer Corps" attended by all employees of the Group engages in a variety of volunteer services such as disaster or accident recovery and supports for underprivileged people to promote shared a growth with local communities.

The corps is comprised of three small groups: "Theme Volunteer Corps" for supporting youth and multicultural families; "Talent Dream Volunteer Corps" for talent donation by employees; and "Speed Dream Volunteer Corps" to support relief aid in case of natural disaster such as typhoon and flood.

In addition, all employees at KB Financial Group are proactive in caring marginalized youth, senior citizens living alone, and environment throughout the year, thereby contributing to the development of local communities. In 2018, our employees spent a total of 236,000 hours on volunteer works.

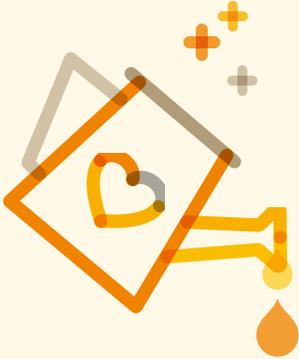
Meanwhile, environmental pollution has become a serious social issue that the government, people, and enterprises must work together to solve. To address the issue, KB Kookmin Bank is implementing various eco-friendly projects in partnership with the Ministry of Environment and Korea Green Fund.

Those include creating "KB Kookmin Bank Forest" in Mongolia, home of yellow dust and fine dust, to reduce fine dust issue, delivering air purifiers to local child daycare centers, publishing books and offering environmental education to youth to help them have a right sense of environmental value.

As a global player operating 51 business channels in 13 countries, KB Financial Group's social contribution activities extend to global communities. KB Securities conducts the "Rainbow Classroom" project to improve learning environment for youth in underdeveloped countries.

KB Kookmin Bank's global social contribution activities include offering free medical treatment to foreign workers in Korea and inviting Cambodian children with heart disease for free surgery. The "RaonAtti," a global volunteer group of university students sponsored by KB Kookmin Bank, carries out volunteer services in underdeveloped local communities, in which a total of 527 university students have participated since 2008.

Social Contribution



Number of scholarship beneficiaries from “KB – Mentoring youth”

12,565 persons

Social Contribution by Subsidiary

KB Kookmin Bank

KB Kookmin Bank’s social contribution is dedicated to encouraging healthy growth of youth and cultivating future talents. For more systematic and effective promotion of social contribution activities, KB Kookmin Bank integrated scholarship, school uniform support, study room creation, and multicultural youth assistance programs which had been individually run since 2007 into a new project named “KB – Mentoring youth!”. It consists of mentoring programs in the fields of learning, career path, and digital future. Detailed activities in each field are as follows:

- Mentoring for Learning – Providing low-income and multicultural youth with valuable learning opportunities (one-on-two mentoring, scholarship grant, English learning, supports for multicultural youth, Running is Learning program, etc.)
- Mentoring for Career Path – Inviting youth to a variety of hands-on career path programs (You Can Do Whatever You Dream, career path club, Saturday Job Tour, Hands-on Career Path Camp)
- Mentoring for Digital Future – Offering software education to nurture creative talents who can lead the era of the Fourth Industrial Revolution (visiting coding education, software contest)

KB Kookmin Bank’s social contribution also extends to the fields of environment, global, local community, and culture/art as well as youth in accordance with the Group’s social contribution conduct system “Dream’s Coming Project.”

- Dreaming Green (environment) – Creating “KB Kookmin Bank Forest” in partnership with the Ministry of Environment and Korea Green Fund, donating air purifiers to marginalized people, installing fine dust signal lights, publishing a fine dust learning book, etc.
- Dreaming Global (global) – Supporting medical treatment to foreign workers in Korea and free surgery to Cambodian children with heart disease, operating the RaonAtti, a global volunteer group of university students and a Korean language institute in Yangon, Myanmar, etc.
- Dreaming Neighbor (local community) – Creating the KB Kookmin Bank Liiv Part in the Seoul Grand Park, building learning spaces for local people, vitalizing local traditional markets, etc.
- Dreaming Culture (culture/art) – Building small library, visiting museum, volunteer service at the national cemetery

KB Securities

Under the slogan of “Wholehearted, Warm KB Securities,” KB Securities practices a range of activities with different themes such as organizational culture of sharing and participation, youth & multicultural family, and community-friendly social contribution.

The “Rainbow Classroom” is a project aimed at providing educationally-underprivileged youths with a good learning environment for. The scope of this project includes renovation of learning spaces, creation of library environment, and supply of books. This project helps youth who will lead the future of our nation grow into decent members of the society. Since 2009, a total of 14 Rainbow Classrooms have been built; eleven in Korea and two overseas until 2017, and its 14th classroom opened at Huong Uie Elementary School located in Hoa binh, Vietnam, in 2018.

At KB Securities, the “One Company, One School Financial Education” program led by the Financial Supervisory Service (FSS) is also a key social contribution activity. The company has made a sisterhood relationship with more than 120 schools and provided financial education to over 15,600 students in elementary, middle and high schools.



Time spent on volunteer works in 2018

236,000 hours

Moreover, employees of KB Securities are proactive in participating in the "Hands-on" voluntary service program where they donate home-made items to disadvantaged people. Major home-made items in 2018 were face mask against fine dust for low-income children, filial piety carnation for senior citizens living alone, and soap for children and families in the poorest countries.

KB Insurance

Under the vision of "Becoming a company delivering hope to the public," KB Insurance implements systematic sharing-oriented management by incorporating "hope," which is its brand value, into social contribution activities. The company's social contribution is focused on three strategies – intensive supports for children (youth) to improve their welfare and quality of life, promotion of community-based social contribution, and creation of corporate culture valuing sharing and participation. In compliance with the strategies, a variety of social contribution activities are being carried out, including operation of volunteer corps, improvement of residential environment for children and youth, creation of spaces for mind and body rest of firefighting officers, and supports for youth discharged from daycare centers.

In particular, 180 volunteer groups consisted of employees and sales staff engage in volunteer services for local communities where they operate business. In 2018, they spent more than 18,000 hours on volunteer services. In May and December every year, a company-wide sharing campaign called "KB Hope Community Service Festival" is held. Furthermore, the company and employees jointly create a grant-matching KB Hope Sharing Fund to support disadvantaged neighbors. The fund is used for building houses for the homeless, supporting medical expense for children with scoliosis, granting scholarship to children of bereaved families after traffic accidents, and holding the economic education camp for multicultural families.

KB Kookmin Card

KB Kookmin Card wages a three-pronged social contribution for youth, multicultural families, and public interest with the aim of better fulfilling its corporate social responsibility.

- **For Youth:** Over 9,000 elementary/middle/high school students benefit from economic and financial education services by KB Kookmin Card every year. Qualified instructors with expertise in each field visit schools to deliver case-based lessons, helping students learn correct financial knowledge and form a reasonable consuming habit. Since 2014, the company has sponsored a total of 182 disabled youths – 87 in art sector and 97 in sports – by running the "Fine Arts & Physical Education Program for Children with Disability." In every February since 2015, the company has sent a gift set consisting of a backpack, a supplementary pouch, school supplies, and a cheering letter to those of low-income families who are going to enter elementary school. So far, over 8,100 children of low-income families have received the backpack gift sets before starting a new day as a schoolchild
- **For Multicultural Families:** KB Kookmin Card provides Korean language education to children of multicultural families and North Korean detectors who have trouble in adapting to society due to lack of Korean language skill. Professional Korean language instructors commissioned by the company visit multicultural support centers and multicultural families nationwide to educate their children for six hours every week. Education quality pursues the level casual communication is possible.
- **Public Interest:** The company has been conducting the "Share Thoughts and Add Love" campaign since 2015 for the purpose of encouraging customers to participating in love sharing activities. Customers are able to propose their ideas about love sharing through an online channel and share their experiences with participants. Selected ideas are also reflected in social contribution activities of KB Kookmin Card. A total of 36 love sharing ideas have been implemented until now. Meanwhile, the company has donated over 1,000 blood donor cards collected through the "Employee Love-Sharing Blood Donation" campaign to children with leukemia since 2014.

Social Contribution



Donations in 2018
KRW 130.4 billion

KB Asset Management

- KB Asset Management designates the last Wednesday of each month to conduct meal service for senior citizens and deliver Kimchi to low-income families.

KB Capital

- Providing school supplies, books, and learning spaces to marginalized children
- Conducting global social contribution activities including supply of solar-powered flashlights to children of underdeveloped countries and support of relief effort to victims
- Carrying out hands-on volunteer service and environmental cleanup activities for local communities by each business unit and branch

KB Life Insurance

- Supporting expense for treating serious dental disease to marginalized youth and granting scholarships to children of households engaging in social welfare
- Participating in volunteer services such as blood donation, bread sharing, cleanup of neighboring parks, etc.

KB Real Estate Trust

- Guiding study of children in Dongmyung Child Welfare Center through the Youth Dream Project since 2008
- Regularly visiting welfare centers for people with intellectual and autistic disabilities to provide meal service, donation, and volunteer service
- Promoting the “Wings of Baby Angel” project to donate shoes and medicine for atopic disease to childcare centers

KB Savings Bank

- Conducting regular sponsorship and semimonthly dish-washing and meal handout services at Home of St. Paul Hasang, a soup kitchen in Garak Market
- Installing yellow cones indicating school zone to ensure safety of children when they come to school and go back home
- Implementing the “Making Street Beautiful” project for environmental cleanup around branch
- Sponsoring Songpa Multicultural Family Support Center and Solbaram Welfare Center

KB Investment

- Holding events for the elderly in nursing homes such as Trip to Folk Village and taking pictures
- Donating briquettes to the underprivileged

KB Data Systems

- Spontaneously engaging in volunteer services such as weekly meal service at senior welfare centers, semiannual rice cake sharing, delivery of kimchi to low-income elderly people, environmental cleanup, donation of blood donor card, woolen hat-making, etc.

KB Credit Information

- Promoting spontaneous volunteer services such as meal service at soup kitchen, hands-on supports, donation of blood donor card, and environmental cleanup around worksite

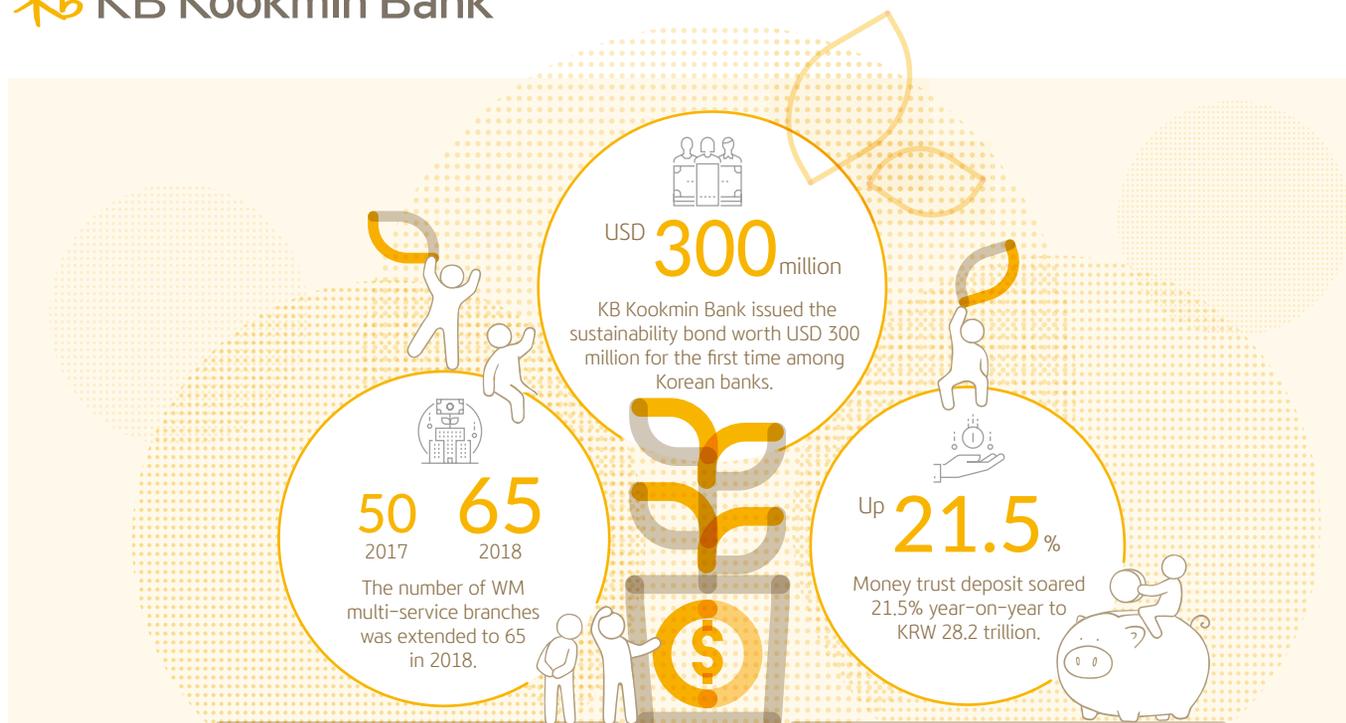


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OPERATION REVIEW

KB Financial Group continues to place the highest priority on customer value and is committed to leading the industry not only as evidenced by its financial figures but also in all other areas of its business.

KB Kookmin Bank



Retail Banking

Retail banking market saw wide-ranging changes taking place in 2018, for example, different services based on cross-industry cooperation based on Open API, increase in data analysis and application, AI/machine learning development, and channel strategy for seamless on/offline customer connection. A variety of changes have also been made in terms of business environment such as tough regulations on real estate market and household debt, stricter standards on financial soundness for financial firms, enactment of the Financial Consumer Protection Act, FX deregulations, the government's support for SMEs, and stimulation of investment advisory service business.

Innovating Customer-centric System and Process

Amid the changes in market environment, KB Kookmin Bank remained focused on establishing new customer management system and improving customer management process. We not only carried out level-up campaigns aimed at strengthening incentives for loyal customers and expanding loyal customer base, but also developing and selling various package products to attract core customers. The "KB X BTS Installment Savings," a product developed in collaboration with the Korean No. 1 idol band BTS, the first Asian artists to top Billboard 200 chart, has attracted around 125,000 accounts after three months of launch in June 2018 with the balance standing at KRW67.5 billion. We also launched different package products for youth (saving, installment savings, and card), and installment savings and loan

products for loyal customer groups (professional soldiers, school teachers, and public workers).

It is anticipated that retail banking market will face tough competitions over how to cope with evolving regulations and demographic changes in 2019. KB Kookmin Bank will weather challenges by developing innovative products and services to spearhead market trends, improving customer management process, establishing reward system, offering new products tailored for core customers' needs, and improving non-face-to-face process and system.

Expanding the Coverage and Competence of WM Business

KB Kookmin Bank has opened a total of 15 WM multi-service branches mainly in metropolitan areas and emerging regions in 2018, widening the coverage of WM channel. As of end of 2018, the number of WM multi-service branches rose to 65. We also sophisticated the Group's WM collaboration model through the "Bank-Securities One-Team Cooperative Sales System."

In order to revitalize corporate asset management business, we newly introduced the "PIB (PB+IB) Partner" system which offers asset management service to corporate members, strengthening collaboration between WM and corporate financing sectors. We also focused not only on supporting sales teams by expanding the line-up of corporate-exclusive products and organizing customized training, seminar, and portfolio suggestion, but also reinforcing Group-level competence in WM by introducing training course for universal bankers capable of providing a

comprehensive asset management consulting and expanding bank-securities joint training.

Meanwhile, the RA (Robo Advisor) service was launched to provide customer-tailored portfolio by capitalizing on big data-based customer transaction pattern analysis. The “KB WM Star Advisory Group” and commissioned experts in IB, insurance, academia, etc. played a role in raising our brand awareness in asset management categories such as comprehensive consultation for corporations & foundations, family office services, advanced asset bequeath/inheritance, and land compensation solution support. KB Kookmin Bank offers field-centric agile advisory services by constructing a phased “KB Asset Management Advisory Center.”

To secure stronger competitiveness in WM business in 2019, KB Kookmin Bank will concentrate on extending the Group’s WM channel coverage, upgrading multi-service branch operation strategy, establishing premium brand awareness of the GOLD & WISE, vitalizing portfolio investment by improving customer options and convenience, and securing differentiated competitiveness in face-to-face advisory service.

Corporate Banking

Sharpening Global CIB Capabilities

The domestic financial market remained sluggish in 2018 due to the uncertainties in the global financial market caused by the U.S. interest rate hike, changing political situation both at home and abroad, and increasing risks of large companies. Faced with those challenges, KB Kookmin Bank’s CIB Customer Group has made a concerted effort to keep on flexible and qualitative growth, strengthen fundamental competitiveness in large corporate customer channel, diversifying business portfolio, thereby securing a solid foundation for the growth of IB business.

Major achievements were as follows: Ranked top in underwriting syndicated loan for three consecutive years by the Bloomberg league table, successfully underwrote the acquisition financing for LS Automotive and LS Mtron’s copper foil and thin film business division, market financing for KRW 4.7 trillion worth of Gangneung Anin Thermolectric Power Plant project and KRW 550 billion worth of Gwangmyung-Seoul Expressway construction project, and a variety of deals such as expressway construction in Poland and aircraft financing.

In 2019, we plan to accelerate global expansion based on existing regional hubs in Hong Kong, New York, and London, securing the foundation for KB Financial Group to grow into a global player. To that end, we will organize a team dedicated to new market exploration and establish the hub-and-spoke business network centered on Hong Kong, New York, and London.

Moreover, the improvement of asset portfolio will be promoted to seek qualitative growth based on safe assets and raise capital efficiency in response to deepening market uncertainties.

SME Banking

Leading Productive Financial Support

In 2018, the government encouraged financial businesses to further focus on productive financing aimed at redirecting capital flow from real estate and household sector to innovative start-ups and SMEs. KB Kookmin Bank was proactive in meeting the government’s policy and as a result, ranked top in SME loan increase (KRW 8.9 trillion) and growth rate (10.0%) year-on-year in the banking industry. Particularly, our efforts for loan quality control contributed to improve the proportion of loans to healthy SMEs to 74.7% at the end of 2018 from 70.8% in the previous year. Delinquency rate maintained 0.60%, the lowest level in the banking industry.

We promise to maintain the top ranking in 2019 as well in terms of SME loan increase, growth rate, and delinquency rate by adhering to healthy SME customer attraction strategy and raising KRW 8.5 trillion in net amount. Efforts for improving profitability such as expanding subordinate transactions with corporate customers will be also promoted.

Accelerating the Digitalization of Corporate Financing

KB Kookmin Bank launched the “KB Star CMS” service which allows corporate customers to check and manage funds deposited in other banks at a glance in June 2018 and the “KB OneTrade” service, an online trade solution which automatically processes export and import documents in August. The “KB Seller Loan,” a quick loan product for small online shop owners, was launched in October. We also unveiled foreign money

Focusing on supporting productive finance to SMEs



No. 1

KB Kookmin Bank ranked top in the growth of SME loans in 2018 by achieving net increase of KRW 8.9 trillion or 10.0% from the previous year.

transfer service which features same-day wiring and real-time view for the first time in Korea and other new products such as the KB Global Payables Financing which is modeled after advanced trade finance product departing from conventional import and export product based on letter of credit. Our efforts for digitalization resulted in streamlining corporate loan extension work process and developing the imagification system of credit-related documents, contributing to reducing work load and instead focusing on marketing activities.

In 2019, we will continue to advance the digitalization of corporate financing by launching platforms which can recommend customized policy capital to SMEs and small business owners and developing customer management apps so that corporate financing officials can stay focused on outbound marketing.

Corporate Social Responsibility

We hold the “KB Good Job Fair” five times a year to help ease youth unemployment and boost SME jobs. Moreover, 10 “SoHo Consulting Centers” across the nation, including 5 new centers launched in 2018, offered 750 free consulting services to startups and small business owners facing management challenges. In 2019, we plan to add more SoHo Consulting Centers and remain committed to fulfilling corporate social responsibility as a leading bank

Global Operation

KB Kookmin Bank strived to expand global business network and promote region-specific growth strategy in 2018.

We acquired stakes in Bank Bukopin of Indonesia, the 14th largest bank in terms of assets, to become the second-largest shareholder of the bank. New local branches were added in Cambodia and Myanmar, and Hanoi Representative office in Vietnam and Gurugram Representative office in India commenced their operations as KB Kookmin Bank’s branch in February 2019. We also focused on laying the foundation for global digital business by advancing the Cambodia’s global digital banking platform “Liiv KB Cambodia” to offer customized services to local people.

In 2019, we will implement the two-track strategy pursuing retail banking and SME loan services in Southeast Asia including Cambodia, Vietnam, and Myanmar, while focusing on CIB business in advanced countries such as the U.S. and the U.K. This strategy aims to diversify revenue sources and enhancing sales competence as well as expand global business network.

While seeking future opportunities for equity investment in Southern Asia region’s financial institutions, We will continue to support Bank Bukopin to improve the value of the bank by continuously transferring KB Kookmin Bank’s capabilities to Bank Bukopin.

Securing Competitive Edge to Rise into FX Leader

KB Kookmin Bank launched the one-stop online trade solution “KB OneTrade” where users can handle not only import and export works but also banking transactions. The KB OneTrade makes it possible for users to create a wide variety of trade documents by simply inputting trade contract information and easily check import and export progress and schedules on the platform. It also enables customs agents, forwarders, and insurance firms to make digital transactions with trade-related institutions, dramatically cutting down on workload for trading companies.

Moreover, we launched the “KB Global Payables Financing” designed to provide export companies suffering from late payment with temporary financial support for the first time in the industry. Domestic import companies can deliver payment in advance to foreign exporters through this solution when they receive products. Therefore, foreign exporters can use working capital before the date of settlement. KB Kookmin Bank hopes to seek shared growth with import and export companies by launching services meeting customer needs for payment and settlement.

KB Kookmin Bank improved foreign currency exchange service and UX/UI of non-face-to-face channels including Liiv and Star Banking to strengthen digital competitiveness in FX business. The number of currencies available for service on the KB One Asia Money Transfer Service increased from 12 to 32. These efforts contributed to providing foreign customers with more convenient services. In 2019, KB Kookmin Bank will focus marketing capabilities on attracting SMEs to our foreign currency transaction service. Enhancing product and service competitiveness will also be promoted to help customers easily use our FX services anytime, anywhere. To secure the best competitiveness in FX business, we will build field-oriented sale supporting process and develop services to proactively meet customer needs.

Recognized for our leadership in global operation



The Best Trade Finance Bank in Korea

We have selected as the Best Trade Finance Bank in Korea for seven consecutive years by the Asian Banker.



Trust

KB Kookmin Bank has been proactive in customer management in accordance with changes in financial market environment, while supplying ELS Trust customized to customer needs and launching new products such as ETF Trust. As a result of those efforts, the amount of our money trust deposits increased 21.5% from the previous year to KRW 28.2 trillion in 2018 and revenue from trust business stood at KRW 305.9 billion. We solidified our No.1 position in the money trust sector by representing 21.2% market share.

In 2018, we provided customers with more options by launching differentiated ELS Trust products such as “The Faster ELS Trust” designed for customers who want early redemption and “The Dream ELS Trust” for customers who prefer higher returns. Other new products included the Blue-chip ETF Trust which invests in flagship stocks in each sector and the KB Damoa Trust, an integrated brand for alternative investment trust product, setting the trust market. Particularly, the “Individual Savings Accounts (ISA)” was chosen as the trust pension product of the year by the Asian Banker for two consecutive years. On the strength of our efforts to secure valuable ISA accounts, the “Individual Savings Accounts (ISA)” not only demonstrates the No. 1 market share and 2.8 times larger trust amount per account than market average but also provides wider product lineup compared to other banks.

Our major strategies in the trust business in 2019 are as follows: seeking stable growth of our flagship ELS Trust product through supply diversification of products, identifying alternative investment products such as profitable real estate in advanced economies, and expanding product lineups in the fields of foreign direct investment consultation trust and offshore ETF Trust. These strategies will allow us to preemptively respond to the boom of total asset trust business in Korea and to improve our future competitiveness. In the long term, we will expand the application of trust as the comprehensive asset management tool by analyzing global financial investment environment and launching diverse alternative investment products, while securing unrivaled competitiveness as the leader in the domestic trust market.

Pension

In 2018, we raised KRW 19.6 trillion in reserve, up by KRW 3.6 trillion year-on-year, the highest net increase in deposit for all retirement pension business operators. We opened the “Retirement Pension Asset Management Consulting Center” where customers can have one-on-one consultation for profitability improvement. We have also expanded principle and interest guaranteed pension products and launched a variety

of customized high-return pension products to help customers create profits more stably. To ensure convenient and quick view of retirement pension fund management, we overhauled the untact retirement pension channel, allowing customers to view returns and change products with “one click.”

We have provided personal pension customers with a much wider choice by launching a variety of products. The number of personal pension products increased from 83 in 2017 to 166 in 2018. Exclusive non-face-to-face products were also added to meet customers’ needs in their 30s and 40s. KB Kookmin Bank launched a new model portfolio for pension maturity designed specifically for customers whose pension has matured while offering additional services for pension product subscribers.

In addition, KB Kookmin Bank has upgraded products and services for senior customers. A new senior-specific product “KB Golden Life 12 Moments of Happiness” helps ensure stable cash flow after retirement. The “KB Golden Life Happy Health Service,” the first health care service in the industry, was further improved by adopting more detailed services (medical planner, antiaging, woman care, etc.) and the “KB Golden Life Letter Service” delivers customized contents for senior customers. We also held the “60+ Finance Seminar” in 6 cities across the nation to provide customers in their 60s or older with education on post-retirement financial life.

In 2019, KB Kookmin Bank plans to expand staff and works at the “Retirement Pension Asset Management Consultation Center” and arrange more employees dedicated to analyzing and



managing rate of return with the aim of improving profitability and enhancing pension customer management. To ensure higher product competitiveness, we will focus on launching more strategic principal and interest guaranteed pension products and developing alternative products. Other plans include building customer-friendly digital-based asset management systems, providing customer-tailored portfolio through the “Pension Robo Advisor” service to help customers efficiently manage their pension assets and rate of return, cultivating pension specialists in comprehensive consulting service encompassing personal pension, retirement pension, public pension, and retirement planning, and holding regular asset management seminar for pension subscribers on a regular basis. The pension-specialized brand “KB Golden Life” will be redesigned into the total life care service covering retirement planning and post-retirement financial life.

Capital Market

Despite adverse financial market environment due to concerns over lower-than-expected global economic growth, prolonged U.S.-China trade conflict, and BREXIT issue, KB Kookmin Bank successfully issued the sustainability bond worth USD 300 million for the first time among Korean banks in October 2018. It was attributable to great interest in KB Kookmin Bank from foreign investors on the strength of our outstanding operating performance and good credit ratings.

The final order book was over USD 1.9 billion from 138 institutional investors from across the world, and the spread was the lowest level among three-year bonds issued by Korean banks since the financial crisis of 2008. We completed the sustainability framework in September 2018, which contributed to attracting investors specialized in ESG investment as well as our existing bond holders. Global ESG investors rated KB Kookmin Bank’s sustainability framework as meeting the requirements of ESG initiative. The successful issuance of sustainability bond has proved that KB Kookmin Bank has not only secured new sources to raise capital but also extended the scope of investors to SRI. The proceeds from the sustainability bonds will be used exclusively to finance environmental and social projects.

Smart Banking

Proactive Response to Changes in Digital Finance

KB Kookmin Bank declared the “Digital Transformation” initiative in 2018 to survive in an era where traditional industry boundaries are collapsed and competition in the digital finance is fiercer. It leads our employees to shift their mindset and work process to digital perspective, and to secure powerful executive ability. In

terms of labor structure, we expanded “ACE Organization” – an agile and flexible group focusing on targeted projects– throughout the company and opened year-round employment for digital-experts to secure competitive edge. In the service aspect, we focused on competitiveness of the service itself by improving on the fundamentals to enhance the customer convenience.

KB Kookmin Bank removed the number of app subscribers from KPI and replaced with MAU (monthly active user) as a new indicator of the business to seek qualitative growth. We launched “Star CMS” to provide a free corporate capital management service and “Liiv Talk Talk” to reinforce one-stop financial service through interactive banking platform. We also transplanted authentication and scanning app in “Star Banking” –our main banking platform. All these results are the effort of providing user-friendly platform and improving the service to enhance greater values of our customers.

Obtaining Patents on Interactive Financial Platform Using Messenger

“Liiv Talk Talk”, our interactive banking platform, allows customers to access banking service via self-developed messenger “Talk Talk” as if the customer is talking to banking tellers instead of going through numerous steps. KB obtained a patent of this technology in recognition of its innovativeness. “Liiv Talk Talk” features ‘Zero UI’ where customers can access financial service via chatting window instead of going through steps of menu pages. It also allows one-stop financial service through interactive communication. Users can view transaction history and access services like money transfer, fund subscription, and loan maturity extension just by chatting to “Talk Talk” itself. We plan to implant AI chatbot and enhance the information notification service to develop the platform as a smart financial secretary. We also plan to open the messenger to subsidiaries and business partners to create a business model that provides more information and benefits to our customers.

Upgrading KB Star Banking and Personal Internet Banking Services

In a bid to bring new experience to KB Star Banking, we introduced simple layout and emotional design, taking user convenience to the next level regarding the frequently accessed services such as view, transfer, log in, and home. Key upgrades are as follows: integrating bio-authentication and ID card scan apps; skipping security media (security card and OTP) check when verifying fingerprints; simplifying transaction process by separating information submission step from verification step when sending money; forming customer-tailored home screen available for flexible configuration; and enhancing search function.

Meanwhile, we updated personal Internet banking service, so that it is as convenient to use as mobile environment and ensures faster and easier financial service. Key improvements are ① integrating 34% of existing menus by analyzing customer behavior patterns, ② improving the financial product section such as concentration of financial products and visualization of product information, ③ enhancing user convenience through organic connection with KB Star Banking (log-in through mobile certification, connection with subscription process, opening account, report, and realization of real name certification, and more).

Launching Differentiated Personal Financial Management Solutions

We opened the “Asset Management#” service in December 2018 to ensure that our products are up to customers’ expectations in non-face-to-face channels. This service consists of four sections – “Asset” is to analyzing customers’ financial data into infographics, “Expenditure” is for analyzing customers’ expense from debit/credit cards and bankbook usage history. “Future” helps customers to get brief idea of their after-retirement in terms of pension plan. “Play Asset” is a play-ground for those investors

to have investment competition and visitors to have a look at which financial products performs best. We believe this “Asset Management#” service delivers the value of easy and interesting asset management to customers. KB Kookmin Bank launched the commercial power analysis service in January 2018 for the first time among bank-driven real estate platforms. It provides potential start-ups and small business owners with different sets of analyzed data on key commercial power across the nations. The “KB Real Estate Price” service is now further improved by adding row houses and condominium price beyond existing apartments and studio flats price.

Expanding UX-specialized Workforce

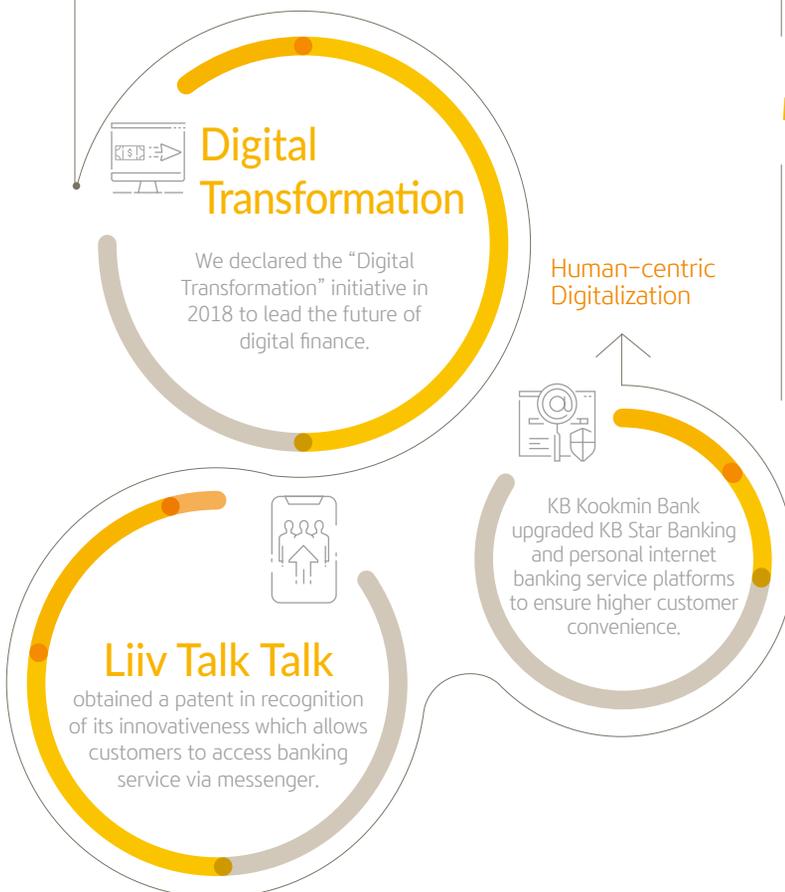
We sought organizational transformation in order to meet customer needs and provide user-oriented services. The number of UX experts, were only two in 2017, but now we have increased to 7 in 2018, forming a new UX Innovation Team. The UX Innovation Team has established the general guidelines on mobile UX to ensure consistency in non-face-to-face channels. The team also works on new display design as well as upgrading on current pages, user analysis, surveys, and UX trend analysis. KB Kookmin Bank pledges to enhance user satisfaction by designing UX-based services available on different non-face-to-face channels.

Market Outlook and Our Plans in 2019

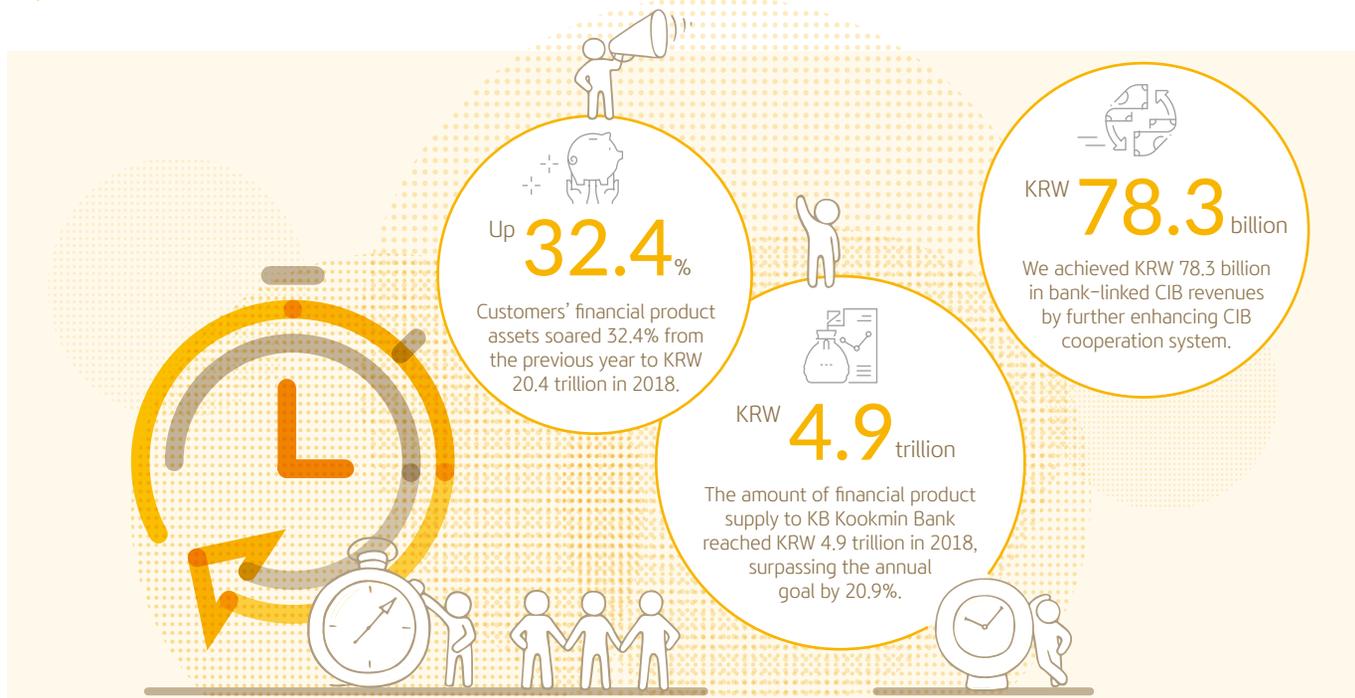
The “Trans Industry” will be a critical topic in year 2019. Competition among firms will rise up to seek partnership with companies equipped with competitive edge in technology, contents, or business channel in order to provide more innovative services. KB Kookmin Bank, to take competitive advantages in the market, will promote collaboration with a wide array of outside players through our cloud-based collaboration platform “CLAYON”

Moreover, in response to changes in IT and financial environment, we are working on “The K Project,” set to open by 3rd quarter of 2020, which will serve as valuable ICT infrastructure to meet business requirements for our Digital Transformation initiative. The K Project will play a pivotal role in supporting our Digital Transformation based on our future strategy and digital technology so that KB Kookmin Bank will become the first and only bank chosen by customers.

The KB Finance Group’s Integrated IT Center, which is scheduled to be completed in June 2019, will make great contribution to all subsidiaries including KB Kookmin Bank responding to rapidly-changing IT environment in advance, ensuring stable and efficient operation of IT systems, and enhancing competitiveness in digital finance.



KB Securities



Performances in 2018

Generating Synergy with Affiliates

KB Securities additionally opened 15 WM multi-service branches in 2018 alone in a bid to expand the coverage of WM business nationwide. As of the end of 2018, a total of 65 WM multi-service branches are in operation. We are also providing high-quality one-stop asset management service by upgrading joint business models such as the pairing system between KB Kookmin Bank and KB Securities. Efforts for enhancing CIB cooperation in identifying deals and expanding synergy resulted in generating KRW 78.3 billion in CIB revenue from the arrangement of affiliates. The number of our contribution deals reached 51. We also supplied KRW 3.5 trillion worth of IB products to bank-securities WM business and strived to enhance cooperation with affiliates in CIB business based on the Partnership RM and Co-RM systems. To ensure SME customers' easy access to IB products, we opened another CIB center in 2018, covering the entire nation with a total of 9 centers in operation. Meanwhile, the S&T Division is dedicated to developing various products meeting customer needs. Around KRW 4.9 trillion (KRW 2.6 trillion in derivatives-linked securities and KRW 2.2 trillion in bonds) was supplied to KB Kookmin Bank, exceeding the 2018 goal of KRW 4.0 trillion by 20.9%, through active bank-securities synergy creation.

Strengthening Digital Competitiveness

We newly organized the Digital Task Force dedicated to identifying core digital technologies and improving work efficiency, and innovating customer experience in January 2018. In a bid to

maximize convenience for customers visiting branch offices, we endeavored to optimize counter process by introducing tablet PCs and creating a paperless environment based on e-document solution. Moreover, the introduction of RPA (Robotic Process Automation) system to 76 kinds of branch works contributed to automizing simple repetitive works and reducing an average of 50 working hours a day. On top of that, we have developed our financial services including opening account based on Open API to promote partnership with external fintech services. Now a non-face-to-face discretionary investment service application is under development in association with a top-ranking robo-advisor firm. Going forward, more partnerships with startups and fintech firms will be promoted to create differentiated customer value.

Exceeding KRW 1.3 Trillion in Sales of the KB able Account in a Year

In July 2017, KB Securities launched the KB able Account, a discretionary asset management service that invests in a portfolio of different assets, such as ELS, bonds, funds, alternative investment products, as well as stocks using a single account on an integrated asset management platform. We lowered the minimum subscription amount to KB able Account to the industry's lowest level of KRW 10 million to 30 million by type with the philosophy of providing the asset management service for all. The commission fee was also set to the lowest level in the industry to improve customer returns. In 2018, the KB able Account pursued better customer-tailored operation by enriching portfolio and launching branch-operated services. As a result, the account balance as of the end of 2018 reached KRW

1.3 trillion in a year and half. The KB able Account will continue to enhance customer-oriented asset management service.

Valuable Performances in Overseas Business

With the aim of growing into Asia's leading financial company beyond the domestic market, KB Securities had acquired a local securities firm in Vietnam in 2017 and officially launched the "KB Securities Vietnam Joint Stock Company" in January 2018. As part of localization and stable business operation, we appointed a local expert to the CEO while transferring management capabilities on risk management, governance restructuring, Korea Desk operation, IB, and S&T. In June 2018, we opened the Vietnamese online securities trading platform, giving Korean investors extended investment opportunities. Capital increase worth KRW 70 billion was also conducted to shape our position as a comprehensive securities firm leading the Vietnamese financial market. We are prepared to diversify business portfolio to ensure that the subsidiary will become a hub of the emerging market in Southeast Asia.

Enhancing Awareness and Reliability

As a mage-sized IB firm, KB Securities demonstrates extensive awareness and reliability on its distinct competence and differentiated services. For example, we won the grand prize in customer satisfaction in finance and securities category for 12 years in a row, institutional award in financial consumer protection category by the Financial Supervisory Service, and an award in DCM category for Korean IBs for four consecutive years, proving our excellence in the IB business once again. In the latter half of 2018, international credit rating agencies S&P and Fitch assigned A-, an investment grade rating, to KB Securities. For short-term credit assessment ratings, S&P rated us as A-2 and Fitch gave us F1, respectively, recognizing our strength in short-term repayment. In the meantime, we renew ISO27001 and domestic standard ISMS, certificates obtained in 2017 for the purpose of customer privacy protection, on a regular basis, ensuring reliable financial service and competitive sales capabilities both at home and abroad.

Focusing on customer-centric asset management service



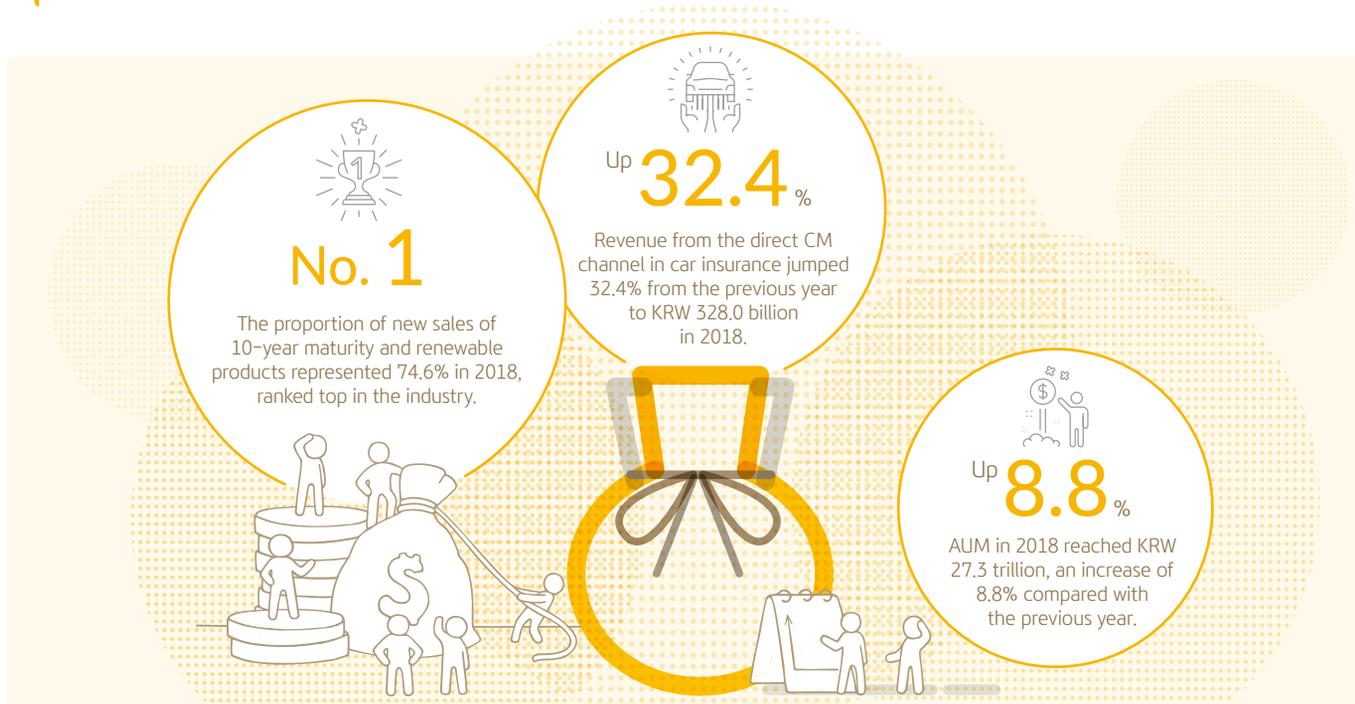
Market Outlook and Our Plans in 2019

It is anticipated that the domestic economy will continue to struggle with the slowing recovery amid the protracted sluggish growth of the global economy and prolonged U.S-China trade conflict. However, we expect real economy to improve as uncertainties will likely ease in the second half of the year. It is not easy to see a strong rally in the domestic market in 2019 due to slowdown of economic growth rate and dwindling corporate revenue. Meanwhile, given that the U.S is likely to control interest rate hike policy, pressure on interest rate hike in the domestic market will moderate to an extent. Intensifying competition in the non-face-to-face and digital services requires us to further sharpen competitiveness. However, it is positive that the government strives to cultivate capital market, discover new growth businesses, and encourage free competition. In response, KB Securities will focus on leveling up competitiveness in each business in consideration of macroeconomic environment and competition condition in the financial industry, thereby evolving into top-tier securities firm with the most valuable business portfolio. As for major strategies by each business, we will push ahead with the "WM Transformation" to secure industry-leading customer management asset volume in the WM business. To that end, we will reinforce sales capabilities in asset management, lay a firm foundation for global brokerage business, and strengthen market positioning by providing diverse financial products meeting consumer needs. S&T business division will endeavor to establish a unique S&T business model to ensure stable revenue and play a pivotal role as the "Product Factory." By doing so, we will continue to develop products targeting global market and sophisticate IT platforms for sales expansion.

Our IB business division will concentrate capabilities on diversifying the scope of investment assets and expanding global network in order to build stable revenue-creation portfolio and securing the leading position in Southeast Asian market, respectively. For areas where we enjoy competitive edge, on the other hand, we will further solidify our market dominance while making up on new or vulnerable areas for market status enhancement. In the wholesale business, we will overhaul sales infrastructure and enhance total solution to shape our position as the "WS Top BK House." Other strategies aimed at securing future growth engines include the advancement of sales competence and the WS Trading Platform and phased expansion of the OCIO business.

In the global business, we will grow the size of overseas subsidiary and promote partnership with local financial firms to secure wider business platform and coverage. Furthermore, in response to rapidly-changing business environment, we will be proactive in offering customer-centric digital financial solutions, thereby pursuing the increase of market share in the non-face-to-face channel and profitability.

KB Insurance



Performances in 2018

Generating Synergy with Affiliates

KB Insurance has laid the foundation for synergy creation by boosting interaction among planner channel of affiliates, vitalizing their infrastructure, and raising employee awareness of synergy. The encouragement of selling affiliates' products to planners resulted in them making more earnings and increasing cross-selling performance. The number of new insurance subscribers grew 27.1% from the previous year to 13,500 accounts and life insurance product sales also rose 10.8% to KRW 0.9 trillion (based on CMIP). In addition, the Company carried out activities to seek win-win relations with affiliates, including payment account campaign and Magic Car loan recommendation. We also launched four GAs by capitalizing on corporate loan agents of KR Kookmin Bank and established a process to introduce corporate insurance products to the Bank's branches, thereby further enhancing cross-selling infrastructure. The results were attributable to efforts made by employees committed to synergy generation activities. The Company also encouraged them to further participate in synergy creation through company-wide communication, reward system, and bulletin board.

General Insurance

The general insurance market volume in 2018 stood at KRW 5.8 trillion, up by 1.2% from the previous year. The domestic market grew 1.9% year-on-year to KRW 5.5 trillion, while overseas market fell by 7.3% to KRW 411.4 billion. Our operating revenue in 2018

increased 1.7% from the previous year to KRW 931.7 billion. Loss ratio decreased 0.3%p on the strength of our efforts to increase retention rate and prevent high damage accidents, despite larger-than-expected natural disasters abroad including wild fires in the U.S. and typhoon in China. In addition, our continued efforts on cutting down on operation expenses have caused aggregate ratio to drop by 4.1%p and operating profit to jump by KRW 21.1 billion year-on-year.

Long-term Insurance

The long-term insurance market in 2018 grew by 2.6% compared with the previous year due to the launch of dental insurance and insurance products with no termination refund and increased number of planners in response to fierce competition in protection insurance (17.1% in terms of monthly payment of protection insurance). We have continued to increase sales of 10-year maturity and renewable products since 2017 and to diversify portfolio. As a result, the ratio of new sales of 10-year maturity and renewable products in 2018 was 74.6%, the highest level in the industry. Also, by diversifying the existing portfolio from adult and children's general health insurance into special sectors such as driver, property, and dental insurances, we succeeded in reducing long-term risk and maximizing new subscription values. However, our market share in new protection insurance sales decreased 0.6%p year-on-year due to the absence of insurance products with no termination refund of low profitability in the process of product restructuring. Thus, we plan to focus on enhancing market status in 2019. Operating revenue from long-term insurance in

2018 stood at KRW 299.8 billion, down by 29.1% from the previous year. The slowdown of revenue, as a universal phenomenon in the industry, is mainly attributable to the decrease of risk ratio margin caused by increase in sales expense in terms of protection insurance and the rise in loss ratio of affordable health insurance.

Car Insurance

Even though the number of cars registered rose 3.0% in 2018, premium written in the domestic car insurance market decreased 0.9% year-on-year to 16.7 trillion mainly due to premium rate cut. Direct channel posted a 6.2% growth, or KRW 6.3 trillion from the previous year, and accounted for 37.8% of total premium written, an increase of 2.5%p from 35.3% in 2017. Our operating revenue fell 3.0% year-on-year to KRW 2.4 trillion while market share recorded 12.2%, down 0.3%p compared to a year before, while achieving 32.4% growth to KRW 328.0 billion in revenue from direct CM channel. Loss ratio in 2018 was 88.3%, an increase of 7.6%p from the previous year.

Asset Management

Investment profit in 2018 fell by KRW 3.4 billion from the previous year to KRW 784.3 billion and return on asset was 3.0%. Assets under management stood at KRW 27.3 trillion, up 8.8% year-on-year. The asset management division focused on responding to tightened capital market regulations such as the introduction of K-ICS, extending asset duration through purchase of long-term bonds, and reducing risk assets, thus contributing to easing the burden of capital requirement. This strategy resulted in extending asset duration by 0.3 to 8.9 compared to the previous year, increasing the proportion of interest-bearing assets by 0.8%p to 92.5%, and reducing the proportion of risk assets by 0.8%p to 7.5%. We also enhanced investments in profitable real estate and SOC-related projects in response to declining rate of return due to the increase in the share of long-term risk-free bonds. As a result, our alternative investment asset in 2018 accounted for 18.9% (KRW 8.8 trillion), up 2.5%p from a year before.

Risk Management

The RBC ratio in 2018 was 187.3%, down 3.4%p year-on-year, on a non-consolidated basis, due to increase in capital requirement and slowing growth of available capital guided by changes in RBC criteria. It was 187.1% on a consolidated basis. In preparation for increasing uncertainties both at home and abroad and tightening regulations on insurance business, we have strived to make risk management system rooted in the company-wide decision-making process. For example, the "Risk Management Council" have been convened every month to discuss risk management status and major issues, and the Product Deliberation Committee, Interest Rate Deliberation Committee, and Asset Management Deliberation Committee have practical and in-depth discussion on key issues in terms of new product development in the fields

of general, long-term, car, and retirement pension insurances. Moreover, we have applied two-tier limit management process guided by RBC criteria and the Group's internal capital criteria, and established infrastructure and process to set a 3-tier limit management system based on internal model.

Improving Customer Convenience

KB Insurance delivers differentiated customer experience through digital innovation. As the leader of insure-tech, we launched the industry-first "easy premiums claim service," "mobile registered mail service," and "smart scrapping service" in 2018, showcasing how digital innovation takes customer convenience to next level. Going forward, KB Insurance will continue to build the digital ecosystem in partnership with promising startups and ICT companies with the aim of providing customers with more differentiated and convenient services in the digital environment.

Market Outlook and Our Plans in 2019

The domestic insurance market is expected to face big changes such as intensive competition centered on GA channel, increasing volatility of interest and foreign exchange rate, emergence of first-ever digital insurance firms, and rapid digitalization in financial industry. In response, KB Insurance will pursue the following strategies to deliver customer-centric values.

In the general insurance business, we will focus on securing stable revenue creation structure by increasing new sales of property and compensation liability insurances with high profitability through corporate sales channel and at the same time, vitalizing planner, agent, and direct channels to expand small and mid-sized new contracts. We will strengthen joint sales with affiliates to maximize synergy while solidifying sales foundation by forming new teams, revamping sales organization, and developing strategic products. In the long-term insurance business, we will continue to provide customer-centric products by identifying new markets and enhancing the function of market research, solidifying our market leadership. Other focuses will be on building an early detection system on moral hazard, redefining underwriting standards to cope with market changes, stabilizing loss ratio through enhancing expertise in compensation, and systematically managing existing contracts. The car insurance division intends to prepare and practice various counterplans in response to adverse business cycle. Those include proactive pricing policy such as premium rate increase, improving compensation productivity including staff restructuring, and digitalization for reducing expenses. Moreover, we will help customers ensure better digital accessibility to our services and reinforce supports for field sales by improving mileage special contract subscription process and establishing the electronic approval system on mobile application.

KB Kookmin Card



Performances in 2018

The First Overseas Subsidiary KB Daehan Specialized Bank Plc.

KB Kookmin Card officially launched the KB Daehan Specialized Bank Plc., a local subsidiary in Cambodia we had jointly acquired with "LVMC Holdings (formerly KOLAO Holdings)" in September 2018, announcing the entrance into the global market. KB Daehan Specialized Bank Plc. started auto financing for cars produced by LVMC Holdings and mortgage loans. In the long term, the local subsidiary will expand its business area to credit card, installment finance for durables, credit loan, and card processing agency business while opening offices starting with major hub cities. We plan to launch customized financial products in cooperation with affiliates which are currently operating in Cambodia and Southeast Asian countries such as KB Kookmin Bank and KB Securities, thus introducing model products aimed at exploring overseas markets.

Launching "KB Kookmin Credit Loan"

We launched the "KB Kookmin Credit Loan," a mid-range interest rate loan, in order to help ease interest burden on low-income people and contribute to realizing the Government's policy goals of inclusive finance. Designed based on big data analysis on credit assessment model and the Company's proven risk management expertise, the product comes with lowered interest rate compared to existing long-term card credit (card loan). The product targets customers with mid-level credit ratings and small business owners who do not have credit cards. KB Kookmin Card will continue to

showcase products and services which can ease interest burden on working classes.

The Highest Credit Rating in the Industry for Two Consecutive Years

KB Kookmin Card has received "A-" grade on long-term credit rating from Fitch, one of the three major credit rating agencies, for two years in a row and "Stable" grade on its credit prospects, maintaining the highest level among those of the domestic credit-specialized financial firms. This result was mainly attributable to KB Kookmin Card's excellence in management performance and contributions to the Group's synergy creation as a main subsidiary. Fitch also highly recognized for our steadfast asset growth and market share increase despite both external and internal management challenges posed by cut in merchant fee rates. KB Kookmin Card became the first company to obtain the high-level international credit rating on corporate value instead of the purpose of overseas bond issuance from global credit rating agencies for two consecutive years. Given that local financial authorities require international credit ratings for overseas operation permission, we expect that this achievement will make great contribution to us entering overseas markets and raising foreign funds in a stable manner going forward.

Operation of the "Data Open Lab" for Big Data Convergence and Commercialization

We opened the "Data Open Lab" which engages in analyzing data in private company and public institutions and exploring

big data-based business opportunities. Located in “Tower 8” building in Jongno-gu, Seoul, the Data Open Lab plays a role as a joint big data research center for big data convergence and academia-industry collaboration. The Lab is open to anyone who wants to develop new business models through data analysis and convergence. A total of 24 colleges and companies are joining the Lab, including KB Kookmin Card. We plan to attract more private businesses and public organizations interested in big data industry.

Mobile Chatting-based Issuance Review and Credit Limit Increase Service

The Company showcased two digital consulting service apps “Simple Review Talk” and “Limit Increase Talk” which allow users to require card issuance and credit limit increase via mobile chatting app without phone calls to counselors. Customers can access the services without having to install additional apps or log in. Available 24/7, users can simply click the link sent to their mobile phones and start customer service via chatting. Customers can not only save the time spent on service request by up to 15 minutes compared with phone-based consultation, but also easily access card issuance service and credit limit increase service on mobile device anytime, anywhere. KB Kookmin Card expects to cut time spent on card issuance review while enhancing work efficiency in terms of human resources organization. We will continue to develop and launch digital solutions aimed at improving customer convenience.

10 Start-ups Selected for the 2nd “Future 9” Program

The “Future 9” is a program aimed at discovering and supporting startups in the field of future life innovation. KB Kookmin Card held the “Demo Day” to showcase business models developed by startups participated in the 2nd Future 9 program and to present the program’s achievements. At the event, 10 startups introduced their unique business models while demonstrating business ideas they came up jointly with KB Kookmin Card. They

Expanding global network
in partnership with
affiliates



also presented the results of the “Open Innovation Program” activities jointly carried out with employees at KB Kookmin Card. The Future 9 program has made great contribution to shared growth with startups by promoting more than 28 joint business model development projects with them and conducting strategic investments in building healthy startup ecosystem. KB Kookmin Card promises to ensure that the Future9 program is established as the model for valuable business collaboration between large companies and startups in the era of the 4th Industrial Revolution.

Market Outlook and Our Plans in 2019

The domestic card industry is expected to face tougher challenges than ever before throughout 2019. The Government’s policy to lower merchant fee, regulations on the gross amount of card finance, and emergence of competitors such as Zero Pay will pose grave threats to the card industry in general. Faced with the challenges, however, KB Kookmin Card is determined to turn crisis into opportunity and pursue the following three management strategies:

First, we will sophisticate all our business areas to ensure internal stability. We will further improve our sales & marketing strategies and customer segmentation to enhance customer-centric services and ensure high cost efficiency, thereby pursuing qualitative growth. We will also apply deliberate and systematic performance and profitability evaluation to entire business process.

Second, we will reinforce income generation capabilities and diversify revenue sources. We promise to expand revenue foundation based on existing competitive edge such as payment and settlement-based processing agency business and non-regulatory financial areas. Our global business will pursue successful localization and phased business expansion. The Company will not only transform itself into data-based marketing company which offers general financial services to customers of KB Finance Group but also accelerate its structural evolution to a tech-fin company which takes the initiative in improving customer convenience and guiding fundamental changes in business through digital technology innovation.

Third, we promise to secure key competitive edge and lead industry-wide transformation. Our plans for this strategy include leading digital innovation on payment and settlement, platform, and open partnership, enhancing competence in big data application, boosting collaboration and innovation, building efficient organization structures in response to changes in business ecosystem, and cultivating talents in the fields of digital, big data, and global business.

KB Asset Management



Performances in 2018

Total assets at the end of 2018 were KRW 254.3 billion, an increase of 26.2% the previous year. Operating profit increased 10.4% year-on-year to KRW 130 billion, while net profit decreased 23.9% to KRW 39.6 billion. AUM posted KRW 51.6 trillion, an increase of 0.8% from the previous year.

Domestic Stock Fund

Amid the sluggish domestic stock market in 2018, the Active Small and Mid-sized Fund and Active Equity General Fund outperformed competitors in return on investment by 13%p and 4%p, respectively. Among all domestic active equity funds, KB Asset Management attained the highest return on investment by outperforming over 5%p.

Reinforcement of Overseas Investment

KB Asset Management reinforced its overseas management capabilities by launching a new series of Tong China Funds (a branded KB China high dividend fund) and establishing a subsidiary in Shanghai, China, in August 2018. As a result, we ranked first with the largest market share of 22% in the public offering equity fund market in China. Our stable asset management capability has resulted in sustainably attracting institutional funds. In 2018 alone, asset inflow from the global EMP market increase around KRW 480 billion from the previous year and asset volume managed in the global EMP market stood at KRW 731.8 billion at the end of 2018.

Stable Market Position in the Domestic ETF Market

Managing ETF worth KRW 3.5 trillion, KB Asset Management solidified its top 3 place in the ETF market, bigger by KRW 1.4 trillion than the 4th player. A total of 15 new ETF products were additionally listed, completing a full line-up of 61 products. The company has made prominence in the EMP market by securing a wide range of products and integrating solution creation capacity. As of the end of 2018, our EMP asset volume reached KRW 378.9 billion.

Expansion of Collaboration with Affiliates

KB Asset Management continued to improve the performance of deep-learning robo-algorithm embedded in the Kbot SAM Robot Advisor of KB Kookmin Bank, commercializing AI-based solution

business. In March 2018, we launched the KB KoVIC Fund with higher operational efficiency guided by KB Securities' asset allocation advice service. The KB Teacher Relief Package and KB Young Youth Package were also showcased in cooperation with affiliates.

Enhancement of New Product Lineup

Our product lineup has been further enhanced by launching 56 new public offering funds and 126 private equity funds in 2018. Major funds were KB KoVIC Fund, KB KRX300 Index Fund, Withdrawable Retirement Income Fund (RIF) and Smart Beta ETF which are invested in a wide range of assets.

Alternative Investment Assets Exceeding KRW 10 trillion

In the first half of 2018, KB Asset Management signed an agreement with Korea Southern Power (KOSPO) and S-Energy to invest about \$40 million in the 38 MW solar power plant project in Chile, thereby giving them a valuable opportunity to ensure stable revenue creation for 25 years. On top of that, we pushed forward with new projects at home and abroad, including new and renewable energy, commercial building, hotel, infrastructure, and real estate. As a result, the asset volume in the alternative investment sector surpassed KRW 10 trillion.

Market Outlook and Our Plans in 2019

To further develop its global business in 2019, KB Asset Management will focus on improving internal asset management competence and expanding alliances with global asset management firms. The alternative investment business will seek more overseas infrastructure projects and diversify investment targets including new launch of real estate public offering funds meeting needs of personal investors. In order to tap into the OCIO market, KB Asset Management plans to join the government fund management company selection process and expand our business scope to cover private enterprises and retirement pensions. In the domestic equity fund sector, we will intensively manage growth stocks and dividend funds, while adding brand-new fund products in response to changes in the market environment.

KB Capital



Performances in 2018

Our total asset of 2018 increased 8.8% year-on-year to KRW 9.5 trillion, surpassing KRW 9 trillion mark. New sales execution reached KRW 7.5 trillion, while operating profit and net profit stood at KRW 346.8 billion and KRW 111.9 billion, respectively. KB Capital maintained the second largest in the capital industry in terms of total assets as of the end of 2018.

Improvement of Digital-based Business Model

Sophistication of KB Cha easy (opened in May 2018)

KB Capital launched the first non-face-to-face mobile loan subscription platform “KB Cha easy” in March 2017, making it possible for customers to access our automated one-stop process available 24/7. The proportion of mobile loan subscription through the KB Cha easy which had been just 2% in March 2017 surged to 73% in December 2018 on the back of convenience and easy accessibility, becoming our most popular sales channel.

Sophistication of KB Cha Cha Cha (opened in June 2018)

We overhauled both UX/UI design and core services – real-time open bidding system “Sell Cha Cha Cha” and car-buying consulting service “Find Cha Cha Cha” – of the “KB Cha Cha Cha,” a used car trading platform launched in June 2016. By partnering with used car transaction association and expanding registration agency members, the number of cars registered in the platform surpassed 100,000 to match the number of units sold on our competitor, the largest used car platform SK Encar. Moreover, we developed an AI-based used car price estimation model in cooperation with KAIST, ensuring correct price information. Those efforts resulted in our platform becoming the most popular app in car category on Google Playstore in October 2018 and winning the grand prize in customer service category at the “App Award Korea 2018.”

Enhancement of Competitiveness in Lease Products

We formed a team dedicated to handling lease products in January 2018 and began operating direct selling system of leased properties in March to reinforce the competence in remaining value

management. Sales from the direct online channel increased on the back of active collaboration with external platform providers. We also established the Inspection Center and sales channels for resale of returned assets and generated additional values through revitalizing lease back and rent back, which resulted in the company remaining the largest share in the imported car financing market and solidifying leadership in the lease financing market.

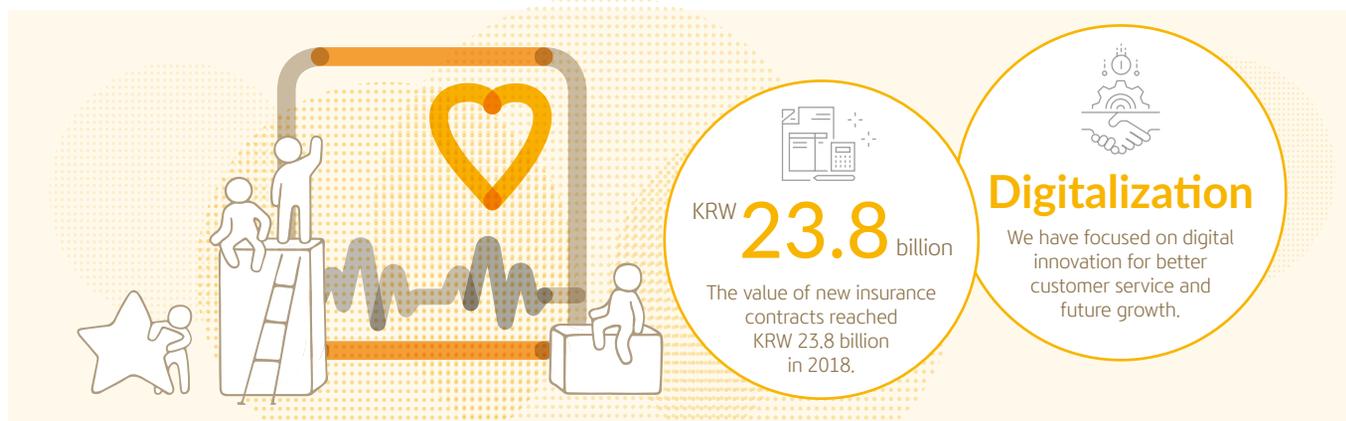
Global Expansion

The Laos subsidiary, which kicked off operation in March 2017, passed its break-even point in just 19 months on a cumulative basis, turning to profit in September 2018. The subsidiary is recognized as a model for overseas expansion of financial firms as it has secured stable revenue creation foundation through sales diversification and successfully expanded sales network to regional hub cities across the nation. We also dispatched local experts to Indonesia to seek business opportunities for a year. As a result, we selected a M&A target in the second half of 2018 with the schedule to kick off in the third quarter of 2019..

Market Outlook and Our Plans in 2019

Our major goal in 2019 is to maintain the overwhelming 2nd place in the industry and narrow the gap with the leading competitor. To this end, we will enhance core competence and establish long-term growth locomotive and at the same time promote the advancement of infrastructure and management system. In order to maintain top position in the imported car financing market and reinforce dominance in used car and rental car business, we will further solidify captive while expanding non-captive. To that end, we will reinforce products and non-face-to-face channels, while expanding mid-range interest rate loan in accordance with the Government’s policy. Other plans include upgrading credit review process based on machine learning technology, enhancing competence in debt management, establishing data-based decision-making process, internalizing new technologies, and cultivating talents. Furthermore, we will continue to develop new business categories and expand global business in order to secure the momentum for mid and long-term growth.

KB Life Insurance



Performances in 2018

Sustainable Value-oriented Growth

For a value-oriented growth, KB Life Insurance maintained its sales strategy focusing on protection and variable insurance products. As a result, the VNB (value of new business) reached KRW 23.8 billion, an increase of KRW 3.3 billion from originally planned. ROE was 2.7%, exceeding the planned target by 0.8%p. In addition, the company launched retirement pension products and revitalized online channels in an effort to secure new growth engines.

CPC (Customer-Product-Channel)-based Integrated Marketing System

We focused on diversifying the portfolio of protection/variable insurance products, sharpening competitiveness of online products and so forth by analyzing customer segment and targeting customer database. Thereby, the Company advanced a scheme to set up the product lineup by channel. It also strengthened marketing collaboration system between the sales channels and supportive departments by developing a marketing package.

Response to Changes in the Regulatory Environment

A task force team is running to build infrastructure and management system in response to the introduction of IFRS17. Currently, advance preparation is underway. In order to respond to the new Korean-insurance Capital Standard (K-ICS), we established the SAA in consideration of the interest rate risk internal model ALM and built a market risk management system. We strive to minimize the impact of IFRS17 and K-ICS on the company.

Laying the Foundation for Digitalization

Our efforts for digitalization have been made to realize RPA-based business automation, build a mobile application system, and introduce platforms for big data analysis. Now we are dedicated to developing new business model reflecting the “InsurTech” initiative to secure future growth engines.

Market Outlook and Our Plans in 2019

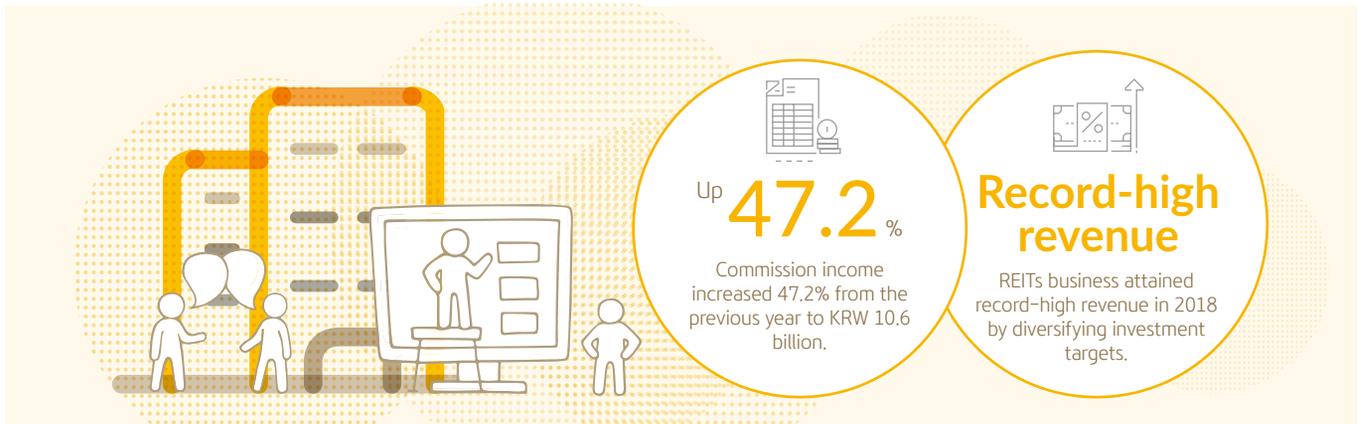
A slowdown in the life insurance market is expected due to the prolonged low-growth trend, market saturation, and other institutional factors. For protection insurance, the growth trend of premium written is likely to be further sluggish as the market has matured and the government's health insurance policy is still uncertain. Savings insurance market is likely to be on a decline as well, amid growing concerns over capital volatility under IFRS17, shrinking tax incentives, and lowered sales incentives due to a changed commission system.

On top of this, potential legal and institutional changes for financial consumer protection will make the insurance business environment unfavorable. Meanwhile, the fourth Industrial Revolution is shifting the paradigm of insurance business. Convergence of traditional finance and new technology is being accelerated and competition in new services and product development is very intensive. In response, KB Life Insurance intends to pursue the following strategies:

First, the Company will strengthen customer analysis capabilities and strive to ensure that the customer-centric products and channel strategies are operated. Second, we will improve the return on investment assets and enhance the efficiency in sales and management activities to establish the value-oriented growth foundation. Third, digitalization will be promoted across entire management activities including customer analysis, product development, sales, and customer service. Particularly, we will focus on RPA-driven operation efficiency, digital-based marketing & sales model development, and customer-centric product development. Lastly, in preparation for a growing volatility in assets, capital, and profitability under the IFRS 17, we continue to strengthen monitoring and continue to operate a TFT. Preemptive management plans against the K-ICS will also be prepared.

In 2019, KB Life Insurance will spare no effort to deliver innovation to become a company trusted and loved by customers.

KB Real Estate Trust



Performances in 2018

Stable Revenue Growth

Despite the slowdown in real estate market in 2018 due to the Government's price stabilization policies, measures regarding household borrowings, decline in housing construction permissions and licenses, and rise in housing supply, KB Real Estate Trust carried out proactive sales activities, for example, by winning the completion guarantee management land trust project based on the Company's credibility, thus seeing commission income grow by 47.2% year-on-year to KRW 10.6 billion.

Profitability-centered Bid and Strict Risk Management

We have focused on the completion guarantee management land trust project and preemptive risk control in the trust business, thus winning low-risk valuable leveraged land trust projects.

The REITs business division launched a variety of large-scale REITs including a public housing project in Jangwi-dong, large discount stores, and retail stores. We also purchased the Knowledge Industry Center in Yongin and prime-class office buildings in Gangnam, diversifying the scope of investment properties.

In the reconstruction sector, the company signed an MOU for trust-type reconstruction project on Jangmi Apartment in Seongsu-dong and Hanyang Apartment in Yeouido, Seoul. We have also been proactive in bidding activities such as proposals on reconstruction of valuable sites and promotion of seminars.

Major activities for risk management included the establishment of preemptive risk response process, regular monitoring of limit runoff rate, checks of major issues of constructors, and monthly investigation of construction progress.

Market Outlook and Our Plans in 2019

The real estate market in 2019 will likely remain sluggish with negative outlook over economic conditions in general due to the downward economy and dwindling population. Market competition is anticipated to be intensive due to the emergence of new trust firms and changes in management structure of existing trust companies. In response to these challenges, KB Real Estate Trust will focus on profit-centered management and stable projects management.

First, we will upgrade our risk management capability by conducting pre-inspections on new project sites, sophisticating bid limit and capital management, and strengthening the authority of the Risk Management Council to preemptively check the progress level by each stage of projects.

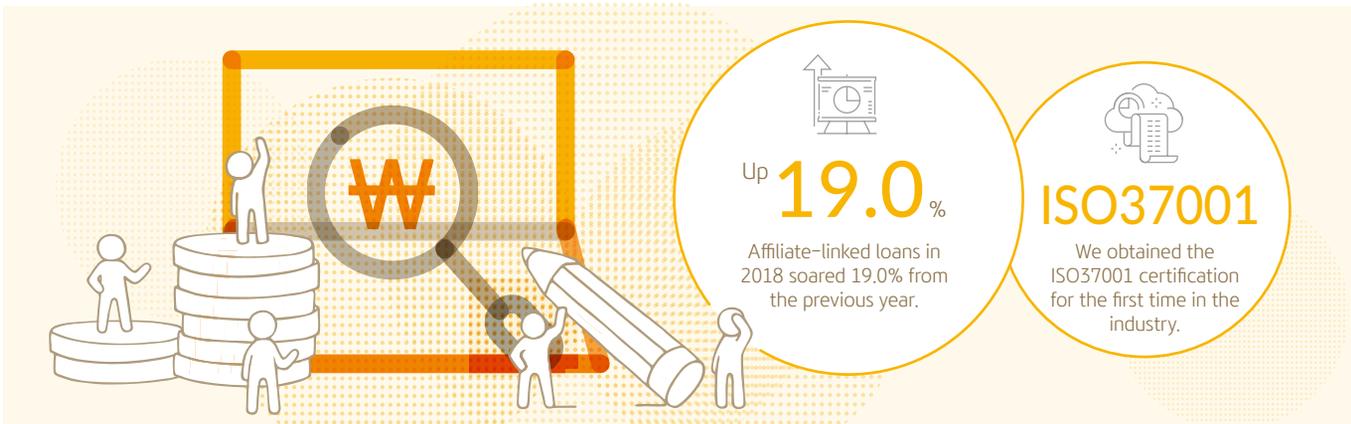
Second, we will strive to maintain our market share by reinforcing sales competitiveness despite the emergence of new competitors in the market. This strategy will be managed by pushing ahead with low-risk projects, selectively winning valuable projects, and reinforcing sales and marketing competitiveness in management trust.

Third, for urban reconstruction projects, we will focus on stable project management and selective participation in profitable reconstruction projects and agency-driven trust-type projects.

Fourth, we will seek stable management of REITs and diversification of investment portfolio. Major tasks in the REITs business are set at increasing customer satisfaction by stable REITs operation, maintaining leading market position by launching new products such as public offering REITs, improving systems aimed at enhancing profitability.

Fifth, we will advance HR management system and establish IT system for business support. This strategy will be supported by creating efficient working environment, improving productivity, embedding performance-based HR system, and stabilizing the next-generation ERP system.

KB Savings Bank



Performances in 2018

Efforts to Deliver Better Financial Convenience to Ordinary People

Serving as one pillar in the Group's service for ordinary citizens, KB Savings Bank faithfully fulfills its corporate responsibility for delivering good financial services to working-class citizens. As part of that scheme, we have been establishing digital-based financial infrastructure for ordinary people. We launched the "Online Sunshine Loan" for the first time in the finance industry on February 1, 2018 and introduced the Group's integrated credit evaluation system, contributing to vitalizing mid-range interest rate loans. KB Savings Bank is also at the forefront of innovation for financial consumer protection, for example, by adopting various certification services for better consumer convenience and showcasing industry-first anti-voice phishing transfer system and mutual agreement transfer system.

KB Savings Bank handles the flagship mid-range interest rate loan "KB Kind Loan," Korea Inclusive Finance Agency's "Sunshine Loan," and Seoul Guarantee Insurance Company's "Saitdol2." Loans from these products in 2018 posted KRW 234.2 billion, up 80.3 billion from the previous year. We serve as an intermediary between low-credit customers who are denied loan at commercial banks or have little resources to build assets and institutional financial organizations. We are committed to providing them with convenient financial services equivalent to those of internet-only banks.

Synergy Creation with Affiliates

KB Savings Bank handles KB Kind Loan, Sunshine Loan, Saitdol 2, and mortgage loan in collaboration with KB Kookmin Bank. We have been proactive in encouraging affiliate-linked loans to enhance synergy. As a result, affiliate-linked loan in 2018 increased 19.0% from the previous year.

Reinforcement of Digital Finance

KB Savings Bank has launched a wide array of services through digital innovation in 2018, including the "Online Sunshine Loan"

which is entirely treated through mobile devices for the first time in the industry in February, "Kakao Pay Certificate Service" in May, "Smartphone ATM Service" in July, and Korea's first "Anti-Voice Phishing Transfer" and "Mutual Agreement Transfer" system. In 2019, we plan to add new services guided by innovative digital technology to our mobile app "KB Kind Banking." KB Savings Bank reinforces digital finance service to provide ordinary people with more convenience, while delivering benefits to them by pursuing low interest rate loans and high interest rate savings. Going forward, we will provide convenient financial services and products equivalent to internet-only banks, fulfilling the responsibility as Korea's representative financial institution for ordinary people.

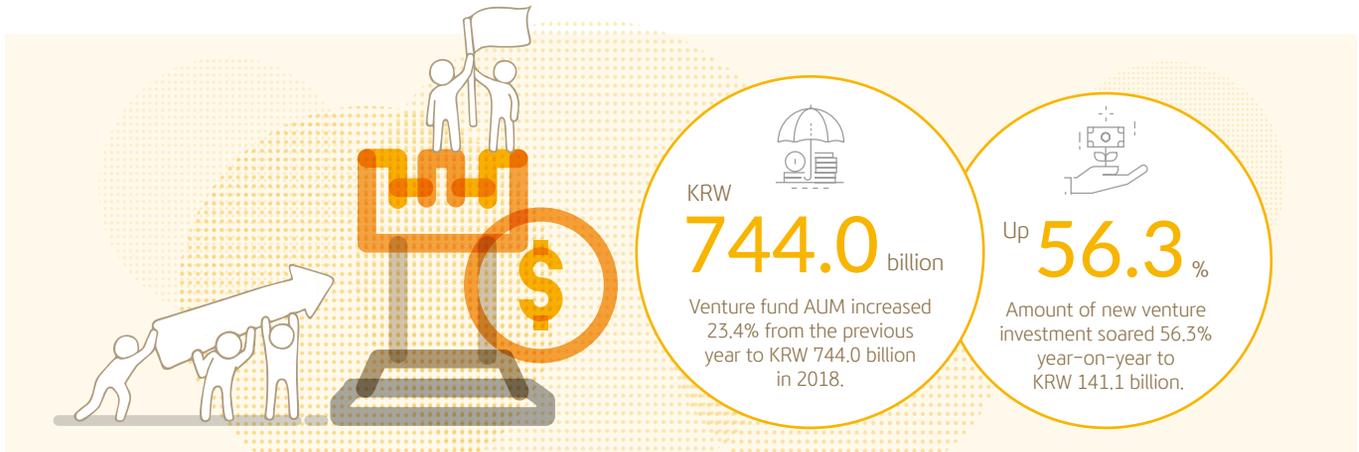
Industry-first ISO37001 Certification

We obtained the ISO37001 certification (anti-corruption management system) for the first time in the industry. The company was highly recognized for commitment to and efforts for anti-corruption management activities such as strict observance with financial policy, mandatory anti-corruption training, heightened standards on punishment, early detection and correction of potential corruption factors, compliance with anti-corruption practice, internal investigation and control system, and so on. Our anti-corruption management system has been a model for competitors.

Market Outlook and Our Plans in 2019

KB Savings Bank will reinforce non-face-to-face channel products and service competitiveness through digital innovation, securing differentiated competence equivalent to internet-only banks. To achieve the goal, we will promote the following strategies: stabilizing revenue model of mid-range interest rate loan products and expanding affiliate-linked sales; accelerating digital innovation for stronger competitiveness in non-face-to-face channel and mobile-based services; and enhancing preemptive risk management capabilities in response to potential risks in the housing loan sector and possible insolvency of PF and group mortgage loan due to the recession of real estate market.

*b KB Investment



Performances in 2018

As a leading a venture capital and private equity investment firm for the past 28 years, KB Investment is committed to developing new growth engines for the national economy by incubating and supporting venture firms.

In 2018, we attained record-high net profit and jumped to the fourth place in the industry in terms of venture fund AUM (KRW 744.0 billion) including a large-scale venture fund worth KRW 136.0 billion raised for the year. The abundant investment resources enabled the Company to post the largest-ever venture investment in its history. KB Investment is also preparing overseas investment in bio, South East Asia, and deep tech in order to reinforce the Group's future competitive edge while upgrading investment portfolio through investments in new growth businesses and startups.

Collaboration with affiliates and expansion of investment in startups

The domestic venture investment volume marked around KRW 3.4 trillion, the largest-ever scale, in 2018 on the strength of the government's endeavor to create a startup & venture ecosystem driven by the private sector. Newly raised venture funds amounted to KRW 4.7 trillion, record-high in the business history, in 2018. As 12 new venture capitals joined the market and the number of venture funds newly launched was record high, competition in funding and identifying deals was very fierce. Amid those challenges, KB Investment sought to reinforce collaboration with affiliates, raise major venture funds, and enhance investment and nurturing investment capabilities in new growth businesses and startups. Major achievements in each sector are as follows:

- For major fund, KB Investment organized the KB Digital Innovation Investment Fund Limited Partnership worth KRW 136 billion, investing in the 4th Industrial Revolution related

businesses. We also raised KRW 40 billion worth of KB IP Investment Fund II, investing in IP and TCB evaluation assets.

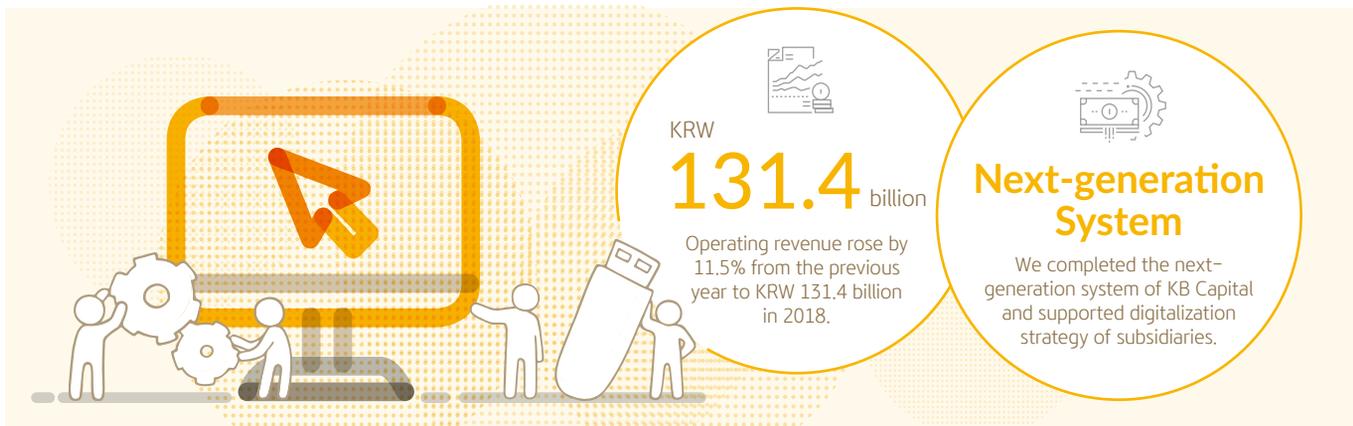
- We raised KRW 5 billion in cooperation with KB Securities and KB Asset Management to provide the Group's PB customers with KB Pre-IPO Secondary Venture Fund II as venture fund KB. New Paradigm Fisheries Venture Fund, valued at KRW 15 billion, was invested in fisheries businesses in cooperation with KB Securities.
- Investment in new growth businesses and startups has increased dramatically. Investments in ICT services surged 83% from KRW 20.3 billion in 2017 to KRW 37.1 billion in 2018. Investment in life science & healthcare industry jumped 40.8% from KRW 21.1 billion in 2017 to KRW 29.7 billion in 2018. New investment within the initial five years or earlier grew 147.7% from KRW 28.3 billion in 2017 to KRW 70.1 billion in 2018. Seed and Series A investment rose from KRW 20.7 billion in 2017 to KRW 47.2 billion in 2018.

Our venture fund AUM in 2018 increased by KRW 141.0 billion year-on-year to KRW 744.0 billion. New venture investment was valued at an all-time high of KRW 141.1 billion. Net profit in 2018 also recorded the largest-ever high KRW 15 billion on the strength of increased investment income in the new growth business sector including life science & healthcare.

Market Outlook and Our Plans in 2019

The domestic venture investment market seems to remain strong growth in 2019 on the strength of the government's policy pursuing innovative growth. KB Investment aims to rise as top-tier venture capital within three years by continuously cultivating talents and enhancing investment capability. In addition, We also plan to establish a balanced investment portfolio and make inroads into the global market.

*b KB Data Systems



Performances in 2018

As the financial industry adopts new technologies with regard to big data, AI, machine learning, and block chain in accordance with rapid digitalization trend, non-face-to-face channel, digital-based IT project, and Information security have become key issues. KB Data Systems also achieved KRW 131.4 billion in operating revenue, an increase of 11.5% from the previous year, in 2018 on the strength of extended investment in IT within the Group.

Development of and Support for Next-generation Systems of Affiliates

KB Data Systems has completed the establishment of KB Capital's next-generation system in 2018. We also won the business support process development project of KB Kookmin Card and supported the development of next-generation systems of KB Kookmin Bank and KB Kookmin Card. Recent fierce competition with fintech firms and Internet-only banks has triggered demands for new technologies related to big data, AI, and block chain. In response, KB Data Systems has been proactive in supporting digital transformation strategy of the Group by participating in various IT projects of affiliates and establishing the Digital R&D Lab.

We initiated the advancement of WiseNet (Group's portal system) and development of the Group-wide IT system (m-WiseNet). We also contributed to enhancing the Group's ICT capabilities by operating the group portal and Open API. Our competence in IT operation service was further enhanced by receiving a certain portion of IT operation projects from affiliates. To meet the growing demand for IT operation and SI development projects within the Group, we increased the number of employees from 380 in the previous year to 413 in 2018. Moreover, the scope of IT operation supports was extended to non-banking affiliates such as KB Securities, KB Insurance, and KB Kookmin Card.

Enhancement of Sale Capability and IT Service Quality

The company launched the Strategic Business division and strived to advance the quality of SI & SM services. By doing so, our service quality in the SI development project has been further enhanced and IT service quality system in the SO & SM projects was established, which resulted in improving the satisfaction on our IT services within the Group.

Awards and Certificates

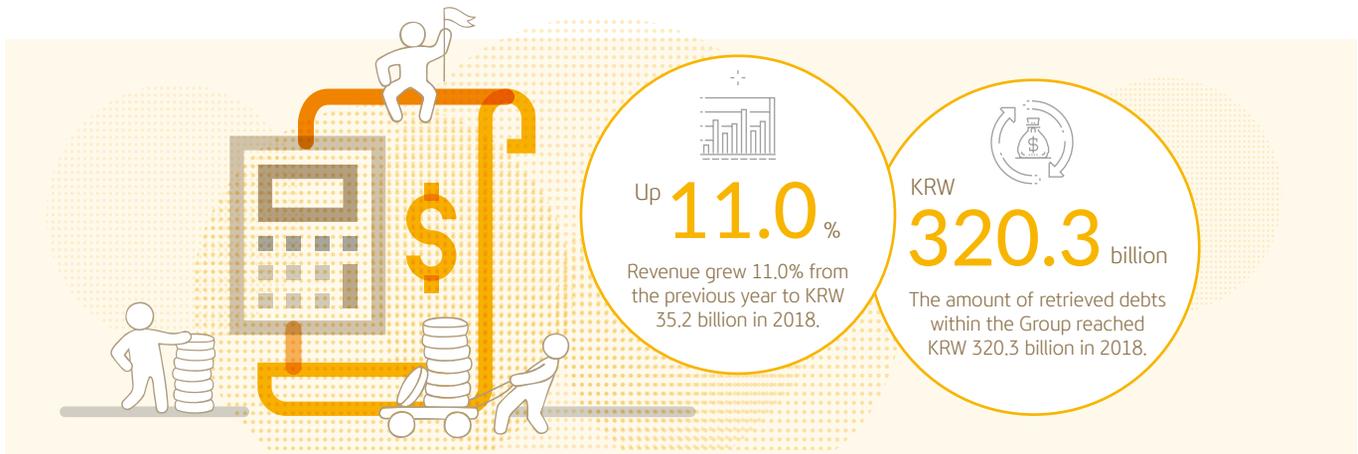
As a result of carrying out quality enhancement activities and CoP, KB Data Systems was awarded the CEO's prize for the development and application service of the fintech collaboration tool (DoKB) as well as the excellence prize for the Group brand CoP. In addition, we obtained the Amazon AWS Consulting Partner certification and ISO27001 assessor certification.

Market Outlook and Our Plans in 2019

KB Data Systems will continue to hire great talents and mobilize all available IT personnel in a timely manner to support perfect completion of KB Kookmin Bank's "The K Project" and KB Kookmin Card's next-generation system projects. We will also focus on enhancing our business competence and sales activities to deliver satisfactory IT service. On top of that, we intend to proactively engage in affiliates' key projects including corporate financing platform of KB Kookmin Bank and digital counter establishment of KB Savings Bank.

Other strategies are enhancing collaboration with affiliates, R&D competence, and customer satisfaction. For example, we will mobilize our experts in digital finance to establish the cloud platform of the Group aimed at co-development with external firms.

*b KB Credit Information



Performances in 2018

CIR decreased 5.19%p over the previous year and revenue rose by 11.0% to KRW 35.2 billion in 2018. Total asset also increased 0.6% to KRW 26.3 billion and net income was KRW 180 million.

Maximization of Sales Competence by Business Unit

KB Credit Information has set promotional goals for KB Kookmin Bank and KB Kookmin Card to maximize credit collection performance within the Group. For example, we were commissioned to handle credit recovery applicants from KB Kookmin Card, which ensured quarterly sales of KRW 125 million. Total amount of retrieved debts within the Group reached KRW 320.3 billion, an increase of KRW 14.1 billion year-on-year, and commission revenue from the Group also rose by KRW 4.3 billion to KRW 34.5 billion in 2018. Major performances in debt collection included KRW 138.9 billion for KB Kookmin Bank, KRW 174.6 billion for KB Kookmin Card, KRW 3.2 billion for KB Capital, and KRW 0.42 billion for KB Savings Bank.

We have also continued to hire professional debt collectors to improve the competence in our main business, which resulted in increasing debt collection rate and commission revenue.

In the lease investigation business, we raised the delivery rate of general and emergency projects by improving work efficiency and ensuring real-time review process. Revenue generated from the Group projects was around KRW 8 billion. We make contribution to enhancing the Group's asset soundness through nation-wide network, real-time work handling, and strict inspection.

Enhancement of Organization and Staff Productivity

We sought stabilization regarding the dualized lease investigation operation. As a result, service satisfaction improved through work separation regarding reference review process by employees, emergency investigation handling, and discussion on customer supports. We also continued to focus on enhancing the efficiency in cost control as well as

organization and staff operation. Reorganization was completed and cost control was conducted by an automated system, resulting in reducing 7.9% in labor cost and 15.8% in furniture & equipment expense compared with annual budget plans.

Market Outlook and Our Plans in 2019

Macroeconomic outlook for 2019 presented by economic research institutes at home and abroad is not favorable. To begin with the economic environment surrounding KB Credit Information, the upward trend in household debts has eased slightly but there are still concerns over the possible deterioration in the debt repayment ability among speculative and Ponzi borrowers. While the delinquency rate of household debts at financial institutions remains at the minimum, concerns are mounting over increased uncertainties from both political and economical issues at home and abroad. Regarding policy and regulations, it is expected to become increasingly difficult to collect debts due to moral hazard and debtor representative system where debtors may reschedule debt repayment. Tightening housing loan regulations such as requirements on DSR may result in reduction of lease investigation orders.

We plan to execute key business strategies in consideration of various political and economic variables. To begin with, we will reinforce business competence in the Group by additionally recruiting professional debt collectors, conducting joint debt collection promotion with affiliates, and sharing information on debt. Secondly, we will promote new projects such as managing debtors of KB Kookmin Card who have applied to credit recovery programs and on-the-spot survey of card member stores. Service quality improvement of lease investigation will also be implemented. The last strategy aims to improve the infrastructure for sustainable growth. To this end, we will pursue employee productivity enhancement, region-specific business operation, and digital transformation such as building debt normalization model based on big data analysis.



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying consolidated financial statements of KB Financial Group Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected Credit Losses on Loans Measured at Amortized Cost

Why it is determined to be a key audit matter :

Korean IFRS 1109 Financial Instruments, which has been applied on January 1, 2018 by the Group, is a more complex accounting standard which requires considerable amount of judgment and interpretation in its implementation than Korean IFRS 1039 Financial Instruments: Recognition and Measurement, in relation to impairment. This new standard especially requires determination of significant increases in credit risk and measurement of expected credit losses using forward-looking information. Accordingly the Group developed a new measurement model utilizing various types of information.

The Group measures expected credit losses on loans measured at amortized cost, on an individual or collective basis. The identification of loans that are deteriorating and the assessment of the present value of expected future cash flows in determining expected credit losses are inherently uncertain, involving various assumptions and judgments. In measuring expected losses on a collective basis, a wide range of complex inputs and assumptions are used. Given the extent of judgment involved, we considered expected credit losses to be a key audit matter.

The balances of loans measured at amortized cost subject to individual or collective assessment and loss allowance are ₩ 321,811,284 million and ₩ 2,609,681 million, respectively(See Note 4-2, 10, 11). Significantly affected subsidiaries include Kookmin Bank, KB Kookmin Card and others.

How our audit addressed the key audit matter :

(1) Assessment of expected credit losses on an individual basis

We obtained an understanding and evaluated procedures and controls relating to the assessment of expected credit losses on an individual basis. In particular, we focused our effort on the assumptions used in estimating future cash flows. We evaluated whether management's estimation was reasonable and sufficiently reviewed over key assumptions in cash flow projection including growth rate of entities subject to individual assessment and valuation of collateral. As part of these procedures, we assessed whether sales growth rate, operating income ratio, and assumptions on investment activities were consistent with historical performance and current market conditions. Furthermore, we challenged appropriateness of collateral valuation by conducting our own research on most recent property prices and engaging independent appraisal specialists in verifying appraisal reports, models and methodologies employed by management.

(2) Assessment of expected credit losses on a collective basis

We obtained an understanding and evaluated the processes and controls relating to the assessment of expected credit losses on a collective basis in accordance with impairment requirements under Korean IFRS 1109 Financial Instruments. As explained in Note 2, management assesses credit rating to recognize lifetime expected credit losses on loans with significant increase in credit risk and impaired loans. Other than these cases, management recognizes 12 month expected credit losses. To calculate expected credit losses, management has applied forward-looking information, probability of default, and loss given default estimated through predetermined internal procedures and controls implemented for various assumptions.

We assessed design and tested operating effectiveness of controls relating to credit ratings that appropriately capture both qualitative and quantitative information. Our substantive test over accuracy and reliability of the information included agreeing qualitative and quantitative information with relevant evidence.

We assessed appropriateness of management accounting policy determining significant increase in credit risk. We confirmed management reasonably performed allocation of Stage 1, 2 and 3 depending on how significantly credit risk was increased and used different models for each stage. We verified that these procedures were performed in accordance with the policy and examined appropriateness of the results.

We involved our own risk specialist to statistically analyze correlation between forward-looking information and probability of defaults and loss given default. We assessed appropriateness of methodologies for adjusting probability of defaults and loss given default to reflect forward-looking information on estimation of expected credit losses. We further tested reasonableness and mathematical accuracy of the information through recalculation and inspection of supporting data.

We challenged methodologies used by management to verify that probability of default and loss given default were calibrated using sufficient and reasonable historical data. We determined that the default and loss data used were appropriately gathered and applied in accordance with internal control procedures. In addition, we verified reasonableness and accuracy of probability of defaults and losses through procedures including recalculation, and evaluated management's default and loss data.

2. Valuation of over-the-counter derivatives

Why it is determined to be a key audit matter :

Fair value of large portion of over-the-counter derivatives in the consolidated financial statements is calculated through in-house valuation system. Judgment is required in estimating the fair value of these derivatives held by KB Securities in determining appropriate models, assumptions and inputs. Given the extent of judgment involved in valuing these over-the-counter derivatives, we considered this to be a key audit matter. Over-the-counter derivatives of KB securities subject to fair value measurement amount to ₩ 14,551,811 million including financial liabilities designated as at fair value through profit or loss relevant to structured securities and financial assets at fair value through profit or loss(See Note 6,12,19).

How our audit addressed the key audit matter :

We obtained an understanding and evaluated process and relevant controls in relation to fair value measurement. Our focus was particularly on the accuracy of underlying transaction data used and mathematical calculation in accordance with management's in-house valuation methodologies.

We assessed design and tested operating effectiveness of controls over accuracy and completeness of key inputs such as underlying transaction data (notional amount, interest rate, maturity etc.) employed in management's in-house valuation system. We substantively tested transaction data used in valuation by examining supporting evidence including contracts and trade confirmations.

We also evaluated design and tested operating effectiveness of controls over periodic verification of in-house valuation system to ensure the valuation methodologies configured in the system were accurately operating as intended. We involved our own derivative valuation specialist to independently estimate fair values utilizing independent valuation models and variables to see if management's valuation is outside our ranges.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Korean Standards on Auditing 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 internal control 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 to 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Yeob Yu, Certified Public Accountant.

Samil PricewaterhouseCoopers

Samil PricewaterhouseCoopers
Seoul, Korea
March 12, 2019

This report is effective as of March 12, 2019, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

December 31, 2018 and 2017

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	Notes	2018	2017
Assets			
Cash and due from financial institutions	4,6,7,39	₩ 20,274,490	₩ 19,817,825
Financial assets at fair value through profit or loss	4,6,12	50,987,847	-
Financial assets at fair value through profit or loss (under Korean IFRS 1039)	4,6,12	-	32,227,345
Derivative financial assets	4,6,9	2,025,962	3,310,166
Loans at amortized cost	4,6,10,11	319,201,603	290,122,838
Financial investments	4,6,12	61,665,094	66,608,243
Investments in associates and joint ventures	13	504,932	335,070
Property and equipment	14	4,272,127	4,201,697
Investment property	14	2,119,811	848,481
Intangible assets	15	2,755,783	2,943,060
Net defined benefit assets	24	-	894
Current income tax assets		10,004	6,324
Deferred income tax assets	16,33	4,158	3,991
Assets held for sale	17	16,952	155,506
Other assets	4,6,18	15,749,535	16,204,169
Total assets		₩ 479,588,298	436,785,609
Liabilities			
Financial liabilities at fair value through profit or loss	4,6,19	₩ 15,326,859	₩ -
Financial liabilities at fair value through profit or loss (under Korean IFRS 1039)	4,6,19	-	12,023,058
Derivative financial liabilities	4,6,9	2,901,247	3,142,765
Deposits	4,6,20	276,770,449	255,800,048
Debts	4,6,21	33,004,834	28,820,928
Debentures	4,6,22	53,278,697	44,992,724
Provisions	23	525,859	568,033
Net defined benefit liabilities	24	262,213	154,702
Current income tax liabilities		698,634	433,870
Deferred income tax liabilities	16,33	492,534	533,069
Insurance contract liabilities	37	33,412,949	31,801,275
Other liabilities	4,6,25	27,200,996	24,470,308
Total liabilities		443,875,271	402,740,780
Equity			
Share capital		2,090,558	2,090,558
Capital surplus		17,121,660	17,122,228
Accumulated other comprehensive income	35	177,806	537,668
Retained earnings		17,282,441	15,044,204
Treasury shares		(968,549)	(755,973)
Equity attributable to shareholders of the Parent Company	26	35,703,916	34,038,685
Non-controlling interests		9,111	6,144
Total equity		35,713,027	34,044,829
Total liabilities and equity		₩ 479,588,298	₩ 436,785,609

¹ The consolidated statement of financial position as of December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives as of December 31, 2017 has not been restated.

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

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018 and 2017

KB Financial Group Inc. and Subsidiaries

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

	Notes	2018	2017
Interest income		₩ 13,734,569	₩ 11,919,057
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		12,986,209	-
Interest income from financial instruments at fair value through profit or loss		748,360	-
Interest income from loans and receivables and investments		-	11,382,452
Interest income from financial instruments at fair value through profit or loss (under Korean IFRS 1039)		-	536,605
Interest expense		(4,829,641)	(3,672,443)
Net interest income	5,27	8,904,928	8,246,614
Fee and commission income		3,717,720	3,988,250
Fee and commission expense		(1,474,344)	(1,938,226)
Net fee and commission income	5,28	2,243,376	2,050,024
Insurance income		11,975,070	8,970,992
Insurance expense		(11,484,954)	(8,377,282)
Net Insurance income	5,37	490,116	593,710
Net gains on financial instruments at fair value through profit or loss before applying overlay approach		350,490	-
Net gains on overlay adjustment		813	-
Net gains on financial assets/liabilities at fair value through profit or loss	5,29	351,303	-
Net gains on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)		-	203,724
Net other operating expenses	5,30	(1,130,036)	(901,890)
General and administrative expenses	5,31	(5,918,512)	(5,628,664)
Operating profit before provision for credit losses	5	4,941,175	4,563,518
Provision for credit losses	5,7,11,12,18,23	(673,694)	(548,244)
Net operating income		4,267,481	4,015,274
Share of profit of associates and joint ventures	13	24,260	84,274
Net other non-operating income	32	9,791	38,876
Net non-operating income		34,051	123,150
Profit before income tax		4,301,532	4,138,424
Income tax expense	33	(1,239,586)	(794,963)
Profit for the year	5	3,061,946	3,343,461

KB Financial Group Inc. and Subsidiaries

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

	Notes	2018	2017
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities	24	(138,016)	22,605
Share of other comprehensive income of associates and joint ventures		(74)	(145)
Revaluation gains on equity instruments at fair value through other comprehensive income		(31,169)	-
Fair value changes on financial liabilities designated at fair value due to own credit risk		1,484	-
		(167,775)	22,460
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		48,820	(110,037)
Net gains on financial instruments at fair value through other comprehensive income		119,182	-
Valuation gains on financial investments		-	89,117
Shares of other comprehensive income of associates and joint ventures		(3,659)	100,880
Cash flow hedges		(9,038)	20,959
Gains/(losses) on hedges of a net investment in a foreign operation		(27,134)	26,614
Other comprehensive income arising from separate account		28,709	(13,767)
Net gains on overlay adjustment	37	413	-
		157,293	113,766
Other comprehensive income for the year, net of tax		(10,482)	136,226
Total comprehensive income for the year		₩ 3,051,464	₩ 3,479,687
Profit attributable to:			
	5		
Shareholders of the Parent Company		₩ 3,061,191	₩ 3,311,438
Non-controlling interests		755	32,023
		₩ 3,061,946	₩ 3,343,461
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		₩ 3,050,805	₩ 3,445,285
Non-controlling interests		659	34,402
		₩ 3,051,464	₩ 3,479,687
Earnings per share			
	36		
Basic earnings per share		₩ 7,721	₩ 8,305
Diluted earnings per share		7,676	8,257

¹ The consolidated statement of comprehensive income for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Consolidated Statements of Changes in Equity

Years Ended December 31, 2018 and 2017

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

Notes	Equity attributable to shareholders of the Parent Company							Total Equity
	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interests		
Balance at January 1, 2017	₩ 2,090,558	₩ 16,994,902	₩ 405,329	₩ 12,229,228	₩ (721,973)	₩ 263,359	₩ 31,261,403	
Comprehensive income								
Profit for the year	-	-	-	3,311,438	-	32,023	3,343,461	
Remeasurements of net defined benefit liabilities	-	-	22,685	-	-	(80)	22,605	
Exchange differences on translating foreign operations	-	-	(109,727)	-	-	(310)	(110,037)	
Valuation gains/(losses) on financial investments	-	-	86,176	-	-	2,941	89,117	
Shares of other comprehensive income of associates and joint ventures	-	-	100,735	-	-	-	100,735	
Cash flow hedges	-	-	21,055	-	-	(96)	20,959	
Gain on hedges of a net investment in a foreign operation	-	-	26,614	-	-	-	26,614	
Other comprehensive income arising from separate account	-	-	(13,692)	-	-	(75)	(13,767)	
Transfer to other accounts	-	-	(1,507)	1,507	-	-	-	
Total comprehensive income			132,339	3,312,945		34,403	3,479,687	
Transactions with shareholders								
Dividends paid to shareholders of the Parent Company	-	-	-	(497,969)	-	(5,156)	(503,125)	
Acquisition of treasury shares	-	-	-	-	(202,051)	-	(202,051)	
Disposal of treasury shares	-	87,212	-	-	168,051	-	255,263	
Changes in interest in subsidiaries	-	41,352	-	-	-	(288,802)	(247,450)	
Others	-	(1,238)	-	-	-	2,340	1,102	
Total transactions with shareholders	-	127,326	-	(497,969)	(34,000)	(291,618)	(696,261)	
Balance at December 31, 2017	₩ 2,090,558	₩ 17,122,228	₩ 537,668	₩ 15,044,204	₩ (755,973)	₩ 6,144	₩ 34,044,829	

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

Equity attributable to shareholders of the Parent Company							
Notes	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Non-controlling Interests	Total Equity
Balance at January 1, 2018	₩ 2,090,558	₩ 17,122,228	₩ 537,668	₩ 15,044,204	₩ (755,973)	₩ 6,144	₩ 34,044,829
The effect of changing of accounting policy	46	-	(349,476)	(71,724)	-	-	(421,200)
Balance after reflecting the effect of accounting policy	2,090,558	17,122,228	188,192	14,972,480	(755,973)	6,144	33,623,629
Comprehensive income							
Profit for the year	-	-	-	3,061,191	-	755	3,061,946
Remeasurements of net defined benefit liabilities	-	-	(138,016)	-	-	-	(138,016)
Exchange differences on translating foreign operations	-	-	48,916	-	-	(96)	48,820
Net gains on financial instruments at fair value through other comprehensive income	-	-	88,013	15,498	-	-	103,511
Shares of other comprehensive income of associates and joint ventures	-	-	(3,733)	-	-	-	(3,733)
Cash flow hedges	-	-	(9,038)	-	-	-	(9,038)
Losses on hedges of a net investment in a foreign operation	-	-	(27,134)	-	-	-	(27,134)
Other comprehensive income arising from separate account	-	-	28,709	-	-	-	28,709
Fair value changes on financial liabilities designated at fair value due to own credit risk	-	-	1,484	-	-	-	1,484
Net gains on overlay adjustment	-	-	413	-	-	-	413
Total comprehensive income/(loss)	-	-	(10,386)	3,076,689	-	659	3,066,962
Transactions with shareholders							
Dividends paid to shareholders of the Parent Company	-	-	-	(766,728)	-	-	(766,728)
Acquisition of treasury shares	-	-	-	-	(212,576)	-	(212,576)
Non-controlling interests changes in business combination	45	-	-	-	-	2,238	2,238
Others	-	(568)	-	-	-	70	(498)
Total transactions with shareholders	-	(568)	-	(766,728)	(212,576)	2,308	(977,564)
Balance at December 31, 2018	₩ 2,090,558	₩ 17,121,660	₩ 177,806	₩ 17,282,441	₩ (968,549)	₩ 9,111	₩ 35,713,027

¹ The consolidated statement of comprehensive income for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	2018		2017	
Cash flows from operating activities				
Profit for the year	₩	3,061,946	₩	3,343,461
Adjustment for non-cash items				
Net gain on financial assets/liabilities at fair value through profit or loss		(104,755)		-
Net loss on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)		-		(106,868)
Net loss on derivative financial instruments for hedging purposes		186,029		(135,363)
Adjustment of fair value of derivative financial instruments		410		(1,000)
Provision for credit loss		673,694		548,244
Net loss (gain) on financial investments		(99,253)		110,156
Share of profit of associates and joint ventures		(24,260)		(84,274)
Depreciation and amortization expense		409,481		371,150
Depreciation and amortization expense on VOBA		214,153		179,193
Other net losses (gains) on property and equipment/intangible assets		(138,553)		30,893
Share-based payments		10,930		73,370
Policy reserve appropriation		1,608,175		1,644,389
Post-employment benefits		220,215		233,501
Net interest expense		277,152		363,803
Gain on foreign currency translation		(142,586)		(70,399)
Gains on bargain purchase		-		(122,986)
Net other expense		207,025		204,122
		3,297,857		3,237,931
Changes in operating assets and liabilities				
Financial asset at fair value through profit or loss		(8,446,927)		-
Financial asset at fair value through profit or loss (under Korean IFRS 1039)		-		(3,946,805)
Derivative financial instruments		151,297		(295,795)
Loans at fair value through other comprehensive income		(40,413)		-
Loans at amortized cost		(31,334,606)		(22,465,758)
Current income tax assets		(3,668)		59,334
Deferred income tax assets		(557)		3,186
Other assets		(2,292,160)		(3,938,297)
Financial liabilities at fair value through profit or loss		3,690,005		-
Financial liabilities at fair value through profit or loss (under Korean IFRS 1039)		-		66,222
Deposits		20,679,844		18,858,210
Current income tax liabilities		264,765		-
Deferred income tax liabilities		115,208		108,355
Other liabilities		1,899,791		133,931
		(15,317,421)		(11,417,417)
Net cash outflow from operating activities		(8,957,618)		(4,836,025)

KB Financial Group Inc. and Subsidiaries

(in millions of Korean won)

	2018	2017
Cash flows from investing activities		
Net cash flows from derivative financial instruments for hedging purposes	42,305	-
Disposal of financial asset at fair value through profit or loss	9,582,940	-
Acquisition of financial asset at fair value through profit or loss	(8,707,420)	-
Disposal of financial investments	60,773,660	38,050,549
Acquisition of financial investments	(64,729,380)	(46,538,295)
Disposal in investments in associates and joint ventures	34,717	141,052
Acquisition of investments in associates and joint ventures	(187,077)	(53,375)
Disposal of property and equipment	2,272	31,167
Acquisition of property and equipment	(452,270)	(298,368)
Disposal of investment property	140,969	1,593
Acquisition of investment property	(1,288,125)	(262)
Disposal of intangible assets	10,706	7,603
Acquisition of intangible assets	(126,163)	(111,894)
Net cash flows from the change in subsidiaries	188,140	(405,817)
Others	234,440	446,628
Net cash outflow from investing activities	(4,480,286)	(8,729,419)
Cash flows from financing activities		
Net cash flows from derivative financial instruments for hedging purposes	15,044	63,827
Net increase in debts	4,216,014	4,272,011
Increase in debentures	143,603,589	139,700,967
Decrease in debentures	(135,180,630)	(129,235,557)
Increase in other payables from trust accounts	267,077	587,523
Dividends paid to shareholders of the Parent Company	(766,728)	(497,969)
Disposal of treasury shares	-	3,515
Acquisition of treasury shares	(224,700)	(185,532)
Dividends paid to non-controlling interests	-	(5,156)
Increase in non-controlling interests	-	(163,658)
Others	(185,894)	148,775
Net cash inflow from financing activities	11,743,772	14,688,746
Effect of exchange rate changes on cash and cash equivalents	(67,950)	(133,240)
Net increase (decrease) in cash and cash equivalents	(1,762,082)	990,062
Cash and cash equivalents at the beginning of the year	8,404,898	7,414,836
Cash and cash equivalents at the end of the year	₩ 6,642,816	₩ 8,404,898

¹ The consolidated statement of cash flows for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

1. The Parent Company

KB Financial Group Inc. (the “Parent Company”) was incorporated on September 29, 2008, under the Financial Holding Companies Act of Korea. KB Financial Group Inc. and its subsidiaries (collectively referred to as the “Group”) derive substantially all of their revenue and income from providing a broad range of banking and related financial services to consumers and corporations primarily in Korea and in selected international markets. The Parent Company’s principal business includes ownership and management of subsidiaries and associated companies that are engaged in financial services or activities. In 2011, Kookmin Bank spun off its credit card business segment and established a new separate credit card company, KB Kookmin Card Co., Ltd., and KB Investment & Securities Co., Ltd. merged with KB Futures Co., Ltd. The Group established KB Savings Bank Co., Ltd. in January 2012, acquired Yehansoul Savings Bank Co., Ltd. in September 2013, and KB Savings Bank Co., Ltd. merged with Yehansoul Savings Bank Co., Ltd. in January 2014. In March 2014, the Group acquired Woori Financial Co., Ltd. and changed the name to KB Capital Co., Ltd. Meanwhile, the Group included LIG Insurance Co., Ltd. as an associate and changed the name to KB Insurance Co., Ltd. in June 2015. Also, the Group included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary in October 2016 by comprehensive exchange of shares. Hyundai Securities Co., Ltd. merged with KB Investment & Securities Co., Ltd. in December 2016 and changed the name to KB Securities Co., Ltd. in January 2017. KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017.

The Parent Company’s share capital as of December 31, 2018, is ₩ 2,090,558 million. The Parent Company has been listed on the Korea Exchange (“KRX”) since October 10, 2008, and on the New York Stock Exchange (“NYSE”) for its American Depositary Shares (“ADS”) since September 29, 2008. Number of shares authorized in its Articles of Incorporation is 1,000 million.

2. Basis of Preparation

2.1 Application of Korean IFRS

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

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

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018. The adoption of these amendments did not have any significant impact on the current period or any prior period and is not likely to affect future periods, with the exception of the application of Korean IFRS 1109 *Financial Instruments* and IFRS 1115 *Revenue from Contracts with Customers* discussed below.

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

Amendments to Korean IFRS 1028 clarifies that a venture capital organization or a mutual fund, and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

– Amendments to Korean IFRS 1040 *Transfers of Investment Property*

Amendments to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence. Paragraph 57 of the standard provides a list of such circumstances as examples.

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

Amendments to Korean IFRS 1102 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Also, it clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award.

– Enactment of Korean IFRS 2122 *Foreign Currency Transactions and Advance Consideration*

According to the enacted interpretation, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the prepayment or receipt of advance consideration. In case there are multiple payments or receipts in advance, the entity should determine a date of the transaction for each payment or receipt of advance consideration.

– Korean IFRS 1109 *Financial Instruments*

The Group applied Korean IFRS 1109 *Financial Instruments* with a date of initial application of January 1, 2018. As permitted by the transition requirements of Korean IFRS 1109, comparative periods have not been restated. The Group recognized the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings of the annual reporting period that includes the date of initial application. Also, the Group applied “The Overlay Approach” under Korean IFRS 1104 at the initial application of Korean IFRS 1109. For details about impacts of the adoption of this Korean IFRS, see Note 46.

– Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*. As permitted by the transition requirements of Korean IFRS 1115, comparative periods have not been restated.

For details about impacts of the application of this Korean IFRS, see Note 28 and 46.

The Group has changed the accounting policy for their annual reporting period commencing January 1, 2018.

– Presentation of interest income arising from financial assets measured at fair value through profit or loss

The Group previously recognized interest income arising from financial assets at fair value through profit or loss as net gains (losses) on financial assets/liabilities at fair value through profit or loss in the consolidated statements of comprehensive income. From January 1, 2018, the Group changed the accounting policy, and corresponding interest income is presented as a portion of interest income in the consolidated statements of comprehensive income. The Group expects the change in accounting policy provides more relevant information.

The consolidated statement of comprehensive income for year ended December 31, 2017, has been restated by adjusting classification of interest income.

The Group does not expect the change in accounting policy to have an impact on the consolidated statements of financial position, and total comprehensive income. The results and impact of the change on the consolidated statement of comprehensive income for the year ended December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Increase in interest income	₩ 748,360	₩ 536,605
Decrease in net gains (losses) on financial assets/liabilities at fair value through profit or loss	(748,360)	-
Decrease in net gains (losses) on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	(536,605)

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below. The Group expects the effect on the financial statements applying the new standard will not be significant, with the exception of the adoption of Korean IFRS 1116 *Lease*.

- Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation Korean IFRS 2104 *Determining whether an Arrangement contains a Lease*, Interpretation Korean IFRS 2015 *Operating Leases-Incentives*, and Interpretation Korean IFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Group shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the Group may not need to reassess all contracts, if the Group elects to apply the practical expedient not to apply the standard to contracts that were entered into before the date of initial application. At inception of a contract, the Group will assess whether the contract is, or contains, a lease.

For a contract that is, or contains, a lease, the Group shall account for each lease component within the contract as a lease separately from non-lease components of the contract. In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For the all (or partial) lease agreements, or the agreements including lease components, the Group plans to apply the practical expedient to account for each lease component and any associated non-lease components as a single lease agreement.

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). The Group plans not to apply the requirements to real estates rent for single-use (a lease for education and others) and low value assets (e.g. underlying assets below ₩ 5 million and \$ 5,000).

In relation with sale and leaseback transactions, the Group(the seller-lessee) shall apply the requirements for determining when a performance obligation is satisfied in Korean IFRS 1115 *'Revenue from Contracts with Customers'* to determine whether the transfer of an asset is accounted for as a sale of that asset. However, for those transactions before the date of initial application, the Group shall not reassess them.

The accounting treatment as a lessor did not change significantly from the one under Korean IFRS 1017 *Leases*. The Bank expects the effect on the financial statements applying the new standard will not be significant as accounting for the Bank, as a lessor, will not significantly change.

A lessee shall apply this standard to its leases either (a) retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or (b) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard and as such will not restate any comparative information.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116 based on available information as at December 31, 2018 to identify effects on 2019 financial statements.

The total minimum lease payment expected to be paid by the Group in relation to operating leases before discounted to their present value is ₩ 591,190 million. When the payment is discounted at incremental borrowing rate of the lessee, the total minimum lease payment amounts to ₩ 550,322 million. As a result of the financial effects on the financial statements analyzed, the Group expects the underlying leased asset and a lease liability as at December 31, 2018 to be increased by ₩ 580,698 million and ₩ 550,322 million, respectively. The difference between the right-of-use asset and the lease liability has been arising from the adjustments made at the right-of-use asset for the lease contracts entered before the date of the adoption of this standard. On the other hand, the results of the assessment may change due to additional information that the Group may obtain after the assessment.

Enactment, Amendments and Annual Improvements

– Amendments to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in derecognition, a modification gain or loss shall be recognized in profit or loss.

– Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

– Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The enactment clarifies the accounting for uncertainties in income taxes in the event that the decision of taxation authorities or courts can change tax treatment. The enactment presents calculating methods of disclosure amount based on the possibility of future recognition of the income tax treatment, and requires disclosure of the uncertainty of the amount.

– Annual Improvements to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation.

– Annual Improvements to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the

joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured.

– Annual Improvements to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

– Annual Improvements to Korean IFRS 1023 *Borrowing Cost*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings.

2.2 Measurement Basis

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

2.3 Functional and Presentation Currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Korean won, which is the Parent Company’s functional and presentation currency (Notes 3.2.1 and 3.2.2).

2.4 Critical Accounting Estimates

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

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

Uncertainty in estimates and assumptions with significant risk that may result in material adjustment to the consolidated financial statements are as follows:

2.4.1 Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments, increase in wages, and others in accordance with the Tax System for Promotion of Investment and Collaborative Cooperation (Recirculation of Corporate Income), the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2018. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages, and others, there exists uncertainty with regard to measuring the final tax effects.

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 and assumptions in price determination and other risks.

As described in the significant accounting policies in Note 3.3, '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 Provisions for credit losses (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)

The Group tests impairment and recognizes allowances for losses on financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables through impairment testing and recognizes provisions for guarantees, and unused loan commitments. Accuracy of provisions for credit losses is dependent upon estimation of expected cash flows of the borrower for individually assessed allowances of loans, and upon assumptions and methodology used for collectively assessed allowances for groups of loans, guarantees and unused loan commitments.

2.4.4 Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 24).

2.4.5 Impairment of goodwill

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations to test whether goodwill has suffered any impairment (Note 15).

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The items related to financial instruments on the consolidated financial statements were stated under Korean IFRS 1109 for the current year, and under Korean IFRS 1039 for the year ended December 31, 2017. And The items related to Revenue from Contracts with Customers were stated under Korean IFRS 1115 for the current year, and under Korean IFRS 1018 for the year ended December 31, 2017. The accounting policies on financial instruments were applied for current period, and comparatives are not restated retrospectively. Except for the changes related to financial instruments, these policies have been consistently applied to all periods presented.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group and de-consolidated from the date when control is lost.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the subsidiary's accounting policies conform to those of the Group when the subsidiary's financial statements are used by the Group in preparing the consolidated financial statements.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, if any. Total comprehensive income is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners exercising their entitlement. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be reclassified as profit or loss, or retained earnings, on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Group. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

3.1.2 Associates and joint ventures

Associates are entities over which the Group has significant influence in the financial and operating policy decisions. Generally, if the Group holds 20% to 50% of the voting power of the investee, it is presumed that the Group has significant influence, it is presumed that the Group has significant influence.

Joint ventures are investments in which the Group jointly controls over economic activities pursuant to contractual arrangement. Decisions on financial and operating policies require unanimous consent of the parties sharing control.

Under the equity method, investments in associates and joint ventures are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee and changes in the investee's equity after the date of acquisition. The Group's share of the profit or loss of the investee is recognized in the Group's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Profit and loss resulting from 'upstream' and 'downstream' transactions between the Group and associates are eliminated to the extent of the Group's interest in associates. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

If associates and joint ventures use accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying equity method.

After the carrying amount of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

The Group determines at each reporting period whether there is any objective evidence that the investments in the associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount as 'non-operating income(expense)' in the statements of comprehensive income.

3.1.3 Structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. When the Group decides whether it has power to the structured entities in which the Group has interests, it considers factors such as the purpose, the form, the practical ability to direct the relevant activities of a structured entity, the nature of its relationship with a structured entity and the amount of exposure to variable returns.

3.1.4 Trusts and funds

The Group provides management services for trust assets, collective investment and other funds. These trusts and funds are not consolidated in the Group's consolidated financial statements, except for trusts and funds over which the Group has control.

3.1.5 Intra-group transactions

All intra-group balances and transactions, and any unrealized gains arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.2 Foreign Currency

3.2.1 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured

at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss in the period in which they arise, except for exchange differences arising on net investments in a foreign operation and financial liability designated as a hedge of the net investment. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are also recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are also recognized in profit or loss.

3.2.2 Foreign operations

The financial performance and financial position of all foreign operations, whose functional currencies differ from the Group's presentation currency, are translated into the Group's presentation currency using the following procedures.

Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the end of the reporting period, unless the functional currency of the foreign operation is in hyper-inflationary economy. Income and expenses in the statement of comprehensive income presented are translated using the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group redistributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

3.2.3 Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency difference arising on the item which in substance is considered to form part of the net investment in the foreign operation, are recognized in the other comprehensive income and shall be reclassified to profit or loss on disposal of the investment.

3.3 Recognition and Measurement of Financial Instruments

3.3.1 Initial recognition

The Group recognizes a financial asset or a financial liability in its statement of financial position when the Group becomes a 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 financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Group classifies 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. The Group classifies financial liabilities as financial liabilities at fair value through profit or loss, or

other financial liabilities. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the consolidated financial statements. 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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.

3.3.2 Subsequent measurement

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

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 on 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
- or any reduction (directly or through the use of an allowance account) due to impairment or uncollectibility

Fair value

Fair values, which the Group primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence 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, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, 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, willing parties, if available, referencing to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants and customized for the Group 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. For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the statements 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 entity 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 level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with economic methodologies applied for pricing financial instruments. Periodically, the Group 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.

3.3.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Group derecognizes a financial asset or a financial liability when, and only when:

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Group has not retained control. If the Group neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

If the Group 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 Group continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

The Group writes off financial assets in its entirety or to a portion thereof when the principal and interest on the principal amount outstanding are determined to be no longer recoverable. In general, the Group considers write-off if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. The write-off decision is made in accordance with internal regulations and may require approval from external institution, if necessary. After the write-off, the Group can collect the written-off loans continuously according to the internal policy. Recovered amounts of financial assets previously written-off are recognized at profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

3.3.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3.4 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.

3.5 Non-derivative Financial Assets

3.5.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading, financial assets designated by the Group as at fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets at fair value through profit or loss

The Group 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 the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in the statement of comprehensive income.

3.5.2 Financial assets at fair value through other comprehensive income

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

- debt instruments that are a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or;
- equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, 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. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

3.5.3 Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3.6 Expected Credit Loss of Financial Assets (Debt Instruments)

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Group measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Group uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. 30 days past due presumption is applicable for all consolidated subsidiaries, and other standards are selectively applied considering applicability of each subsidiary with its specific indicators. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Group determines whether the credit risk has increased significantly since initial recognition using the following information.

- more than 30 days past due;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition;
- decline in ratings below certain level in the early warning system;
- debt restructuring (except for impaired financial assets); and
- credit delinquency information on Korea Federation of Banks, and etc.

Under simplified approach, the Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Group shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. In assessing credit impairment, the Group uses definition of default as in the new Basel Accord which rules calculation of Capital Adequacy Ratio.

The Group generally deems one or more of the following items credit-impaired:

- no less than 90 days past due;
- legal proceedings related to collection;
- a borrower that has received a warning from the Korea Federation of Banks;
- corporate borrowers that are rated C or D;
- refinancing; and
- debt restructuring.

3.6.1 Forward-looking information

The Group uses forward-looking information, when it determines whether the credit risk has increased significantly since initial recognition and measures expected credit losses.

The Group assumes the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

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

Key macroeconomic variables	Correlation between the major macroeconomic variables and the credit risk
Domestic GDP growth rate	(-)
Composite stock index	(-)
Construction investment change rate	(-)
Housing transaction price index	(-)
Consumer price index	(+)
Overnight call rate changes compare to previous year(%P)	(+)
Unemployment rate	(+)
Retail loan change rate	(-)

Forward looking information used in calculation of expected credit loss is derived by KB Financial Group Research Institute after comprehensive consideration of a variety of factors including scenario in management planning, third party forecast, and others.

3.6.2 Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Group estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

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

Individual assessment of impairment

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, 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 expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

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

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

3.7 Derivative Financial Instruments

The Group enters into numerous derivative financial instrument contracts such as currency forwards, interest rate swaps, currency swaps and others for trading purposes or to manage its exposures to fluctuations in interest rates and currency exchange, amongst others. These derivative financial instruments are presented as derivative financial instruments within the consolidated financial statements irrespective of transaction purpose and subsequent measurement requirement.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge) and the risk of changes in cash flow (cash flow hedge). The Group designates non-derivatives as hedging instruments to hedge the risk of foreign exchange of a net investment in a foreign operation (hedge of net investment).

At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3.7.1 Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from a change in fair value are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.2 Fair value hedges

If derivatives qualify for a fair value hedge, the change in fair value of the hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses. If hedged items are equity instruments and designated to present the change in fair value of the hedging instrument in other comprehensive income, recognized hedge ineffectiveness are presented in other comprehensive income. Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is fully amortized to profit or loss by the maturity of the financial instrument using the effective interest method.

3.7.3 Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in gain or loss (other operating income or expense). The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. The associated gains or losses that were previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affects profit or loss. Cash flow hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. When the cash flow hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss over the year in which the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains or losses that had been recognized in other comprehensive income are immediately reclassified to profit or loss.

3.7.4 Hedge of net investment

If derivatives and non-derivatives qualify for a net investment hedge, the effective portion of changes in fair value of hedging instrument is recognized in other comprehensive income and the ineffective portion is recognized in profit. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income will be reclassified from other comprehensive income to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation in accordance with Korean IFRS 1109 Financial Instruments.

3.7.5 Embedded derivatives

If a hybrid contract contains a host that is not an asset, an embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. Gains or losses arising from a change in the fair value of an embedded derivative separated from the host contract are recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss.

3.7.6 Day one gain and loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of the financial instrument, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the difference is deferred and not recognized in profit or loss, and is amortized by using the straight-line method over the life of the financial instrument. If the fair value of the financial instrument is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss as part of net gains or losses on financial instruments at fair value through profit or loss or other operating income and expenses.

3.8 Property and Equipment

3.8.1 Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at cost and subsequently carried at 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 an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

3.8.2 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 Group. The depreciable amount of an asset is determined after deducting its residual value. As for leased assets, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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 lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful life
Buildings and structures	Straight-line	20 ~ 40 years
Leasehold improvements	Declining-balance/ Straight-line	4 ~ 15 years
Equipment and vehicles	Declining-balance/ Straight-line	3 ~ 15 years
Finance leased assets	Declining-balance	8 months ~ 5 years and 8 months

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

3.9 Investment Properties

3.9.1 Recognition and measurement

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Investment properties are measured initially at their cost and subsequently the cost model is used.

3.9.2 Depreciation

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

The depreciation method and estimated useful lives of the assets are as follows:

Investment property	Depreciation method	Estimated useful life
Buildings	Straight-line	20~40 years

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

3.10 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 goodwill and membership rights, are amortized using the straight-line method or double declining balance method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Amortization method	Estimated useful life
Industrial property rights	Straight-line	3~19 years
Software	Straight-line	3~5 years
Finance leased assets	Straight-line	8 months ~ 5 years and 8 months
VOBA	Declining-Balance	60 years
Others	Straight-line	1~10 years

The amortization period and the amortization method for intangible assets with a definite useful life are reviewed at each financial year end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Group carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to definite useful life is accounted for as a change in an accounting estimate.

3.10.1 Value of business acquired (VOBA)

The Group recorded value of business acquired (VOBA) as intangible assets, which are the differences between the fair value of insurance liabilities and book value calculated based on the accounting policy of the acquired company. VOBA is an estimated present value of future cash flow of long-term insurance contracts at the acquisition date. VOBA is amortized over the above estimated useful life using declining balance method, and the depreciation is recognized as insurance expense.

3.10.2 Goodwill

Recognition and measurement

Goodwill arisen from business combinations before January 1, 2010, is stated at its carrying amount which was recognized under the Group's previous accounting policy, prior to the transition to Korean IFRS.

Goodwill acquired from business combinations after January 1, 2010, is initially measured as the excess of the aggregate of the consideration transferred, fair value of non-controlling interest and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss.

For each business combination, the Group decides whether the non-controlling interest in the acquiree is initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition-related costs incurred to effect a business combination are charged to expenses in the periods in which the costs are incurred and the services are received, except for the costs to issue debt or equity securities.

Additional acquisitions of non-controlling interest

Additional acquisitions of non-controlling interests are accounted for as equity transactions. Therefore, no additional goodwill is recognized.

Subsequent measurement

Goodwill is not amortized and is stated at cost less accumulated impairment losses. However, goodwill that forms part of the carrying amount of an investment in associates is not separately recognized and an impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment in the associates.

3.10.3 Subsequent expenditure

Subsequent expenditure is capitalized only when it enhances values of the assets. Internally generated intangible assets, such as goodwill and trade name, are not recognized as assets but expensed as incurred.

3.11 Leases

3.11.1 Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. At the commencement of the lease term, the Group recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is fully depreciated over the shorter of the lease term and its useful life.

3.11.2 Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Leases in the financial statements of lessors

Lease income from operating leases are recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by lessors in

negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Leases in the financial statements of lessees

Lease payments are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the asset's benefit, and the incentives from operating lease are recognized as a reduction of lease payments over the lease term.

3.12 Greenhouse Gas Emission Rights and Liabilities

The Group measured at zero the emission rights received free of charge from the government following the Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances. Emission rights purchased are measured initially at cost and subsequently carried at their costs less any accumulated impairment losses. Emission liabilities are measured as the sum of the carrying amount of emission allowances held by the Group and best estimate of the expenditure required to settle the obligation for any excess emissions at the end of reporting period. The emission rights and liabilities are classified as 'intangible assets' and 'provisions', respectively, in the consolidated statement of financial position.

The emission rights held for trading are measured at fair value and the changes in fair value are recognized in profit or loss. The changes in fair value and gain or loss on disposal are classified as non-operating income and expenses.

3.13 Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Group tests (i) goodwill acquired in a business combination, (ii) intangible assets with an indefinite useful life and (iii) intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). 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 to sell 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. For the purpose of impairment testing, goodwill arising from in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in a subsequent period. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased, and an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.14 Non-Current Assets Held for Sale

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell which is measured in accordance with the applicable Korean IFRS, immediately before the initial classification of the asset (or disposal group) as held for sale.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

Impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. Gains are recognized for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

3.15 Financial Liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

3.15.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

In relation to securities lending or borrowing transactions, the Group records transaction using memo value when it borrows securities from Korea Securities Depository etc. The borrowed securities are treated as financial liabilities at fair value through profit and loss when the Group sells them. Changes in fair value at the end of the reporting period and difference between carrying amount at redemption and purchased amount are recognized as profit and loss.

In addition, for the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, the Group presents this change in other comprehensive income, and does not recycle this to profit or loss, subsequently. When this treatment creates or enlarges an accounting mismatch, the Group recognizes this change as profit or loss for the current period.

3.15.2 Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities include Deposits, Debts, Debentures and others. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost, and its interest expense is recognized, using the effective interest method.

In case an asset is sold under repurchase agreement, the Group continues to recognize the asset with the amount sold being accounted for as borrowing.

The Group derecognizes a financial liability from the consolidated statement of financial position only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.16 Insurance Contracts

KB Life Insurance Co., Ltd., and KB Insurance Co., Ltd., the subsidiaries of the Group, issue insurance contracts.

Insurance contracts are defined as “a contract under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder”. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Such a contract that does not contain significant insurance risk is classified as an investment contract and is within the scope of Korean IFRS 1109, Financial Instruments to the extent that it gives rise to a financial asset or financial liability, except if the investment contract contains a Discretionary Participation Features (DPF). If the contract has a DPF, the contract is subject to Korean IFRS 1104, Insurance Contracts. The Group recognizes assets (liabilities) and gains (losses) relating to insurance contracts as other assets (liabilities) in the statements of financial position, and as other operating income (expenses) in the statements of comprehensive income, respectively.

3.16.1 Insurance premiums

The Group recognizes collected premiums as revenue on the due date of collection of premiums from insurance contracts and the collected premium which is not earned at the end of the reporting period is recognized as unearned premium.

3.16.2 Insurance liabilities

The Group recognizes a liability for future claims, refunds, policyholders' dividends and related expenses as follows:

Premium reserve

Premium reserve refers to an amount based on the net premium method for payment of future claims with respect to events covered by insurance policies which have not yet occurred as of the reporting period. It is calculated as the greater of the amount using standard interest rate and standard loss ratio defined by Financial Supervisory Services and the amount using the actual underlying data that have been used in premium calculation.

Reserve for outstanding claims

Reserve for outstanding claims refers to the amount not yet paid, out of an amount to be paid or expected to be paid with respect to the insured events which have arisen as of the end of each fiscal year.

Unearned premium reserve

The premiums that are due before the end of the reporting period but applicable to the next period are included.

Policyholders' dividends reserve

Policyholders' dividends reserve including an interest rate guarantee reserve, a mortality dividend reserve and an interest rate difference dividend reserve is recognized for the purpose of provisioning for policyholders' dividends in the future in accordance with statutes or insurance terms and conditions.

3.16.3 Liability adequacy test

The Group assesses at each reporting period whether its insurance liabilities are adequate, using current estimates of all future contractual cash flows and related cash flow such as claims handling cost, as well as cash flows resulting from embedded options and guarantees under its insurance contracts in accordance with Korean IFRS 1104. If the assessment shows that the carrying amount of its insurance liabilities is insufficient in light of the estimated future cash flows, additional reserve is recognized for the deficient amount. Future cash flows from long-term insurance are discounted at a future rate of return on operating assets, whereas future cash flows from general insurance are not discounted to present value. For liability adequacy tests of premium and unearned premium reserves, the Group considers all cash flow factors such as future insurance premium, deferred acquisition costs, operating expenses and operating premiums. In relation to the reserve for outstanding claims, the Group elects to use a model that best reflects the trend of paid claims among several statistical methods to perform the adequacy test.

3.16.4 Deferred acquisition costs

Acquisition cost is deferred in an amount actually spent for an insurance contract and equally amortized over the premium payment period or the period in which acquisition costs are charged for the relevant insurance contract. Acquisition costs are amortized over the shorter of seven years or premium payment period; if there is any unamortized acquisition costs remaining as of the date of surrender or lapse, such remainder shall be amortized in the period in which the contract is surrendered or lapsed.

3.17 Provisions

Provisions are recognized when the Group 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. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are the present value of the expenditures expected to be required to settle the obligation.

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit cards and unused credit lines of consumer and corporate loans are recognized using a valuation model that applies the credit conversion factor, probability of default, and loss given default.

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.

If the Group has an onerous contract, the present obligation under the contract is recognized and measured as provisions. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the minimum net cost to exit from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

3.18 Financial Guarantee Contracts

A financial guarantee contract requires the issuer (the Group) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value as other liabilities, and are amortized over the contractual term. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with Korean IFRS 1109, Financial Instruments or

- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with Korean IFRS 1115, Revenue from Contracts with Customers.

3.19 Equity Instruments Issued by the Group

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.

3.19.1 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.

3.19.2 Hybrid capital instruments

The Group classifies issued financial instruments, or their component parts, as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instruments. Hybrid bonds are classified as equity instruments and presented in equity, if the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.

3.19.3 Treasury shares

If the Group acquires its own equity instruments, these are accounted for as treasury shares and are deducted directly from equity. No gains or losses are recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments. If an entity within the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3.19.4 Hybrid financial instruments

A hybrid financial instrument is classified as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. The liability component of the hybrid financial instrument is measured at fair value of the similar liability without conversion option at initial recognition and subsequently measured at amortized cost using effective interest rate method until it is extinguished by conversion or matured. Equity component is initially measured at fair value of hybrid financial instrument in entirety less fair value of liability component net of tax effect and it is not remeasured subsequently.

3.20 Revenue Recognition

The Group recognizes revenues in accordance with the following revenue recognition standard:

- 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.

3.20.1 Interest income and expense

Interest income of financial assets at amortized cost and financial assets at fair value through other comprehensive income, and expense are recognized in statements of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of 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 net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid (main components of effective interest rates 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 estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

Interest earned arising from debt investments at fair value through profit or loss is also classified as interest income in statements of comprehensive income.

3.20.2 Fee and commission income

The Group recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

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

Such fees are generally treated as adjustments of effective interest. 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 measured 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.

Fees earned as services are provided

Such fees are recognized as revenue as the services are provided. Fees which can be earned through the certain periods, including account servicing fees, investment management fees, and etc. are recognized when the related services are provided.

Fees that are earned on the execution of a significant act

Such fees are recognized as revenue when the significant act has been completed.

Commission on the allotment of shares to a client is recognized as revenue when the shares have been allotted and placement fees for arranging a loan between a borrower and an investor is recognized as revenue when the loan has been arranged.

A syndication fee received by the Group that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognized as revenue when the syndication has been completed.

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

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

- Gain or loss from financial instruments at fair value through profit or loss
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the condition of hedge accounting

3.20.4 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income is recognized as relevant items on statements of profit or loss and other comprehensive income in accordance with the classification of equity instruments.

3.21 Employee Compensation and Benefits

3.21.1 Post-employment benefits: defined contribution plans

The contributions are recognized as employee benefit expense when they are due.

3.21.2 Post-employment benefits: defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a 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 including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income.

When the total of 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, which arises when the Group introduces a defined benefit plan or changes the benefits of an existing defined benefit plan. Such past service cost is immediately recognized as an expense for the reporting period.

3.21.3 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

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

3.21.4 Share-based payment

The Group has provided its directors and employees with stock grant, and mileage stock programs. When stock grant options are exercised, the Group can either select to issue new shares or distribute treasury shares, or compensate the difference in fair value of shares and exercise price. When mileage stock options are exercised, the Group pays the amount equivalent to KB Financial Group's share price in cash.

For a share-based payment transaction in which the terms of the arrangement provide the Group with the choice of whether to settle in cash or by issuing equity instruments, the Group determines that it has a present obligation to settle in cash because the Group has a past practice and a stated policy of settling in cash. Therefore, the Group accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions. For mileage stock option, the Group accounts for the transaction in accordance with cash-settled share-based payment transactions, which are recognized as accrued expenses at the time of vesting.

The Group measures the services acquired and the liability incurred at fair value, and the fair value is recognized as expense and accrued expenses over the vesting period. Until the liability is settled, the Group 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 for the reporting period.

3.21.5 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group shall recognize a liability and expense for termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring that is within the scope of Korean IFRS 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits over 12 months after the reporting period are discounted to present value.

3.22 Income Tax Expenses

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or expense for the period, except to the extent that the tax arises from (a) a transaction or an 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.

3.22.1 Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit (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 (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3.22.2 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 is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities for which the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period. The Group 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred income tax assets and deferred income tax liabilities when the Group has a legally enforceable right to offset 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.

3.22.3 Uncertain tax positions

Uncertain tax positions arise from tax treatments applied by the Group which may be challenged by the tax authorities due to the complexity of the transaction or different interpretation of the tax laws, a claim for rectification brought by the Group, or an appeal for a refund claimed from the tax authorities related to additional assessments. The Group recognizes its uncertain tax positions in the consolidated financial statements based on the guidance in Korean IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, interest and penalties related to income tax are recognized in accordance with Korean IFRS 1037.

3.23 Earnings per Share

The Group calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Parent Company 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 Parent Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Group adjusts profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bonds and share options.

3.24 Operating Segments

Operating segments are components of the Group where separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Segment information includes items which are directly attributable and reasonably allocated to the segment.

3.25 Overlay Approach

The Group applies the overlay approach in accordance with Korean IFRS 1104, and financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying Korean IFRS 1109 but would not have been measured at fair value through profit or loss in its entirety applying Korean IFRS 1039.
- It is not held in respect of an activity that is unconnected with contracts within the scope of Korean IFRS 1104.

The Group reclassifies between profit or loss and other comprehensive income, and the amount reclassified is equal to the difference between:

- The amount reported in profit or loss for the designated financial assets applying Korean IFRS 1109.
- The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied Korean IFRS 1039.

The Group is permitted to apply this approach either at initial recognition or it may subsequently designate financial assets that newly meet criterion of not being held in respect of activity unconnected with insurance contract, they having previously not met that criterion.

The Group continues to apply the overlay approach to a designated financial asset until that financial asset is derecognized. However, the Group de-designates a financial asset when the financial asset no longer meets the criterion. In this case, the Group reclassifies from accumulated other comprehensive income to profit or loss as a reclassification adjustment any balance relating to that financial asset.

At the beginning of any annual period, the Group may stop applying the overlay approach to all designated financial assets, and shall not subsequently apply the overlay approach, if it stops using this approach because it is no longer an insurer.

4. Financial Risk Management

4.1 Summary

4.1.1 Overview of financial risk management policy

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

The Group's risk management system focuses on increasing transparency, developing the risk management environment, preventing transmission of risk to other related subsidiaries, and the preemptive response to risk due to rapid changes in the financial environment to support the Group's long-term strategy and business decisions efficiently. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Group's key risks. These risks are measured and managed in Economic Capital or VaR (Value at Risk) using a statistical method.

4.1.2 Risk management organization

Risk Management Committee

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

Risk Management Council

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

Risk Management Division

The Risk Management Division is responsible for monitoring and managing the Group's economic capital limit and managing detailed policies, procedures and working processes relating to the Group's risk management.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of possible losses in an asset portfolio in the event of a counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

The Group uses definition of default as defined and applied in the calculation of Capital Adequacy Ratio (Basel III) in accordance with the new Basel Accord.

4.2.2 Credit risk management

The Group measures expected losses and economic capital on assets that are subject to credit risk management whether on- or off-balance sheet items and uses expected losses and economic capital as a management indicator. The Group manages credit risk by allocating credit risk economic capital limits.

In addition, the Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent an excessive risk concentration to each industry and borrower.

The Group has organized a credit risk management team that focuses on credit risk management in accordance with the Group's credit risk management policy. Especially, the loan analysis department of Kookmin Bank, one of the subsidiaries, is responsible for loan policy, loan limit, loan review, credit management, restructuring and subsequent event management, independently of operating department. On the other hand, risk management group of Kookmin Bank is responsible for planning risk management policy, applying limits of credit lines, measuring the credit risk economic capital, adjusting credit limits, reviewing credit and verifying credit evaluation models.

4.2.3 Maximum exposure to credit risk

The Group's maximum exposures of financial instruments, excluding equity securities, to credit risk without consideration of collateral values as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
Financial assets		
Due from financial institutions at amortized cost ¹	₩	17,216,288
Financial assets at fair value through profit or loss		
Due from financial institutions		381,719
Securities ¹		48,285,482
Loans		954,176
Financial instruments indexed to the price of gold		78,808
Derivatives		2,025,962
Loans at amortized cost ¹		319,201,603
Financial investments		
Securities measured at fair value through other comprehensive income		35,243,634
Securities measured at amortized cost ¹		23,661,522
Loans measured at fair value through other comprehensive income		389,822
Other financial assets ¹		8,133,556
		455,572,572
Off-balance sheet items		
Acceptances and guarantees contracts		7,277,136
Financial guarantee contracts		3,626,532
Commitments		138,590,372
		149,494,040
	₩	605,066,612

¹ Due from financial institutions, loans at amortized cost, securities measured at amortized cost and other financial assets are net of allowance.

(In millions of Korean won)

	2017	
Financial assets		
Due from financial institutions	₩	17,219,661
Financial assets at fair value through profit or loss		
Financial assets held for trading ¹		25,242,193
Financial assets designated at fair value through profit or loss		1,982,224
Derivatives		3,310,166
Loans ²		290,122,838
Financial investments		
Available-for-sale financial assets		38,959,401
Held-to-maturity financial assets		18,491,980
Other financial assets ²		10,195,015
		405,523,478
Off-balance sheet items		
Acceptances and guarantees contracts		6,977,468
Financial guarantee contracts		3,683,875
Commitments		102,183,167
		112,844,510
	₩	518,367,988

¹ Including financial instruments indexed to gold amounting to ₩ 73,855 million.

² Loans and other financial assets are net of allowance.

4.2.4 Credit risk of loans

The Group maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Group assesses expected credit loss on financial asset at amortized cost and financial asset at fair value through other comprehensive income other than financial asset at fair value through profit or loss and recognizes loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. The Group assesses the expected credit losses for loans categorized in financial assets at amortized cost, and presents it with the name of account 'allowance for loan losses' netting from the related carrying amounts. For the expected credit losses for loans categorized in financial assets at fair value through other comprehensive income, the Group presents it in other comprehensive income.

Loans as of December 31, 2018, are classified as follows:

(In millions of Korean won)

	2018						Total	
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses			
			Non-impaired	Impaired				
Loans at amortized cost¹								
Corporate								
Grade 1	₩	75,785,147	₩	2,144,175	₩	1,638	₩	77,930,960
Grade 2		55,292,251		4,227,041		2,016		59,521,308
Grade 3		2,957,463		1,757,607		6,579		4,721,649
Grade 4		484,248		965,094		68,271		1,517,613
Grade 5		244,593		378,588		1,063,646		1,686,827
		134,763,702		9,472,505		1,142,150		145,378,357
Retail								
Grade 1		133,946,705		4,411,122		9,180		138,367,007
Grade 2		7,819,152		7,497,880		17,767		15,334,799
Grade 3		1,718,104		1,559,980		6,694		3,284,778
Grade 4		706,797		421,800		13,318		1,141,915
Grade 5		14,110		447,064		489,196		950,370
		144,204,868		14,337,846		536,155		159,078,869
Credit card								
Grade 1		8,411,723		176,312		-		8,588,035
Grade 2		4,449,617		587,254		-		5,036,871
Grade 3		1,460,344		1,228,087		-		2,688,431
Grade 4		6,004		467,012		-		473,016
Grade 5		112		148,149		419,444		567,705
		14,327,800		2,606,814		419,444		17,354,058
		293,296,370		26,417,165		2,097,749		321,811,284
Loans at fair value through other comprehensive income								
Corporate								
Grade1		189,501		25,731		-		215,232
Grade2		128,712		45,878		-		174,590
Grade3		-		-		-		-
Grade4		-		-		-		-
Grade5		-		-		-		-
		318,213		71,609		-		389,822
		318,213		71,609		-		389,822
	₩	293,614,583	₩	26,488,774	₩	2,097,749	₩	322,201,106

¹ Before netting of allowance.

Credit quality of loans graded according to internal credit ratings are as follows:

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

Loans as of December 31, 2017, are classified as follows:

(In millions of Korean won)

Loans	2017							
	Retail		Corporate		Credit card		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Neither past due nor impaired	₩ 144,705,621	98.93	₩ 129,130,466	98.76	₩ 14,496,109	95.34	₩ 288,332,196	98.67
Past due but not impaired	1,069,813	0.73	206,925	0.16	359,468	2.36	1,636,206	0.56
Impaired	495,546	0.34	1,419,851	1.08	349,270	2.30	2,264,667	0.77
	146,270,980	100.00	130,757,242	100.00	15,204,847	100.00	292,233,069	100.00
Less: Allowances ¹	(429,299)	0.29	(1,231,666)	0.94	(449,266)	2.95	(2,110,231)	0.72
Carrying amount	₩ 145,841,681		₩ 129,525,576		₩ 14,755,581		₩ 290,122,838	

¹ Collectively assessed allowances for loans are included as they are not impaired individually.

Credit quality of loans that are neither past due nor impaired are as follows:

(In millions of Korean won)

	2017							
	Retail		Corporate		Credit card		Total	
Grade 1	₩ 124,133,056		₩ 67,575,021		₩ 8,095,629		₩ 199,803,706	
Grade 2	16,790,644		53,842,610		4,920,767		75,554,021	
Grade 3	2,701,697		5,703,159		1,379,409		9,784,265	
Grade 4	851,446		1,390,131		71,207		2,312,784	
Grade 5	228,778		619,545		29,097		877,420	
	₩ 144,705,621		₩ 129,130,466		₩ 14,496,109		₩ 288,332,196	

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

(In millions of Korean won)

	2017							
	1 ~ 29 days		30 ~ 59 days		60 ~ 89 days		90 days or more	
Retail	₩ 890,759	₩ 117,057	₩ 59,632	₩ 2,365	₩ 1,069,813			
Corporate	162,668	27,065	17,192	-	206,925			
Credit card	302,871	35,774	20,823	-	359,468			
	₩ 1,356,298	₩ 179,896	₩ 97,647	₩ 2,365	₩ 1,636,206			

Impaired loans are as follows:

(In millions of Korean won)

	2017							
	Retail		Corporate		Credit card		Total	
Loans	₩	495,546	₩	1,419,851	₩	349,270	₩	2,264,667
Allowances under								
Individual assessment		(788)		(791,205)		-		(791,993)
Collective assessment		(178,337)		(90,771)		(212,729)		(481,837)
		(179,125)		(881,976)		(212,729)		(1,273,830)
	₩	316,421	₩	537,875	₩	136,541	₩	990,837

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018							
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		Total				
		Non-impaired	Impaired					
Guarantees	₩	60,473,663	₩	5,871,980	₩	151,180	₩	66,496,823
Deposits and savings		4,200,448		77,024		6,485		4,283,957
Property and equipment		8,644,719		616,318		54,492		9,315,529
Real estate		147,682,808		12,828,076		442,287		160,953,171
	₩	221,001,638	₩	19,393,398	₩	654,444	₩	241,049,480

(In millions of Korean won)

	2017									
	Impaired Loans		Non-impaired Loans		Total					
	Individual	Collective	Past due	Not past due						
Guarantees	₩	17,257	₩	113,551	₩	209,180	₩	57,828,611	₩	58,168,599
Deposits and savings		11,857		5,461		40,833		4,149,157		4,207,308
Property and equipment		2,676		30,455		53,647		9,720,857		9,807,635
Real estate		189,480		282,327		688,502		148,183,907		149,344,216
	₩	221,270	₩	431,794	₩	992,162	₩	219,882,532	₩	221,527,758

4.2.5 Credit quality of securities

Financial assets at fair value through profit or loss and financial investments excluding equity securities that are exposed to credit risk as of December 31, 2018, are as follows:

(In millions of Korean won)

	2018									
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses				Financial instruments not applying expected credit losses		Total	
			Non-impaired		Impaired					
Securities measured at amortized cost ¹										
Grade 1	₩	23,524,120	₩	-	₩	-	₩	-	₩	23,524,120
Grade 2		120,546		-		-		-		120,546
Grade 3		18,572		-		-		-		18,572
Grade 4		-		-		-		-		-
Grade 5		-		-		-		-		-
		23,663,238		-		-		-		23,663,238
Securities measured at fair value through other comprehensive income ¹										
Grade 1		32,498,155		-		-		-		32,498,155
Grade 2		2,740,053		-		-		-		2,740,053
Grade 3		-		-		-		-		-
Grade 4		2,510		-		-		-		2,510
Grade 5		-		-		2,916		-		2,916
		35,240,718		-		2,916		-		35,243,634
	₩	58,903,956	₩	-	₩	2,916	₩	-	₩	58,906,872

¹ Before netting of allowance

The credit qualities of securities, excluding equity securities according to the credit ratings by external rating agencies as of December 31, 2018 and 2017, are as follows:

Credit quality	Domestic				Foreign		
	KIS	NICE P&I	KAP	FnPricing Inc.	S&P	Fitch-IBCA	Moody's
Grade 1	AA0 to AAA	AA0 to AAA	AA0 to AAA	AA0 to AAA	A- to AAA	A- to AAA	A3 to Aaa
Grade 2	A- to AA-	A- to AA-	A- to AA-	A- to AA-	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1
Grade 3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+	BB to BB+	BB to BB+	Ba2 to Ba1
Grade 4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-	B+ to BB-	B+ to BB-	B1 to Ba3
Grade 5	BB- or under	BB- or under	BB- or under	BB- or under	B or under	B or under	B2 or under

Credit qualities of debt securities denominated in Korean won are based on the lowest credit rating by the domestic credit rating agencies, and those denominated in foreign currencies are based on the lowest credit rating by the foreign credit rating agencies.

Financial assets at fair value through profit or loss and financial investments excluding equity securities that are exposed to credit risk as of December 31, 2017 are as follows:

(In millions of Korean won)

	2017	
Securities that are neither past due nor impaired	₩	84,597,074
Impaired securities		4,869
	₩	84,601,943

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

(In millions of Korean won)

	2017					Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	
Securities that are neither past due nor impaired						
Financial assets held for trading	₩ 21,002,043	₩ 3,958,261	₩ 93,887	₩ 28,232	₩ 85,915	₩ 25,168,338
Financial assets designated at fair value through profit or loss	1,550,617	200,633	63,856	60,332	106,786	1,982,224
Available-for-sale financial assets	36,471,247	2,433,685	47,079	2,521	-	38,954,532
Held-to-maturity financial assets	18,466,624	21,113	4,243	-	-	18,491,980
	₩ 77,490,531	₩ 6,613,692	₩ 209,065	₩ 91,085	₩ 192,701	₩ 84,597,074

4.2.6 Credit risk of due from financial institutions

The credit quality of due from financial institutions as of December 31, 2018, is classified as follows:

(In millions of Korean won)

	2018				Total
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		Financial instruments not applying expected credit losses	
		Non-impaired	Impaired		
Due from financial institutions at amortized cost ¹					
Grade 1	₩ 16,374,868	₩ -	₩ -	₩ -	₩ 16,374,868
Grade 2	213,903	-	-	-	213,903
Grade 3	608,314	-	-	-	608,314
Grade 4	19,531	-	-	-	19,531
Grade 5	1,691	-	-	-	1,691
	₩ 17,218,307	₩ -	₩ 2,916	₩ -	₩ 17,218,307

¹ Before netting of allowance

The credit qualities of due from financial institutions according to the credit ratings by external rating agencies as of December 31, 2018 is same as the credit qualities of securities, excluding equity securities.

4.2.7 Credit risk mitigation of derivatives

The quantification of the extent to which derivatives and other credit enhancements mitigate credit risk as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	₩		₩	
Deposits and savings	460,670		1,277,851	
	460,670		1,277,851	

4.2.8 Credit risk concentration analysis

Details of the Group's loans by jurisdiction as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 158,760,865	₩ 141,864,644	₩ 17,346,224	₩ 317,971,733	98.40	₩ (2,574,236)	₩ 315,397,497
Europe	-	649,281	-	649,281	0.20	(512)	648,769
China	-	2,259,202	807	2,260,009	0.70	(20,570)	2,239,439
Japan	106	354,181	60	354,347	0.11	(1,900)	352,447
United States	-	997,321	6,967	1,004,288	0.31	(5,706)	998,582
Others	317,898	597,726	-	915,624	0.28	(6,757)	908,867
	₩ 159,078,869	₩ 146,722,355	₩ 17,354,058	₩ 323,155,282	100.00	₩ (2,609,681)	₩ 320,545,601

¹The above is the Group's loans at fair value through profit and loss, other comprehensive income or amortized cost.

(In millions of Korean won)

	2017						
	Retail	Corporate	Credit card	Total	%	Allowances	Carrying amount
Korea	₩ 146,149,814	₩ 127,298,283	₩ 15,200,843	₩ 288,648,940	98.77	₩ (2,063,919)	₩ 286,585,021
Europe	-	192,980	310	193,290	0.07	(2,327)	190,963
China	-	1,879,030	1,458	1,880,488	0.64	(31,017)	1,849,471
Japan	539	127,009	339	127,887	0.04	(6,269)	121,618
United States	-	866,867	1,001	867,868	0.30	(1,600)	866,268
Others	120,627	393,073	896	514,596	0.18	(5,099)	509,497
	₩ 146,270,980	₩ 130,757,242	₩ 15,204,847	₩ 292,233,069	100.00	₩ (2,110,231)	₩ 290,122,838

Details of the Group's corporate loans by industry as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 14,193,442	9.67	₩ (45,473)	₩ 14,147,969
Manufacturing	42,672,986	29.08	(449,406)	42,223,580
Service	61,467,174	41.89	(270,846)	61,196,328
Wholesale & Retail	16,739,852	11.41	(102,197)	16,637,655
Construction	3,282,508	2.24	(291,211)	2,991,297
Public sector	873,281	0.60	(3,301)	869,980
Others	7,493,112	5.11	(93,409)	7,399,703
	₩ 146,722,355	100.00	₩ 1(1,255,845)	₩ 145,466,512

(In millions of Korean won)

	2017			
	Loans	%	Allowances	Carrying amount
Financial institutions	₩ 11,093,682	8.48	₩ (47,531)	₩ 11,046,151
Manufacturing	40,201,037	30.74	(449,439)	39,751,598
Service	54,268,271	41.50	(288,521)	53,979,750
Wholesale & Retail	15,061,632	11.52	(90,390)	14,971,242
Construction	3,021,889	2.31	(269,535)	2,752,354
Public sector	1,056,520	0.81	(15,341)	1,041,179
Others	6,054,211	4.64	(70,909)	5,983,302
	₩ 130,757,242	100.00	₩ (1,231,666)	₩ 129,525,576

Types of the Group's retail and credit card loans as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Loans	%	Allowances	Carrying amount
Housing	₩ 70,916,004	40.19	₩ (29,369)	₩ 70,886,635
General	88,162,865	49.97	(613,528)	87,549,337
Credit card	17,354,058	9.84	(710,941)	16,643,117
	₩ 176,432,927	100.00	₩ (1,353,838)	₩ 175,079,089

(In millions of Korean won)

	2017			
	Loans	%	Allowances	Carrying amount
Housing	₩ 64,140,941	39.72	₩ (18,646)	₩ 64,122,295
General	82,130,039	50.86	(410,653)	81,719,386
Credit card	15,204,847	9.42	(449,266)	14,755,581
	₩ 161,475,827	100.00	₩ (878,565)	₩ 160,597,262

Credit risk concentration of due from financial institutions, securities, excluding equity securities and derivative financial instruments

Details of the Group's credit risk concentration of due from financial institutions, securities, excluding equity securities, and derivative financial instruments as of December 31, 2018, are as follows:

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Banking and insurance	₩ 17,218,307	100.00	₩ (2,019)	₩ 17,216,288
	17,218,307	100.00	(2,019)	17,216,288
Due from financial institutions at fair value through profit or loss				
Banking and insurance	381,719	100.00	-	381,719
	381,719	100.00	-	381,719
Securities measured at fair value through profit or loss				
Government and government funded institutions	14,354,157	29.73	-	14,354,157
Banking and insurance	27,273,372	56.48	-	27,273,372
Others	6,657,953	13.79	-	6,657,953
	48,285,482	100.00	-	48,285,482
Derivatives				
Government and government funded institutions	39,290	1.94	-	39,290
Banking and insurance	1,849,078	91.27	-	1,849,078
Others	137,594	6.79	-	137,594
	2,025,962	100.00	-	2,025,962
Securities measured at fair value through other comprehensive income				
Government and government funded institutions	9,504,156	26.97	-	9,504,156
Banking and insurance	21,210,983	60.18	-	21,210,983
Others	4,528,495	12.85	-	4,528,495
	35,243,634	100.00	-	35,243,634
Securities measured at amortized cost				
Government and government funded institutions	10,321,667	43.62	(25)	10,321,642
Banking and insurance	11,424,418	48.28	(1,399)	11,423,019
Others	1,917,153	8.10	(292)	1,916,861
	23,663,238	100.00	(1,716)	23,661,522
	₩ 126,818,342		₩ (3,735)	₩ 126,814,607

Details of the Group's credit risk of securities, excluding equity securities, and derivative financial instruments by industry as of December 31, 2017, are as follows:

	(In millions of Korean won)	
	2017	
	Amount	%
Financial assets held for trading		
Government and government funded institutions	₩ 8,345,463	33.16
Banking and insurance	11,486,321	45.64
Others	5,336,554	21.20
	<u>25,168,338</u>	<u>100.00</u>
Financial assets designated at fair value through profit or loss		
Banking and insurance and others	1,982,224	100.00
	<u>1,982,224</u>	<u>100.00</u>
Derivative financial assets		
Government and government funded institutions	12,099	0.37
Banking and insurance	3,098,350	93.60
Others	199,717	6.03
	<u>3,310,166</u>	<u>100.00</u>
Available-for-sale financial assets		
Government and government funded institutions	9,498,819	24.38
Banking and insurance	23,314,336	59.84
Others	6,146,246	15.78
	<u>38,959,401</u>	<u>100.00</u>
Held-to-maturity financial assets		
Government and government funded institutions	8,449,839	45.69
Banking and insurance	6,765,593	36.59
Others	3,276,548	17.72
	<u>18,491,980</u>	<u>100.00</u>
	<u>₩ 87,912,109</u>	

Credit risk concentrations of due from financial institutions, securities, excluding equity securities and derivative financial instruments by country

Details of the Group's credit risk concentration of due from financial institutions, securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2018, is as follows:

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 13,497,329	78.39	₩ (338)	₩ 13,496,991
United States	826,660	4.80	(16)	826,644
Others	2,894,318	16.81	(1,665)	2,892,653
	17,218,307	100.00	(2,019)	17,216,288
Due from financial institutions at fair value through profit or loss				
Korea	381,719	100.00	-	381,719
	381,719	100.00	-	381,719
Securities measured at fair value through profit or loss ¹				
Korea	43,697,736	90.50	-	43,697,736
United States	1,813,902	3.76	-	1,813,902
Others	2,773,844	5.74	-	2,773,844
	48,285,482	100.00	-	48,285,482
Derivatives				
Korea	1,024,392	50.56	-	1,024,392
United States	316,482	15.62	-	316,482
France	237,080	11.70	-	237,080
Singapore	109,101	5.39	-	109,101
Japan	97,351	4.81	-	97,351
Others	241,556	11.92	-	241,556
	2,025,962	100.00	-	2,025,962
Securities measured at fair value through other comprehensive income				
Korea	33,156,041	94.08	-	33,156,041
United States	1,100,199	3.12	-	1,100,199
Others	987,394	2.80	-	987,394
	35,243,634	100.00	-	35,243,634
Securities measured at amortized cost				
Korea	21,175,749	89.49	(1,136)	21,174,613
United States	1,252,426	5.29	(216)	1,252,210
Others	1,235,063	5.22	(364)	1,234,699
	23,663,238	100.00	(1,716)	23,661,522
	₩ 126,818,342		₩ (3,735)	₩ 126,814,607

Details of the Group's credit risk concentration of securities, excluding equity securities, and derivative financial instruments by country, as of December 31, 2017, are as follows:

			(In millions of Korean won)	
			2017	
			Amount	%
Financial assets held for trading				
Korea	₩	23,462,909	93.22	
United States		643,249	2.56	
Others		1,062,180	4.22	
			25,168,338	100.00
Financial assets designated at fair value through profit or loss				
Korea		1,178,197	59.44	
United States		120,000	6.05	
Others		684,027	34.51	
			1,982,224	100.00
Derivative financial assets				
Korea		1,743,201	52.66	
United States		325,909	9.85	
Others		1,241,056	37.49	
			3,310,166	100.00
Available-for-sale financial assets				
Korea		36,705,979	94.22	
United States		1,110,157	2.85	
Others		1,143,265	2.93	
			38,959,401	100.00
Held-to-maturity financial assets				
Korea		16,243,987	87.84	
United States		1,076,331	5.82	
Others		1,171,662	6.34	
			₩ 18,491,980	100.00
			₩ 87,912,109	

Due from financial institutions, financial assets at fair value through profit or loss and derivatives that linked to gold price are mostly relevant to financial and insurance industry with high credit ratings.

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Group becomes insolvent due to uncertain liquidity caused by unexpected cash outflows, or a risk of borrowing high interest debts or disposal of liquid and other assets at a substantial discount. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other financing, and off-balance sheet items related to cash flow of currency derivative instruments and others.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the financial statements that are based on the present value of expected cash flows in some cases. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

4.3.2. Liquidity risk management and indicator

The liquidity risk is managed by risk management policy and liquidity risk management guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Group.

The Group computes and manages cumulative liquidity gap and liquidity rate subject to all transactions that affect cash flow in Korean won and foreign currencies and off-balance sheet transactions in relation to the liquidity. The Group regularly reports to the Risk Planning Council and Risk Management Committee.

4.3.3. Analysis of remaining contractual maturity of financial assets and liabilities

Cash flows disclosed below are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the consolidated financial statements that are based on the present value of expected cash flows. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 5,636,123	₩ 1,481,598	₩ 242,353	₩ 538,579	₩ 81,646	₩ -	₩ 7,980,299
Financial assets at fair value through profit or loss ²	50,139,812	672,326	162,459	254,632	215,436	1,113,694	52,558,359
Derivatives held for trading ²	1,915,532	-	-	-	-	-	1,915,532
Derivatives held for fair value hedging ³	-	4,344	1,724	17,948	21,367	40,830	86,213
Loans at amortized cost	3,180,412	27,520,126	32,374,297	116,479,553	84,600,284	102,789,366	366,944,038
Financial investments ⁴							
Financial assets measured at fair value through other comprehensive income	2,117,560	1,812,270	2,694,083	11,210,903	18,626,405	2,728,392	39,189,613
Securities measured at amortized cost	-	1,245,353	1,483,667	4,412,816	8,932,468	14,380,433	30,454,737
Other financial assets	89,890	5,454,381	160,182	1,488,164	53,425	37,841	7,283,883
	₩ 63,079,329	₩ 38,190,398	₩ 37,118,765	₩ 134,402,595	₩ 112,531,031	₩ 121,090,556	₩ 506,412,674

(In millions of Korean won)

	2018							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Financial liabilities								
Financial liabilities at fair value through profit or loss ²	₩ 2,823,820	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss ²	12,503,039	-	-	-	-	-	-	12,503,039
Derivatives held for trading ²	2,724,994	-	-	-	-	-	-	2,724,994
Derivatives held for fair value hedging ³	-	(2,403)	(8,231)	(37,851)	13,831	31	(34,623)	
Deposits ⁵	126,781,682	16,852,129	28,053,517	95,568,339	11,284,243	2,608,630	281,148,540	
Debts	5,909,297	10,355,022	3,975,372	7,205,116	4,714,743	1,249,785	33,409,335	
Debentures	30,160	1,699,165	5,875,093	13,471,021	32,474,579	2,489,146	56,039,164	
Other financial liabilities	91,381	15,943,018	170,851	275,135	581,537	65,721	17,127,643	
	₩ 150,864,373	₩ 44,846,931	₩ 38,066,602	₩ 116,481,760	₩ 49,068,933	₩ 6,413,313	₩ 405,741,912	
Off-balance sheet items								
Commitments ⁶	₩ 138,590,372	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 138,590,372
Financial guarantee contract ⁷	3,626,532	-	-	-	-	-	-	3,626,532
	₩ 142,216,904	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 142,216,904

¹ The amounts of ₩ 12,394,461 million, which is restricted due from the financial institutions as of December 31, 2018, is excluded.

² Financial liabilities measured or designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are classified as 'on demand' category.

³ Cash flows of derivative instruments held for hedging are shown at net cash flow by remaining contractual maturity.

⁴ The equity securities designated as financial assets measured at fair value through other comprehensive income are included under the 'On demand' category as they can be disposed without difficulty. However, the equity securities restricted from disposal are included on the category that the releasing date of restriction is belonged to.

⁵ Deposits that are contractually repayable on demand or on short notice are classified under the 'on demand' category.

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

⁷ The financial guarantee contracts are included under the 'On demand' category as payments will be made upon request.

(In millions of Korean won)

	2017							Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Financial assets								
Cash and due from financial institutions ¹	₩ 6,355,289	₩ 1,842,808	₩ 319,173	₩ 324,703	₩ 357,340	₩ 11,462	₩ 9,210,775	
Financial assets held for trading ²	30,177,293	-	-	-	-	-	30,177,293	
Financial assets designated at fair value through profit or loss ²	2,050,052	-	-	-	-	-	2,050,052	
Derivatives held for trading ²	2,980,462	-	-	-	-	-	2,980,462	
Derivatives held for hedging ³	559	48,093	29,693	42,163	(2,577)	52,698	170,629	
Loans	3,437,020	22,062,457	30,802,580	103,782,624	75,345,756	96,863,329	332,293,766	
Available-for-sale financial assets ⁴	10,063,251	1,580,946	2,311,652	11,655,746	20,322,800	7,567,341	53,501,736	
Held-to-maturity financial assets	-	658,856	493,420	3,217,345	6,890,530	13,247,255	24,507,406	
Other financial assets	8,416	7,934,856	52,757	1,305,410	43,433	16,532	9,361,404	
	₩ 55,072,342	₩ 34,128,016	₩ 34,009,275	₩ 120,327,991	₩ 102,957,282	₩ 117,758,617	₩ 464,253,523	
Financial liabilities								
Financial liabilities held for trading ²	₩ 1,944,770	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,944,770	
Financial liabilities designated at fair value through profit or loss ²	10,078,288	-	-	-	-	-	10,078,288	
Derivatives held for trading ²	3,050,471	-	-	-	-	-	3,050,471	
Derivatives held for hedging ³	404	3,740	(4,715)	(19,705)	(7,143)	244	(27,175)	
Deposits ⁵	127,035,944	12,365,158	23,236,756	82,586,445	11,473,834	2,667,969	259,366,106	
Debts	5,957,108	10,024,019	3,741,022	5,724,453	4,409,543	599,680	30,455,825	
Debentures	40,655	1,015,298	3,020,683	9,644,135	29,611,835	3,245,342	46,577,948	
Other financial liabilities	200,082	14,060,432	145,538	229,873	342,397	965,929	15,944,251	
	₩ 148,307,722	₩ 37,468,647	₩ 30,139,284	₩ 98,165,201	₩ 45,830,466	₩ 7,479,164	₩ 367,390,484	
Off- balance sheet items								
Commitments ⁶	₩ 102,183,167	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 102,183,167	
Financial guarantee contract ⁷	3,683,875	-	-	-	-	-	3,683,875	
	₩ 105,867,042	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 105,867,042	

¹ The amounts of ₩ 10,669,956 million, which are restricted due from the financial institutions as of December 31, 2017, is excluded.

² Financial assets/liabilities held for trading, financial assets/liabilities designated at fair value through profit or loss and derivatives held for trading are not managed by contractual maturity because they are expected to be traded or redeemed before maturity. Therefore, the carrying amounts of those financial instruments are classified as 'on demand' category. However, the cash flows of the embedded derivatives (e.g. conversion options and others) which are separated from their host contracts in accordance with the requirement of Korean IFRS 1039, are considered in the cash flows of the host contracts.

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

⁴ The equity securities among available-for-sale financial assets are included under the 'On demand' category as they can be disposed without difficulty. However, the equity securities restricted from disposal are included on the category that the releasing date of restriction is belonged to.

⁵ Deposits that are contractually repayable on demand or on short notice are classified under the 'on demand' category.

⁶ Commitments are included under the 'on demand' category because payments will be made upon request.

⁷ The financial guarantee contracts are included under the 'on demand' category as payments will be made upon request.

The contractual cash flows of derivatives held for cash flow hedging as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net-settled derivatives	₩ (172)	₩ 1,999	₩ 2,743	₩ 1,949	₩ (66)	₩ 6,453
Cash flow to be received of gross-settlement derivatives	47,526	129,826	286,219	2,116,253	-	2,579,824
Cash flow to be paid of gross-settlement derivatives	(50,281)	(137,834)	(286,165)	(2,151,808)	-	(2,626,088)

(In millions of Korean won)

	2017					
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Net cash flow of net-settled derivatives	₩ (224)	₩ (1,556)	₩ (3,044)	₩ (442)	₩ 16	₩ (5,250)
Cash flow to be received of gross-settled derivatives	196,795	298,108	745,490	1,404,317	-	2,644,710
Cash flow to be paid of gross-settled derivatives	(188,698)	(285,397)	(698,054)	(1,324,504)	-	(2,496,653)

4.4 Market Risk

4.4.1 Concept

Market risk represents possible losses which arise from changes in market factors including interest rate, stock price, foreign exchange rate and other market factors that affect the fair value or future cash flows of financial instruments including securities and derivatives amongst others. The most significant risk associated with trading positions interest rate risks, currency risks and also, stock price risks. In addition, the Group is exposed to interest rate risks associated with non-trading positions. The Group classifies exposures to market risk into either trading or non-trading positions. The Group measures and manages market risk separately for each subsidiary.

4.4.2 Risk management

The Group sets internal capital limits for market risk and interest rate risk and monitors the risks to manage the risk of trading and non-trading positions. The Group maintains risk management systems and procedures including trading policies and procedures, and market risk management guidelines for trading positions, and interest rate risk management guidelines for non-trading positions in order to manage market risk efficiently. The procedures mentioned are implemented with approval from the Risk Management Committee and Risk Management Council.

Kookmin Bank, one of the subsidiaries, establishes market risk management policy, sets position limits, loss limits and VaR limits of each business group and approves newly developed instruments through its Risk Management Council. The Market Risk Management Committee, which is chaired by the Chief Risk Officer (CRO), is the decision maker and sets position limits, loss limits, VaR limits, sensitivity limits and scenario loss limits for each division, at the level of each individual business department.

The Asset-Liability Management Committee(ALCO) of Kookmin Bank determines the operational standards of interest and commission, the details of the establishment and prosecution of the Asset Liability Management (ALM) policies and enacts and amends relevant guidelines. The

Risk Management Committee and Risk Management Council monitor the establishment and enforcement of ALM risk management policies, and enact and amend ALM risk management guidelines. The interest rate risk limit is set based on the future assets/liabilities position and interest rate volatility estimation reflects the annual work plan. The Financial Planning Department and Risk Management Department measures and monitors the interest risk status and limits on a regular basis. The status and limits of interest rate risks including interest gap, duration gap and interest rate VaR (Value at Risk), are reported to the ALCO and Risk Management Council on a monthly basis and to the Risk Management Committee on a quarterly basis. To ensure adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the risk management procedures and tasks conducted by the Financial Planning Department. Also, the Risk Management Department independently reports related information to the management.

4.4.3 Trading Position

Definition of a trading position

Trading positions subject to market risk management are defined under the Trading Policy and Guideline, and the basic requirements are as follows:

- The trading position is not restricted for sale, is measured daily at fair value, and its significant inherent risks are able to be hedged in the market.
- The criteria for classification as a trading position are clearly defined in the Trading Policy and Guideline, and separately managed by the trading department.
- The trading position is operated in accordance with the documented trading strategy and managed through position limits.
- The operating department or professional dealers have an authority to enforce a deal on the trading position within predetermined limits without pre-approval.
- The trading position is reported periodically to management for the purpose of the Group's risk management

Observation method on market risk arising from trading positions

Subsidiaries of the Group calculate VaR to measure the market risk by using market risk management systems on the entire trading portfolio. Generally, the Group manages market risk on the trading portfolio. In addition, the Group controls and manages the risk of derivative trading based on the regulations and guidelines formulated by the Financial Supervisory Service.

VaR (Value at Risk)

i. VaR (Value at Risk)

Kookmin Bank, one of the subsidiaries, uses the value-at-risk methodology to measure the market risk of trading positions. Kookmin Bank uses the 10-day VaR, which estimates the maximum amount of loss that could occur in ten days under an historical simulation model which is considered to be a full valuation method. The distributions of portfolio's value changes are estimated based on the data over the previous 250 business days, and ten-day VaR is calculated by subtracting net present market value from the value measured at a 99% confident level of portfolio's value distribution results.

VaR is a commonly used market risk measurement technique. However, the method has some shortcomings. VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movements are, however, not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses may vary depending on the assumptions made at the time of the calculation. In addition, the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

A subsidiary which holds trading positions uses an internal model (VaR) to measure general risk, and a standard method to measure each individual risk. When the internal model is not permitted for certain market risk, the Group uses the standard method. Therefore, the market risk VaR may

not reflect the market risk of each individual risk and some specific positions. And also, non-banking subsidiaries use the same standard method applied to measure regulatory capital for improvement of market risk VaR management utility (improvement of relation with regulatory capital).

ii. Back-Testing

Back-testing is conducted on a daily basis to validate the adequacy of the market risk model. In back-testing, the Group compares both the actual and hypothetical profit and loss with the VaR calculations.

iii. Stress Testing

Stress testing is carried out to analyze the impact of abnormal market situations on the trading and available-for-sale portfolio. It reflects changes in interest rates, stock prices, foreign exchange rates, implied volatilities of derivatives and other risk factors that have significant influence on the value of the portfolio. The Group uses historical scenarios and hypothetical scenarios for the analysis of abnormal market situations. Stress testing is performed at least once every year.

VaR at a 99% confidence level of interest rate, stock price and foreign exchange rate risk for trading positions with a ten-day holding period by a subsidiary as of December 31, 2018 and 2017, are as follows:

Kookmin Bank

(In millions of Korean won)

	2018							
	Average		Minimum		Maximum		Ending	
Interest rate risk	₩	12,513	₩	6,044	₩	18,684	₩	7,074
Stock price risk		2,995		1,253		4,831		3,348
Foreign exchange rate risk		9,443		5,033		16,453		16,453
Deduction of diversification effect		-		-		-		(11,939)
Total VaR	₩	16,221	₩	11,653	₩	23,078	₩	14,936

(In millions of Korean won)

	2017							
	Average		Minimum		Maximum		Ending	
Interest rate risk	₩	22,682	₩	14,313	₩	42,155	₩	23,758
Stock price risk		1,002		757		1,345		1,255
Foreign exchange rate risk		32,709		12,405		44,322		24,315
Deduction of diversification effect								(29,727)
Total VaR	₩	23,312	₩	16,498	₩	30,247	₩	19,601

Meanwhile, the required equity capital using the standardized method related to the positions which are not measured by VaR or the non-banking subsidiaries as of December 31, 2018 and 2017, are as follows:

Kookmin Bank

(In millions of Korean won)

	2018		2017	
Interest rate risk	₩	112,153	₩	98,235
Stock price risk		19,756		1,646
Foreign exchange rate risk		1,339		810
	₩	133,248	₩	100,691

KB Securities Co., Ltd.

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 456,847	₩ 366,027	₩ 537,126	₩ 510,618
Stock price risk	293,623	236,329	335,900	261,341
Foreign exchange rate risk	5,923	2,383	12,613	3,692
Commodity risk	5	1	22	1
	₩ 756,398	₩ 604,740	₩ 885,661	₩ 775,652

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 421,275	₩ 347,369	₩ 498,631	₩ 457,470
Stock price risk	193,791	138,044	239,685	200,101
Foreign exchange rate risk	11,113	7,599	15,446	7,674
Commodity risk	5	-	34	3
	₩ 626,184	₩ 493,012	₩ 753,796	₩ 665,248

KB Insurance Co., Ltd.

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 43,431	₩ 34,202	₩ 48,456	₩ 45,180
Stock price risk	11,074	8,484	15,053	14,769
	₩ 54,505	₩ 42,686	₩ 63,509	₩ 59,949

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 47,569	₩ 40,546	₩ 55,875	₩ 41,467
Stock price risk	81	-	133	-
Foreign exchange rate risk	18,002	12,313	23,099	18,695
	₩ 65,652	₩ 52,859	₩ 79,107	₩ 60,162

KB Life Insurance Co., Ltd.

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 1,264	₩ 968	₩ 1,544	₩ 1,134
	₩ 1,264	₩ 968	₩ 1,544	₩ 1,134

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 1,381	₩ 593	₩ 1,961	₩ 1,596
	₩ 1,381	₩ 593	₩ 1,961	₩ 1,596

KB Investment Co., Ltd.

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Stock price risk	₩ 23	₩ -	₩ 56	₩ -
Foreign exchange rate risk	2,064	1,776	3,033	3,033
	₩ 2,087	₩ 1,776	₩ 3,089	₩ 3,033

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Stock price risk	₩ 3,904	₩ -	₩ 4,766	₩ 3,897
Foreign exchange rate risk	1,053	746	1,797	1,797
	₩ 4,957	₩ 746	₩ 6,563	₩ 5,694

KB Asset Management Co., Ltd.

(In millions of Korean won)

	2018			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 777	₩ 21	₩ 1,886	₩ 1,043
Stock price risk	1,658	-	1,952	1,839
Foreign exchange rate risk	782	627	1,125	837
	₩ 3,217	₩ 648	₩ 4,963	₩ 3,719

(In millions of Korean won)

	2017			
	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 19	₩ -	₩ 215	₩ 8
Stock price risk	241	-	1,634	1,634
Foreign exchange rate risk	93	-	1,049	1,049
	₩ 353	₩ -	₩ 2,898	₩ 2,691

Details of risk factors

i. Interest rate risk

Trading position interest rate risk usually arises from debt securities denominated in Korean won. The Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. The Group manages interest rate risk on trading positions using market value-based tools such as VaR and sensitivity analysis (Price Value of a Basis Point: PVBP).

ii. Stock price risk

Stock price risk only arises from trading securities denominated in Korean won as the Group does not have any trading exposure to shares denominated in foreign currencies. The trading securities portfolio in Korean won are composed of exchange-traded stocks and derivative instruments linked to stock with strict limits on diversification.

iii. Foreign exchange rate risk

Foreign exchange rate risk arises from holding assets and liabilities denominated in foreign currency and foreign currency derivatives. Net foreign currency exposure mostly occurs from the foreign assets and liabilities which are denominated in US dollars and Chinese Yuan. The Group sets both loss limits and net foreign currency exposure limits and manages comprehensive net foreign exchange exposures which consider both trading and non-trading portfolios.

4.4.4 Non-trading position

Definition of non-trading position

Managed interest rate risk in non-trading position includes on- or off-balance sheet assets, liabilities and derivatives that are sensitive to interest rate, except trading position for market risk. The interest rate sensitive assets and liabilities are interest-bearing assets and liabilities that create interest income and expenses.

Observation method on market risk arising from non-trading position

Interest rate risk occurs due to mismatches on maturities and interest rate reset periods between interest-bearing assets and liabilities. The Group manages the risk through measuring and managing interest rate VaR and earning at risk(EaR) that are maximum expected decreases in net asset value (NPV) and net interest income (NII) for one year, respectively, arising from unfavorable changes in market interest rate.

Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk under a normal distribution at a 99.9% confidence level. The measurement results of risk as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Kookmin Bank	₩ 168,282	₩ 350,178
KB Securities Co., Ltd.	23,004	39,717
KB Insurance Co., Ltd.	270,507	451,335
KB Kookmin Card Co., Ltd.	27,894	12,775
KB Life Insurance Co., Ltd.	47,089	51,677
KB Savings Bank Co., Ltd.	8,760	6,447
KB Capital Co., Ltd.	19,852	10,912

4.4.5 Financial Instruments in Foreign Currencies

Details of financial instruments presented in foreign currencies translated into Korean won as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						Total
	USD	JPY	EUR	GBP	CNY	Others	
Financial Assets							
Cash and due from financial institutions	₩ 1,950,546	₩ 417,682	₩ 594,103	₩ 120,795	₩ 1,145,607	₩ 679,759	₩ 4,908,492
Financial assets at fair value through profit or loss	6,025,782	87,764	432,047	18,481	8,585	73,759	6,646,418
Derivatives held for trading	163,064	2,947	31,370	308	4,643	18,349	220,681
Derivatives held for hedging	32,996	-	-	-	-	-	32,996
Loans at amortized cost	12,372,434	354,111	807,019	45,335	990,705	515,051	15,084,655
Financial assets measured at fair value through other comprehensive income	3,925,922	36,538	32,842	-	125,571	4,261	4,125,134
Financial assets at amortized cost	2,257,057	-	287,732	-	38,802	27,554	2,611,145
Other financial assets	1,528,235	300,116	24,511	28,080	275,578	234,086	2,390,606
	₩ 28,256,036	₩ 1,199,158	₩ 2,209,624	₩ 212,999	₩ 2,589,491	₩ 1,552,819	₩ 36,020,127
Financial liabilities							
Financial liabilities designated at fair value through profit or loss	₩ 2,319,369	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,319,369
Derivatives held for trading	313,303	39,311	143,836	90	4,062	168,339	668,941
Derivatives held for hedging	88,367	-	-	-	-	-	88,367
Deposits	9,294,189	629,083	592,495	48,418	1,267,102	468,615	12,299,902
Debts	9,427,662	90,778	286,123	220,150	11,393	65,412	10,101,518
Debentures	4,405,842	-	31,979	-	-	266,935	4,704,756
Other financial liabilities	959,797	105,798	136,053	3,659	284,498	159,649	1,649,454
	26,808,529	864,970	1,190,486	272,317	1,567,055	1,128,950	31,832,307
Off-balance sheet items	₩ 15,211,436	₩ 32,619	₩ 1,262	₩ -	₩ 270,018	₩ 228,238	₩ 15,743,573

(In millions of Korean won)

	2017						
	USD	JPY	EUR	GBP	CNY	Others	Total
Financial Assets							
Cash and due from financial institutions	₩ 1,820,651	₩ 268,482	₩ 309,890	₩ 20,062	₩ 872,650	₩ 356,242	₩ 3,647,977
Financial assets held for trading	3,021,509	84,980	81,394	8,922	15,492	20,767	3,233,064
Financial assets designated at fair value through profit or loss	826,906	-	-	-	-	-	826,906
Derivatives held for trading	124,434	446	10,172	-	96	56,362	191,510
Derivatives held for hedging	29,489	-	-	-	-	-	29,489
Loans	10,689,732	228,747	1,503,493	9,549	795,302	287,591	13,514,414
Available-for-sale financial assets	6,061,404	101,003	124,045	-	38,606	21,123	6,346,181
Held-to-maturity financial assets	2,313,099	-	44,267	-	4,905	4,242	2,366,513
Other financial assets	1,615,795	453,029	406,793	13,382	226,301	708,965	3,424,265
	₩ 26,503,019	₩ 1,136,687	₩ 2,480,054	₩ 51,915	₩ 1,953,352	₩ 1,455,292	₩ 33,580,319
Financial liabilities							
Financial liabilities designated at fair value through profit or loss	₩ 1,840,217	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,840,217
Derivatives held for trading	109,197	1,399	73,298	-	3,563	183,461	370,918
Derivatives held for hedging	49,962	-	-	-	-	-	49,962
Deposits	8,469,129	759,394	389,049	39,993	1,093,998	590,793	11,342,356
Debts	7,570,727	44,885	102,005	737	-	24,185	7,742,539
Debentures	3,473,284	-	-	-	-	219,376	3,692,660
Other financial liabilities	2,361,161	44,137	887,561	3,339	224,675	302,596	3,823,469
	₩ 23,873,677	₩ 849,815	₩ 1,451,913	₩ 44,069	₩ 1,322,236	₩ 1,320,411	₩ 28,862,121
Off-balance sheet items	₩ 12,852,959	₩ 705	₩ 2,404	₩ -	₩ 257,940	₩ 233,509	₩ 13,347,517

4.5 Operational Risk

4.5.1 Concept

The Group defines operational risk broadly to include all financial and non-financial risks that may arise from operating activities and could cause a negative effect on capital.

4.5.2 Risk management

The purpose of operational risk management is not only to comply with supervisory and regulatory requirements but also to promote a risk management culture, strengthen internal controls, innovate processes and provide timely feedback to management and employees. In addition, Kookmin Bank established Business Continuity Plans (BCP) to ensure critical business functions can be maintained, or restored, in the event of material disruptions arising from internal or external events. It has constructed replacement facilities as well as has carried out exercise drills for head office and IT departments to test its BCPs.

4.6. Capital Adequacy

The Group complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank of International Settlements in June 2011, and was implemented in Korea in December 2013. The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 7.125%(2017: 6.250%), a minimum Tier 1 ratio of 8.625%(2017: 7.750%) and a minimum Total Regulatory Capital of 10.625%(2017: 9.75%) as of December 31, 2018.

The Group's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.
- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than five years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Group. The Group calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Group assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and internal capital (amount of capital enough to cover all significant risks under target credit rate set by the Group). The Group monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Internal Capital is the amount of capital to prevent the inability of payment due to unexpected loss in the future. The Group measures, allocates and monitors internal capital by risk type and subsidiaries.

The Risk Management Council of the Group determines the Group's risk appetite and allocates internal capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated internal capital. The Risk Management Department of the Group monitors the limit on internal capital and reports the results to management and the Risk Management Council. The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the internal capital is expected to exceed the limits due to new business or business expansion.

Details of the Group's capital adequacy calculation in line with Basel III requirements as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	2017
Equity Capital:	₩ 34,476,172	₩ 32,401,580
Tier 1 Capital	32,993,826	31,059,475
Common Equity Tier 1 Capital	32,993,826	31,059,475
Additional Tier 1 Capital	-	-
Tier 2 Capital	1,482,346	1,342,105
Risk-weighted assets:	236,099,017	212,777,226
Equity Capital (%):	14.60	15.23
Tier 1 Capital (%)	13.97	14.60
Common Equity Tier 1 Capital (%)	13.97	14.60

5. Segment Information

5.1 Overall Segment Information and Business Segments

The Group classifies reporting segments based on the nature of the products and services provided, the type of customer, and the Group's management organization.

Banking Business	Corporate Banking	Loans, deposit products and other related financial services to large, small and medium-sized enterprises and SOHO(small office home office)s.
	Retail Banking	Loans, deposit products and other related financial services to individuals and households.
	Other Banking Services	Trading activities in securities and derivatives, funding and other supporting activities.
Securities Business		Investment banking, brokerage services and other supporting activities.
Non-life Insurance Business		The activities within this segment include property insurance and other supporting activities.
Credit Card Business		The activities within this segment include credit sale, cash service, card loan and other supporting activities.
Life Insurance Business		Life insurance and other supporting activities.

Financial information by business segment as of and for the year ended December 31, 2018, is as follows:

(In millions of Korean won)

	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating revenues from external customers	₩ 2,318,812	₩ 2,989,240	₩ 1,271,117	₩ 6,579,169	₩ 997,898	₩ 1,183,394	₩ 1,524,695	₩ 113,238	₩ 461,293	₩ -	₩10,859,687
Intra-segment operating revenues (expenses)	94,910	-	179,300	274,210	(17,541)	(20,529)	(219,680)	(26,809)	167,789	(157,440)	-
	₩ 2,413,722	₩ 2,989,240	₩ 1,450,417	₩ 6,853,379	₩ 980,357	₩ 1,162,865	₩ 1,305,015	₩ 86,429	₩ 629,082	₩ (157,440)	₩10,859,687
Net interest income	2,753,928	2,960,598	386,196	6,100,722	542,206	616,173	1,168,284	185,094	291,415	1,034	8,904,928
Interest income	4,267,675	4,547,615	1,204,598	10,019,888	819,462	616,483	1,474,376	185,109	644,975	(25,724)	13,734,569
Interest expense	(1,513,747)	(1,587,017)	(818,402)	(3,919,166)	(277,256)	(310)	(306,092)	(15)	(353,560)	26,758	(4,829,641)
Net fee and commission income (expense)	287,978	490,447	344,323	1,122,748	625,729	(147,041)	264,651	(13,163)	385,930	4,522	2,243,376
Fee and commission income	381,481	583,213	458,097	1,422,791	734,287	3,238	1,426,436	214	443,455	(312,701)	3,717,720
Fee and commission expense	(93,503)	(92,766)	(113,774)	(300,043)	(108,558)	(150,279)	(1,161,785)	(13,377)	(57,525)	317,223	(1,474,344)
Net insurance income (expense)	-	-	-	-	-	611,277	18,386	(139,400)	1	(148)	490,116
Insurance income	-	-	-	-	-	10,847,323	32,271	1,132,155	-	(36,679)	11,975,070
Insurance expense	-	-	-	-	-	(10,236,046)	(13,885)	(1,271,555)	1	36,531	(11,484,954)
Net gains (losses) on financial instruments at fair value through profit or loss	13,933	-	312,462	326,395	(222,014)	180,808	3,866	62,779	89,059	(89,590)	351,303
Net other operating income (expense)	(642,117)	(461,805)	407,436	(696,486)	34,436	(98,352)	(150,172)	(8,881)	(137,323)	(73,258)	(1,130,036)
General and administrative expenses	(1,091,556)	(1,970,409)	(705,030)	(3,766,995)	(735,227)	(789,443)	(404,927)	(63,406)	(308,559)	150,045	(5,918,512)
Operating profit before provision for credit losses	1,322,166	1,018,831	745,387	3,086,384	245,130	373,422	900,088	23,023	320,523	(7,395)	4,941,175
Reversal (provision) for credit losses	77,224	(179,229)	8,089	(93,916)	(9,993)	(14,392)	(431,032)	(464)	(124,215)	318	(673,694)
Net operating income	1,399,390	839,602	753,476	2,992,468	235,137	359,030	469,056	22,559	196,308	(7,077)	4,267,481
Share of profit (loss) of associates and joint ventures	-	-	49,698	49,698	175	(16)	202	-	3,104	(28,903)	24,260
Net other non-operating income (expense)	(65)	-	44,237	44,172	13,770	8,085	(33,062)	(1,402)	16,465	(38,237)	9,791
Segment profits before income tax	1,399,325	839,602	847,411	3,086,338	249,082	367,099	436,196	21,157	215,877	(74,217)	4,301,532
Income tax expense	(386,764)	(230,891)	(209,485)	(827,140)	(70,222)	(104,667)	(149,623)	(6,332)	(88,372)	6,770	(1,239,586)
Profit for the reporting period	1,012,561	608,711	637,926	2,259,198	178,860	262,432	286,573	14,825	127,505	(67,447)	3,061,946
Profit attributable to shareholders of the Parent Company	1,012,561	608,711	637,926	2,259,198	178,850	262,267	286,599	14,825	126,021	(66,569)	3,061,191
Profit (loss) attributable to non-controlling interests	-	-	-	-	10	165	(26)	-	1,484	(878)	755
Total assets ¹	131,303,734	140,814,393	84,841,131	356,959,258	45,086,292	34,785,551	20,528,951	9,680,379	40,399,287	(27,851,420)	479,588,298
Total liabilities ¹	123,880,329	152,173,062	54,238,001	330,291,392	40,613,424	31,289,705	16,570,282	9,128,148	17,441,868	(1,459,548)	443,875,271

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

Financial information by business segment for the year ended December 31, 2017, is as follows:

(In millions of Korean won)

	Banking business				Securities	Non-life Insurance	Credit Card	Life Insurance	Others	Intra-group adjustment	Total
	Corporate Banking	Retail Banking	Other Banking Services	Sub-total							
Operating income from external customers	₩ 2,128,913	₩ 2,710,798	₩ 1,405,605	₩ 6,245,316	₩ 1,074,365	₩ 1,121,108	₩ 1,276,803	₩ 129,513	₩ 345,077	₩ -	₩10,192,182
Intra-segment operating income(expenses)	(18,447)	-	203,310	184,863	(1,157)	18,039	(194,167)	(20,515)	171,422	(158,485)	-
	₩ 2,110,466	₩ 2,710,798	₩ 1,608,915	₩ 6,430,179	₩ 1,073,208	₩ 1,139,147	₩ 1,082,636	₩ 108,998	₩ 516,499	(₩ 158,485)	₩10,192,182
Net interest income	2,555,780	2,647,768	361,236	5,564,784	598,485	465,268	1,083,665	215,752	316,277	2,383	8,246,614
Interest income	3,584,021	3,935,895	988,977	8,508,893	799,380	465,396	1,341,150	215,777	602,221	(13,760)	11,919,057
Interest expense	(1,028,241)	(1,288,127)	(627,741)	(2,944,109)	(200,895)	(128)	(257,485)	(25)	(285,944)	16,143	(3,672,443)
Net fee and commission income	235,210	595,322	394,157	1,224,689	551,619	(97,828)	132,686	(3,612)	252,813	(10,343)	2,050,024
Fee and commission income	315,994	668,227	487,259	1,471,480	637,630	1,532	1,901,112	69	299,783	(323,356)	3,988,250
Fee and commission expense	(80,784)	(72,905)	(93,102)	(246,791)	(86,011)	(99,360)	(1,768,426)	(3,681)	(46,970)	313,013	(1,938,226)
Net insurance income	-	-	-	-	-	699,873	19,948	(141,421)	-	15,310	593,710
Insurance income	-	-	-	-	-	7,947,262	33,579	1,008,329	-	(18,178)	8,970,992
Insurance expenses	-	-	-	-	-	(7,247,389)	(13,631)	(1,149,750)	-	33,488	(8,377,282)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(1,750)	-	(69,457)	(71,207)	179,505	40,827	-	7,786	392	46,421	203,724
Net other operating income (expense)	(678,774)	(532,292)	922,979	(288,087)	(256,401)	31,007	(153,663)	30,493	(52,983)	(212,256)	(901,890)
General and administrative expenses	(974,096)	(1,946,640)	(745,086)	(3,665,822)	(734,024)	(629,469)	(370,508)	(72,423)	(291,240)	134,822	(5,628,664)
Operating profit before provision for credit losses	1,136,370	764,158	863,829	2,764,357	339,184	509,678	712,128	36,575	225,259	(23,663)	4,563,518
Provision (reversal) for credit losses	6,918	(122,107)	23	(115,166)	(23,080)	(8,987)	(336,884)	(1,692)	(62,894)	459	(548,244)
Net operating income	1,143,288	642,051	863,852	2,649,191	316,104	500,691	375,244	34,883	162,365	(23,204)	4,015,274
Share of profit of associates and joint ventures	-	-	37,571	37,571	535	-	(462)	-	6,076	40,554	84,274
Net other non-operating income (expense)	1,873	-	(75,340)	(73,467)	1,794	11,167	(6,882)	(289)	6,582	99,971	38,876
Segment profits before income tax	1,145,161	642,051	826,083	2,613,295	318,433	511,858	367,900	34,594	175,023	117,321	4,138,424
Income tax expense	(181,936)	(102,059)	(154,595)	(438,590)	(46,732)	(181,488)	(71,069)	(13,508)	(61,610)	18,034	(794,963)
Profit for the period	963,225	539,992	671,488	2,174,705	271,701	330,370	296,831	21,086	113,413	135,355	3,343,461
Profit attributable to shareholders of the Parent Company	963,225	539,992	671,488	2,174,705	271,701	330,286	296,831	21,086	113,798	103,031	3,311,438
Profit attributable to non-controlling interests	-	-	-	-	-	84	-	-	(385)	32,324	32,023
Total assets ¹	117,904,269	129,438,168	82,423,490	329,765,927	37,351,680	32,351,778	17,658,310	9,125,741	37,439,753	(26,907,580)	436,785,609
Total liabilities ¹	102,224,405	147,870,309	54,347,779	304,442,493	32,936,024	29,128,747	13,616,481	8,586,328	15,157,421	(1,106,714)	402,740,780

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

5.2 Services and Geographical Segments

5.2.1 Services information

Operating revenues from external customers for each service for the year ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Banking service	₩	6,579,169	₩	6,245,316
Securities service		997,898		1,074,365
Non-life Insurance service		1,183,394		1,121,108
Credit card service		1,524,695		1,276,803
Life insurance service		113,238		129,513
Other service		461,293		345,077
	₩	10,859,687	₩	10,192,182

5.2.2 Geographical information

Geographical operating revenues from external customers for the year ended December 31, 2018 and 2017, and major non-current assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Revenues from external customers	Major non-current assets	Revenues from external customers	Major non-current assets
Domestic	₩ 10,666,586	₩ 8,114,196	₩ 10,078,253	₩ 7,472,597
United States	46,391	370,252	17,596	363,330
New Zealand	6,213	72	5,855	57
China	94,996	5,454	44,531	4,585
Cambodia	11,062	3,733	7,475	1,753
United Kingdom	8,119	537	11,547	319
Others	26,320	584,466	26,925	78,142
Intra-group adjustment	-	69,011	-	72,455
	₩ 10,859,687	₩ 9,147,721	₩ 10,192,182	₩ 7,993,238

6. Financial Assets and Financial Liabilities

6.1 Classification and Fair Value of Financial Instruments

6.1.1 Carrying amount and fair value of financial assets and liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 20,274,490	₩ 20,271,261
Financial assets at fair value through profit or loss	50,987,847	50,987,847
Due from financial institutions	381,719	381,719
Debt securities	48,285,482	48,285,482
Equity securities	1,287,662	1,287,662
Loans	954,176	954,176
Others	78,808	78,808
Derivatives held for trading	1,915,532	1,915,532
Derivatives held for hedging	110,430	110,430
Loans at amortized cost	319,201,603	320,003,844
Financial assets at amortized cost	23,661,522	24,159,137
Financial assets measured at fair value through other comprehensive income	38,003,572	38,003,572
Debt securities	35,243,634	35,243,634
Equity securities	2,370,116	2,370,116
Loans	389,822	389,822
Others	8,133,556	8,133,556
	₩ 462,288,552	₩ 463,585,179
Financial liabilities		
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss	12,503,039	12,503,039
Derivatives held for trading	2,724,994	2,724,994
Derivatives held for hedging	176,253	176,253
Deposits	276,770,449	277,423,194
Debts	33,004,834	33,028,205
Debentures	53,278,697	53,771,564
Other financial liabilities	19,828,307	19,833,885
	₩ 401,110,393	₩ 402,284,954

(In millions of Korean won)

	2017	
	Carrying amount	Fair value
Financial assets		
Cash and due from financial institutions	₩ 19,817,825	₩ 19,805,138
Financial assets held for trading	30,177,293	30,177,293
Debt securities	25,168,338	25,168,338
Equity securities	4,935,100	4,935,100
Others	73,855	73,855
Financial assets designated at fair value through profit or loss	2,050,052	2,050,052
Debt securities	368,820	368,820
Equity securities	67,828	67,828
Derivative-linked securities	1,613,404	1,613,404
Derivatives held for trading	2,998,042	2,998,042
Derivatives held for hedging	312,124	312,124
Loans	290,122,838	289,807,038
Available-for-sale financial assets	48,116,263	48,116,263
Debt securities	38,959,401	38,959,401
Equity securities	9,156,862	9,156,862
Held-to-maturity financial assets	18,491,980	18,483,065
Other financial assets	10,195,015	10,195,015
	₩ 422,281,432	₩ 421,944,030
Financial liabilities		
Financial liabilities held for trading	₩ 1,944,770	₩ 1,944,770
Financial liabilities designated at fair value through profit or loss	10,078,288	10,078,288
Derivatives held for trading	3,054,614	3,054,614
Derivatives held for hedging	88,151	88,151
Deposits	255,800,048	256,222,490
Debts	28,820,928	28,814,801
Debentures	44,992,724	44,400,325
Other financial liabilities	18,330,004	18,328,276
	₩ 363,109,527	₩ 362,931,715

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

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

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model (Discounted Cash Flow Model).
Investment securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of external professional valuation institution where quoted prices are not available. The institutions use one or more of the following valuation techniques including DCF Model, Free Cash Flow to Equity Model, Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Loans at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate.
Derivatives and Financial instruments at fair value through profit or loss	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method, the Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Closed Form and Tree Model or valuation results from independent external professional valuation institution.
Deposits	Carrying amount of demand deposits is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
Debts	Carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other debts is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.
Debentures	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined. However, fair value of finance lease liabilities is measured using a DCF model.

6.1.2 Fair value hierarchy

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

The Group classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

The fair value hierarchy of financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
Due from financial institutions	₩ -	₩ 332,976	₩ 48,743	₩ 381,719
Debt securities	11,312,317	29,879,850	7,093,315	48,285,482
Equity securities	737,808	178,309	371,545	1,287,662
Loans	-	740,973	213,203	954,176
Others	78,808	-	-	78,808
	12,128,933	31,132,108	7,726,806	50,987,847
Derivatives held for trading	67,436	1,737,033	111,063	1,915,532
Derivatives held for hedging	-	110,430	-	110,430
Financial assets measured at fair value through other comprehensive income				
Debt securities	9,542,948	25,700,686	-	35,243,634
Equity securities	971,367	66,031	1,332,718	2,370,116
Loans	-	389,822	-	389,822
	10,514,315	26,156,539	1,332,718	38,003,572
	₩ 22,710,684	₩ 59,136,110	₩ 9,170,587	₩ 91,017,381
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ -	₩ -	₩ 2,823,820
Financial liabilities designated at fair value through profit or loss	126	1,629,530	10,873,383	12,503,039
Derivatives held for trading	479,264	1,834,536	411,194	2,724,994
Derivatives held for hedging	-	176,253	-	176,253
	₩ 3,303,210	₩ 3,640,319	₩ 11,284,577	₩ 18,228,106

(In millions of Korean won)

	2017							
	Fair value hierarchy			Level 3	Total			
	Level 1	Level 2						
Financial assets								
Financial assets held for trading								
Debt securities	₩	7,814,921	₩	17,353,417	₩	-	₩	25,168,338
Equity securities		2,340,497		2,594,603		-		4,935,100
Others		73,855		-		-		73,855
		10,229,273		19,948,020		-		30,177,293
Financial assets designated at fair value through profit or loss								
Debt securities		-		66,969		301,851		368,820
Equity securities		-		-		67,828		67,828
Derivative-linked securities		-		668,739		944,665		1,613,404
		-		735,708		1,314,344		2,050,052
Derivatives held for trading		80,678		2,720,285		197,079		2,998,042
Derivatives held for hedging		-		311,349		775		312,124
Available-for-sale financial assets ¹								
Debt securities		10,446,001		28,464,019		49,381		38,959,401
Equity securities		1,550,766		1,789,501		5,816,595		9,156,862
		11,996,767		30,253,520		5,865,976		48,116,263
	₩	22,306,718	₩	53,968,882	₩	7,378,174	₩	83,653,774
Financial liabilities								
Financial liabilities held for trading	₩	1,944,770	₩	-	₩	-	₩	1,944,770
Financial liabilities designated at fair value through profit or loss		843		1,389,553		8,687,892		10,078,288
Derivatives held for trading		272,766		2,717,862		63,986		3,054,614
Derivatives held for hedging		-		88,081		70		88,151
	₩	2,218,379	₩	4,195,496	₩	8,751,948	₩	15,165,823

¹The amounts of equity securities carried at cost in "Level 3", which do not have a quoted market price in an active market and cannot be measured reliably at fair value, are ₩ 116,629 as of December 31, 2017. These equity securities are carried at cost because it is practically difficult to quantify the intrinsic values of the equity securities issued by unlisted public and non-profit entities. In addition, due to significant fluctuations in estimated cash flows arising from entities being in its initial stages, which further results in varying and unpredictable probabilities, unlisted equity securities issued by project financing cannot be reliably and reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plan to sell these instruments in the near future.

Valuation techniques and the inputs used in the fair value measurement classified as Level 2

Financial assets and liabilities measured at fair value classified as Level 2 in the statements of financial position as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets at fair value through profit or loss			
Due from financial institutions	₩ 332,976	One factor Hull-White Model, DCF Model	Discount rate, Volatility and others
Debt securities	29,879,850	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Net Asset Value and others	Projected cash flow, Fair value of underlying asset, Dividend yield, Interest rate, Underlying asset price, Discount rate, Volatility and others
Equity securities	178,309	DCF Model	Interest rate, Discount rate and others
Loans	740,973	DCF Model	Interest rate, Discount rate and others
	31,132,108		
Derivatives held for trading	1,737,033	DCF Model, FDM, Closed Form, Option Model, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Underlying asset Index, Discount rate, Volatility, Foreign exchange rate, Stock price, Dividend rate and others
Derivatives held for hedging	110,430	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and Others
Financial assets measured at fair value through other comprehensive income			
Debt securities	25,700,686	DCF Model, Option model, Market value approach	Discount rate, Underlying asset Index, Volatility, Interest rate and others
Equity securities	66,031	DCF Model, Black-Scholes Model	Discount rate, Volatility, Price of Underlying asset and others
Loans	389,822	DCF Model	Discount rate
	26,156,539		
	₩ 59,136,110		
Financial liabilities			
Financial liabilities designated at fair value through profit or loss	1,629,530	DCF Model, Closed Form, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of Underlying asset, Discount rate, Dividend rate, Volatility
Derivatives held for trading	1,834,536	DCF Model, Closed Form, FDM and others	Discount rate, Price of Underlying asset, Volatility, Foreign exchange rate, Credit Spread, Stock price and others
Derivatives held for hedging	176,253	DCF Model, Closed Form, FDM and others	Discount rate, Volatility, Foreign exchange rate and others
	₩ 3,640,319		

(In millions of Korean won)

	2017		
	Fair value	Valuation techniques	Inputs
Financial assets			
Financial assets held for trading			
Debt securities	₩ 17,353,417	DCF Model, option model	Underlying asset Index, Discount rate, Volatility
Equity securities	2,594,603	DCF Model, Net Asset Value, Option Model	Underlying asset Index, Volatility, Discount rate, Fair value of underlying asset
	19,948,020		
Financial assets designated at fair value through profit or loss			
Debt securities	66,969	DCF Model, Hull and White Model,	Discount rate, Volatility
Derivative-linked securities	668,739	DCF Model, Closed Form, Monte Carlo Simulation, Option Model	Underlying asset Index, Discount rate, Volatility
	735,708		
Derivatives held for trading	2,720,285	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and Others	Underlying asset Index, Discount rate, Volatility, Foreign exchange rate, Stock price, Dividend rate and others
Derivatives held for hedging	311,349	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
Available-for-sale financial assets			
Debt securities	28,464,019	DCF Model, option model, Net Asset Value	Discount rate
Equity securities	1,789,501	DCF Model, Option Model, Net Asset Value	Discount rate, Fair value of underlying asset
	30,253,520		
	₩ 53,968,882		
Financial liabilities			
Financial liabilities designated at fair value through profit or loss			
Derivative-linked securities	₩ 1,389,553	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model and others	Price of Underlying asset, Discount rate, Dividend rate, Volatility
	1,389,553		
Derivatives held for trading	2,717,862	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Black-Scholes Model, Hull and White Model, Option Valuation Model and others	Discount rate, Price of Underlying asset, Volatility, Foreign exchange rate, Credit Spread, Stock price and others
Derivatives held for hedging	88,081	DCF Model, Closed Form, FDM	Discount rate, Volatility, Foreign exchange rate and others
	₩ 4,195,496		

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018							
	Fair value hierarchy					Total		
	Level 1		Level 2		Level 3			
Financial assets								
Cash and due from financial institutions ¹	₩	3,338,863	₩	14,632,352	₩	2,300,046	₩	20,271,261
Loans at amortized cost		-		493,773		319,510,071		320,003,844
Securities measured at amortized cost		8,629,708		15,529,429		-		24,159,137
Other financial assets ²		-		-		8,133,556		8,133,556
	₩	11,968,571	₩	30,655,554	₩	329,943,673	₩	372,567,798
Financial liabilities								
Deposits ¹	₩	-	₩	127,265,703	₩	150,157,491	₩	277,423,194
Debts ³		-		1,114,900		31,913,305		33,028,205
Debentures		-		48,680,196		5,091,368		53,771,564
Other financial liabilities ⁴		-		-		19,833,885		19,833,885
	₩	-	₩	177,060,799	₩	206,996,049	₩	384,056,848

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

² Other financial assets of ₩ 8,133,556 million included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2018.

³ Debts of ₩ 38,403 million included in Level 2 is the carrying amounts which are reasonable approximation of fair values as of December 31, 2018.

⁴ Other financial liabilities of ₩ 19,250,252 million included in Level 3 is the carrying amounts which are reasonable approximations of fair values as of December 31, 2018.

(In millions of Korean won)

	2017							
	Fair value hierarchy					Total		
	Level 1		Level 2		Level 3			
Financial assets								
Cash and due from financial institutions ¹	₩	2,754,086	₩	15,281,705	₩	1,769,347	₩	19,805,138
Loans		-		569,625		289,237,413		289,807,038
Held-to-maturity financial assets		4,825,393		13,653,429		4,243		18,483,065
Other financial assets ²		-		-		10,195,015		10,195,015
	₩	7,579,479	₩	29,504,759	₩	301,206,018	₩	338,290,256
Financial liabilities								
Deposits ¹	₩	-	₩	125,154,284	₩	131,068,206	₩	256,222,490
Debts ³		-		853,615		27,961,186		28,814,801
Debentures		-		41,058,076		3,342,249		44,400,325
Other financial liabilities ⁴		-		-		18,328,276		18,328,276
	₩	-	₩	167,065,975	₩	180,699,917	₩	347,765,892

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

² Other financial assets of ₩ 10,195,015 million included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of December 31, 2017.

³ Debts of ₩ 19,820 million included in Level 2 is the carrying amounts which are reasonable approximation of fair values as of December 31, 2017.

⁴ Other financial liabilities of ₩ 17,882,909 million included in Level 3 is the carrying amounts which are reasonable approximation of fair values as of December 31, 2017.

Valuation techniques and the inputs used in the fair value measurement

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

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Fair value	Valuation technique	Inputs
Financial assets			
Loans at amortized cost	₩ 493,773	DCF Model	Discount rate
Securities measured at amortized cost	15,529,429	DCF Model	Discount rate
Financial liabilities			
Debts	1,076,497	DCF Model	Discount rate
Debentures	48,680,196	DCF Model	Discount rate

(In millions of Korean won)

	2017		
	Fair value	Valuation technique	Inputs
Financial assets			
Loans	₩ 569,625	DCF Model	Discount rate
Held-to-maturity financial assets	13,653,429	DCF Model	Discount rate
Financial liabilities			
Debts	833,795	DCF Model	Discount rate
Debentures	41,058,076	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 3 as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Fair value	Valuation technique	Inputs
Financial assets			
Cash and due from financial institutions	₩ 2,300,046	DCF Model	Credit spread, Other spread, Interest rates
Loans at amortized cost	319,510,071	DCF Model	Credit spread, Other spread, Early termination ratio, Interest rates
	₩ 321,810,117		
Financial liabilities			
Deposits	₩ 150,157,491	DCF Model	Other spread, Interest rates, Early termination ratio
Debts	31,913,305	DCF Model	Other spread, Interest rates
Debentures	5,091,368	DCF Model	Other spread, Interest rates
Other financial liabilities	583,633	DCF Model	Other spread, Interest rates
	₩ 187,745,797		

(In millions of Korean won)

	2017		
	Fair value	Valuation technique	Inputs
Financial assets			
Cash and due from financial institutions	₩ 1,769,347	DCF Model	Credit spread, Other spread, Interest rates
Loans	289,237,413	DCF Model	Credit spread, Other spread, Early termination ratio, Interest rates
Held-to-maturity financial assets	4,243	DCF Model	Interest rates
	₩ 291,011,003		
Financial liabilities			
Deposits	₩ 131,068,206	DCF Model	Other spread, Early termination ratio, Interest rates
Debts	27,961,186	DCF Model	Other spread, Interest rates
Debentures	3,342,249	DCF Model	Other spread, Implied default probability, Interest rates
Other financial liabilities	445,367	DCF Model	Other spread, Interest rates
	₩ 162,817,008		

6.2 Level 3 of the Fair Value Hierarchy Disclosure

6.2.1 Valuation policy and process for fair value measurement categorized within Level 3

The Group uses external, independent and qualified third-party valuation service in addition to internal valuation models to determine the fair value of the Group's assets at the end of every reporting period.

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

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

Details of changes in Level 3 of the fair value hierarchy for year ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018							
	Financial assets at fair value through profit or loss			Financial investments	Financial liabilities at fair value through profit or loss	Net derivative financial instruments		
	Cash and due from financial institutions at fair value through profit or loss	Securities measured at fair value through profit or loss	Loans at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial liabilities designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for fair value hedging	
Beginning ²	₩ 48,243	₩ 6,106,716	₩ 133,309	₩ 1,187,217	₩ (8,687,892)	₩ 96,354	₩ 705	
Total gains or losses								
- Profit or loss	537	178,569	4,367	-	27,583	(247,194)	(116)	
- Other comprehensive income	(37)	60,624	-	142,415	(8,597)	-	-	
Purchases	-	3,011,701	184,655	83,566	-	7,706	-	
Sales	-	(1,855,118)	(109,128)	(80,480)	-	(90,270)	-	
Issues	-	-	-	-	(11,090,504)	(76,519)	-	
Settlements	-	-	-	-	8,886,027	12,803	(589)	
Transfers into Level 3 ¹	-	2,103	-	-	-	(3,011)	-	
Transfers out of Level 3 ¹	-	(39,735)	-	-	-	-	-	
Ending	₩ 48,743	₩ 7,464,860	₩ 213,203	₩ 1,332,718	₩ (10,873,383)	₩ (300,131)	₩ -	

¹ The changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

² Prepared in accordance with Korean IFRS 1109.

(In millions of Korean won)

	2017					
	Financial assets at fair value through profit or loss	Financial investments	Financial liabilities at fair value through profit or loss	Net derivative financial instruments		
	Designated at fair value through profit or loss	Available-for-sale financial assets	Designated at fair value through profit or loss	Derivatives held for trading	Derivatives held for hedging	
Beginning	₩ 763,272	₩ 3,072,292	₩ (7,797,139)	₩ (64,910)	₩ 1,277	
Total gains or losses						
- Profit or loss	52,936	(20,827)	(846,704)	504,627	(408)	
- Other comprehensive income	-	6,356	-	-	-	
Purchases	1,315,500	1,713,098	-	35,649	-	
Sales	(1,076,928)	(916,778)	-	(270,435)	-	
Issues	-	-	(11,528,433)	(67,958)	-	
Settlements	(264,816)	-	11,484,384	(3,760)	(164)	
Transfers into Level 3 ¹	-	14,168	-	-	-	
Transfers out of Level 3 ¹	-	(922)	-	(642)	-	
Business Combination	524,380	2,038,779	-	522	-	
Changes from replacement of assets Of disposal group as held for sale	-	(40,190)	-	-	-	
Ending	₩ 1,314,344	₩ 5,865,976	₩ (8,687,892)	₩ 133,093	₩ 705	

¹ The changes in levels for the financial instruments occurred due to the change in the availability of observable market data.

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss, and total gains or losses included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the year ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Net income (loss) from financial investments at fair value through profit or loss	Other operating loss	Net interest income
Total gains or losses included in profit or loss for the period	₩ (36,466)	₩ (405)	₩ 617
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	144,674	(289)	43

(In millions of Korean won)

	2017		
	Net loss from financial investments at fair value through profit or loss	Other operating income (loss)	Net interest income
Total gains or losses included in profit or loss for the period	₩ (289,141)	₩ (21,235)	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	48,333	(90,103)	-

6.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Cash and due from financial institutions	₩ 48,743	DCF Model, Option Model, Net Asset Value, Income approach, Market approach	Volatility of the underlying asset	11.25~31.28	The higher the volatility, the higher the fair value fluctuation
			Correlation	8.79~79.78	The higher the correlation, the higher the fair value fluctuation
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Discount rate	1.19~11.30	The lower the discount rate, the higher the fair value
			Growth rate	0.29~2.20	The higher the growth rate, the higher the fair value

(In millions of Korean won)

	2018				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Debt securities	7,093,315	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull-White Model, Black-Scholes Model, Option Model, Tree Model, Net Asset Value, Income approach, Market approach and others	Growth rate	0.29~2.20	The higher the growth rate, the higher the fair value
			Volatility of the underlying asset	11.25~41.00	The higher the volatility, the higher the fair value fluctuation
			Value of Real estate	-1.00~1.00	The higher the value of Real estate, the higher the fair value
			Discount rate	1.95~11.30	The lower the discount rate, the higher the fair value
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Correlation between underlying asset	8.79~88.46	The higher the correlation, the higher the fair value fluctuation
Equity securities	371,545	Income approach, Market approach, Asset value approach, DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Usage of past transactions, Tree Model and others	Growth rate	0~2.20	The higher the growth rate, the higher the fair value
			Discount rate	1.19~21.96	The lower the discount rate, the higher the fair value
			Liquidation value	-1.00~1.00	The higher the liquidation value, the higher the fair value
			Volatility	11.25~39.94	The higher the volatility, the higher the fair value fluctuation
			Correlation	8.79~79.78	The higher the correlation, the higher the fair value fluctuation
			Recovery rate	40	The higher the recovery rate, the higher the fair value
Loans	213,203	Tree Model	Stock price, Volatility of the stock price	13.11~49.28	The higher the volatility, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	50,824	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility of the underlying asset	14.00~50.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	8.74~68.77	The higher the correlation, the higher the fair value fluctuation
Currency, interest rate and others	60,239	DCF Model, Hull and White Model, Monte Carlo Simulation, Tree Model	Loss given default	100.00	The higher the loss given default, the lower the fair value
			Volatility	1.00~36.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-46.89~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation
Financial assets measured at fair value through other comprehensive income					
Equity securities	1,332,718	Adjusted discount rate method, IMV Model, DCF Model, Comparable Company Analysis, Dividend discount model, Option Model, Net asset value method, Market approach, One Factor Hull-White Model and others	Growth rate	0~2.20	The higher the growth rate, the higher the fair value
			Discount rate	7.05~16.30	The lower the discount rate, the higher the fair value
			Volatility	17.62~25.14	The higher the volatility, the higher the fair value fluctuation
	₩ 9,170,587				

(In millions of Korean won)

	2018				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 10,873,383	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes-Model	Volatility of the underlying asset	1.00~115.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	-49.00~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	240,817	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility	2.00~54.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying asset	4.27~70.17	The higher the correlation, the higher the fair value fluctuation
Others	170,377	Monte Carlo Simulation, Hull and White Model, DCF Model, Closed form formula	Volatility	1.00~115.00	The higher the volatility, the higher the fair value fluctuation
			Volatility of the stock price	20.85	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.69	The higher the volatility, the higher the fair value fluctuation
			Discount rate	2.19~2.26	The lower the discount rate, the higher the fair value
			Correlation between underlying asset	-49.00~90.11	The higher the absolute value of correlation, the higher the fair value fluctuation
	₩ 11,284,577				

(In millions of Korean won)

	2017				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets designated at fair value through profit or loss					
Debt securities	₩ 301,851	Tree Model, DCF Model, Hull and White Model	Volatility of the underlying asset	9.96 ~ 29.53	The higher the volatility, the higher the fair value fluctuation
Equity securities	67,828		Tree Model	Volatility of the underlying asset	11.45 ~ 24.01
Derivative-linked securities	944,665	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Option Model, Tree Model	Volatility of the underlying asset	10.00 ~ 30.07	The higher the volatility, the higher the fair value fluctuation
			Recovery rate	40.00	The higher the recovery rate, the higher the fair value
			Correlation between underlying assets	8.27 ~ 90.00	The higher the correlation, the higher the fair value fluctuation

(In millions of Korean won)

2017					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Derivatives held for trading					
Stock and index	138,972	DCF Model, FDM, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model	Volatility of the underlying asset	1.00 ~ 39.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	3.00 ~ 67.00	The higher the value of correlation, the higher the fair value fluctuation
Currency, interest rate and others	58,107	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Black-Scholes Model, Tree Model, Option Model	Loss given default	0.56	The higher the loss given default, the lower the fair value
			Volatility of the interest rate	0.47	The higher the volatility, the higher the fair value fluctuation
			Volatility of the underlying asset	3.00 ~ 51.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-13.00 ~ 90.00	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	775	DCF Model, Closed Form, FDM, Monte Carlo Simulation	Volatility of the underlying asset	3.02	The higher the volatility, the higher the fair value fluctuation
Available-for-sale financial assets					
Debt securities	49,381	DCF Model, Option Model, Net asset value method, Market approach	Volatility	15.26 ~ 30.07	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	48.82 ~ 82.16	The coefficient of correlation is different for each item
			Discount rate	2.57 ~ 11.08	The lower the discount rate, the higher the fair value
			Growth rate	0.00 ~ 2.20	The higher the growth rate, the higher the fair value
Equity securities	5,816,595	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Dividend Discount Model, Net asset value method, Discounted cash flows to equity, Income approach, Market approach, One Factor Hull-White Model, Usage of past transactions, Cost methods, Asset value approach, Tree Model, Net asset value Valuation and others	Growth rate	-1.00 ~ 1.00	The higher the growth rate, the higher the fair value
			Discount rate	-1.00 ~ 52.68	The lower the discount rate, the higher the fair value
			Asset value	-1.00 ~ 1.00	The higher the asset value, the higher the fair value
			Correlation between underlying assets	48.82 ~ 82.16	The coefficient of correlation is different for each item
			Volatility	15.26 ~ 30.07	The higher the volatility, the higher the fair value fluctuation
	₩ 7,378,174				

(In millions of Korean won)

2017					
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial liabilities					
Financial liabilities designated at fair value through profit or loss					
Derivative-linked securities	₩ 8,687,892	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Hull and White Model, Black Scholes-Model	Volatility of the underlying asset	1.00 ~ 52.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	-13.42 ~ 90.24	The higher the absolute value of correlation, the higher the fair value fluctuation
Derivatives held for trading					
Stock and index	14,796	DCF Model, Closed Form, Monte Carlo Simulation, FDM	Volatility of the underlying asset	1.00 ~ 33.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	7.00 ~ 67.00	The higher the correlation, the higher the fair value fluctuation
Others	49,190	DCF Model, Closed Form, Monte Carlo Simulation, Hull and White Model, Option Model	Volatility of the stock price	15.84	The higher the volatility, the higher the fair value fluctuation
			Volatility of the interest rate	0.47	The higher the volatility, the higher the fair value fluctuation
			Discount rate	2.57 ~ 2.69	The lower the discount rate, the higher the fair value
			Volatility of the underlying asset	1.00 ~ 49.00	The higher the volatility, the higher the fair value fluctuation
			Correlation between underlying assets	25.00 ~ 90.00	The higher the correlation, the higher the fair value fluctuation
Derivatives held for hedging					
Interest rate	70	DCF Model, Closed Form, FDM, Monte Carlo Simulation, Tree Model	Volatility of the underlying asset	2.64	The higher the volatility, the higher the fair value fluctuation
	₩ 8,751,948				

Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable Level 3 financial instruments subject to sensitivity analysis are (i) equity-related derivatives, currency-related derivatives and interest rate related derivatives whose fair value changes are recognized in profit or loss, (ii) financial liabilities designated at fair value through profit or loss, and (iii) due from financial institutions, debt securities, equity securities and loan receivables whose fair value changes are recognized in profit or loss or other comprehensive income. If overlay approach is applied in accordance with Korean IFRS 1104, changes in fair value of financial assets at fair value through profit or loss are recognized as other comprehensive income.

The results of the sensitivity analysis from changes in inputs are as follows:

(In millions of Korean won)

	2018			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss ¹				
Due from financial institutions	₩ 4	₩ (2)	₩ 32	₩ (47)
Debt securities ⁴	20,261	(17,885)	2,183	(2,097)
Equity securities ³	14,241	(10,162)	848	(656)
Loans	129	(46)	-	-
Derivatives held for trading ²	27,639	(26,155)	-	-
Financial assets measured at fair value through other comprehensive income				
Equity securities ³	-	-	162,563	(86,094)
	₩ 62,274	₩ (54,250)	₩ 165,626	₩ (88,894)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 146,135	₩ (157,361)	₩ -	₩ -
Derivatives held for trading ²	112,827	(105,875)	-	-
	₩ 258,962	₩ (263,236)	₩ -	₩ -

¹ For financial instruments at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such as volatility of the underlying asset or correlation between underlying asset by ± 10%.

² For Derivatives financial instruments, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, price of underlying asset, volatility of stock price, interest rate by ± 10% and the loss given default ratio, discount rate by ± 1%

³ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, correlation between growth rate (0~2.2%) and discount rate, or liquidation value (-1~1%) and discount rate.

⁴ Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estates, the changes in fair value are calculated by shifting correlation between discount rate (-1~1%) and volatilities of real estate price (-1~1%).

(In millions of Korean won)

	2017			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss ¹				
Debt securities	₩ 3,220	₩ (2,563)	₩ -	₩ -
Equity securities	654	(626)	-	-
Derivative-linked securities	6,906	(6,820)	-	-
Derivatives held for trading ²	25,616	(28,488)	-	-
Available-for-sale financial assets				
Debt securities ³	-	-	205	(51)
Equity securities ⁴	-	-	126,916	(71,396)
	₩ 36,396	₩ (38,497)	₩ 127,121	₩ (71,447)
Financial liabilities				
Financial liabilities designated at fair value through profit or loss ¹	₩ 40,020	₩ (36,757)	₩ -	₩ -
Derivatives held for trading ²	11,091	(10,827)	-	-
Derivatives held for hedging ²	2	(2)	-	-
	₩ 51,113	₩ (47,586)	₩ -	₩ -

¹ For financial assets designated at fair value through profit or loss, the changes in fair value are calculated by shifting principal unobservable input parameters such as volatility of the underlying asset or correlation between underlying asset by $\pm 10\%$.

² For stock and index-related derivatives, the changes in fair value are calculated by shifting principal unobservable input parameters such as the correlation of rates of return on stocks and the volatility of the underlying asset by $\pm 10\%$. For currency-related derivatives, the changes in fair value are calculated by shifting the unobservable input parameters, such as the loss given default ratio by $\pm 1\%$. For interest rate-related derivatives, the correlation of the interest rates or the volatility of the underlying asset is shifted by $\pm 10\%$ to calculate the fair value changes.

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

⁴ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as correlation between growth rate (0~0.5%) and discount rate, liquidation value (-1~1%) and discount rate, or recovery rate of receivables' acquisition cost (-1~1%). Sensitivity of fair values to unobservable parameters of private equity fund is practically impossible, but in the case of equity fund composed of real estates, the changes in fair value are calculated by shifting correlation between discount rate (-1~1%) and volatilities of real estate price (-1~1%).

6.2.4 Day one gain or loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there could be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price, and the difference is deferred and not recognized in profit or loss, and is amortized by using the straight-line method over the life of the financial instrument. When the fair value of the financial instruments is subsequently determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

The aggregate difference yet to be recognized in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Balance at the beginning of the period	₩	22,814	₩	39,033
New transactions and others		131,504		58,445
Changes during the period		(92,163)		(74,664)
Balance at the end of the period	₩	62,155	₩	22,814

6.3 Carrying Amounts of Financial Instruments by Category

Financial assets and liabilities are measured at fair value or amortized cost. The measurement methodology by categories of financial instruments is addressed at Note 3.

The carrying amounts of financial assets and liabilities by category as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Financial instruments at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income		Financial instruments at amortized cost	Derivatives held for hedging	Total
		Financial assets mandatorily measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income			
Financial assets						
Cash and due from financial institutions	₩ -	₩ -	₩ -	₩ 20,274,490	₩ -	₩ 20,274,490
Financial assets at fair value through profit or loss	50,987,847	-	-	-	-	50,987,847
Derivatives	1,915,532	-	-	-	110,430	2,025,962
Loans at amortized cost	-	-	-	319,201,603	-	319,201,603
Financial investments	-	35,633,456	2,370,116	23,661,522	-	61,665,094
Other financial assets	-	-	-	8,133,556	-	8,133,556
	₩ 52,903,379	₩ 35,633,456	₩ 2,370,116	₩ 371,271,171	₩ 110,430	₩ 462,288,552

(In millions of Korean won)

	2018				
	Financial instruments at fair value through profit or loss		Financial instruments at amortized cost	Derivatives held for hedging	Total
	Financial instruments at fair value through profit or loss	Financial instruments designated at fair value through profit or loss			
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩ 2,823,820	₩ 12,503,039	₩ -	₩ -	₩ 15,326,859
Derivatives	2,724,994	-	-	176,253	2,901,247
Deposits	-	-	276,770,449	-	276,770,449
Debts	-	-	33,004,834	-	33,004,834
Debentures	-	-	53,278,697	-	53,278,697
Other financial liabilities	-	-	19,828,307	-	19,828,307
	₩ 5,548,814	₩ 12,503,039	₩ 382,882,287	₩ 176,253	₩ 401,110,393

(In millions of Korean won)

	2017									
	Financial assets at fair value through profit or loss				Loans and receivables	Available-for-sale financial assets	Held-to-Maturity financial assets	Derivatives held for hedging	Total	
	Held for trading	Designated at fair value through profit or loss								
Financial assets										
Cash and due from financial institutions	₩	-	₩	-	₩ 19,817,825	₩	-	₩	-	₩ 19,817,825
Financial assets at fair value through profit or loss		30,177,293		2,050,052	-	-	-	-	-	32,227,345
Derivatives		2,998,042		-	-	-	-	312,124	-	3,310,166
Loans		-		-	290,122,838	-	-	-	-	290,122,838
Financial investments		-		-	-	48,116,263	18,491,980	-	-	66,608,243
Other financial assets		-		-	10,195,015	-	-	-	-	10,195,015
	₩	33,175,335	₩	2,050,052	₩ 320,135,678	₩ 48,116,263	₩ 18,491,980	₩	312,124	₩422,281,432

(In millions of Korean won)

	2017									
	Financial liabilities at fair value through profit or loss				Financial liabilities at amortized cost	Derivatives held for hedging	Total			
	Held for trading	Designated at fair value through profit or loss								
Financial liabilities										
Financial liabilities at fair value through profit or loss	₩	1,944,770	₩	10,078,288	₩	-	₩	-	₩	12,023,058
Derivatives		3,054,614		-	-	-	-	88,151	-	3,142,765
Deposits		-		-	255,800,048	-	-	-	-	255,800,048
Debts		-		-	28,820,928	-	-	-	-	28,820,928
Debentures		-		-	44,992,724	-	-	-	-	44,992,724
Other financial liabilities		-		-	18,330,004	-	-	-	-	18,330,004
	₩	4,999,384	₩	10,078,288	₩ 347,943,704	₩	88,151	₩	88,151	₩ 363,109,527

6.4 Transfer of Financial Assets

Transferred financial assets that are derecognized in their entirety

The Group transferred loans and other financial assets that are derecognized in their entirety to SPEs (special purpose entity), while the maximum exposure to loss (carrying amount) from its continuing involvement in the derecognized financial assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
Discovery ABS Second Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	₩ 6,205	₩ 6,205
FK1411 Co., Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	8,883	8,883
AP 3B ABS Ltd.	Subordinate debt	Financial assets at fair value through profit or loss	5,512	5,512
AP 4D ABS Ltd. ¹	Subordinated debt	Financial assets at fair value through profit or loss	13,494	13,494
			₩ 34,094	₩ 34,094

¹ The recovered portion in excess of the consideration paid attributable to adjustments based on the agreement with the National Happiness Fund for non-performing loans amounts to ₩ 13,731 million as at December 31, 2018.

(In millions of Korean won)

	2017			
	Type of continuing involvement	Classification of financial instruments	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement
Discovery ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	₩ 6,022	₩ 6,022
EAK ABS Second Co., Ltd.	Subordinate debt	Available-for-sale financial assets	5,339	5,339
FK1411 Co., Ltd.	Subordinate debt	Available-for-sale financial assets	9,601	9,601
AP 3B ABS Ltd.	Subordinate debt	Available-for-sale financial assets	9,902	9,902
AP 4D ABS Ltd.	Senior debt	Loans and receivables	2,248	2,251
	Subordinated debt	Available-for-sale financial assets	14,160	14,160
			₩ 47,275	₩ 47,272

¹ In addition to the above, the recovered portion in excess of the consideration paid attributable to adjustments based on the agreement with the National Happiness Fund for non-performing loans amounts to ₩ 2,989 million as of December 31, 2017.

Transferred financial assets that are not derecognized in their entirety

The Group securitized the loans and issued the asset-backed debentures. The senior debentures and related securitized assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Carrying amount of underlying assets	Carrying amount of senior debentures	Carrying amount of underlying assets	Carrying amount of senior debentures
KB Kookmin Card Second Securitization Co., Ltd. ¹	₩ -	₩ -	₩ 495,545	₩ 107,093
KB Kookmin Card Third Securitization Co., Ltd. ¹	627,630	336,929	600,813	324,425
KB Kookmin Card Fourth Securitization Co., Ltd. ¹	587,760	333,296	561,495	320,892
KB Kookmin Card Fifth Securitization Co., Ltd. ¹	562,239	299,754		
Wise Mobile Thirteenth Securitization Specialty ²	-	-	7,284	-
Wise Mobile Fourteenth Securitization Specialty ²	-	-	8,504	-
Wise Mobile Fifteenth Securitization Specialty ²	-	-	4,105	-
Wise Mobile Sixteenth Securitization Specialty ²	-	-	5,500	-
Wise Mobile Seventeenth Securitization Specialty ²	-	-	10,407	4,999
Wise Mobile Eighteenth Securitization Specialty ²	-	-	9,340	4,999
	₩ 1,777,629	₩ 969,979	₩ 1,702,993	₩ 762,408

¹ The Group has an obligation to early redeem the asset-backed debentures upon occurrence of an event specified in the agreement such as when the outstanding balance of the eligible asset-backed securitization (ABS), a trust-type ABS, is below the solvency margin ratio (minimum rate: 104.5%) of the beneficiary interest in the trust. To avoid such early redemption, the Group entrusts accounts and deposits in addition to the previously entrusted card accounts.

² According to the liquidity facility agreement entered between the Special Purpose Companies (SPC) and Woori Bank and NH Bank, if the senior debentures cannot be redeemed by the underlying assets, the senior debentures should be redeemed by borrowings from the liquidity facilities.

The Group transferred the beneficiary certificates to Yuanta Securities at ₩ 74,853 million and entered into a total return swap contract. If the fair value of the transferred asset changes, the risk is attributed to the company in accordance with the contract. The details of transferred financial assets as of December 31, 2018 are as follows.

(In millions of Korean won)

	2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Financial assets at fair value through profit or loss	₩ 83,218	₩ 74,899

Securities under repurchase agreements and loaned securities

The Group continues to recognize the financial assets related to repurchase agreements and securities lending transactions on the statements of financial position since those transactions are not qualified for derecognition even though the Group transfers the financial assets. A financial asset is sold under a repurchase agreement to repurchase the same asset at a fixed price, or loaned under a securities lending agreement to be returned as the same asset. Thus, the Group retains substantially all the risks and rewards of ownership of the financial asset. The amounts of transferred assets and related liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements ¹	₩ 9,176,947	₩ 8,784,896
Loaned securities		
Government bond	1,160,362	-
Stock	58,171	-
	₩ 10,395,480	₩ 8,784,896

(In millions of Korean won)

	2017	
	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	₩ 10,111,732	₩ 10,666,315
Loaned securities		
Government bond	418,966	-
Stock	729,702	-
	₩ 11,260,400	₩ 10,666,315

¹ The bonds sold under repurchase agreements amounts to ₩ 3,162,000 million.

6.5 Offsetting Financial Assets and Financial Liabilities

The Group enters into International Swaps and Derivatives Association ("ISDA") master netting agreements and other similar arrangements with the Group's derivative and spot exchange counterparties. Similar netting agreements are also entered into with the Group's reverse repurchase, securities and others. Pursuant to these agreements, in the event of default by one party, contracts are to be terminated and receivables and payables are to be offset. Further, as the law allows for the right to offset, domestic uncollected receivables balances and domestic accrued liabilities balances are shown in its net settlement balance in the consolidated statement of financial position.

Details of financial assets subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading and Derivatives linked securities	₩ 1,893,335	₩ -	₩ 1,893,335	₩ (1,424,607)	₩ (5,101)	₩ 463,627
Derivatives held for hedging	110,430	-	110,430	(74,910)	-	35,520
Payable spot exchange	2,222,164	-	2,222,164	(2,213,967)	-	8,197
Repurchase agreements	3,411,700	-	3,411,700	(3,332,700)	-	79,000
Domestic exchange settlement credits	27,723,990	(26,992,637)	731,353	-	-	731,353
Other financial instruments	1,157,569	(1,103,015)	54,554	(3,932)	-	50,622
	₩ 36,519,188	₩ (28,095,652)	₩ 8,423,536	₩ (7,050,116)	₩ (5,101)	₩ 1,368,319

(In millions of Korean won)

	2017					
	Gross assets	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		
				Financial instruments	Cash collateral	Net amount
Derivatives held for trading and Derivatives linked securities	₩ 2,981,437	₩ -	₩ 2,981,437	₩ (2,195,210)	₩ (191,349)	₩ 594,878
Derivatives held for hedging	312,124	-	312,124	(21,990)	(21,830)	268,304
Payable spot exchange	3,443,674	-	3,443,674	(3,443,298)	-	376
Repurchase agreements	2,617,700	-	2,617,700	(2,617,700)	-	-
Domestic exchange settlement credits	30,904,611	(29,959,914)	944,697	-	-	944,697
Other financial instruments	1,542,035	(1,531,622)	10,413	(9,525)	-	888
	₩ 41,801,581	₩ (31,491,536)	₩ 10,310,045	₩ (8,287,723)	₩ (213,179)	₩ 1,809,143

Details of financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreement as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount	
				Financial instruments	Cash collateral		
Derivatives held for trading and Derivatives linked securities	₩ 2,557,169	₩ -	₩ 2,557,169	₩ (1,866,515)	₩ (46,769)	₩ 643,885	
Derivatives held for hedging	176,253	-	176,253	(72,691)	(977)	102,585	
Payable spot exchange	2,219,980	-	2,219,980	(2,208,302)	-	11,678	
Repurchase agreements ¹	11,946,896	-	11,946,896	(11,862,096)	-	84,800	
Securities borrowing agreements	2,745,906	-	2,745,906	(2,745,906)	-	-	
Domestic exchange settlement credits	28,672,551	(26,992,637)	1,679,914	(1,679,914)	-	-	
Other financial instruments	1,151,697	(1,103,015)	48,682	(3,932)	-	44,750	
	₩ 49,470,452	₩ (28,095,652)	₩ 21,374,800	₩ (20,439,356)	₩ (47,746)	₩ 887,698	

(In millions of Korean won)

	2017						
	Gross liabilities	Gross asset offset	Net amounts presented in the statement of financial position	Non-offsetting amount		Net amount	
				Financial instruments	Cash collateral		
Derivatives held for trading and Derivatives linked securities	₩ 3,193,238	₩ -	₩ 3,193,238	₩ (1,540,336)	₩ (32,585)	₩ 1,620,317	
Derivatives held for hedging	88,151	-	88,151	(11,770)	(9,139)	67,242	
Payable spot exchange	3,445,098	-	3,445,098	(3,443,298)	-	1,800	
Repurchase agreements ¹	10,666,315	-	10,666,315	(10,666,315)	-	-	
Securities borrowing agreements	1,870,579	-	1,870,579	(1,870,579)	-	-	
Domestic exchange settlement credits	29,999,359	(29,959,914)	39,445	(39,445)	-	-	
Other financial instruments	1,721,862	(1,530,488)	191,374	(194)	-	191,180	
	₩ 50,984,602	₩ (31,490,402)	₩ 19,494,200	₩ (17,571,937)	₩ (41,724)	₩ 1,880,539	

¹ Includes repurchase agreements sold to customers.

7. Due from Financial Institutions at Amortized Cost

Details of due from financial institutions as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate(%)	2018	2017
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00 ~ 1.78	₩ 8,723,761	₩ 8,511,295
	Due from financial institutions	Standard Chartered Bank Korea Limited and others	0.00 ~ 2.75	3,245,841	2,267,778
	Due from others	Korea Securities Finance Corporation and others	0.00 ~ 1.79	1,132,908	3,377,102
				13,102,510	14,156,175
Due from financial institutions in foreign currencies	Due from financial institutions in foreign currencies	Wells Fargo Bank, N.A. and others	0.00 ~ 0.76	1,734,660	1,670,935
	Time deposits in foreign currencies	Bank of Shanghai, Beijing Branch and others	0.00 ~ 4.10	1,001,600	775,917
	Due from others	Societe Generale and others	0.00 ~ 0.02	1,379,537	616,634
				4,115,797	3,063,486
				₩ 17,218,307	₩ 17,219,661

¹ Loans and other financial assets are net of allowance.

Restricted cash from financial institutions as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		Financial Institutions	2018	2017	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	₩ 8,723,761	₩ 8,511,295	Bank of Korea Act
	Due from Banking institution	Standard Chartered Bank Korea Limited and others	1,348,099	572,132	Net settlement and others
	Due from others	Korea Securities Finance Corporation and others	655,194	371,398	Derivatives margin account and others
			10,727,054	9,454,825	
Due from financial institutions in foreign currencies	Due from financial institutions in foreign currencies	Bank of Korea and others	375,130	619,130	Bank of Korea Act and others
	Time deposits in foreign currencies	China Construction Bank NY Branch and others	30,538	29,650	Bank Act of the State of New York
	Due from others	Societe Generale and others	1,214,905	509,484	Derivatives margin account and others
			1,620,573	1,158,264	
			₩ 12,347,627	₩ 10,613,089	

¹ Loans and other financial assets are net of allowance.

Changes in the allowances for due from financial institutions losses

Changes in the allowances for due from financial institutions losses for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	2018					
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses			
			Non-impaired	Impaired		
Beginning ¹	₩	1,797	₩	-	₩	-
Transfer between stages		-		-		-
Transfer to 12-month expected credit losses		-		-		-
Transfer to lifetime expected credit losses		-		-		-
Impairment		-		-		-
Disposal		-		-		-
Provision (reversal) for loan losses		221		-		-
Others (change of currency ratio, etc.)		1		-		-
Ending	₩	2,019	₩	-	₩	-

¹ Prepared in accordance with Korean IFRS 1109.

8. Assets Pledged as Collateral

Details of assets pledged as collateral as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

Assets pledged	Pledgee	2018	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 1,884,068	Borrowings from Bank and others
Financial assets measured at fair value through profit or loss	Korea Securities Depository and others	7,676,111	Repurchase agreements
	Korea Securities Depository and others	9,303,600	Securities borrowing transactions
	Samsung Futures Inc. and others	1,503,088	Derivatives transactions
		18,482,799	
Financial assets measured at fair value through other comprehensive income	Korea Securities Depository and others	1,258,694	Repurchase agreements
	Korea Securities Depository and others	1,001,259	Securities borrowing transactions
	Bank of Korea	49,948	Borrowings from Bank of Korea
	Bank of Korea	479,784	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	395,221	Derivatives transactions
	3,184,906		
Securities at amortized cost	Korea Securities Depository and others	276,688	Repurchase agreements
	Bank of Korea	1,911,160	Borrowings from Bank of Korea
	Bank of Korea	1,474,529	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	162,184	Derivatives transactions
	Others	350,292	Others
	4,174,853		
Mortgage loans	Others	4,060,863	Covered bond
Real estate	NATIXIS REAL ESTATE CAPITAL LLCHyundai Able Patriots Park, LLC and others	801,944	Borrowings from Bank and others
		₩ 32,589,433	

(In millions of Korean won)

Assets pledged	Pledgee	2017	
		Carrying amount	Reason of pledge
Due from financial institutions	Korea Federation of Savings Banks and others	₩ 165,026	Borrowings from Bank and others
Financial assets held for trading	Korea Securities Depository and others	7,699,857	Repurchase agreements
	Korea Securities Depository and others	4,941,912	Securities borrowing transactions
	Samsung Futures Inc. and others	1,047,758	Derivatives transactions
		13,689,527	
Available-for-sale financial assets	Korea Securities Depository and others	2,401,388	Repurchase agreements
	Korea Securities Depository and others	838,149	Securities borrowing transactions
	Bank of Korea	651,284	Borrowings from Bank of Korea
	Bank of Korea	750,254	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	221,004	Derivatives transactions
		4,862,079	
Held-to-maturity financial assets	Korea Securities Depository and others	35,026	Repurchase agreements
	Bank of Korea	1,326,558	Borrowings from Bank of Korea
	Bank of Korea	1,204,990	Settlement risk of Bank of Korea
	Samsung Futures Inc. and others	330,316	Derivatives transactions
	Others	163,960	Others
		3,060,850	
Mortgage loans	Others	4,950,490	Covered bond
Real estate	Natixis Real Estate Capital, LLC and others	778,789	Borrowings from Bank and others
		₩ 27,506,761	

The Group provides ₩ 6,472,993 million and ₩ 3,185,601 million of its borrowing securities and securities held as collateral with KSFC and others as at December 31, 2018 and 2017.

The fair values of collateral available to sell or repledge, and collateral sold or repledged, regardless of debtor's default, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 3,547,179	- ₩	₩ 3,547,179

(In millions of Korean won)

	2017		
	Fair value of collateral held	Fair value of collateral sold or repledged	Total
Securities	₩ 2,677,878	- ₩	₩ 2,677,878

9. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

Details of derivative financial instruments held for trading as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Notional amount	Assets	Liabilities
Interest rate			
Forwards	₩ 570,000	₩ -	₩ 55,056
Futures ¹	4,269,407	1,124	3,852
Swaps	219,558,592	421,591	471,915
Options	16,937,362	159,218	276,392
	241,335,361	581,933	807,215
Currency			
Forwards	74,189,998	622,745	548,127
Futures ¹	602,805	37	240
Swaps	36,073,995	470,499	452,390
Options	2,449,469	6,071	13,602
	113,316,267	1,099,352	1,014,359
Stock and index			
Futures ¹	1,155,861	4,902	10,820
Swaps	8,190,648	82,803	321,135
Options	5,442,775	70,740	464,226
	14,789,284	158,445	796,181
Credit			
Swaps	4,300,208	32,711	25,047
	4,300,208	32,711	25,047
Commodity			
Futures ¹	5,807	150	128
Swaps	140,382	2,202	3,199
Options	-	-	-
	146,189	2,352	3,327
Other	2,361,827	40,739	78,865
	₩ 376,249,136	₩ 1,915,532	₩ 2,724,994

(In millions of Korean won)

	2017		
	Notional amount	Assets	Liabilities
Interest rate			
Futures ¹	₩ 4,770,568	₩ 4,952	₩ 528
Swaps	190,186,189	434,316	399,674
Options	13,560,861	137,958	234,474
	208,517,618	577,226	634,676
Currency			
Forwards	64,308,472	1,261,491	1,233,633
Futures ¹	622,711	52	1,163
Swaps	29,769,290	847,506	759,757
Options	695,617	4,099	6,994
	95,396,090	2,113,148	2,001,547
Stock and index			
Futures ¹	1,013,846	3,599	1,132
Swaps	5,623,391	112,929	96,894
Options	6,408,019	116,215	274,544
	13,045,256	232,743	372,570
Credit			
Swaps	5,799,606	42,000	36,963
	5,799,606	42,000	36,963
Commodity			
Futures ¹	4,791	112	19
Swaps	67,008	4,221	118
Options	245	1	-
	72,044	4,334	137
Other	1,955,581	28,591	8,721
	₩ 324,786,195	₩ 2,998,042	₩ 3,054,614

¹ Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.

The average of hedge ratio for each type of hedge accounting as of December 31, 2018, is as follows:

(In millions of Korean won)

	2018						
	1 year	2 years	3 years	4 years	5 years	More than 5 years	Total
Fair value hedge							
The quantity of the hedging instrument	1,371,901	728,308	1,372,040	567,030	195,392	1,308,602	5,543,273
Average ratio of hedging	100.73%	98.65%	100.00%	100.00%	100.00%	100.00%	100.00%
Cash flow hedge							
The quantity of the hedging instrument	2,641,861	1,403,129	902,911	919,258	525,629	50,000	6,442,788
Average ratio of hedging	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hedge of net investments in a foreign operations							
The quantity of the hedging instrument	528,025	2,942	-	-	-	-	530,967
Average ratio of hedging	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Fair Value Hedge

Details of hedged item in fair value hedge as of December 31, 2018, are as follows:

(In millions of Korean won)

		2018						Changes in the fair value			
		Carrying amount		Accumulated adjusted amount							
		Assets	Liabilities	Assets	Liabilities						
Hedge accounting											
Interest rate	Debt securities in KRW	₩	465,213	₩	-	₩	1,214	₩	-	₩	6,001
	Debt securities in foreign currencies		702,727		-		(9,790)		-		(1,233)
	Deposits in foreign currencies		-		805,215		-		(89,265)		38,232
	Debts in KRW		-		349,252		-		19,252		(2,308)
	Debts in foreign currencies		-		1,429,457		-		(24,073)		(1,868)
			1,167,940		2,583,924		(8,576)		(94,086)		38,824
Currency	Deposits in foreign currencies		1,845,253		-		(75,255)		-		86,209
			1,845,253		-		(75,255)		-		86,209
		₩	3,013,193	₩	2,583,924	₩	(83,831)	₩	(94,086)	₩	125,033

Details of derivative instruments designated as fair value hedge as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018							
		Notional amount		Assets		Liabilities		Changes in the fair value	
Interest rate									
	Swaps	₩	3,845,555	₩	58,933	₩	88,017	₩	(37,638)
Currency									
	Forwards		1,697,718		5,923		32,565		(106,903)
		₩	5,543,273	₩	64,856	₩	120,582	₩	(144,541)

(In millions of Korean won)

		2017					
		Notional amount		Assets		Liabilities	
Interest rate							
	Swaps	₩	2,919,935	₩	47,856	₩	49,962
Currency							
	Forwards		2,818,527		108,144		872
Other			50,000		775		70
		₩	5,788,462	₩	156,775	₩	50,904

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

(In millions of Korean won)

	2018	2017
Deposits in foreign currencies	₩ -	₩ 32,051

Details of hedge ineffectiveness recognized in profit or loss from derivatives for the year ended December 31, 2018, is as follows:

(In millions of Korean won)

	2018	
	Hedge ineffectiveness recognized in profit or loss	
From hedge accounting		
Interest rate	₩	1,186
Currency rate		(20,694)
	₩	(19,508)

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Gains (losses) on hedging instruments	₩	(160,416)	₩	93,112
Gains (losses) on the hedged items attributable to the hedged risk		135,556		(56,461)
	₩	(24,860)	₩	36,651

Cash Flow Hedge

Details of hedged item in cash flow hedge as of December 31, 2018 are as follows:

(In millions of Korean won)

	2018			
	Changes in fair value		Other comprehensive income for cash flow hedge	
Hedge accounting				
Interest rate	₩	5,971	₩	4,686
Foreign currency change risk		18,650		1,163
	₩	24,621	₩	5,849

Details of derivative instruments designated as cash flow hedge as of December 31, 2018 and 2017, are as follows:

	2018							
	Notional amount		Assets		Liabilities		Changes in the fair value	
Interest rate								
Swaps	₩	4,142,336	₩	17,891	₩	12,766	₩	(6,364)
Currency								
Swaps		2,300,452		22,759		40,493		(16,658)
	₩	6,442,788	₩	40,650	₩	53,259	₩	(23,022)

(In millions of Korean won)

	2017							
	Notional amount		Assets		Liabilities			
Interest rate								
Swaps	₩	2,393,491	₩		₩	15,796	₩	3,905
Currency								
Swaps		2,396,957				117,597		33,342
	₩	4,790,448	₩		₩	133,393	₩	37,247

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)				
	2018		2017	
Gains (losses) on hedging instruments	₩	(23,022)	₩	(112,513)
Gains (losses) on effectiveness (amount recognized in other comprehensive income)		(24,672)		(100,949)
Gains on ineffectiveness (amount recognized in profit or loss)		1,650		(11,564)

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)				
	2018		2017	
Amount recognized in other comprehensive income	₩	(24,672)	₩	(100,949)
Amount reclassified from equity to profit or loss		15,234		126,239
Tax effect		400		(4,331)
OCI after tax		(9,038)		20,959

Hedge on Net Investments in Foreign Operations

Details of hedged item in hedge on foreign operation net investments hedge as of December 31, 2018, are as follows:

(In millions of Korean won)			
	2018		
	Changes in fair value		Other comprehensive income for hedge on net investment in a foreign operation
Hedge accounting			
Currency(foreign currency change risk)	₩	25,198	₩ (33,092)

Details of financial instruments designated as hedging instrument in hedge on net investments in foreign operations as of December 31, 2018, is as follows:

	2018				
	Notional amount		Assets	Liabilities	Changes in the fair value
Currency					
Forwards	₩	530,967	₩ 4,924	₩ 2,412	₩ (21,877)
Financial debentures in foreign currencies		89,448		89,109	(3,321)
	₩	620,415	₩ 4,924	₩ 91,521	₩ (25,198)

Details of derivative instruments designated as hedging instrument in hedge on net investments in foreign operations as of December 31, 2017, is as follows:

(In millions of Korean won)				
	2017			
	Notional amount		Assets	Liabilities
Currency				
Forwards	₩	484,033	₩ 21,956	₩ -

The fair value of non-derivative financial instruments designated as hedging instruments as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Financial debentures in foreign currencies	₩	88,785	₩	99,994

Gain or loss from hedging instruments in hedge of net investments in foreign operations and hedged items attributable to the hedged risk for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Gains (losses) on hedging instruments	₩	(25,096)	₩	35,929
Effective portion of gains (losses) on hedges of net investments in foreign operations (amount recognized in other comprehensive income)		(25,096)		34,800
Ineffective portion of gains (losses) on hedges of net investments in foreign operations (amount recognized in profit or loss)		-		1,129

The effective portion of gains (losses) on hedging instruments recognized in other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Amount recognized in other comprehensive income	₩	(25,096)	₩	34,800
Amount reclassified from equity to profit or loss		(12,330)		-
Tax effect		10,292		(8,186)
Amount recognized in other comprehensive income, net of tax	₩	(27,134)	₩	26,614

10. Loans at Amortized Cost

Details of loans as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Loans at amortized cost	₩	321,058,158	₩	291,513,253
Deferred loan origination fees and costs		753,126		719,816
Less: Allowances for loan losses		(2,609,681)		(2,110,231)
Carrying amount	₩	319,201,603	₩	290,122,838

Details of loans for other banks as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Loans at amortized cost	₩	3,484,210	₩	5,314,577
Less: Allowances for loan losses		(620)		(77)
Carrying amount	₩	3,483,590	₩	5,314,500

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 152,523,852	₩ 124,334,950	₩ -	₩ 276,858,802
Loans in foreign currencies	259,015	4,711,234	-	4,970,249
Domestic import usance bills	-	2,817,174	-	2,817,174
Off-shore funding loans	-	844,954	-	844,954
Call loans	-	1,473,397	-	1,473,397
Bills bought in Korean won	-	3,057	-	3,057
Bills bought in foreign currencies	-	3,427,368	-	3,427,368
Guarantee payments under payment guarantee	46	4,104	-	4,150
Credit card receivables in Korean won	-	-	17,346,224	17,346,224
Credit card receivables in foreign currencies	-	-	7,834	7,834
Reverse repurchase agreements	-	3,341,700	-	3,341,700
Privately placed bonds	-	823,178	-	823,178
Factored receivables	446	5,939	-	6,385
Lease receivables	1,712,597	81,985	-	1,794,582
Loans for installment credit	4,582,913	25,107	-	4,608,020
	159,078,869	141,894,147	17,354,058	318,327,074
Proportion (%)	49.97	44.57	5.46	100.00
Less: Allowances	(642,897)	(1,255,223)	(710,941)	(2,609,061)
	₩ 158,435,972	₩ 140,638,924	₩ 16,643,117	₩ 315,718,013

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Loans in Korean won	₩ 140,630,735	₩ 112,014,669	₩ -	₩ 252,645,404
Loans in foreign currencies	121,166	3,078,907	-	3,200,073
Domestic import usance bills	-	2,128,868	-	2,128,868
Off-shore funding loans	-	730,817	-	730,817
Call loans	-	335,200	-	335,200
Bills bought in Korean won	-	4,168	-	4,168
Bills bought in foreign currencies	-	3,875,550	-	3,875,550
Guarantee payments under payment guarantee	105	6,373	-	6,478
Credit card receivables in Korean won	-	-	15,200,843	15,200,843
Credit card receivables in foreign currencies	-	-	4,004	4,004
Reverse repurchase agreements	-	1,197,700	-	1,197,700
Privately placed bonds	-	1,994,932	-	1,994,932
Factored receivables	51,401	1,419	-	52,820
Lease receivables	1,773,901	60,527	-	1,834,428
Loans for installment credit	3,693,672	13,535	-	3,707,207
	146,270,980	125,442,665	15,204,847	286,918,492
Proportion (%)	50.98	43.72	5.30	100.00
Less: Allowances	(429,299)	(1,231,589)	(449,266)	(2,110,154)
	₩ 145,841,681	₩ 124,211,076	₩ 14,755,581	₩ 284,808,338

The changes in deferred loan origination fees and costs for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Beginning	Increase	Decrease	Business combination	Others	Ending
Deferred loan origination costs						
Loans in Korean won	₩ 632,680	₩ 417,719	₩ (386,162)	₩ -	₩ -	₩ 664,237
Other origination costs	126,265	77,464	(83,950)	-	1	119,780
	758,945	495,183	(470,112)	-	1	784,017
Deferred loan origination fees						
Loans in Korean won	11,561	6,832	(9,338)	-	-	9,055
Other origination fees	27,568	9,927	(15,660)	-	1	21,836
	39,129	16,759	(24,998)	-	1	30,891
	₩ 719,816	₩ 478,424	₩ (445,114)	₩ -	₩ -	₩ 753,126

(In millions of Korean won)

	2017					
	Beginning	Increase	Decrease	Business combination	Others	Ending
Deferred loan origination costs						
Loans in Korean won	₩ 663,041	₩ 334,438	₩ (358,721)	₩ 12,532	₩ (18,610)	₩ 632,680
Other origination costs	99,878	101,656	(75,267)	-	(2)	126,265
	762,919	436,094	(433,988)	12,532	(18,612)	758,945
Deferred loan origination fees						
Loans in Korean won	19,845	7,904	(16,188)	-	-	11,561
Other origination fees	24,449	19,356	(16,228)	-	(9)	27,568
	44,294	27,260	(32,416)	-	(9)	39,129
	₩ 718,625	₩ 408,834	₩ (401,572)	₩ 12,532	₩ (18,603)	₩ 719,816

11. Allowances for Loan Losses

Changes in the allowances for loan losses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018								
	Retail			Corporate			Credit cards		
	The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses		The financial instruments applying 12-month expected credit losses	The financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired		Non-impaired	Impaired
Beginning ²	₩ 249,226	₩ 196,387	₩ 186,766	₩ 208,354	₩ 275,722	₩ 865,063	₩ 154,076	₩ 260,162	₩ 213,181
Transfer between stages									
Transfer to 12-month expected credit losses	106,143	(105,597)	(546)	38,360	(36,402)	(1,958)	45,824	(44,706)	(1,118)
Transfer to lifetime expected credit losses (non-impaired)	(99,242)	115,493	(16,251)	(36,518)	47,001	(10,483)	(23,345)	24,438	(1,093)
Transfer to lifetime expected credit losses (impaired)	(2,107)	(49,241)	51,348	(2,746)	(31,157)	33,903	(2,007)	(11,804)	13,811
Write-offs	-	(2)	(380,698)	-	(6)	(233,314)	-	-	(465,415)
Disposal	(1,707)	(1,795)	(1,661)	(72)	-	(14,172)	-	-	(47)
Provision (reversal) for loan losses ³	(15,533)	60,180	350,578	7,927	62,901	58,515	5,919	61,935	488,975
Business combination	172	-	-	22	-	-	-	-	-
Others (change of currency ratio, etc.)	488	318	178	(1,015)	597	25,321	-	-	(7,845)
Ending	₩ 237,440	₩ 215,743	₩ 189,714	₩ 214,312	₩ 318,656	₩ 722,875	₩ 180,467	₩ 290,025	₩ 240,449

¹ Provision for credit losses in statements of comprehensive income also includes provision (reversal) for due from financial institutions (Note 7), and provision (reversal) for securities (Note 12), provision for unused commitments and guarantees (Note 23), provision (reversal) for financial guarantees contracts (Note 23), and provision (reversal) for other financial assets (Note 18).

² Prepared in accordance with Korean IFRS 1109.

³ Recovery of written-off loans amounting to ₩ 428,890 million is included.

(In millions of Korean won)

	2017			
	Retail	Corporate	Credit card	Total
Beginning	₩ 481,289	₩ 1,382,172	₩ 414,295	₩ 2,277,756
Written-off	(341,506)	(395,272)	(400,385)	(1,137,163)
Recoveries from written-off loans	145,606	280,324	132,665	558,595
Sale	(40,267)	(26,105)	-	(66,372)
Provision ¹	233,262	38,644	312,248	584,154
Business combination	9,679	50,227	-	59,906
Other changes	(58,764)	(98,324)	(9,557)	(166,645)
Ending	₩ 429,299	₩ 1,231,666	₩ 449,266	₩ 2,110,231

¹ Provision for credit losses in statements of comprehensive income also includes provision for unused commitments and guarantees (Note 23), provision (reversal) for financial guarantees contracts (Note 23), and provision (reversal) for other financial assets (Note 18).

The Group manages the written-off loans that their extinctive prescription did not occur, and that are not collected; the balance of those are ₩ 12,067,272 million as of December 31, 2018.

Changes in the book value of loans at amortized cost for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	2018		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning ¹	₩ 262,092,823	₩ 27,216,234	₩ 2,270,094
Transfer between stages			
Transfer to 12-month expected credit losses	8,399,033	(8,322,782)	(76,251)
Transfer to lifetime expected credit losses	(11,867,144)	11,938,263	(71,119)
Transfer to lifetime expected credit losses (impaired)	(780,095)	(901,109)	1,681,204
Write-offs	-	(8)	(1,079,427)
Disposal	(490,070)	(10,557)	(192,415)
Net increase(decrease) (Execution, repayment and others)	35,941,823	(3,502,876)	(434,337)
Ending	₩ 293,296,370	₩ 26,417,165	₩ 2,097,749

12. Financial Assets at Fair Value through Profit or Loss and Financial Investments

Details of financial assets at fair value through profit or loss and financial investments as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018
Financial assets at fair value through profit or loss	
Debt securities:	
Government and public bonds	₩ 7,922,936
Financial bonds	14,978,408
Corporate bonds	4,101,066
Asset-backed securities	84,382
Puttable instruments (investment funds, etc.)	10,252,377
Derivatives linked securities	3,516,626
Other debt securities	7,429,687
Equity securities:	
Stocks	1,094,441
Other equity securities	193,221
Loans:	
Private placed corporate bonds	823,071
Other loans	131,105
Due from financial institutions:	
Other due from financial institutions	381,719
Others	78,808
	₩ 50,987,847

(In millions of Korean won)

	2018
Financial Investments	
Financial assets measured at fair value through other comprehensive income	
Debt securities:	
Government and public bonds	3,475,214
Financial bonds	20,107,719
Corporate bonds	10,540,985
Asset-backed securities	1,100,041
Other debt securities	19,675
Equity securities:	
Stocks	2,262,379
Equity investments	38,584
Other equity securities	69,153
Loans:	
Private placed corporate bonds	389,822
	38,003,572
Financial assets at amortized cost	
Debt securities:	
Government and public bonds	5,090,051
Financial bonds	6,847,055
Corporate bonds	6,943,332
Asset-backed securities	4,782,800
Allowance	(1,716)
	23,661,522
	₩ 61,665,094

(In millions of Korean won)

	2017
Financial assets held for trading	
Debt securities:	
Government and public bonds	₩ 6,232,514
Financial bonds	11,324,330
Corporate bonds	5,133,226
Asset-backed securities	161,991
Others	2,316,277
Equity securities:	
Stocks and others	1,009,190
Beneficiary certificates	3,925,910
Others	73,855
	30,177,293

(In millions of Korean won)

		2017	
Financial assets designated at fair value through profit or loss			
Debt securities:			
Corporate bonds			66,969
Equity securities:			
Stocks and others			67,828
Derivative-linked securities			1,613,404
Privately placed bonds			301,851
			2,050,052
Total financial assets at fair value through profit or loss	₩		32,227,345
Available-for-sale financial assets			
Debt securities:			
Government and public bonds	₩		3,629,479
Financial bonds			20,946,100
Corporate bonds			10,570,501
Asset-backed securities			2,402,437
Others			1,410,884
Equity securities:			
Stocks and others			3,077,748
Equity investments and others			459,808
Beneficiary certificates			5,619,306
			48,116,263
Held-to-maturity financial assets			
Debt securities:			
Government and public bonds			5,448,471
Financial bonds			2,474,841
Corporate bonds			6,218,723
Asset-backed securities			4,305,678
Others			44,267
			18,491,980
Total financial investments	₩		66,608,243

Dividend incomes from the equity securities measured at fair value through other comprehensive income for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

		2018	
		From the financial asset derecognized	From the remaining financial asset
Equity securities at fair value through other comprehensive income			
Stocks	Listed	₩ -	₩ 22,173
	Non-listed	-	25,121
Equity investments		-	2,256
Other equity securities		2,508	1,798
		₩ 2,508	₩ 51,348

The derecognized equity securities, measured at fair value through other comprehensive income for the year ended December 31, 2018, is as follows:

(In millions of Korean won)

	2018	
	Disposal price	Accumulated OCI as of disposal date
Equity securities at fair value through other comprehensive income		
Stocks		
Listed	₩ 26,877	₩ 18,330
Non-listed	480	480
Other equity securities	80,000	2,567
	₩ 107,357	₩ 21,377

Provision, and reversal for the allowance of financial investments for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	Impairment losses	Reversal of impairment	Total
Securities measured at fair value through other comprehensive income	₩ 860	₩ 873	₩ (13)
Loans measured at fair value through other comprehensive income	963	826	137
Securities measured at amortized cost	296	282	14
	₩ 2,119	₩ 1,981	₩ 138

The impairment losses and the reversal of impairment losses recognized in relation to financial investments for the year ended December 31, 2017, are as follows:

(In millions of Korean won)

	2017		
	Impairment	Reversal	Net
Available-for-sale financial assets	₩ (47,917)	₩ -	₩ (47,917)

Changes in the allowances for debt securities for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	2018		
	12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired
Beginning ¹	₩ 4,937	₩ 482	₩ 720
Transfer between stages			
Transfer to 12-month expected credit losses	125	(125)	-
Transfer to lifetime expected credit losses	-	-	-
Impairment	-	-	-
Disposal	(170)	-	-
Provision (reversal) for loan losses	716	(180)	(398)
Others (change of currency ratio, etc.)	49	16	-
Ending	₩ 5,657	₩ 192	₩ 322

¹ Prepared in accordance with Korean IFRS 1109.

13. Investments in Associates and Joint Ventures

Investments in associates and joint ventures as of December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	December 31, 2018					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates and joint ventures						
KB Pre IPO Secondary Venture Fund 1st ¹	15.19	₩ 1,454	₩ 1,649	₩ 1,649	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	136,208	134,362	Investment finance	Korea
KB-KDBC New Technology Business Fund ⁶	66.66	15,000	14,594	14,594	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,252	19,839	Investment finance	Korea
PT Bank Bukopin TBK ^{15, 16}	22.00	116,422	106,484	113,932	Banking and foreign exchange transaction	Indonesia
Sun Surgery Center Inc.	28.00	2,682	2,760	2,715	Hospital	United States of America
Dae-A Leisure Co., Ltd. ⁶	49.36	-	1,613	578	Earth works	Korea
Doosung Metal Co., Ltd. ⁶	26.52	-	(16)	-	Manufacture of metal products	Korea
RAND Bio Science Co., Ltd.	21.91	2,000	185	843	Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ¹	12.61	104,622	108,050	108,050	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	18,038	18,134	18,134	Investment finance	Korea
Acts Co., Ltd. ¹⁰	7.14	500	(14)	-	Manufacture of optical lens and elements	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	15,257	10,672	Installment loan	Korea
Wise Asset Management Co., Ltd. ⁷	33.00	-	-	-	Asset management	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(16,689)	-	Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁶	42.88	-	(433)	-	Wholesale of primary metal	Korea
Kendae Co., Ltd. ⁶	41.01	-	(252)	98	Screen printing	Korea
Dongjo Co., Ltd. ⁶	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Dpaps Co., Ltd. ⁶	38.62	-	14	-	Wholesale of paper products	Korea
Big Dipper Co., Ltd.	29.33	440	166	280	Big data consulting	Korea
Builton Co., Ltd. ¹²	21.96	800	67	304	Software development and supply	Korea
Shinla Construction Co., Ltd. ⁶	20.24	-	(551)	-	Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁶	26.24	-	(57)	185	Manufacture of underwears and sleepwears	Korea
A-PRO Co., Ltd. ¹	13.71	1,500	1,554	1,403	Manufacture of electric power storage system	Korea
MJT&I Co., Ltd. ⁶	22.89	-	(606)	122	Wholesale of other goods	Korea
Jaeyang Industry Co., Ltd. ⁶	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Jungdo Co., Ltd. ⁶	25.53	-	1,492	-	Office, commercial and institutional building construction	Korea
Jinseung Tech Co., Ltd. ⁶	30.04	-	(176)	-	Manufacture of other general-purpose machinery n.e.c.	Korea

(in millions of Korean won)

	December 31, 2018					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Terra Co., Ltd. ⁶	24.06	-	2	-	Manufacture of hand-operated kitchen appliances and metal ware	Korea
Paycoms Co., Ltd. ⁹	11.70	800	71	103	System software publishing	Korea
Food Factory Co., Ltd. ¹¹	22.22	1,000	206	928	Farm product distribution industry	Korea
Korea NM Tech Co., Ltd. ⁶	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
KB IGen Private Equity Fund No.1 ¹	0.03	-	-	-	Investment finance	Korea
KB No.9 Special Purpose Acquisition Company ¹ ,	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company ^{1,4}	0.19	10	20	20	SPAC	Korea
KB No.11 Special Purpose Acquisition Company ^{1,5}	0.31	10	19	19	SPAC	Korea
KB Private Equity FundIII ¹	15.68	8,000	7,830	7,830	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	5,941	5,941	Credit information	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	364	233	233	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No.2	25.00	12,970	14,601	14,601	Investment finance	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund ¹	5.64	1,842	1,581	1,581	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	5,000	4,463	4,463	Investment finance	Korea
GH Real Estate I LP	42.00	17,678	17,252	17,252	Asset management	Guernsey
KBTS Technology Venture Private Equity Fund ⁸	56.00	14,224	13,777	13,777	Investment finance	Korea
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund ⁸	42.55	8,000	7,930	7,930	Investment finance	Korea
KB-SJ Tourism Venture Fund ^{1,8}	18.52	1,500	1,386	1,386	Investment finance	Korea
UNION Media Commerce Fund	29.00	1,000	962	962	Investment finance	Korea
CHONG IL MACHINE & TOOLS CO.,LTD., ⁶	21.71	-	(107)	-	Machinery and equipment wholesale	Korea
IMT TECHNOLOGY CO.,LTD. ⁶	25.29	-	18	-	Computer Peripherals Distribution	Korea
IWON ALLOY CO.,LTD. ⁶	23.31	-	394	-	Manufacture of smelting, refining and alloys	Korea
CARLIFE CO.,LTD. ⁶	24.39	-	(75)	-	Publishing of magazines and periodicals (publishing industry)	Korea
COMPUTERLIFE CO.,LTD., ⁶	45.71	-	(329)	-	Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC. ⁶	20.40	-	(142)	-	Multi Media, Manufacture of Multi Media Equipment	Korea
JO YANG INDUSTRIAL CO., LTD. ⁶	23.14	-	75	-	Manufacture of Special Glass	Korea
		₩ 493,218	₩ 486,630	₩ 504,932		

(in millions of Korean won)

	December 31, 2017					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates						
KB Pre IPO Secondary Venture Fund 1st ¹	15.19	₩ 1,671	₩ 1,601	₩ 1,601	Investment finance	Korea
KB GwS Private Securities Investment Trust	26.74	113,880	134,891	131,420	Investment finance	Korea
KB-KDBC New Technology Business Fund8Fund ^{1,7,9}	66.66	5,000	4,972	4,972	Investment finance	Korea
KB Star office Private real estate Investment Trust No.1	21.05	20,000	20,122	19,709	Investment finance	Korea
Sun Surgery Center Inc.	28.00	2,682	2,682	2,682	Hospital	United States of America
Dae-A Leisure Co., Ltd. ⁶	49.36	-	1,017	-	Earth works	Korea
Doosung Metal Co., Ltd. ⁶	26.52	-	(20)	-	Manufacture of metal products	Korea
RAND Bio Science Co., Ltd.	21.91	2,000	2,000	2,000	Research and experimental development on medical sciences and pharmacy	Korea
Balhae Infrastructure Company ¹	12.61	101,794	105,190	105,190	Investment finance	Korea
Bungaejangter Inc. ¹³	24.8	3,484	3,484	3,484	Portals and other internet information media service activities	Korea
Aju Good Technology Venture Fund	38.46	8,230	7,856	8,230	Investment finance	Korea
Acts Co., Ltd. ¹⁰	7.14	500	500	500	Manufacture of optical lens and elements	Korea
SY Auto Capital Co., Ltd.	49.00	9,800	14,099	8,070	Installment loan	Korea
Wise Asset Management Co., Ltd. ⁸	33.00	-	-	-	Asset management	Korea
Incheon Bridge Co., Ltd. ¹	14.99	9,158	(16,202)	-	Operation of highways and related facilities	Korea
Jungdong Steel Co., Ltd. ⁶	42.88	-	(436)	-	Wholesale of primary metal	Korea
Kendae Co., Ltd. ⁶	41.01	-	(223)	127	Screen printing	Korea
Daesang Techlon Co., Ltd. ⁶	47.73	-	97	-	Manufacture of plastic wires, bars, pipes, tubes and hoses	Korea
Dongjo Co., Ltd. ⁶	29.29	-	691	-	Wholesale of agricultural and forestry machinery and equipment	Korea
Dpaps Co., Ltd. ⁶	38.62	-	155	-	Wholesale of paper products	Korea
Big Dipper Co., Ltd.	29.33	440	325	440	Big data consulting	Korea
Builton Co., Ltd.	20.58	800	800	800	Software development and supply	Korea
Shinla Construction Co., Ltd. ⁶	20.24	-	(553)	-	Specialty construction	Korea
Shinhwa Underwear Co., Ltd. ⁶	26.24	-	(103)	138	Manufacture of underwears and sleepwears	Korea
A-PRO Co., Ltd. ¹	12.61	1,500	1,500	1,500	Manufacture of electric power storage system	Korea
MJT&I Co., Ltd. ⁶	22.89	-	(601)	127	Wholesale of other goods	Korea
Inno Lending Co., Ltd. ¹	19.90	398	230	230	Credit rating model development	Korea
Jaeyang Industry Co., Ltd. ⁶	20.86	-	(522)	-	Manufacture of luggage and other protective cases	Korea
Jungdo Co., Ltd. ⁶	25.53	-	1,664	-	Office, commercial and institutional building construction	Korea

(in millions of Korean won)

	December 31, 2017					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Jinseung Tech Co., Ltd. ⁶	30.04	-	(173)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Terra Co., Ltd. ⁶	24.06	-	36	20	Manufacture of hand-operated kitchen appliances and metal ware	Korea
Paycoms Co., Ltd. ⁹	12.35	800	800	800	System software publishing	Korea
Food Factory Co., Ltd. ¹¹	22.22	1,000	1,000	1,000	Farm product distribution industry	Korea
Korea NM Tech Co., Ltd. ⁶	22.41	-	580	-	Manufacture of motor vehicles, trailers and semitrailers	Korea
KB IGen Private Equity Fund No.1 ¹	0.03	3	3	3	Investment finance	Korea
KB No.8 Special Purpose Acquisition Company ²	0.10	10	20	20	SPAC	Korea
KB No.9 Special Purpose Acquisition Company ^{1,3}	0.11	24	31	31	SPAC	Korea
KB No.10 Special Purpose Acquisition Company ^{1,4}	0.19	10	20	20	SPAC	Korea
KB No.11 Special Purpose Acquisition Company ^{1,5}	0.31	10	19	19	SPAC	Korea
KB Private Equity FundIII ¹	15.68	8,000	7,899	7,899	Investment finance	Korea
Korea Credit Bureau Co., Ltd. ¹	9.00	4,500	5,056	5,056	Credit information	Korea
KoFC KBIC Frontier Champ 2010-5(PEF)	50.00	6,485	7,506	7,120	Investment finance	Korea
KoFC POSCO HANHWA KB shared growth Private Equity Fund No.2	25.00	12,970	17,213	17,213	Investment finance	Korea
Keystone-Hyundai Securities No. 1 Private Equity Fund ¹	5.64	1,842	1,761	1,761	Investment finance	Korea
POSCO-KB Shipbuilding Fund	31.25	2,500	2,345	2,345	Investment finance	Korea
Hyundai-Tongyang Agrifood Private Equity Fund	25.47	82	543	543	Investment finance	Korea
		₩ 319,573	₩ 329,875	₩ 335,070		

¹ As of December 31, 2018 and 2017, the Group is represented on the governing bodies of its associates. Therefore, the Group has a significant influence over the decision-making process relating to their financial and business policies.

² The market value of KB No.8 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017, amounts to ₩ 20 million.

³ The market value of KB No.9 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2017, amounts to ₩ 31 million.

⁴ The market value of KB No.10 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2018 and 2017, amounts to ₩ 20 million and ₩ 20 million, respectively.

⁵ The market value of KB No.11 Special Purpose Acquisition Company, reflecting the quoted market price as of December 31, 2018 and 2017, amounts to ₩ 21 million and ₩ 20 million, respectively.

⁶ The investment in associates was reclassified from available-for-sale financial assets due to re-instated voting rights from termination of rehabilitation procedures.

⁷ Carrying amount of the investment has been recognized as a loss from the date Hyundai Securities Co., Ltd. was included in the consolidation scope.

⁸ In order to direct relevant activities, it is necessary to obtain the consent of the two co-operative members; the Group has applied the equity method as the Group cannot control the investee by itself.

⁹ The ownership of Paycoms Co., Ltd. would be 22.96% and 24.06% as of December 31, 2018 and 2017, respectively, considering the potential voting rights from convertible bond.

¹⁰ The ownership of Acts Co., Ltd. would be 27.22% and 27.78% as of December 31, 2018 and 2017, respectively, considering the potential voting rights from convertible bond.

¹¹ The ownership of Food Factory Co., Ltd. would be 30.00% and 30.00% as of December 31, 2018 and 2017, respectively, considering the potential voting rights from convertible bond.

¹² The ownership of Bulton Co., Ltd. would be 26.86% as of December 31, 2018, considering the potential voting rights from convertible bond.

¹³ The ownership of Bungaejangter Inc. would be 22.69% as of December 31, 2017, considering the potential voting rights from convertible bond.

¹⁴ In accordance with Korean IFRS 1028 Investments in Associates and Joint Ventures, application of the equity method is exempted, and the Group designates its investments in JLK INSPECTION Inc., Rainist Co., Ltd., TESTIAN Inc., Spark Biopharma, Inc., RMGP Bio-Pharma Investment Fund, L.P., RMGP Bio-Pharma Investment, L.P., HEYBIT, Inc., Hasys, Stratio, Inc.

¹⁵ The Group has entered into an agreement with PT Bosowa Corporindo, the major shareholder of PT Bank Bukopin TBK. Under this agreement, the Group has a right of first refusal, a tag-along right and a drag-along right. The drag-along right can be exercised for the duration of two years after three years from the acquisition date, subject to the occurrence of certain situations as defined in the agreement.

¹⁶ The fair value of PT Bank Bukopin TBK common stock is ₩ 53,540 million as of December 31, 2018.

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

(In millions of Korean won)

	2018 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount
Associates and joint ventures							
KB Pre IPO Secondary Venture Fund 1 st	₩ 10,864	₩ 9	₩ 10,120	₩ 10,855	₩ 1,649	₩ -	₩ 1,649
KB GwS Private Securities Investment Trust	516,115	741	425,814	515,374	136,208	(1,846)	134,362
KB-KDBC New Technology Business Investment Fund	22,492	602	22,500	21,890	14,594	-	14,594
KB Star office Private real estate Investment Trust No.1	218,025	121,828	95,000	96,197	20,252	(413)	19,839
PT Bank Bukopin TBK ²	7,195,249	6,711,233	106,536	484,016	106,484	7,448	113,932
Sun Surgery Center Inc	10,468	610	9,428	9,858	2,760	(45)	2,715
RAND Bio Science Co., Ltd.	2,913	2,070	913	843	185	658	843
Balhae Infrastructure Company	859,040	1,843	829,995	857,197	108,050	-	108,050
Aju Good Technology Venture Fund Acts Co., Ltd.	47,216	66	46,900	47,150	18,134	-	18,134
	6,666	6,823	117	(157)	(14)	14	-
SY Auto Capital Co., Ltd.	89,948	58,812	20,000	31,136	15,257	(4,585)	10,672
Incheon Bridge Co., Ltd.	617,560	728,896	61,096	(111,336)	(16,689)	16,689	-
Big Dipper Co., Ltd.	723	157	1,500	566	166	114	280
Builton Co., Ltd.	1,908	1,604	325	304	67	237	304
A-PRO Co., Ltd.	29,438	18,099	1,713	11,339	1,554	(151)	1,403
Paycoms Co., Ltd.	2,126	1,520	855	606	71	32	103
Food Factory Co., Ltd.	4,096	3,168	450	928	206	722	928
KB IGen Private Equity Fund No. 1	148	8	170	140	-	-	-
KB No.9 Special Purpose Acquisition Company	30,288	2,629	1,382	27,659	31	-	31
KB No.10 Special Purpose Acquisition Company	11,960	1,704	521	10,256	20	-	20
KB No.11 Special Purpose Acquisition Company	6,807	742	321	6,065	19	-	19
KB Private Equity FundIII	49,924	5	51,000	49,919	7,830	-	7,830
Korea Credit Bureau Co., Ltd.	88,797	22,788	10,000	66,009	5,941	-	5,941
KoFC KBIC Frontier Champ 2010-5(PEF)	469	3	300	466	233	-	233
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	59,464	1,061	51,880	58,403	14,601	-	14,601
Keystone-Hyundai Securities No. 1 Private Equity Fund	177,024	151,862	34,114	25,162	1,581	-	1,581
POSCO-KB Shipbuilding Fund	14,287	4	16,000	14,283	4,463	-	4,463
GH Real Estate I LP	41,206	190	42,093	41,016	17,252	-	17,252
KBTS Technology Venture Private Equity Fund	24,810	208	25,400	24,602	13,777	-	13,777
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	18,820	181	18,800	18,639	7,930	-	7,930
KB-SJ Tourism Venture Fund	7,484	2	8,100	7,482	1,386	-	1,386
UNION Media Commerce Fund	3,318	-	3,450	3,318	962	-	962

(In millions of Korean won)

	2018 ¹				
	Operating income	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends
Associates and joint ventures					
KB Pre IPO Secondary Venture Fund 1st	₩ 2,140	₩ 1,404	₩ -	₩ 1,404	₩ -
KB GwS Private Securities Investment Trust	42,502	41,524	-	41,524	8,160
KB-KDBC New Technology Business Investment Fund	39	(568)	-	(568)	-
KB Star office Private real estate Investment Trust No.1	14,092	6,135	-	6,135	1,162
PT Bank Bukopin TBK	148,793	(8,843)	(2,325)	(11,168)	-
Sun Surgery Center Inc.	873	71	342	413	-
RAND Bio Science Co., Ltd.	-	(2,076)	-	(2,076)	-
Balhae Infrastructure Company	61,525	54,241	-	54,241	6,804
Aju Good Technology Venture Fund	2,491	1,356	-	1,356	-
Acts Co., Ltd.	2,472	(628)	-	(628)	-
SY Auto Capital Co., Ltd.	16,525	2,729	(151)	2,578	-
Incheon Bridge Co., Ltd.	94,373	(2,757)	-	(2,757)	-
Big Dipper Co., Ltd.	441	(543)	-	(543)	-
Builton Co., Ltd.	1,867	(287)	-	(287)	-
A-PRO Co., Ltd.	47,926	2,015	-	2,015	-
Paycoms Co., Ltd.	686	(409)	-	(409)	-
Food Factory Co., Ltd.	4,753	412	-	412	-
KB IGen Private Equity Fund No. 1	-	3,693	-	3,693	-
KB No.9 Special Purpose Acquisition Company	-	262	-	262	-
KB No.10 Special Purpose Acquisition Company	-	73	-	73	-
KB No.11 Special Purpose Acquisition Company	-	218	-	218	-
KB Private Equity FundIII	-	(438)	-	(438)	-
Korea Credit Bureau Co., Ltd.	78,018	9,901	-	9,901	112
KoFC KBIC Frontier Champ 2010-5(PEF)	1,460	1,453	-	1,453	999
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	2,401	(12,313)	-	(12,313)	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	15,507	(3,194)	-	(3,194)	-
POSCO-KB Shipbuilding Fund	160	(1,222)	-	(1,222)	-
GH Real Estate I LP	4,293	3,089	(307)	2,782	1,595
KBTS Technology Venture Private Equity Fund	-	(798)	-	(798)	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	20	(161)	-	(161)	-
KB-SJ Tourism Venture Fund	-	(618)	-	(618)	-
UNION Media Commerce Fund	-	(132)	-	(132)	-

(In millions of Korean won)

	2017 ¹						
	Total assets	Total liabilities	Share capital	Equity	Share of net asset amount	Unrealized gains (losses)	Consolidated carrying amount
Associates and Joint ventures							
KB Pre IPO Secondary Venture Fund 1 st	₩ 10,908	₩ 30	₩ 11,000	₩ 10,878	₩ 1,601	₩ -	₩ 1,601
KB GwS Private Securities Investment Trust	505,115	741	425,814	504,374	134,891	(3,471)	131,420
KB-KDBC New Technology Business Investment Fund	7,503	45	7,500	7,458	4,972	-	4,972
KB Star office Private real estate Investment Trust No.1	216,041	120,462	95,000	95,579	20,122	(413)	19,709
Sun Surgery Center Inc	9,579	-	43	9,579	2,682	-	2,682
RAND Bio Science Co., Ltd.	1,876	7	71	1,869	2,000	-	2,000
Balhae Infrastructure Company	836,309	1,800	807,567	834,509	105,190	-	105,190
Bungaejangter Inc.	5,592	3,450	43	2,142	3,484	-	3,484
Aju Good Technology Venture Fund	20,676	250	21,400	20,426	7,856	374	8,230
Acts Co., Ltd.	6,741	6,894	117	(153)	500	-	500
SY Auto Capital Co., Ltd.	79,845	51,071	20,000	28,774	14,099	(6,029)	8,070
Incheon Bridge Co., Ltd.	646,811	754,900	61,096	(108,089)	(16,202)	16,202	-
Big Dipper Co., Ltd.	1,138	30	1,500	1,108	325	115	440
Builton Co., Ltd.	1,418	808	321	610	800	-	800
A-PRO Co., Ltd.	8,692	5,681	43	3,011	1,500	-	1,500
Inno Lending Co.,Ltd.	1,184	28	2,000	1,156	230	-	230
Paycoms Co.,Ltd.	1,898	1,374	810	524	800	-	800
Food Factory Co., Ltd.	3,501	3,552	-	(51)	1,000	-	1,000
KB IGen Private Equity Fund No. 1	7,666	9	11,230	7,657	3	-	3
KB No.8 Special Purpose Acquisition Company	22,920	2,369	1,031	20,551	20	-	20
KB No.9 Special Purpose Acquisition Company	29,963	2,566	1,382	27,397	31	-	31
KB No.10 Special Purpose Acquisition Company	11,858	1,675	521	10,183	20	-	20
KB No.11 Special Purpose Acquisition Company	6,730	717	321	6,013	19	-	19
KB Private Equity FundIII	50,357	-	51,000	50,357	7,899	-	7,899
Korea Credit Bureau Co., Ltd.	75,504	19,323	10,000	56,181	5,056	-	5,056
KoFC KBIC Frontier Champ 2010-5(PEF)	15,017	3	12,970	15,014	7,506	(386)	7,120
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	70,166	1,315	51,880	68,851	17,213	-	17,213
Keystone-Hyundai Securities No. 1 Private Equity Fund	170,155	133,034	34,114	37,121	1,761	-	1,761
POSCO-KB Shipbuilding Fund	7,752	247	8,000	7,505	2,345	-	2,345
Hyundai-Tongyang Agrifood Private Equity Fund	2,466	339	320	2,127	543	-	543

(In millions of Korean won)

	2017 ¹				
	Operating income	Profit (loss)	Other comprehensive income	Total comprehensive income	Dividends
Associates and Joint ventures					
KB Pre IPO Secondary Venture Fund 1st	₩ 394	₩ (60)	₩ (62)	₩ (122)	₩ -
KB GwS Private Securities Investment Trust	35,002	34,004	-	34,004	7,350
KB-KDBC New Technology Business Investment Fund	3	(42)	-	(42)	-
KB Star office Private real estate Investment Trust No.1	13,071	5,684	-	5,684	1,295
Sun Surgery Center Inc.	-	-	-	-	-
RAND Bio Science Co., Ltd.	-	(607)	-	(607)	-
Balhae Infrastructure Company	113,441	104,942	-	104,942	12,842
Bungaejangter Inc.	406	48	-	48	-
Aju Good Technology Venture Fund	660	(841)	-	(841)	-
Acts Co.,Ltd.	3,537	(578)	-	(578)	-
SY Auto Capital Co., Ltd.	15,783	2,490	(27)	2,463	-
Incheon Bridge Co., Ltd.	90,691	(8,719)	-	(8,719)	-
Big Dipper Co., Ltd.	140	(392)	-	(392)	-
Builton Co., Ltd.	1,433	58	-	58	-
A-PRO Co., Ltd.	12,226	661	-	661	-
Inno Lending Co., Ltd.	(751)	(749)	-	(749)	-
Paycoms Co.,Ltd.	303	(170)	-	(170)	-
Food Factory Co., Ltd.	3,324	(1,036)	-	(1,036)	-
KB IGen Private Equity Fund No. 1	-	172	-	172	-
KB No.8 Special Purpose Acquisition Company	-	73	-	73	-
KB No.9 Special Purpose Acquisition Company	-	223	-	223	-
KB No.10 Special Purpose Acquisition Company	-	29	-	29	-
KB No.11 Special Purpose Acquisition Company	-	(262)	-	(262)	-
KB Private Equity FundIII	-	(545)	-	(545)	-
Korea Credit Bureau Co., Ltd.	68,750	3,580	-	3,580	149
KoFC KBIC Frontier Champ 2010-5(PEF)	2,728	(294)	142	(152)	-
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	21,916	8,624	129	8,753	-
Keystone-Hyundai Securities No. 1 Private Equity Fund	5,391	(1,507)	-	(1,507)	-
POSCO-KB Shipbuilding Fund	23	(495)	-	(495)	-
Hyundai-Tongyang Agrifood Private Equity Fund	4,159	3,231	-	3,231	407

¹ The amounts included in the financial statements of the associates and joint ventures are adjusted to reflect adjustments made by the entity; such as, fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

² The amounts of goodwill on PT Bank Bukopin TBK is ₩ 4,101 million.

Changes in investments in associates and joint ventures for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018							
	Beginning ¹	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
Associates and joint ventures								
KB Pre IPO Secondary Venture Fund 1st	₩ 1,551	₩ -	₩ (217)	₩ -	₩ 315	₩ -	₩ -	₩ 1,649
KB GwS Private Securities Investment Trust	131,420	-	-	(8,160)	11,102	-	-	134,362
KB-KDBC New Technology Business Investment Fund	4,972	10,000	-	-	(378)	-	-	14,594
KB Star office Private real estate Investment Trust No.1	19,709	-	-	(1,162)	1,292	-	-	19,839
PT Bank Bukopin TBK	-	116,422	-	-	(1,946)	(544)	-	113,932
Sun Suregery Center Inc.	2,682	-	-	-	33	-	-	2,715
Dae-A Leisure Co., Ltd.	-	-	-	-	3,698	(3,120)	-	578
RAND Bio Science Co., Ltd.	2,000	-	-	-	(1,157)	-	-	843
Balhae Infrastructure Company	105,190	4,645	(1,817)	(6,804)	6,836	-	-	108,050
Bungaejangter Inc. ³	3,484	-	(1,384)	-	-	-	(2,100)	-
Aju Good Technology Venture Fund	8,230	9,808	-	-	96	-	-	18,134
Acts Co., Ltd. 2	500	-	-	-	-	-	(500)	-
SY Auto Capital Co., Ltd.	8,070	-	-	-	2,676	(74)	-	10,672
Kendae Co., Ltd.	127	-	-	-	(29)	-	-	98
Dassang Techlon Co., Ltd.	-	-	-	-	-	-	-	-
Dong Jo Co., Ltd.	-	-	-	-	115	-	-	115
Big Dipper Co., Ltd.	440	-	-	-	(160)	-	-	280
Builton Co., Ltd.	800	-	-	-	(496)	-	-	304
Shinhwa Underwear Co., Ltd.	138	-	-	-	47	-	-	185
A-PRO Co., Ltd.	1,500	-	-	-	(97)	-	-	1,403
MJT&I Co., Ltd.	127	-	-	-	(5)	-	-	122
Inno Lending Co., Ltd.	230	-	(230)	-	-	-	-	-
Terra Co., Ltd.	20	-	-	-	(20)	-	-	-
Paycoms Co., Ltd.	800	-	-	-	(697)	-	-	103
Food Factory Co., Ltd.	1,000	-	-	-	(72)	-	-	928
KB IGen Private Equity Fund No. 1	3	-	(4)	-	1	-	-	-
KB No.8 Special Purpose Acquisition Company	20	-	(20)	-	-	-	-	-
KB No.9 Special Purpose Acquisition Company	31	-	-	-	-	-	-	31
KB No.10 Special Purpose Acquisition Company	20	-	-	-	-	-	-	20
KB No.11 Special Purpose Acquisition Company	19	-	-	-	1	(1)	-	19
KB Private Equity FundIII	7,899	-	-	-	(69)	-	-	7,830
Korea Credit Bureau Co., Ltd.	5,056	-	-	(112)	997	-	-	5,941
KoFC KBIC Frontier Champ 2010-5(PEF)	7,120	-	(6,121)	(999)	233	-	-	233
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	17,713	-	-	-	(1,873)	(1,239)	-	14,601

(In millions of Korean won)

	2018							
	Beginning ¹	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,761	-	-	-	(180)	-	-	1,581
POSCO-KB Shipbuilding Fund	2,345	2,500	-	-	(382)	-	-	4,463
Hyundai-Tongyang Agrifood Private Equity Fund	543	-	(74)	(469)	-	-	-	-
GH Real Estate I LP	-	17,678	-	(1,595)	1,298	(129)	-	17,252
KBTS Technology Venture Private Equity Fund	-	14,224	-	-	(447)	-	-	13,777
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	-	8,000	-	-	(70)	-	-	7,930
KB-SJ Tourism Venture Fund	-	1,500	-	-	(114)	-	-	1,386
CUBE Growth Fund No.2	-	1,300	(1,300)	-	-	-	-	-
UNION Media Commerce Fund	-	1,000	-	-	(38)	-	-	962
	₩ 335,520	₩ 187,077	₩ (11,167)	₩ (19,301)	₩ 20,510	₩ (5,107)	₩ (2,600)	₩ 504,932

¹ Prepared in accordance with Korean IFRS 1109² Recognized ₩ 500 million loss in relation to impaired capital.³ The amount of reclassification as financial assets is ₩ 2,100 million.⁴ Gain on disposal of investments in associates and joint ventures for the year ended December 31, 2018 is ₩ 4,250 million.

(In millions of Korean won)

	2017							
	Beginning	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
Associates and Joint ventures								
KB Pre IPO Secondary Venture Fund 1st	₩ -	₩ 1,671	₩ -	₩ -	₩ (60)	₩ (10)	₩ -	₩ 1,601
KB GwS Private Securities Investment Trust	129,678	-	-	(7,350)	9,092	-	-	131,420
KB-KDBC New Technology Business Investment Fund	-	5,000	-	-	(28)	-	-	4,972
KB Star office Private real estate Investment Trust No.1	19,807	-	-	(1,295)	1,197	-	-	19,709
Sun Surgery Center Inc.	-	2,682	-	-	-	-	-	2,682
Kyobo 7 Special Purpose Acquisition Co., Ltd.	-	10	(10)	-	-	-	-	-
RAND Bio Science Co., Ltd.	2,000	-	-	-	-	-	-	2,000
Balhae Infrastructure Company	133,200	806	(29,202)	(12,842)	13,228	-	-	105,190
Bungaejanter Inc.	-	3,484	-	-	-	-	-	3,484
IMM Investment 5th PRIVATE EQUITY FUND	9,999	25,200	(35,185)	-	(14)	-	-	-
Aju Good Technology Venture Fund	1,998	6,232	-	-	-	-	-	8,230
Acts Co.,Ltd.	-	500	-	-	-	-	-	500
SY Auto Capital Co., Ltd.	5,693	-	-	-	2,390	(13)	-	8,070
isMedia Co. Ltd	3,978	-	(5,409)	-	1,431	-	-	-
Incheon Bridge Co., Ltd.	728	-	(728)	-	-	-	-	-

(In millions of Korean won)

	2017							
	Beginning ¹	Acquisition	Disposal	Dividends	Gains (losses) on equity-method accounting	Other comprehensive income	Others	Ending
KB Insurance Co., Ltd. ¹	1,392,194	-	(1,417,397)	(15,884)	38,873	2,214	-	-
Kendae Co., Ltd.	-	-	-	-	127	-	-	127
Big Dipper Co., Ltd.	-	440	-	-	-	-	-	440
Builton Co., Ltd.	-	800	-	-	-	-	-	800
Shinhwa Underwear Co., Ltd.	103	-	-	-	35	-	-	138
A-PRO Co., Ltd.	-	1,500	-	-	-	-	-	1,500
MJT&I Co., Ltd.	232	-	-	-	(105)	-	-	127
Inno Lending Co., Ltd.	378	-	-	-	(148)	-	-	230
Korbi Co., Ltd.	-	750	(750)	-	-	-	-	-
Terra Co., Ltd.	28	-	-	-	(8)	-	-	20
Paycoms Co., Ltd.	-	800	-	-	-	-	-	800
Food Factory Co., Ltd.	-	1,000	-	-	-	-	-	1,000
KBIC Private Equity Fund No. 3	2,396	-	(2,763)	-	367	-	-	-
KB IGen Private Equity Fund No. 1	10	-	(7)	-	-	-	-	3
KB No.8 Special Purpose Acquisition Company	19	-	-	-	1	-	-	20
KB No.9 Special Purpose Acquisition Company	31	-	-	-	-	-	-	31
KB No.10 Special Purpose Acquisition Company	20	-	-	-	-	-	-	20
KB No.11 Special Purpose Acquisition Company ²	13	-	-	-	(2)	(3)	11	19
KB Private Equity Fund III	8,000	-	-	-	(101)	-	-	7,899
Korea Credit Bureau Co., Ltd.	4,853	-	-	(149)	352	-	-	5,056
KoFC KBIC Frontier Champ 2010-5(PEF)	24,719	-	(17,500)	-	(170)	71	-	7,120
KoFC POSCO HANHWA KB shared growth Private Equity Fund No. 2	24,789	-	(9,730)	-	2,121	33	-	17,213
Keystone-Hyundai Securities No. 1 Private Equity Fund	1,850	-	-	-	(85)	(4)	-	1,761
POSCO-KB Shipbuilding Fund	-	2,500	-	-	(155)	-	-	2,345
Hyundai-Tongyang Agrifood Private Equity Fund	3,957	-	(3,830)	(407)	823	-	-	543
	₩ 1,770,673	₩ 53,375	₩ (1,522,511)	₩ (37,927)	₩ 69,161	₩ 2,288	₩ 11	₩ 335,070

¹ KB Insurance Co., Ltd. is included as a subsidiary in Q2 2017.

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

³ Gain on disposal of investments in associates for the year ended December 31, 2017, amounts to ₩ 15,113 million.

Accumulated unrecognized share of losses in investments in associates and joint ventures due to discontinuation of applying the equity method for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Unrecognized loss	Accumulated unrecognized loss	Unrecognized loss	Accumulated unrecognized loss
Doosung Metal Co., Ltd	₩ (4)	₩ 19	₩ (31)	₩ 23
Incheon Bridge Co., Ltd.	487	16,689	16,202	16,202
Jungdong Steel Co., Ltd.	-	489	13	489
Dpaps Co., Ltd.	141	325	(4)	184
Shinla Construction Co., Ltd.	-	183	7	183
Jaeyang Industry Co., Ltd.	30	30	-	-
Terra Co., Ltd.	14	14	-	-
Jungdo Co., Ltd.	161	161	-	-
Jinseung Tech Co., Ltd.6	3	3	-	-
Korea NM Tech Co., Ltd.	28	28	-	-
Ejade Co., Ltd.	-	-	(1,181)	-
JSC Bank CenterCredit	-	-	(108,761)	-

14. Property and Equipment, and Investment Properties

Details of property and equipment as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,433,059	₩ -	₩ (1,018)	₩ 2,432,041
Buildings	2,043,459	(707,389)	(5,859)	1,330,211
Leasehold improvements	878,078	(750,442)	-	127,636
Equipment and vehicles	1,729,223	(1,448,599)	-	280,624
Construction in progress	88,618	-	-	88,618
Financial lease assets	44,429	(31,432)	-	12,997
	₩ 7,216,866	₩ (2,937,862)	₩ (6,877)	₩ 4,272,127

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 2,475,372	₩ -	₩ (1,018)	₩ 2,474,354
Buildings	2,061,717	(684,705)	(5,859)	1,371,153
Leasehold improvements	783,446	(693,717)	-	89,729
Equipment and vehicles	1,699,563	(1,456,358)	-	243,205
Construction in progress	14,808	-	-	14,808
Financial lease assets	34,789	(26,341)	-	8,448
	₩ 7,069,695	₩ (2,861,121)	₩ (6,877)	₩ 4,201,697

The changes in property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩ 2,474,354	₩ 247	₩ (41,888)	₩ (691)	₩ -	₩ -	₩ 19	₩ 2,432,041
Buildings	1,371,153	3,738	9,683	(4,528)	(51,881)	-	2,046	1,330,211
Leasehold improvement	89,729	28,922	70,221	(633)	(71,931)	-	11,328	127,636
Equipment and vehicles	243,205	182,868	242	(1,026)	(144,791)	121	5	280,624
Construction in-progress	14,808	236,495	(161,330)	-	-	644	(1,999)	88,618
Financial lease assets	8,448	9,640	-	-	(5,091)	-	-	12,997
	₩ 4,201,697	₩ 461,910	₩ (123,072)	₩ (6,878)	₩ (273,694)	₩ 765	₩ 11,399	₩ 4,272,127

(In millions of Korean won)

	2017							
	Beginning	Acquisition	Transfers ¹	Disposal	Depreciation ²	Business combination	Others	Ending
Land	₩ 2,324,550	₩ 35,242	₩ (89,338)	₩ (11,203)	₩ -	₩ 215,274	₩ (171)	₩ 2,474,354
Buildings	981,716	14,611	31,608	(12,314)	(48,280)	403,816	(4)	1,371,153
Leasehold improvement	73,728	10,973	57,663	(858)	(66,279)	497	14,005	89,729
Equipment and vehicles	230,270	124,702	(16,695)	(452)	(138,317)	42,703	994	243,205
Construction in-progress	4,205	112,840	(102,352)	-	-	127	(12)	14,808
Financial lease assets	12,799	679	-	-	(5,030)	-	-	8,448
	₩ 3,627,268	₩ 299,047	₩ (119,114)	₩ (24,827)	₩ (257,906)	₩ 662,417	₩ 14,812	₩ 4,201,697

¹ Including transfers with investment property and assets held for sale.

² Including depreciation cost and others amounting to ₩ 128 million and ₩ 157 million recorded in other operating expenses in the statements of comprehensive income for the years ended December 31, 2018 and 2017, respectively.

The changes in accumulated impairment losses of property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending
₩	(6,877)	-	-	-	-	₩ (6,877)

(In millions of Korean won)

	2017					
	Beginning	Impairment	Reversal	Business combination	Disposal and Others	Ending
₩	(13,815)	-	-	-	₩ 6,938	₩ (6,877)

Details of investment property as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 972,562	₩ -	₩ -	₩ 972,562
Buildings	1,295,668	(148,419)	-	1,147,249
	₩ 2,268,230	₩ (148,419)	₩ -	₩ 2,119,811

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Land	₩ 252,234	₩ -	₩ (738)	₩ 251,496
Buildings	719,920	(122,935)	-	596,985
	₩ 972,154	₩ (122,935)	₩ (738)	₩ 848,481

The valuation technique and input variables that are used to measure the fair value of investment property as of December 31, 2018, are as follows:

(In millions of Korean won)

	2018		
	Fair value	Valuation technique	Inputs
Land and buildings	₩ 25,359	Cost Approach Method	- Price per square meter - Replacement cost
	976,857	Market comparison method	- Price per square meter - Prospective rental market growth rate
	1,123,323	Cash flow approach	- Period of vacancy - Rental rate - Discount rate and others - Discount rate
	161,473	Income approach	- Capitalization rate - Vacancy rate

As of December 31, 2018 and 2017, fair values of the investment properties amount to ₩ 2,287,012 million and ₩ 893,583 million, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

Rental income from the above investment properties for the years ended December 31, 2018 and 2017, amounts to ₩ 87,513 million and ₩ 59,259 million, respectively.

The changes in investment property for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	Beginning	Acquisition	Transfers	Disposal	Depreciation	Others	Ending
Land	₩ 251,496	₩ 714,454	₩ 66,086	₩ (57,384)	₩ -	₩ (2,090)	₩ 972,562
Buildings	596,985	573,671	44,622	(50,872)	(26,092)	8,935	1,147,249
	₩ 848,481	₩ 1,288,125	₩ 110,708	₩ (108,256)	₩ (26,092)	₩ 6,845	₩ 2,119,811

(In millions of Korean won)

	2017								
	Beginning	Acquisition	Transfers	Disposal	Depreciation	Business combination	Others	Ending	
Land	₩ 202,391	₩ -	₩ (39,533)	₩ (330)	₩ -	₩ 91,618	₩ (2,650)	₩ 251,496	
Buildings	552,620	262	(33,737)	(1,263)	(20,096)	141,106	(41,907)	596,985	
	₩ 755,011	₩ 262	₩ (73,270)	₩ (1,593)	₩ (20,096)	₩ 232,724	₩ (44,557)	₩ 848,481	

15. Intangible Assets

Details of intangible assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Other	Carrying Amount
Goodwill	₩ 346,314	₩ -	₩ (70,517)	₩ (577)	₩ 275,220
Other intangible assets	4,140,355	(1,614,775)	(45,017)	-	2,480,563
	₩ 4,486,669	₩ (1,614,775)	₩ (115,534)	₩ (577)	₩ 2,755,783

(In millions of Korean won)

	2017				
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Other	Carrying Amount
Goodwill	₩ 344,799	₩ -	₩ (70,517)	₩ (832)	₩ 273,450
Other intangible assets	4,012,563	(1,299,879)	(43,074)	-	2,669,610
	₩ 4,357,362	₩ (1,299,879)	₩ (113,591)	₩ (832)	₩ 2,943,060

Details of goodwill as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Housing & Commercial Bank	₩ 65,288	₩ 65,288	₩ 65,288	₩ 65,288
KB Cambodia Bank	1,202	-	1,202	-
KB Securities Co., Ltd. ¹	70,265	58,889	70,265	58,889
KB Capital Co., Ltd.	79,609	79,609	79,609	79,609
KB Savings Bank Co., Ltd.	115,343	57,404	115,343	57,404
KB Securities Vietnam Joint Stock Company ²	13,092	12,520	13,092	12,260
KB Daehan Specialed Bank PLC.	1,515	1,510	-	-
	₩ 346,314	₩ 275,220	₩ 344,799	₩ 273,450

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

² MARITIME SECURITIES INCORPORATION changed its name to KB Securities Vietnam joint stock company.

The changes in accumulated impairment losses of goodwill for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Impairment	Others	Ending
₩	(70,517)	₩ -	₩ -	(70,517)

(In millions of Korean won)

	2017			
	Beginning	Impairment	Others	Ending
₩	(69,315)	₩ (1,202)	₩ -	(70,517)

The details of allocating goodwill to cash-generating units and related information for impairment testing as of December 31, 2018, are as follows:
(In millions of Korean won)

	Housing & Commercial Bank		KB Securities Co., Ltd. ¹	KB Capital Co., Ltd.	KB Savings Bank Co., Ltd. and Yehansoul Savings Bank Co., Ltd.	KB Securities Vietnam Joint Stock Company	Total
	Retail Banking	Corporate Banking					
Carrying amounts	₩ 49,315	₩ 15,973	₩ 58,889	₩ 79,609	₩ 57,404	₩ 12,520	₩ 273,710
Recoverable amount exceeded carrying amount	4,281,676	2,875,939	658,365	1,703,417	317,394	5,595	9,842,386
Discount rate (%)	15.51%	15.74%	20.05%	10.29%	8.09%	23.63%	
Permanent growth rate (%)	1.00	1.00	1.00	1.00	1.00	1.00	

¹ Goodwill arisen from a business combination during 2018 has not been tested for impairment.

² The amount occurred from formerly known as KB Investment&Securities Co., Ltd.

Goodwill is allocated to cash-generating units, based on management's analysis, that are expected to benefit from the synergies of the combination for impairment testing, and cash-generating units consist of an operating segment or units which are not larger than an operating segment. The Group recognized the amount of ₩ 65,288 million related to goodwill acquired in the merger of Housing & Commercial Bank. Of those respective amounts, the amounts of ₩ 49,315 million and ₩ 15,973 million were allocated to the Retail Banking and Corporate Banking, respectively. Cash-generating units to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of a cash-generating unit is measured at the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. If it is difficult to measure the amount obtainable from the sale, the Group measures the fair value less costs to sell by reflecting the characteristics of the measured cash-generating unit. If it is not possible to obtain reliable information to measure the fair value less costs to sell, the Group uses the asset's value in use as its recoverable amount. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The projections of the future cash flows are based on the most recent financial budget approved by management and generally cover a period of five years. The future cash flows after projection period are estimated on the assumption that the future cash flows will increase by 1.0% for all other cash-generating units. The key assumptions used for the estimation of the future cash flows are the market size and the Group's market share. The discount rate is a pre-tax rate that reflects assumptions regarding risk-free interest rate, market risk premium and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Details of intangible assets, excluding goodwill, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 9,248	₩ (2,661)	₩ (2,090)	₩ 4,497
Software	1,169,549	(965,044)	-	204,505
Other intangible assets	515,041	(223,503)	(42,927)	248,611
Value of Business Acquired (VOBA)	2,395,291	(393,346)	-	2,001,945
Finance leases assets	51,226	(30,221)	-	21,005
	₩ 4,140,355	₩ (1,614,775)	₩ (45,017)	₩ 2,480,563

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 9,497	₩ (2,399)	₩ -	₩ 7,098
Software	1,062,699	(885,133)	-	177,566
Other intangible assets	501,874	(211,321)	(43,074)	247,479
Value of Business Acquired (VOBA)	2,395,291	(179,193)	-	2,216,098
Finance leases assets	43,202	(21,833)	-	21,369
	₩ 4,012,563	₩ (1,299,879)	₩ (43,074)	₩ 2,669,610

The changes in intangible assets, excluding goodwill, for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	Beginning	Acquisition & Transfer	Disposal	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 7,098	₩ 1,329	₩ (1,200)	₩ (639)	₩ -	₩ (2,091)	₩ 4,497
Software	177,566	103,398	(6)	(76,280)	17	(190)	204,505
Other intangible assets ²	247,479	36,014	(10,290)	(24,388)	-	(204)	248,611
Value of Business Acquired (VOBA)	2,216,098	-	-	(214,153)	-	-	2,001,945
Finance leases assets	21,369	8,024	-	(8,388)	-	-	21,005
	₩ 2,669,610	₩ 148,765	₩ (11,496)	₩ (323,848)	₩ 17	₩ (2,485)	₩ 2,480,563

(In millions of Korean won)

	2017						
	Beginning	Acquisition & Transfer	Disposal	Amortization ¹	Business combination	Others	Ending
Industrial property rights	₩ 3,005	₩ 4,772	₩ (8)	₩ (683)	₩ -	₩ 12	₩ 7,098
Software	137,101	88,172	(48)	(66,655)	20,396	(1,400)	177,566
Other intangible assets ²	221,867	34,755	(7,054)	(18,437)	18,362	(2,014)	247,479
Value of Business Acquired (VOBA)	-	-	-	(179,193)	2,395,291	-	2,216,098
Finance leases assets	27,951	792	-	(7,374)	-	-	21,369
	₩ 389,924	₩ 112,686	₩ (7,110)	₩ (272,342)	₩ 2,434,049	₩ (3,402)	₩ 2,669,610

¹ Including ₩ 214,735 million and ₩ 179,809 million recorded in insurance expenses and other operating expenses and others in the statements of comprehensive income for the years ended December 31, 2018 and 2017.² Impairment loss for membership right of other intangible asset with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount, and reversal of impairment loss was recognized when its recoverable amount is higher than its carrying amount.

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (43,074)	₩ (5,846)	₩ 3,475	₩ 428	₩ (45,017)

(In millions of Korean won)

	2017				
	Beginning	Impairment	Reversal	Disposal and others	Ending
Accumulated impairment losses on intangible assets	₩ (44,927)	₩ (601)	₩ 954	₩ 1,500	₩ (43,074)

From 2018, the Group has to pay the fine, if the actual emission exceeds the targeted emission amount; therefore, the emission rights (intangible asset) do not occur even if it is below the targeted emission amount.

Changes in emission rights for the year ended December 31, 2017, are as follows:

(KAU, in millions of Korean won)

	Applicable under 2016		Applicable under 2017		Total	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Beginning	99,283	₩ -	104,920	₩ -	204,203	₩ -
Additional Allocation	578	-	17,046	-	17,624	-
Borrowing	18,306	-	(18,306)	-	-	-
Surrendered to government	(117,484)	-	-	-	(117,484)	-
Cancel	(683)	-	(398)	-	(1,081)	-
Ending	-	₩ -	103,262	₩ -	103,262	₩ -

16. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Assets	Liabilities	Net amount
Other provisions	₩ 109,721	₩ -	₩ 109,721
Allowances for loan losses	3,327	(65)	3,262
Impairment losses on property and equipment	6,030	(2,032)	3,998
Share-based payments	17,655	-	17,655
Provisions for guarantees	20,298	-	20,298
Losses (gains) from valuation on derivative financial instruments	138,401	(13,485)	124,916
Present value discount	6,763	(2,380)	4,383
Losses (gains) from fair value hedged item	-	(25,873)	(25,873)
Accrued interest	-	(113,152)	(113,152)
Deferred loan origination fees and costs	506	(194,848)	(194,342)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains from revaluation	648	(330,548)	(329,900)
Investments in subsidiaries and others	33,589	(78,586)	(44,997)
Gains on valuation of security investment	76,558	(181,638)	(105,080)
Defined benefit liabilities	494,572	-	494,572
Accrued expenses	272,190	-	272,190
Retirement insurance expense	17,559	(444,244)	(426,685)
Adjustments to the prepaid contributions	-	(19,033)	(19,033)
Derivative-linked securities	3,762	(74,765)	(71,003)
Others	360,754	(568,357)	(207,603)
	1,562,333	(2,050,709)	(488,376)
Offsetting of deferred income tax assets and liabilities	(1,558,175)	1,558,175	-
	₩ 4,158	₩ (492,534)	₩ (488,376)

(In millions of Korean won)

	2017		
	Assets	Liabilities	Net amount
Other provisions	₩ 115,518	₩ -	₩ 115,518
Allowances for loan losses	1,142	-	1,142
Impairment losses on property and equipment	5,614	(407)	5,207
Interest on equity index-linked deposits	43	-	43
Share-based payments	23,238	-	23,238
Provisions for guarantees	24,341	-	24,341
Losses (gains) from valuation on derivative financial instruments	6,258	(17,479)	(11,221)
Present value discount	25,332	(4,498)	20,834
Losses (gains) from fair value hedged item	-	(15,698)	(15,698)
Accrued interest	243	(111,514)	(111,271)
Deferred loan origination fees and costs	332	(180,401)	(180,069)
Advanced depreciation provision	-	(1,703)	(1,703)
Gains from revaluation	648	(350,801)	(350,153)
Investments in subsidiaries and others	24,834	(103,268)	(78,434)
Gains on valuation of security investment	86,290	(225,158)	(138,868)
Defined benefit liabilities	436,706	-	436,706
Accrued expenses	194,399	-	194,399
Retirement insurance expense	-	(369,300)	(369,300)
Adjustments to the prepaid contributions	-	(16,236)	(16,236)
Derivative-linked securities	27,992	(5,679)	22,313
Others	352,437	(452,303)	(99,866)
	1,325,367	(1,854,445)	(529,078)
Offsetting of deferred income tax assets and liabilities	(1,321,376)	1,321,376	-
	₩ 3,991	₩ (533,069)	₩ (529,078)

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 73,764 million associated with investments in subsidiaries and others as of December 31, 2018, because it is not probable that the temporary differences will be reversed in the foreseeable future.

No deferred income tax assets have been recognized for deductible temporary differences of ₩ 120,704 million with others, as of December 31, 2018, due to the uncertainty that these will be realized in the future.

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 62,367 million associated with investment in subsidiaries and associates as of December 31, 2018, due to the following reasons:

- The Group is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

No deferred income tax liabilities have been recognized as of December 31, 2018, for the taxable temporary difference of ₩ 65,288 million arising from the initial recognition of goodwill from the merger of Housing and Commercial Bank in 2001.

The changes in cumulative temporary differences for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Beginning		Decrease		Increase		Ending	
Deductible temporary differences								
Other provisions	₩	441,088	₩	440,865	₩	411,680	₩	411,903
Allowances for loan losses		546,506		542,139		8,114		12,481
Impairment losses on property and equipment		20,415		19,678		21,190		21,927
Deferred loan origination fees and costs		1,207		1,207		1,841		1,841
Interest on equity index-linked deposits		155		155		0		0
Share-based payments		84,502		74,429		49,998		60,071
Provisions for guarantees		98,294		98,294		73,809		73,809
Gains(losses) from valuation on derivative financial instruments		23,162		23,162		503,277		503,277
Present value discount		104,117		104,116		24,592		24,593
Loss on SPE repurchase		80,204		80,204		0		0
Investments in subsidiaries and others		137,591		26,748		74,027		184,870
Gains on valuation of security investment		415,392		412,284		266,623		269,731
Defined benefit liabilities		1,682,234		211,994		507,190		1,977,430
Accrued expenses		706,535		706,535		993,906		993,906
Derivative linked securities		101,789		101,789		13,679		13,679
Others		1,189,756		517,189		616,755		1,289,322
		5,632,947		3,360,788		3,566,681		5,838,840
Unrecognized deferred income tax assets:								
Other provisions		2,879						3,416
Loss on SPE repurchase		80,204						-
Investments in subsidiaries and others		55,546						73,764
Others		112,030						120,704
		5,382,288						5,640,956
Tax rate (%)		27.5						27.5
Total deferred income tax assets from deductible temporary differences	₩	1,487,039					₩	1,562,333
Taxable temporary differences								
Losses(gains) from fair value hedged item	₩	(57,083)	₩	(57,083)	₩	(94,085)	₩	(94,085)
Accrued interest		(405,542)		(364,518)		(370,463)		(411,487)
Impairment losses on property and equipment		(1,481)		-		(2,976)		(4,457)
Deferred loan origination fees and costs		(668,657)		(668,657)		(727,528)		(727,528)
advanced depreciation provision		(6,192)		-		-		(6,192)
Gains(losses) from valuation on derivative financial instruments		(38,051)		(38,051)		(49,036)		(49,036)
Present value discount		(11,948)		(11,948)		(8,656)		(8,656)
Goodwill		(65,288)		-		-		(65,288)
Gains on revaluation		(1,275,641)		(124,407)		(50,758)		(1,201,992)
Investments in subsidiaries and others		(387,733)		(146,234)		(74,847)		(316,346)
Gains on valuation of security investment		(800,041)		(799,187)		(600,642)		(601,496)
Retirement insurance expense		(1,342,012)		(136,444)		(405,907)		(1,611,475)

(In millions of Korean won)

	Beginning	Decrease	Increase	Ending
Adjustments to the prepaid contributions	(59,040)	(59,040)	(69,212)	(69,212)
Derivative linked securities	(20,650)	(20,650)	(271,873)	(271,873)
Others	(1,695,063)	(1,261,852)	(1,664,205)	(2,097,416)
	₩ (6,834,422)	₩ (3,688,071)	₩ (4,390,426)	₩ (7,536,777)
Unrecognized deferred income tax assets:				
Goodwill	(65,288)			(65,288)
Investments in subsidiaries and others	(17,205)			(62,367)
Others	(906)			(588)
	(6,751,023)			(7,408,534)
Tax rate (%)	27.5			27.5
Total deferred income tax assets from deductible temporary differences	₩ (1,861,070)			₩ (2,050,709)

¹ Prepared in accordance with Korean IFRS 1109.

(In millions of Korean won)

	2017				
	Beginning	Business Combination	Decrease	Increase	Ending
Deductible temporary differences					
Other provisions	₩ 380,863	₩ 30,180	₩ 395,138	₩ 407,923	₩ 423,828
Allowances for loan losses	30,154	-	26,134	202	4,222
Impairment losses on property and equipment	32,726	-	31,988	19,677	20,415
Deferred loan origination fees and costs	5,154	-	5,154	1,207	1,207
Interest on equity index-linked deposits	168	-	168	155	155
Share-based payments	56,650	-	49,333	77,185	84,502
Provisions for guarantees	126,319	-	126,319	88,512	88,512
Gains(losses) from valuation on derivative financial instruments	40,334	-	40,334	22,758	22,758
Present value discount	46,961	-	18,417	63,573	92,117
Loss on SPE repurchase	80,204	-	-	-	80,204
Investments in subsidiaries and others	810,719	-	753,918	76,902	133,703
Gains on valuation of security investment	447,388	-	447,388	299,082	299,082
Defined benefit liabilities	1,320,135	255,375	256,580	271,857	1,590,787
Accrued expenses	1,128,492	-	1,123,713	701,756	706,535
Derivative linked securities	124,388	-	124,388	101,789	101,789
Others	1,402,646	107,755	736,757	614,570	1,388,214
	₩ 6,033,301	₩ 393,310	₩ 4,135,729	₩ 2,747,148	₩ 5,038,030
Unrecognized deferred income tax assets:					
Other provisions	-	-			2,879
Loss on SPE repurchase	80,204	-			80,204
Investments in subsidiaries and others	774,259	-			49,179
Others	119,334	-			112,030
	5,059,504	393,310			4,793,738
Tax rate (%) ¹	24.2	24.2			27.5
Total deferred income tax assets from deductible temporary differences	₩ 1,283,268	₩ 95,181			₩ 1,325,367

(In millions of Korean won)

	2017				
	Beginning	Business Combination	Decrease	Increase	Ending
Taxable temporary differences					
Losses(gains) from fair value hedged item	₩ (59,235)	₩ -	₩ (59,235)	₩ (57,083)	₩ (57,083)
Accrued interest	(349,899)	(72,117)	(377,010)	(360,536)	(405,542)
Impairment losses on property and equipment	(1,481)	-	-	-	(1,481)
Deferred loan origination fees and costs	(660,945)	(15,846)	(665,209)	(657,081)	(668,663)
advanced depreciation provision	-	(6,192)	-	-	(6,192)
Gains(losses) from valuation on derivative financial instruments	(193,243)	-	(192,491)	(61,077)	(61,829)
Present value discount	(25,454)	(8,766)	(34,220)	(16,357)	(16,357)
Goodwill	(65,288)	-	-	-	(65,288)
Gains on revaluation	(1,182,310)	(99,244)	(59,030)	(53,117)	(1,275,641)
Investments in subsidiaries and others	(387,267)	-	(72,284)	(72,484)	(387,467)
Gains on valuation of security investment	(37,252)	(236,137)	(273,171)	(764,891)	(765,109)
Retirement insurance expense	(1,170,514)	(168,714)	(200,722)	(203,506)	(1,342,012)
Adjustments to the prepaid contributions	(62,569)	-	(61,034)	(57,505)	(59,040)
Derivative linked securities	(176,962)	-	(176,962)	(20,650)	(20,650)
Others	(794,141)	(1,215,733)	(429,645)	(95,568)	(1,675,797)
	₩ (5,166,560)	₩ (1,822,749)	₩ (2,601,013)	₩ (2,419,855)	₩ (6,808,151)
Unrecognized deferred income tax assets:					
Goodwill	(65,288)	-			(65,288)
Investments in subsidiaries and others	(17,205)	(4,546)			(28,407)
Others	(906)	-			(677)
	(5,083,161)	(1,818,203)			(6,713,779)
Tax rate (%) ¹	24.2	24.2			27.5
Total deferred income tax assets from deductible temporary differences	₩ (1,253,126)	₩ (442,206)			₩ (1,854,445)

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the rate of 27.5% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2017.

17. Assets Held for Sale

Details of assets held for sale as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 16,048	₩ (3,442)	₩ 12,606	₩ 16,552
Buildings held for sale	9,054	(4,708)	4,346	4,403
	₩ 25,102	₩ (8,150)	₩ 16,952	₩ 20,955

(In millions of Korean won)

	2017			
	Acquisition cost ¹	Accumulated impairment	Carrying amount	Fair value less costs to sell
Land held for sale	₩ 133,445	₩ (1,492)	₩ 131,953	₩ 251,520
Buildings held for sale	34,862	(11,309)	23,553	24,548
	₩ 168,307	₩ (12,801)	₩ 155,506	₩ 276,068

¹ Acquisition cost of buildings held for sale is net of accumulated depreciation.

The valuation technique and input variables that are used to measure the fair value of assets held for sale as of December 31, 2018, are as follows:

(In millions of Korean won)

	2018				
	Fair value	Valuation technique ¹	Unobservable input ²	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Land and buildings	₩ 20,955	Market comparison approach model and others	Adjustment index	0.30 ~1.08	Fair value increases as the adjustment index rises.
			Adjustment ratio	-20.00~0.00	Fair value decreases as the absolute value of adjustment index rises.

¹ The Group adjusted the appraisal value by the adjustment ratio in the event the public sale is unsuccessful.

² Adjustment index is calculated using the real estate index or the producer price index, or land price volatility.

The fair values of assets held for sale were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy on Note 6.1, the fair value hierarchy of all investment properties has been categorized and classified as Level 3.

The changes in accumulated impairment losses of assets held for sale for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018							
		Beginning	Provision	Reversal	Others	Ending			
₩	(12,801)	₩	(5,281)	₩	286	₩	9,646	₩	(8,150)

(In millions of Korean won)

		2017							
		Beginning	Provision ¹	Reversal	Others ¹	Ending			
₩	(29,248)	₩	(24,192)	₩	5,138	₩	35,501	₩	(12,801)

¹ Including the amount related to the group of the assets disposed in 2017, which was classified as held for sale

As of December 31, 2018, assets held for sale consist of eight real estates of closed offices, which were committed to sell by the management, but not yet sold as of December 31, 2018. Negotiation with buyers is in process for the two assets and the remaining six assets are also being actively marketed.

18. Other Assets

Details of other assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Other financial assets				
Other receivables	₩	4,708,910	₩	6,447,405
Accrued income		1,724,328		1,594,455
Guarantee deposits		1,182,686		1,211,841
Domestic exchange settlement debits		504,899		949,897
Others		125,380		101,909
Allowances		(106,275)		(104,813)
Present value discount		(6,372)		(5,679)
		8,133,556		10,195,015
Other non-financial assets				
Other receivables		4,965		3,640
Prepaid expenses		205,394		153,650
Guarantee deposits		4,529		4,904
Insurance assets		1,362,877		1,180,980
Separate account assets		4,715,414		4,119,203
Others		1,347,580		578,795
Allowances		(24,780)		(32,018)
		7,615,979		6,009,154
	₩	15,749,535	₩	16,204,169

Changes in allowances on other assets for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Other financial assets	Other non-financial assets	Total
Beginning ¹	₩ 109,899	₩ 32,018	₩ 141,917
Written-off	(38,184)	(1,863)	(40,047)
Provision	32,495	(5,375)	27,120
Business combination	-	-	-
Others	2,065	-	2,065
Ending	₩ 106,275	₩ 24,780	₩ 131,055

¹ Prepared in accordance with Korean IFRS 1109.

(In millions of Korean won)

	2017		
	Other financial assets	Other non-financial assets	Total
Beginning	₩ 95,629	₩ 25,182	₩ 120,811
Written-off	(14,546)	(1,970)	(16,516)
Provision	9,840	1,410	11,250
Business combination	21,293	-	21,293
Others	(7,403)	7,396	(7)
Ending	₩ 104,813	₩ 32,018	₩ 136,831

19. Financial Liabilities at Fair Value through Profit or Loss

Details of financial liabilities at fair value through profit or loss, and financial liabilities designated at fair value through profit or loss as of December 31, 2018 and 2017, are as follows:

		(In millions of Korean won)	
		2018	
Financial liabilities at fair value through profit or loss			
Securities sold	₩	2,745,906	
Other		77,914	
		₩	2,823,820
Financial liabilities designated at fair value through profit or loss			
Derivative-linked securities			12,503,039
Total financial liabilities at fair value through profit or loss	₩		15,326,859

		(In millions of Korean won)	
		2017	
Financial liabilities held for trading			
Securities sold	₩	1,870,579	
Other		74,191	
		₩	1,944,770
Financial liabilities designated at fair value through profit or loss			
Derivative-linked securities			10,078,288
Total financial liabilities at fair value through profit or loss	₩		12,023,058

The difference between the carrying amount and contractual cash flow amount of financial liabilities designated at fair value through profit or loss as of December 31, 2018 is as follows:

		(In millions of Korean won)	
		2018	
Contractual cash flow amount	₩	12,329,525	
Carrying amount			12,503,039
Difference	₩		(173,514)

20. Deposits

Details of deposits as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Demand deposits				
Demand deposits in Korean won	₩	115,602,691	₩	113,676,999
Demand deposits in foreign currencies		6,887,280		6,911,782
		122,489,971		120,588,781
Time deposits				
Time deposits in Korean won		145,336,136		127,562,153
Time deposits in foreign currencies		5,501,887		4,481,607
Fair value adjustments on valuation of fair value hedged items		(89,264)		(51,033)
		5,412,623		4,430,574
		150,748,759		131,992,727
Certificates of deposits		3,531,719		3,218,540
Total deposits	₩	276,770,449	₩	255,800,048

21. Debts

Details of debts as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Borrowings	₩	19,969,328	₩	16,846,072
Repurchase agreements and others		11,954,491		10,676,219
Call money		1,081,015		1,298,637
	₩	33,004,834	₩	28,820,928

Details of borrowings as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		Lender	Annual interest rate (%)	2018	2017
Borrowings in Korean won	Borrowings from the Bank of Korea	Bank of Korea	0.50 ~ 0.75	₩ 1,672,714	₩ 1,888,880
	Borrowings from the government	SEMAS and others	0.00 ~ 3.00	1,745,940	1,726,543
	Borrowings from banks	Shinhan Bank and others	2.99 ~ 3.45	100,100	36,806
	Borrowings from non-banking financial institutions	The Korea Development Bank and others	0.22 ~ 5.00	1,852,953	1,631,376
	Other borrowings	The Korea Development Bank and others	0.00 ~ 5.20	5,033,768	4,409,261
				10,405,475	9,692,866
Borrowings in foreign currencies	Due to banks	Commerzbank AG and Others	-	13,353	19,820
	Borrowings from banks	Central Bank of Uzbekistan and Others	0.00 ~ 8.15	7,521,197	5,470,569
	Borrowings from other financial institutions	The Export-Import Bank of Korea and others	3.20 ~ 3.94	18,725	76,134
	Other borrowings	Standard Chartered Bank and others	-	2,010,578	1,586,683
				9,563,853	7,153,206
			₩ 19,969,328	₩ 16,846,072	

The details of repurchase agreements and others as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

Lenders		Annual interest rate (%)	2018	2017
Repurchase agreements	Individuals, Groups and Corporations	1.19 ~ 2.22	₩ 11,946,896	₩ 10,666,315
Bills sold	Counter sale	0.40 ~ 1.00	7,595	9,904
			₩ 11,954,491	₩ 10,676,219

The details of call money as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

Lender		Annual interest rate (%)	2018	2017
Call money in Korean won	Deutsche Bank AG, Seoul and others	1.33 ~ 1.75	₩ 718,600	₩ 890,000
Call money in foreign currencies	Central Bank of Uzbekistan and others	1.20 ~ 2.20	362,415	408,637
			₩ 1,081,015	₩ 1,298,637

22. Debentures

Details of debentures as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Annual interest rate (%)	2018	2017
Debentures in Korean won			
Structured debentures	1.49 ~ 5.86	₩ 1,296,860	₩ 869,294
Subordinated fixed rate debentures in Korean won	1.63 ~ 4.35	3,437,729	2,913,411
Fixed rate debentures in Korean won	1.35 ~ 5.70	42,203,545	36,823,365
Floating rate debentures in Korean won	1.72 ~ 1.77	1,650,000	728,000
		48,588,134	41,334,070
Fair value adjustments on fair value hedged financial debentures in Korean won		19,252	19,891
Less: Discount on debentures in Korean won		(33,445)	(53,897)
		48,573,941	41,300,064
Debentures in foreign currencies			
Floating rate debentures	0.00 ~ 3.72	1,791,868	1,371,392
Fixed rate debentures	1.63 ~ 3.63	2,951,251	2,363,486
		4,743,119	3,734,878
Fair value adjustments on fair value hedged debentures in foreign currencies		(24,073)	(25,941)
Less: Discount on debentures in foreign currencies		(14,290)	(16,277)
		4,704,756	3,692,660
		₩ 53,278,697	₩ 44,992,724

Changes in debentures based on face value for the year ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Beginning	Issues	Repayments	Others	Ending
Debentures in Korean won					
Structured debentures	₩ 869,294	₩ 3,662,797	₩ (3,235,231)	₩ -	₩ 1,296,860
Subordinated fixed rate debentures in Korean won	2,913,411	600,000	(75,682)	-	3,437,729
Fixed rate debentures in Korean won	36,823,365	136,987,100	(131,606,920)	-	42,203,545
Floating rate debentures in Korean won	728,000	1,160,000	(238,000)	-	1,650,000
	₩ 41,334,070	₩ 142,409,897	₩ (135,155,833)	₩ -	₩ 48,588,134
Debentures in foreign currencies					
Floating rate debentures	1,371,392	725,638	(384,230)	79,068	1,791,868
Fixed rate debentures	2,363,486	493,022	-	94,743	2,951,251
	3,734,878	1,218,660	(384,230)	173,811	4,743,119
	₩ 45,068,948	₩ 143,628,557	₩ (135,540,063)	₩ 173,811	₩ 53,331,253

(In millions of Korean won)

	2017				
	Beginning	Issues	Repayments	Others	Ending
Debentures in Korean won					
Structured debentures	₩ 1,146,300	₩ 3,876,080	₩ (4,153,086)	₩ -	₩ 869,294
Subordinated fixed rate debentures in Korean won	3,271,693	-	(358,282)	-	2,913,411
Fixed rate debentures in Korean won	25,627,695	133,283,400	(122,087,730)	-	36,823,365
Floating rate debentures in Korean won	1,108,000	410,000	(790,000)	-	728,000
	31,153,688	137,569,480	(127,389,098)	-	41,334,070
Debentures in foreign currencies					
Floating rate debentures	1,063,480	1,338,239	(911,936)	(118,391)	1,371,392
Fixed rate debentures	2,803,720	795,150	(945,394)	(289,990)	2,363,486
	3,867,200	2,133,389	(1,857,330)	(408,381)	3,734,878
	₩ 35,020,888	₩ 139,702,869	₩ (129,246,428)	₩ (408,381)	₩ 45,068,948

23. Provisions

Details of provisions as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Provisions for unused loan commitments	₩	210,677	₩	178,202
Provisions for payment guarantees		75,175		88,809
Provisions for financial guarantee contracts		4,275		2,682
Provisions for restoration cost		108,000		95,194
Others		127,732		203,146
	₩	525,859	₩	568,033

Changes in provisions for unused loan commitments, payment guarantees for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Provisions for unused loan commitments			Provisions for payment guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non-impaired	Impaired		Non-impaired	Impaired
Beginning ¹	₩ 124,487	₩ 63,407	₩ 7,746	₩ 41,637	₩ 39,628	₩ 18,744
Transfer between stages						
Transfer to 12-month expected credit losses	25,562	(24,067)	(1,494)	660	(661)	-
Transfer to lifetime expected credit losses (non-impaired)	(11,053)	11,381	(327)	(913)	1,055	(141)
Transfer to lifetime expected credit losses (impaired)	(481)	(1,333)	1,815	(6)	(87)	93
Provision (reversal) for loan losses	(5,932)	19,374	1,141	(14,702)	(10,069)	(897)
Others (change of exchange rate, etc.)	293	158	-	408	243	183
Ending	₩ 132,876	₩ 68,920	₩ 8,881	₩ 27,084	₩ 30,109	₩ 17,982

¹ Prepared in accordance with Korean IFRS 1109

(In millions of Korean won)

	2017		
	Provisions for unused loan commitments	Provisions for payment guarantees	Total
Beginning	₩ 189,349	₩ 126,428	₩ 315,777
Effects of changes in foreign exchange rate	(1,316)	(3,369)	(4,685)
Reversal	(9,850)	(34,250)	(44,100)
Business combination	19	-	19
Ending	₩ 178,202	₩ 88,809	₩ 267,011

Changes in provisions for financial guarantee contracts for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	₩		₩	
Beginning ¹	₩	4,857	₩	4,333
Reversal		(582)		(1,651)
Ending	₩	4,275	₩	2,682

¹ Prepared in accordance with Korean IFRS 1109.

Changes in provisions for restoration cost for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	₩		₩	
Beginning	₩	95,194	₩	84,854
Provision		7,301		5,150
Reversal		(2,055)		(1,211)
Used		(3,627)		(7,049)
Unwinding of discount		2,507		2,078
Effects of changes in foreign exchange rate		8,680		10,510
Business combination		-		862
Ending	₩	108,000	₩	95,194

Provisions for restoration cost are the present value of estimated costs to be incurred for the restoration of the leased properties. Actual expenses are expected to be incurred at the end of each lease contract. Three-year historical data of expired leases were used to estimate the average lease period. Also, the average restoration expense based on actual three-year historical data and the three-year historical average inflation rate were used to estimate the present value of estimated costs.

Changes in other provisions for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities	Others ¹	Total
Beginning	₩ 15,112	₩ 5,050	₩ 23,763	₩ 177	₩ 159,044	₩ 203,146
Increase	46,277	2,657	2,699	-	24,722	76,355
Decrease	(48,735)	(3,330)	(5,272)	(177)	(94,255)	(151,769)
Ending	₩ 12,654	₩ 4,377	₩ 21,190	₩ -	₩ 89,511	₩ 127,732

¹ As of December 31, 2018, the Group's provision on incomplete sales on cardsurance are ₩ 26,930 million.

(In millions of Korean won)

	2017					
	Membership rewards program	Dormant accounts	Litigations	Greenhouse gas emission liabilities ¹	Others ²	Total
Beginning	₩ 8,790	₩ 50,396	₩ 20,623	₩ 358	₩ 52,586	₩ 132,753
Increase	81,171	5,133	6,046	-	45,164	137,514
Decrease	(74,849)	(50,479)	(2,906)	(181)	(10,469)	(138,884)
Business combination	-	-	-	-	71,763	71,763
Ending	₩ 15,112	₩ 5,050	₩ 23,763	₩ 177	₩ 159,044	₩ 203,146

¹ As of December 31, 2017, the estimated greenhouse gas emission is 112,121 tons.

² As of December 31, 2017, the group's provision on incomplete sales on cardsurance are ₩ 26,926 million.

24. Net Defined Benefit Liabilities (assets)

Defined benefit plan

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

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

The defined benefit liability recognized in the statements of financial position is calculated by independent actuaries in accordance with actuarial valuation methods.

The net defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). Data used in the PUC such as interest rates, future salary increase rate, mortality rate and consumer price index are based on observable market data and historical data which are updated annually.

Actuarial assumptions may differ from actual results, due to changes in the market, economic trends and mortality trends which may impact defined benefit liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income.

Changes in the net defined benefit liabilities for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 1,841,991	₩ (1,688,183)	₩ 153,808
Current service cost	208,470	-	208,470
Past service cost	30,218	-	30,218
Gain or loss on settlement	(1,000)	-	(1,000)
Interest cost (income)	51,522	(47,689)	3,833
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	38,894	-	38,894
Actuarial gains and losses by changes in financial assumptions	95,111	-	95,111
Actuarial gains and losses by experience adjustments	33,968	-	33,968
Return on plan assets (excluding amounts included in interest income)	-	22,420	22,420
Contributions	-	(300,245)	(300,245)
Payments from plans (benefit payments)	(103,663)	103,652	(11)
Payments from the Group	(29,583)	-	(29,583)
Transfer in	8,614	(8,394)	220
Transfer out	(8,394)	8,394	-
Effect of exchange rate changes	17	-	17
Effect of business combination and disposal of business	-	-	-
Others	6,095	(2)	6,093
Ending	₩ 2,172,260	₩ (1,910,047)	₩ 262,213

(In millions of Korean won)

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 1,576,003	₩ (1,479,704)	₩ 96,299
Current service cost	208,037	-	208,037
Past service cost	21,356	-	21,356
Interest cost (income)	40,351	(36,243)	4,108
Remeasurements:			
Actuarial gains and losses by changes in demographic assumptions	22,878	-	22,878
Actuarial gains and losses by changes in financial assumptions	(86,459)	-	(86,459)
Actuarial gains and losses by experience adjustments	17,541	-	17,541
Return on plan assets (excluding amounts included in interest income)	-	16,220	16,220
Contributions:			
The Group	-	(230,785)	(230,785)
Payments from plans (benefit payments)	(216,817)	216,698	(119)
Payments from the Group	(23,779)	-	(23,779)
Transfer in	8,604	(8,383)	221
Transfer out	(8,712)	8,672	(40)
Effect of exchange rate changes	(25)	-	(25)
Effect of business combination and disposal of business	282,988	(177,832)	105,156
Others	25	3,174	3,199
Ending ¹	₩ 1,841,991	₩ (1,688,183)	₩ 153,808

¹ The net defined benefit liabilities of ₩ 153,808 million is calculated by subtracting ₩ 894 million net defined benefit assets from ₩ 154,702 million net defined benefit liabilities

Details of the net defined benefit liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Present value of defined benefit obligation	₩	2,172,260	₩	1,841,991
Fair value of plan assets		(1,910,047)		(1,688,183)
Net defined benefit liabilities	₩	262,213	₩	153,808

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)				
	2018		2017	
Current service cost	₩	208,470	₩	208,037
Past service cost ¹		7,912		21,356
Net interest expenses of net defined benefit liabilities		3,833		4,108
Gain or loss on settlement		(1,000)		-
Post-employment benefits ²	₩	219,215	₩	233,501

¹ During the year ended December 31, 2018, other provisions (amounting to ₩ 22,306 million as of December 31, 2017) were transferred into net defined benefit liabilities.

² Including post-employment benefits amounting to ₩ 2,047 million recognized as other operating expense and prepayment of ₩ 83 million recognized as other assets as of and for the year ended December 31, 2018, and post-employment benefits amounting to ₩ 1,755 million recognized as other operating expense and prepayment of ₩ 42 million recognized as other assets for the year ended December 31, 2017.

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)				
	2018		2017	
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)	₩	(22,420)	₩	(16,220)
Actuarial gains and losses		(167,973)		46,040
Income tax effects		52,377		(7,216)
Remeasurements after income tax	₩	(138,016)	₩	22,604

The details of fair value of plan assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)						
	2018					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	1,908,028	₩	1,908,028
Investment fund		-		2,019		2,019
	₩	-	₩	1,910,047	₩	1,910,047

(In millions of Korean won)						
	2017					
	Assets quoted in an active market		Assets not quoted in an active market		Total	
Cash and due from financial institutions	₩	-	₩	1,686,012	₩	1,686,012
Investment fund		-		2,171		2,171
	₩	-	₩	1,688,183	₩	1,688,183

Key actuarial assumptions used as of December 31, 2018 and 2017, are as follows:

	2018	2017
Discount rate (%)	2.00~2.30	2.10~2.90
Salary increase rate (%)	0.00~7.50	0.00~7.50
Turnover (%)	0.00~50.00	0.00~50.00

Mortality assumptions are based on the experience-based mortality table of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as of December 31, 2018, are as follows:

	Changes in principal assumption	Effect on net defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5 p.	4.23 decrease	4.48 increase
Salary increase rate (%)	0.5 p.	4.13 increase	3.95 decrease
Turnover (%)	0.5 p.	0.66 decrease	0.57 increase

The above sensitivity analyses are 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 principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits (including expected future benefit) as of December 31, 2018, is 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 ¹	₩ 61,787	₩ 121,233	₩ 600,804	₩ 1,307,327	₩ 3,766,739	₩ 5,857,890

¹ Excluded amount to be settled per promotion-incentivized defined contribution plan.

The weighted average duration of the defined benefit obligation is 1.0 ~ 11.2 years.

Expected contribution to plan assets for periods after December 31, 2018, is estimated to be ₩ 207,020 million.

25. Other Liabilities

Details of other liabilities as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Other financial liabilities		
Other payables	₩ 7,910,887	₩ 8,806,967
Prepaid card and debit card	25,831	21,767
Accrued expenses	2,986,210	2,654,345
Financial guarantee liabilities	43,395	34,114
Deposits for letter of guarantees and others	685,451	798,207
Domestic exchange settlement credits	1,689,908	48,133
Foreign exchanges settlement credits	102,187	124,728
Borrowings from other business accounts	13,166	5,408
Other payables from trust accounts	5,285,108	5,018,031
Liability incurred from agency relationships	605,076	518,955
Account for agency businesses	460,949	257,761
Dividend payables	2,019	474
Others	18,120	41,114
	19,828,307	18,330,004
Other non-financial liabilities		
Other payables	319,267	196,142
Unearned revenue	378,792	271,787
Accrued expenses	744,863	634,236
Deferred revenue on credit card points	187,459	176,840
Withholding taxes	137,236	179,903
Separate account liabilities	5,401,192	4,463,687
Others	203,880	217,709
	7,372,689	6,140,304
	₩ 27,200,996	₩ 24,470,308

26. Equity

26.1 Share Capital

Details of share capital and number of issued shares of the Parent Company as of December 31, 2018 and 2017, are as follows:

	2018	2017
Type of share	Ordinary share	Ordinary share
Number of authorized shares	1,000,000,000	1,000,000,000
Par value per share	₩ 5,000	₩ 5,000
Number of issued shares	418,111,537	418,111,537
Share capital ¹	₩ 2,090,558	₩ 2,090,558

¹ In millions of Korean won.

Changes in outstanding shares for the years ended December 31, 2018 and 2017, are as follows:

	(In number of shares)	
	2018	2017
Beginning	₩ 399,037,583	₩ 398,285,437
Increase	-	4,513,969
Decrease	(3,486,286)	(3,761,823)
Ending	₩ 395,551,297	₩ 399,037,583

26.2 Capital Surplus

Details of capital surplus as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Share premium	₩ 13,190,274	₩ 13,190,274
Loss on sales of treasury shares	(481,332)	(481,332)
Other capital surplus	4,412,718	4,413,286
	₩ 17,121,660	₩ 17,122,228

26.3 Accumulated Other Comprehensive Income

Details of accumulated other comprehensive income as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Remeasurements of net defined benefit liabilities	₩ (234,401)	₩ (96,385)
Exchange differences on translating foreign operations	(5,784)	(56,589)
Change in value of available-for-sale financial assets	-	694,321
Change in value of held-to-maturity financial assets	-	(78)
Financial assets measured at fair value through other comprehensive income	450,694	-
Shares of other comprehensive income of associates	(4,377)	1,069
Cash flow hedges	5,849	14,980
Hedges of net investments in foreign operations	(33,092)	(5,958)
Other comprehensive income of separate account	15,017	(13,692)
Profit or loss from credit risk of financial liabilities designated at fair value	(8,954)	-
Net loss on overlay adjustment	(7,146)	-
	₩ 177,806	₩ 537,668

26.4 Retained Earnings

Details of retained earnings as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Legal reserves ¹	₩	390,216	₩	334,873
Voluntary reserves		982,000		982,000
Unappropriated retained earnings		15,910,225		13,727,331
	₩	17,282,441	₩	15,044,204

¹ With respect to the allocation of net profit earned in a fiscal term, the Parent Company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its share capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

Regulatory reserve for credit losses

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

Details of the regulatory reserve for credit losses as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Regulatory reserve for credit losses attributable to:				
Shareholders of the Parent Company	₩	3,130,765	₩	3,148,332
Non-controlling interests		1,354		2,536
	₩	3,132,119	₩	3,150,868

The adjustments to the regulatory reserve for credit losses for the year ended December 31, 2018 and 2017, are as follows:

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

	2018		2017	
Provision of regulatory reserve for credit losses ¹	₩	355,363	₩	385,064
Adjusted profit after provision of regulatory reserve for credit losses ²		2,705,828		2,926,374
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ²		6,824		7,339
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ²		6,785		7,297

¹ The amount expected to be appropriated is the amount required to reserve for credit losses, calculated based on the beginning balance of regulatory reserve for credit losses (including unearned reserves) that reflects the effect of adoption of Korean IFRS 1109 retrospectively.

² Adjusted profit after provision of regulatory reserve for credit losses is not based on Korean IFRS; this is calculated reflecting provision (reversal) of the reserve before tax to the net profit to shareholders of the Parent Company.

26.5 Treasury Shares

Changes in treasury shares outstanding for the years ended December 31, 2018 and 2017, are as follows:

(In number of shares and millions of Korean won)

	2018			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,073,954	3,486,286	-	22,560,240
Carrying amount ¹	₩ 755,973	₩ 212,576	₩ -	₩ 968,549

¹ For the year ended December 31, 2018, the treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd., which had been signed in 2017, was terminated. In order to increase shareholder value, the Group entered into another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2018.

(In number of shares and millions of Korean won)

	2017			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,826,100	3,761,823	(4,513,969)	19,073,954
Carrying amount ¹	₩ 721,973	₩ 202,051	₩ (168,051)	₩ 755,973

¹ For the year ended December 31, 2017, the treasury stock trust agreement of ₩800,000 million with Samsung Securities Co., Ltd., which had been signed in previous year, was terminated. In order to increase shareholder value, the Group entered into another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2017.

27. Net Interest Income

Details of interest income and interest expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018
Interest income	
Due from financial institutions at fair value through profit or loss	₩ 9,236
Securities measured at fair value through profit or loss	713,058
Loans measured at fair value through profit or loss	26,066
Securities measured at fair value through other comprehensive income	718,327
Loans measured at fair value through other comprehensive income	2,373
Deposits at amortized cost	109,155
Equity instruments at amortized cost	604,709
Loans at amortized cost	11,431,359
Other	120,286
	13,734,569
Interest expenses	
Deposits	3,041,739
Debts	544,562
Debentures	1,148,729
Other	94,611
	4,829,641
Net interest income	₩ 8,904,928

		(In millions of Korean won)
		2017 ¹
Interest income		
Due from financial institutions	₩	127,434
Financial assets at fair value through profit or loss		536,605
Loans		9,990,792
Financial investments		
Available-for-sale financial assets		678,716
Held-to-maturity financial assets		480,595
Other		104,915
		11,919,057
Interest expenses		
Deposits		2,345,885
Debts		367,587
Debentures		880,709
Other		78,262
		3,672,443
Net interest income	₩	8,246,614

¹Regarding reclassification of interest income following the change in accounting policy, interest income for 2017 has been restated.

Interest income recognized on impaired loans is ₩ 48,974 million and ₩ 54,235 million for the years ended December 31, 2018 and 2017, respectively.

28. Net Fee and Commission Income

Details of fee and commission income, and fee and commission expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Fee and commission income				
Banking activity fees	₩	208,443	₩	188,405
Lending activity fees		74,340		74,858
Credit & Debit card related fees and commissions ¹		1,360,515		1,847,743
Agent activity fees		149,585		152,028
Trust and other fiduciary fees		363,767		353,903
Fund management related fees		132,657		132,889
Guarantee fees		44,104		49,546
Foreign currency related fees		124,201		106,038
Commissions from transfer agent services		167,071		195,556
Other business account commission on consignment		36,947		33,793
Commissions received on securities business		518,309		450,199
Lease fees		246,537		144,221
Others		291,244		259,071
		3,717,720		3,988,250
Fee and commission expense				
Trading activity related fees ²		31,889		29,547
Lending activity fees		25,734		23,253
Credit & Debit card related fees and commissions ¹		907,831		1,482,221
Outsourcing related fees		164,594		127,542
Foreign currency related fees		43,053		27,394
Others		301,243		248,269
		1,474,344		1,938,226
Net fee and commission income	₩	2,243,376	₩	2,050,024

¹ In accordance with Korean IFRS 1115, the amount of ₩ 743,238 related to the services provided to the members is deducted from the income and expenses related credit and debit card for the year ended December 31, 2018.

² The fees from financial instruments at fair value through profit or loss.

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

29.1 Net Gains or Losses on Financial Instruments Held for Trading

Net gain or loss from financial instruments at fair value through profit or loss includes dividend income, gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments held for trading for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
Revenue from financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	₩	1,544,892
Equity securities		571,404
		2,116,296
Derivatives held for trading		
Interest rate		2,328,576
Currency		3,764,985
Stock or stock index		1,383,446
Credit		38,461
Commodity		8,285
Other		92,947
		7,616,700
Financial liabilities at fair value through profit or loss		72,410
Other financial instruments		22
	₩	9,805,428
Expense from financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		
Debt securities	₩	850,129
Equity securities		475,968
		1,326,097
Derivatives held for trading		
Interest rate		2,610,305
Currency		3,499,356
Stock or stock index		1,626,007
Credit		36,747
Commodity		10,456
Other		117,741
		7,900,612
Financial liabilities at fair value through profit or loss		134,287
Other financial instruments		60
		9,361,056
Net gains or losses on financial instruments held for trading	₩	444,372

(In millions of Korean won)

2017¹

Gains related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	₩	191,243
Equity securities		546,169
		737,412
Derivatives held for trading		
Interest rate		1,753,449
Currency		5,777,818
Stock or stock index		2,094,667
Credit		76,700
Commodity		17,278
Other		23,397
		9,743,309
Financial liabilities held for trading		29,726
Other financial instruments		109
	₩	10,510,556
Losses related to financial instruments held for trading		
Financial assets held for trading		
Debt securities	₩	315,506
Equity securities		353,864
		669,370
Derivatives held for trading		
Interest rate		1,625,541
Currency		5,661,323
Stock or stock index		1,445,714
Credit		76,483
Commodity		8,481
Other		20,053
		8,837,595
Financial liabilities held for trading		58,267
Other financial instruments		117
		9,565,349
Net gains or losses on financial instruments held for trading		₩ 945,207

¹ Regarding reclassification of interest income following the change of accounting policy, gains related to financial instruments held for trading for 2017 has been restated.

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

Net gain or loss from financial instruments designated at fair value through profit or loss includes dividend income and gains or losses arising from changes in the fair values, sales and redemptions. Details of net gain or loss from financial instruments designated at fair value through profit or loss for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017 ¹	
Revenue from financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss	₩	-	₩	128,673
Financial liabilities designated at fair value through profit or loss		667,508		474,736
		667,508		603,409
Expense from financial instruments designated at fair value through profit or loss				
Financial assets designated at fair value through profit or loss		-		78,113
Financial liabilities designated at fair value through profit or loss		760,577		1,266,779
		760,577		1,344,892
Net gains or losses on financial instruments designated at fair value through profit or loss	₩	(93,069)	₩	(741,483)

¹ Regarding reclassification of interest income following the change of accounting policy, gains related to financial instruments held for trading for 2017 has been restated.

30. Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018
Other operating income	
Revenue related to financial assets mandatorily measured at fair value through other comprehensive income	
Gain on redemption of financial assets mandatorily measured at fair value through other comprehensive income	₩ 259
Gain on sale of financial assets mandatorily measured at fair value through other comprehensive income	134,875
	135,134
Financial assets at amortized cost	
Gain on sale of loans at amortized cost	46,877
	46,877
Gain on foreign exchange transactions	1,600,161
Dividend income	83,930
Others	260,709
	2,126,811
Other operating expenses	
Expense on redemption of financial assets mandatorily measured at fair value through other comprehensive income	
Losses on redemption of financial assets mandatorily measured at fair value through other comprehensive income	17
Losses on sale of financial assets mandatorily measured at fair value through other comprehensive income	35,864
	35,881
Financial assets at amortized cost	
Loss on sale of loans at amortized cost	9,006
	9,006
Loss on foreign exchanges transactions	1,539,837
Others	1,672,123
	3,256,847
Net other operating expenses	₩ (1,130,036)

(In millions of Korean won)

	2017
Other operating income	
Revenue related to available-for-sale financial assets	
Gain on redemption of available-for-sale financial assets	₩ 884
Gain on sale of available-for-sale financial assets	113,001
	113,885
Revenue related to held-to-maturity financial assets	
Gain on redemption of held-to-maturity financial assets	374
	374
Gain on foreign exchange transactions	2,520,168
Dividend income	276,829
Others	325,745
	3,237,001
Other operating expenses	
Expense related to available-for-sale financial assets	
Loss on redemption of available-for-sale financial assets	1,403
Loss on sale of available-for-sale financial assets	174,543
Impairment on available-for-sale financial assets	47,917
	223,863
Loss on foreign exchanges transactions	2,472,657
Others	1,442,371
	4,138,891
Net other operating expenses	₩ (901,890)

31. General and Administrative Expenses

31.1 General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017
Employee Benefits			
Salaries and short-term employee benefits – salaries	₩ 2,512,945	₩	2,465,132
Salaries and short-term employee benefits – others	870,356		822,536
Post-employment benefits – defined benefit plans	217,085		231,704
Post-employment benefits – defined contribution plans	21,056		15,046
Termination benefits	242,010		160,798
Share-based payments	10,930		73,370
	3,874,382		3,768,586
Depreciation and amortization	408,771		370,378
Other general and administrative expenses			
Rental expense	361,344		320,920
Tax and dues	214,683		195,965
Communication	46,661		44,516
Electricity and utilities	28,823		31,158
Publication	16,018		17,383
Repairs and maintenance	22,432		20,524
Vehicle	12,495		11,587
Travel	19,393		17,407
Training	30,310		26,664
Service fees	210,081		179,311
Electronic data processing expenses	189,007		172,007
Advertising	217,244		199,676
Others	266,868		252,582
	1,635,359		1,489,700
	₩ 5,918,512	₩	5,628,664

31.2 Share-based Payments

31.2.1 Stock grants

The Group changed the scheme of share-based payment from stock options to stock grants in November 2007. The stock grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual stock granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

Details of stock grants linked to long-term performance as of December 31, 2018, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
KB Financial Group Inc.			
Series 17	Jan. 01, 2017	16,579	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Series 18	July. 17, 2017	7,444	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Series 19	Nov. 21, 2017	46,890	Services fulfillment, Achievement of targets on the basis of market performance (35%) ³ , Achievement of targets on the basis of non-market performance (65%) ⁵
Series 20	Jan. 01, 2018	35,330	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Deferred grant	2012	5,415	Satisfied in 2012
Deferred grant	2013	588	Satisfied in 2013
Deferred grant	2015	15,154	Satisfied in 2015
Deferred grant	2016	14,538	Satisfied in 2016
Deferred grant	2017	73,473	Satisfied in 2017
		215,411	
Kookmin Bank			
Series 69	Jan. 01, 2017	173,030	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 71	Aug. 26, 2017	4,372	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 72	Aug. 28, 2017	5,601	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 73	Nov. 21, 2017	27,786	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 74	Jan. 01, 2018	190,536	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Deferred grant	2015	33,050	Satisfied
Deferred grant	2016	110,967	Satisfied
Deferred grant	2017	139,697	Satisfied
		685,039	
Other subsidiaries			
Stock granted in 2010	-	206	
Stock granted in 2011	-	382	Services fulfillment,
Stock granted in 2012	-	1,540	Achievement of targets on the basis of market performance (10~50%), Achievement of targets on the basis of non-market performance (50~90%)
Stock granted in 2013	-	2,093	
Stock granted in 2014	-	1,885	
Stock granted in 2015	-	11,533	
Stock granted in 2016	-	122,494	
Stock granted in 2017	-	297,384	
Stock granted in 2018	-	147,034	
		584,551	
		1,485,001	

¹ Granted shares represent the total number of shares initially granted to directors and employees that have residual shares at the end of reporting period (Deferred grants are residual shares at the end of the reporting period).

² Executives and employees were given the option of deferring payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement when the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return) : ((fair value at contract end date – fair value at contract commencement date) + (total dividend paid for the period)) / fair value at contract commencement date

⁴ Accomplishment of subsidiaries' performance and accomplishment of performance results

⁵ EPS, Asset Quality, HCROI, Accomplishment of Non-Banking performance

Details of stock grants linked to short-term performance as of December 31, 2018, are as follows:

	Grant date	Estimated number of vested shares ¹	Vesting conditions
KB Financial Group Inc.			
Stock granted in 2010	Jan. 01, 2010	322	Satisfied
Stock granted in 2011	Jan. 01, 2011	1,728	Satisfied
Stock granted in 2012	Jan. 01, 2012	2,642	Satisfied
Stock granted in 2013	Jan. 01, 2013	474	Satisfied
Stock granted in 2015	Jan. 01, 2015	13,516	Satisfied
Stock granted in 2016	Jan. 01, 2016	16,526	Satisfied
Stock granted in 2017	Jan. 01, 2017	16,855	Satisfied
Stock granted in 2018	Jan. 01, 2018	23,216	Proportional to service period
Kookmin Bank			
Stock granted in 2015	Jan. 01, 2015	58,366	Satisfied
Stock granted in 2016	Jan. 01, 2016	83,794	Satisfied
Stock granted in 2017	Jan. 01, 2017	80,331	Satisfied
Stock granted in 2018	Jan. 01, 2018	109,871	Proportional to service period
Other subsidiaries			
Stock granted in 2015	-	67,912	Satisfied
Stock granted in 2016	-	149,326	Satisfied
Stock granted in 2017	-	335,401	Satisfied
Stock granted in 2018	-	286,707	Proportional to service period

¹ Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2018, are as follows:

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance			
(KB Financial Group Inc.)			
Series 17	1.75	40,224~47,153	40,224~47,153
Series 18	1.75	41,473~45,236	41,473~45,236
Series 19	1.75	36,941~40,362	40,368~44,107
Series 20	1.75	39,641~44,580	40,224~45,236
Deferred grant in 2012	1.75	-	34,180~40,662
Deferred grant in 2013	1.75	-	31,245~38,404
Deferred grant in 2015	1.75	-	39,077~47,153
Deferred grant in 2016	1.75	-	40,224~47,153
Deferred grant in 2017	1.75	-	41,473~47,153

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
(Kookmin Bank)			
Series 69	1.75	40,224~47,153	40,224~47,153
Series 71	1.75	41,473~45,236	41,473~45,236
Series 72	1.75	41,473~45,236	41,473~45,236
Series 73	1.75	41,614~45,382	41,614~45,382
Series 74	1.75	38,510~44,580	39,077~45,236
Grant deferred in 2015	1.75	-	42,682~47,153
Grant deferred in 2016	1.75	-	40,224~47,153
Grant deferred in 2017	1.75	-	41,473~47,153
(Other subsidiaries)			
Share granted in 2010	1.75	-	43,965~47,153
Share granted in 2011	1.75	-	43,965~47,153
Share granted in 2012	1.75	-	43,965~47,153
Share granted in 2013	1.75	-	43,965~47,153
Share granted in 2014	1.75	-	43,965~47,153
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	42,682~47,153	40,224~47,153
Share granted in 2017	1.75	39,077~47,153	39,077~47,153
Share granted in 2018	1.75	36,769~44,580	37,840~46,317
Linked to short-term performance			
(KB Financial Group Inc.)			
Share granted in 2010	1.75	-	40,662
Share granted in 2011	1.75	-	38,111~40,662
Share granted in 2012	1.75	-	34,180~40,662
Share granted in 2013	1.75	-	31,245~37,881
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	-	37,840~47,153
Share granted in 2017	1.75	-	40,224~47,153
Share granted in 2018	1.75	-	40,224~47,153
(Kookmin Bank)			
Share granted in 2015	1.75	-	40,224~47,153
Share granted in 2016	1.75	-	39,077~47,153
Share granted in 2017	1.75	-	39,077~47,153
Share granted in 2018	1.75	-	39,077~45,236
(Other subsidiaries)			
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	-	37,840~47,153
Share granted in 2017	1.75	-	37,840~47,153
Share granted in 2018	1.75	-	37,840~64,683

The Group used the volatility of the stock price over the previous year as the expected volatility, and used the dividend yield as the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year, in order to calculate fair value.

As of December 31, 2018 and 2017, the accrued expenses related to share-based payments including share grants amounted to ₩ 111,058 million and ₩ 133,496 million, respectively, and the compensation costs from share grants amounting to ₩ 10,930 million and ₩ 73,370 million were incurred during the years ended 2018 and 2017, respectively.

Details of Mileage stock as of December 31, 2018, are as follows:

(in number of shares)

	Grant date	Number of granted shares ¹	Expected exercise period (years) ¹	Remaining shares ²
Stock granted in 2016	Jan. 23, 2016	33,829	0.00~0.06	12,334
	Apr. 29, 2016	60	0.00~0.33	21
	July 07, 2016	280	0.00~0.52	62
	July 18, 2016	767	0.00~0.55	-
	Aug. 03, 2016	107	0.00~0.59	38
	Aug. 17, 2016	51	0.00~0.63	23
	Aug. 30, 2016	256	0.00~0.66	168
	Sept. 06, 2016	206	0.00~0.68	103
	Oct. 07, 2016	105	0.00~0.77	69
	Nov. 01, 2016	118	0.00~0.84	24
	Dec. 07, 2016	211	0.00~0.93	96
	Dec. 08, 2016	43	0.00~0.94	32
	Dec. 15, 2016	12	0.00~0.96	12
	Dec. 20, 2016	309	0.00~0.97	169
Dec. 28, 2016	76	0.00~0.99	40	
Dec. 30, 2016	210	0.00~1.00	79	
Stock granted in 2017	Jan. 09, 2017	28,925	0.00~1.02	13,198
	Feb. 03, 2017	43	0.00~1.09	28
	Apr. 03, 2017	82	0.00~1.25	61
	May 22, 2017	20	0.00~1.39	20
	July 03, 2017	52	0.00~1.50	52
	Aug. 07, 2017	29	0.00~1.60	19
	Aug. 08, 2017	5	0.00~1.60	2
	Aug. 16, 2017	204	0.00~1.62	166
	Aug. 17, 2017	40	0.00~1.63	32
	Aug. 24, 2017	387	0.00~1.65	323
	Sep. 08, 2017	82	0.00~1.69	73
	Oct. 20, 2017	9	0.00~1.80	-
	Nov. 01, 2017	120	0.00~1.84	103
	Nov. 06, 2017	106	0.00~1.85	106
	Dec. 06, 2017	105	0.00~1.93	91
Dec. 26, 2017	254	0.00~1.99	215	
Dec. 29, 2017	114	0.00~1.99	98	

(in number of shares)

	Grant date	Number of granted shares ¹	Expected exercise period (years) ¹	Remaining shares ²
Stock granted in 2018	Jan. 10, 2018	19,197	0.00~2.03	18,663
	Feb. 12, 2018	9	0.00~2.12	9
	Apr. 02, 2018	115	0.00~2.25	115
	Apr. 30, 2018	86	0.00~2.33	86
	May 08, 2018	170	0.00~2.35	166
	June 01, 2018	140	0.00~2.42	140
	July 02, 2018	180	0.00~2.50	180
	Aug. 07, 2018	194	0.00~2.60	194
	Aug. 09, 2018	47	0.00~2.61	47
	Aug. 14, 2018	30	0.00~2.62	30
	Aug. 16, 2018	130	0.00~2.62	130
	Sep. 07, 2018	106	0.00~2.68	106
	Oct. 04, 2018	129	0.00~2.76	129
	Nov. 01, 2018	258	0.00~2.84	258
	Nov. 06, 2018	236	0.00~2.85	236
	Dec. 04, 2018	21	0.00~2.93	21
	Dec. 07, 2018	91	0.00~2.93	91
	Dec. 03, 2018	132	0.00~2.92	132
	Dec. 12, 2018	64	0.00~2.95	64
	Dec. 18, 2018	271	0.00~2.96	271
	Dec. 19, 2018	42	0.00~2.97	42
	Dec. 31, 2018	127	0.00~3.00	127
		88,992		49,094

¹ Mileage stock may be exercised after one year from the grant date for two years. When the mileage stock is exercised, the closing price of prior month is applied. However, in case of transfer or retirement during the vesting period, mileage stock may still be exercised at the closing price of prior month.

² The remaining shares are assessed based on the stock price as of December 31, 2018. These shares may be vested immediately at grant date.

As of December 31, 2018 and 2017, the accrued expenses for share-based payments in regards to mileage stock amounted to ₩ 2,283 million and ₩ 2,973 million, respectively, and the compensation costs amounting to ₩ 1,350 million and ₩ 2,378 million were incurred during the year ended December 31, 2018 and 2017, respectively.

32. Net Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Other non-operating income				
Gain on disposal of property and equipment	₩	34,238	₩	10,867
Rent received		55,321		32,254
Gain on bargain purchase		-		122,986
Gain on sales of disposal group held for sale		118,716		22,371
Others		37,122		72,248
		245,397		260,726
Other non-operating expenses				
Loss on disposal of property and equipment		6,131		2,500
Donation		130,249		54,419
Restoration cost		4,386		3,465
Management cost for special bonds		3,338		3,279
Loss on sales of disposal group held for sale		-		45,764
Impairment loss on disposition of disposal group held for sale		-		7,198
Impairment loss for goodwill		-		1,202
Others		91,502		104,023
		235,606		221,850
Net other non-operating income	₩	9,791	₩	38,876

33. Income Tax Expense

Income tax expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Tax payable				
Current tax expense	₩	1,096,600	₩	700,597
Adjustments recognized in the period for current tax of prior years		22,925		(39,445)
		1,119,525		661,152
Changes in deferred income tax liabilities (assets)		114,345		212,195
Income tax recognized directly in equity				
Remeasurements of net defined benefit liabilities		52,377		(7,240)
Exchange difference in foreign operation		(13,087)		25,674
Change in value of available-for-sale financial assets		-		(84,781)
Change in value of held-to-maturity financial assets		-		(3,789)
OCI related with financial assets at fair value through profit or loss		(33,329)		-
OCI related with investments in associates and joint ventures		1,374		20,975
Cash flow hedges		400		(4,368)
Hedges of a net investment in a foreign operation		10,292		(8,186)
OCI related with assets held for sale		-		(21,498)
OCI related with separate account assets		(10,864)		4,829
Profit or loss related with credit risk change of financial liabilities designated at fair value through profit or loss		(563)		-
Net gains on overlay adjustment		(884)		-
		5,716		(78,384)
Others		-		-
Tax expense	₩	1,239,586	₩	794,963

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the expected rate has been applied for the deferred tax assets and liabilities that are expected to be utilized in periods after 2018. Amended income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5%.

An analysis of the net profit before income tax and income tax expense for the years ended December 31, 2018 and 2017, follows:

(In millions of Korean won)

	2018		2017	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Net profit before income tax		₩ 4,301,532		₩ 4,138,424
Tax at the applicable tax rate ¹	27.26	1,172,559	24.19	1,001,037
Non-taxable income	(0.28)	(11,888)	(5.02)	(207,777)
Non-deductible expense	0.64	27,551	0.26	10,706
Tax credit and tax exemption	(0.01)	(637)	(0.04)	(1,658)
Temporary difference for which no deferred tax is recognized	0.29	12,260	(0.16)	(6,484)
Deferred tax relating to changes in recognition and measurement	(0.06)	(2,692)	(0.12)	(4,894)
Income tax refund for tax of prior years	(0.19)	(8,135)	(0.12)	(4,854)
Income tax expense of overseas branch	0.09	3,882	0.04	1,549
Effects from change in tax rate	(0.03)	(1,470)	0.42	17,367
Others	1.12	48,156	(0.24)	(10,029)
Average effective tax rate and tax expense	28.82	₩ 1,239,586	19.21	₩ 794,963

¹ Applicable income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5% as of December 31, 2018 and for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22% and for over ₩ 20 billion is 24.2% as of December 31, 2017.

34. Dividends

The dividends paid to the shareholders of the Parent Company in 2018 and 2017 were ₩ 766,728 million (₩ 1,920 per share) and ₩ 497,969 million (₩ 1,250 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2018 of ₩ 1,920 per share, amounting to total dividends of ₩ 759,736 is to be proposed at the annual general meeting on March 27, 2019. The Group's financial statements as of December 31, 2018, do not reflect this dividend payable.

35. Accumulated Other Comprehensive Income

Details of changes in accumulated other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Beginning ¹	Changes except for re-classification	Reclassifica-tion to profit or loss	Replaced by retained earnings	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (96,385)	₩ (190,393)	₩ -	₩ -	₩ 52,377	₩ (234,401)
Exchange differences on translating foreign operations	(54,700)	46,946	15,057	-	(13,087)	(5,784)
Other comprehensive income related with financial assets at fair value through profit or loss	362,681	134,198	8,521	(21,377)	(33,329)	450,694
Other comprehensive income related with investments in associates and joint ventures	(644)	(5,107)	-	-	1,374	(4,377)
Cash flow hedges	14,887	(24,672)	15,234	-	400	5,849
Hedges of a net investment in a foreign operation	(5,958)	(25,096)	(12,330)	-	10,292	(33,092)
Other comprehensive income related with separate account assets	(13,692)	35,826	3,747	-	(10,864)	15,017
Profit or loss related with credit risk change of Financial liabilities designated at fair value through profit or loss	(10,438)	2,047	-	-	(563)	(8,954)
Net gains/(losses) on overlay adjustment	(7,559)	24,458	(23,161)	-	(884)	(7,146)
	₩ 188,192	₩ (1,793)	₩ 7,068	₩ (21,377)	₩ 5,716	₩ 177,806

¹ Prepared in accordance with Korean IFRS 1109

(In millions of Korean won)

	2017							Ending
	Beginning	Changes except for reclassification	Reclassification to profit or loss	Tax effect	Replaced by retained earnings	Replaced by assets held for sale	Replaced by disposal group held for sale	
Remeasurements of net defined benefit liabilities	₩ (121,055)	₩ 29,925	₩ -	₩ (7,240)	₩ -	₩ -	₩ 1,985	₩ (96,385)
Exchange differences on translating foreign operations	53,138	(135,401)	-	25,674	-	-	-	(56,589)
Change in the fair value of available-for-sale financial assets	601,620	200,700	(22,357)	(84,781)	-	-	(861)	694,321
Change in value of held-to-maturity financial assets	6,447	(2,868)	132	(3,789)	-	-	-	(78)
Shares of other comprehensive income of associates and joint ventures	(96,174)	2,288	10,135	20,975	(3,492)	67,337	-	1,069
Cash flow hedges	(6,075)	(100,816)	126,239	(4,368)	-	-	-	14,980
Hedges of net investments in foreign operations	(32,572)	34,800	-	(8,186)	-	-	-	(5,958)
Other comprehensive income of separate account	-	(97,001)	78,480	4,829	-	-	-	(13,692)
Other comprehensive income of disposal group held for sale	-	-	(861)	-	1,985	-	(1,124)	-
Other comprehensive income of assets held for sale	-	-	88,835	(21,498)	-	(67,337)	-	-
	₩ 405,329	₩ (68,373)	₩ 280,603	₩ (78,384)	₩ (1,507)	₩ -	₩ -	₩ 537,668

36. Earnings per Share

36.1 Basic Earnings per Share

Basic earnings per share is calculated by dividing profit and loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, excluding the treasury shares, during the years ended December 31, 2018 and 2017.

Weighted average number of ordinary shares outstanding:

	(In number of shares)	
	2018	2017
Beginning	418,111,537	418,111,537
Treasury shares	(21,611,579)	(19,386,575)
Weighted average number of ordinary shares outstanding	396,499,958	398,724,962

Basic earnings per share:

	(In Korean won and in number of shares)	
	2018	2017
Profit attributable to ordinary shares (D)	₩ 3,061,191,387,929	₩ 3,311,437,880,186
Weighted average number of ordinary shares outstanding (E)	396,499,958	398,724,962
Basic earnings per share (F = D / E)	₩ 7,721	₩ 8,305

36.2 Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares include stock grants.

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

Adjusted profit for diluted earnings per share for the years ended December 31, 2018 and 2017, are as follows:

	(In Korean won)	
	2018	2017
Profit attributable to ordinary shares	₩ 3,061,191,387,929	₩ 3,311,437,880,186
Adjustment	-	-
Adjusted profit for diluted earnings	₩ 3,061,191,387,929	₩ 3,311,437,880,186

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings per share for the years ended December 31, 2018 and 2017, are as follows:

	(In number of shares)	
	2018	2017
Weighted average number of ordinary shares outstanding	396,499,958	398,724,962
Adjustment		
Stock grants	2,307,630	2,319,533
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	398,807,588	401,044,495

Diluted earnings per share for the years ended December 31, 2018 and 2017, are as follows:

	(in Korean won and in number of shares)	
	2018	2017
Adjusted profit for diluted earnings per share	₩ 3,061,191,387,929	₩ 3,311,437,880,186
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share	398,807,588	401,044,495
Diluted earnings per share	₩ 7,676	₩ 8,257

37. Insurance Contracts

37.1 Insurance Assets

Details of deferred acquisition costs included in other assets as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Non-life insurance	₩ 547,831	₩ 267,602
Life insurance	119,293	130,393
	₩ 667,124	₩ 397,995

Changes in the deferred acquisition costs for the years ended December 31, 2018 and 2017, are as follows

(In millions of Korean won)

	2018			
	Beginning	Increase	Decrease	Ending
Non-life insurance	₩ 267,602	₩ 772,650	₩ (492,421)	₩ 547,831
Life insurance	130,393	102,552	(113,652)	119,293
	₩ 397,995	₩ 875,202	₩ (606,073)	₩ 667,124

(In millions of Korean won)

	2017			
	Beginning	Increase	Decrease	Ending
Non-life insurance	₩ -	₩ 521,090	₩ (253,488)	₩ 267,602
Life insurance	122,151	116,826	(108,584)	130,393
	₩ 122,151	₩ 637,916	₩ (362,072)	₩ 397,995

Details of reinsurance assets included in other assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018	2017
Non-life insurance	Reserve for outstanding claims		
	General insurance	₩ 360,997	₩ 480,760
	Automobile insurance	18,057	13,320
	Long-term insurance	109,751	89,317
	Unearned premium reserve		
	General insurance	171,240	178,586
	Automobile insurance	30,864	14,986
		690,909	776,969
Life insurance	Reserve for outstanding claims	1,912	1,410
	Unearned premium reserve	448	490
		2,360	1,900
Others	Reserve for outstanding claims	3,417	3,670
	Unearned premium reserve	983	1,075
		4,400	4,745
Total reinsurance assets		697,669	783,614
Allowance for impairment		1,916	629
Total reinsurance assets, net		₩ 695,753	₩ 782,985

The changes in reinsurance assets included in other assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018		
		Beginning	Net increase (decrease)	Ending
Non-life insurance	Reserve for outstanding claims			
	General insurance	₩ 480,760	₩ (119,763)	₩ 360,997
	Automobile insurance	13,320	4,737	18,057
	Long-term insurance	89,317	20,434	109,751
	Unearned premium reserve			
	General insurance	178,586	(7,346)	171,240
	Automobile insurance	14,986	15,878	30,864
		776,969	(86,060)	690,909
Life insurance	Reserve for outstanding claims	1,410	502	1,912
	Unearned premium reserve	490	(42)	448
		1,900	460	2,360
Others	Reserve for outstanding claims	3,670	(253)	3,417
	Unearned premium reserve	1,075	(92)	983
		4,745	(345)	4,400
Total reinsurance assets		783,614	(85,945)	697,669
Allowance for impairment		629	1,287	1,916
Total reinsurance assets, net		₩ 782,985	₩ (87,232)	₩ 695,753

(In millions of Korean won)

		2017			
		Beginning	Business combination	Net increase (decrease)	Ending
Non-life insurance	Reserve for outstanding claims				
	General insurance	₩ -	₩ 391,305	₩ 89,455	₩ 480,760
	Automobile insurance	-	15,943	(2,623)	13,320
	Long-term insurance	-	87,887	1,430	89,317
	Unearned premium reserve				
	General insurance	-	218,479	(39,893)	178,586
	Automobile insurance	-	17,373	(2,387)	14,986
	Long-term insurance	-	2	(2)	-
		-	730,989	45,980	776,969
Life insurance	Reserve for outstanding claims	1,301	-	109	1,410
	Unearned premium reserve	473	-	17	490
		1,774	-	126	1,900
Others	Reserve for outstanding claims	3,041	-	629	3,670
	Unearned premium reserve	1,180	-	(105)	1,075
		4,221	-	524	4,745
Total reinsurance assets		5,995	730,989	46,630	783,614
Allowance for impairment		-	738	(109)	629
Total reinsurance assets, net		₩ 5,995	₩ 730,251	₩ 46,739	₩ 782,985

37.2 Insurance Liabilities

Details of insurance liabilities presented within other liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Non-life Insurance	Life insurance	Others	Total
Long-term insurance premium reserve	₩ 22,333,503	₩ 7,214,765	₩ -	₩ 29,548,268
Reserve for outstanding claims	2,152,018	89,400	3,417	2,244,835
Unearned premium reserve	1,393,570	2,199	983	1,396,752
Reserve for participating policyholders' dividends on long-term insurance	104,461	30,187	-	134,648
Unallocated Divisible Surplus to Future Policyholders	40,690	4,290	-	44,980
Reserve for compensation for losses on dividend-paying insurance contracts	19,410	5,644	-	25,054
Guarantee reserve	-	18,412	-	18,412
	₩ 26,043,652	₩ 7,364,897	₩ 4,400	₩ 33,412,949

(In millions of Korean won)

	2017			
	Non-life Insurance	Life insurance	Net increase (decrease)	Ending
Long-term insurance premium reserve	₩ 20,697,290	₩ 7,278,112	₩ -	₩ 27,975,402
Reserve for outstanding claims	2,148,923	78,423	3,670	2,231,016
Unearned premium reserve	1,392,211	1,511	1,075	1,394,797
Reserve for participating policyholders' dividends on long-term insurance	94,005	29,150	-	123,155
Unallocated Divisible Surplus to Future Policyholders	24,304	6,264	-	30,568
Reserve for compensation for losses on dividend-paying insurance contracts	25,730	7,920	-	33,650
Guarantee reserve	-	12,687	-	12,687
	₩ 24,382,463	₩ 7,414,067	₩ 4,745	₩ 31,801,275

The changes in insurance liability as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018		
		Beginning	Net increase (decrease) ²	Ending
Non-life insurance	General insurance	₩ 1,194,260	₩ (139,437)	₩ 1,054,823
	Automobile insurance	1,477,569	14,725	1,492,294
	Long-term insurance	21,598,125	1,788,154	23,386,279
	Long-term investment contract	112,509	(2,253)	110,256
Life insurance	Pure endowment insurance	5,249,627	(16,136)	5,233,491
	Death insurance	366,303	134,268	500,571
	Joint insurance	1,782,885	(161,425)	1,621,460
	Group insurance	1,069	(334)	735
	Other ¹	14,183	(5,543)	8,640
Others		4,745	(345)	4,400
	Total	₩ 31,801,275	₩ 1,611,674	₩ 33,412,949

(In millions of Korean won)

		2018			
		Beginning	Business combination	Net increase (decrease) ²	Ending
Non-life insurance	General insurance	₩ -	₩ 1,161,058	₩ 33,202	₩ 1,194,260
	Automobile insurance	-	1,448,313	29,256	1,477,569
	Long-term insurance	-	20,166,857	1,431,268	21,598,125
	Long-term investment contract	-	113,210	(701)	112,509
Life insurance	Pure endowment insurance	5,150,946	-	98,681	5,249,627
	Death insurance	243,008	-	123,295	366,303
	Joint insurance	1,872,706	-	(89,821)	1,782,885
	Group insurance	2,147	-	(1,078)	1,069
	Other ¹	17,816	-	(3,633)	14,183
Others		4,221	-	524	4,745
Total		₩ 7,290,844	₩ 22,889,438	₩ 1,620,993	₩ 31,801,275

¹ Including contractor's profit dividend reserve and loss on dividend insurance reserve² Including currency translation effect and decrease in liability related to investment contract

37.3 Liability adequacy test

37.3.1 Non-life insurance

(a) Assumptions and basis for the insurance liability adequacy test as of December 31, 2018 and 2017, is as follows:

	Assumptions (%)		Basis
	2018	2017	
Long-term insurance			
Discount rate	2.64%~9.05%	1.63% ~ 9.12%	Applied regulator's scenario requiring use of liquidity premium over risk-free rate
Expense ratio	6.43%	6.51%	Reflected the Parent Company's future expense cost based on the most recent one-year data
Lapse ratio	1.50%~31.40%	1.30%~34.80%	Based on the most recent five year data
Mortality	9.0%~724.0%	12.0% ~633.0%	Rate of risk to the anticipated risk premium of the insurer for the most recent five years
General insurance			
Expense ratio	10.42%	11.59%	Expense ratio divided by the most recent one year accrued insurance premium
Appraisal cost ratio	4.63%	4.73%	Appraisal cost divided by the most recent three year accrued insurance premium
Claim settlement ratio	63.77%	67.23%	Claim payment divided by the most recent five year accrued insurance premium
Automobile insurance			
Expense ratio	10.11%	11.00%	Expense ratio divided by the most recent one year accrued insurance premium
Appraisal cost ratio	9.09%	9.33%	Appraisal cost divided by the most recent three year accrued insurance premium
Claim settlement ratio	77.51%	77.02%	Claim payment divided by the most recent five year accrued insurance premium

The results of liability adequacy test as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
Long-term insurance	₩ 18,419,316	₩ 8,032,060	₩ (10,387,256)
General insurance	341,439	279,756	(61,683)
Automobile insurance	1,020,861	967,236	(53,625)
	₩ 19,781,616	₩ 9,279,052	₩ (10,502,564)

(In millions of Korean won)

	2017		
	Recognized liabilities ¹	Estimated adequate liabilities	Shortfall (surplus)
Long-term insurance	₩ 16,975,710	₩ 9,463,170	₩ (7,512,540)
General insurance	354,177	305,682	(48,495)
Automobile insurance	1,011,000	964,975	(46,025)
	₩ 18,340,887	₩ 10,733,827	₩ (7,607,060)

¹ Long-term insurance is for premium reserves and unrecognized premium reserves; the premium reserve is the amount deducted from the unearned premiums and insurance contract loans in accordance with Article 6-3 of the Insurance Supervisory Regulation.

As a result of adequacy test, the Group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

37.3.2 Life insurance

Assumptions and basis for the insurance liability adequacy test as of December 31, 2018 and 2017, are as follows:

	Assumptions (%)			Basis
	2018	2017	2016	
Rate of surrender value	0~64.95	0.44~60.30	0.48~85.55	The ratio of cancelled premiums to premiums by product group, method of payment, channel, and elapsed period calculated based on the most recent five-year experience statistics
Rate of claim	8~122	6~118	6~140	The ratio of incidents by collateral, gender, elapsed period to the number of holding insurances based on the most recent seven-year experience statistics
Discount rate	(1.72)~13.06	(1.95)~14.31	(3.21)~14.53	Estimated investment assets profit ratio based on the interest rate scenario provided by the Financial Supervisory Service

Indirect costs included in commission and operating expenses were calculated based on unit cost of the expense allocation standards of the last year in accordance with the Regulation on Insurance Supervision. Direct costs included in commission and operating expenses were calculated based on estimates of future expense according to the Group's regulations.

The results of liability adequacy test as of December 31, 2018, 2017 and 2016, are as follows:

(In millions of Korean won)

		2018		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,563	₩ 54,569	₩ 24,006
	Non-participating	133,137	87,657	(45,480)
Variable interest type	Participating	1,087,007	1,087,344	337
	Non-participating	5,538,893	5,081,544	(457,349)
Variable type		(31,481)	(122,731)	(91,250)
	Total	₩ 6,758,119	₩ 6,188,383	₩ (569,736)

(In millions of Korean won)

		2017		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 30,702	₩ 51,387	₩ 20,685
	Non-participating	97,093	30,822	(66,271)
Variable interest type	Participating	1,136,444	1,115,755	(20,689)
	Non-participating	5,581,698	4,955,777	(625,921)
Variable type		(28,699)	(105,076)	(76,377)
	Total	₩ 6,817,238	₩ 6,048,665	₩ (768,573)

(In millions of Korean won)

		2016		
		Recognized liabilities	Estimated adequate liabilities	Shortfall (surplus)
Fixed interest type	Participating	₩ 31,248	₩ 51,600	₩ 20,352
	Non-participating	60,860	(19,237)	(80,097)
Variable interest type	Participating	1,136,049	1,120,843	(15,206)
	Non-participating	5,514,847	5,159,996	(354,851)
Variable type		(29,025)	(85,349)	(56,324)
	Total	₩ 6,713,979	₩ 6,227,853	₩ (486,126)

As a result of adequacy test, the group did not set additional reserve as it shows net surplus. As such, there was no amount recorded as a result of liability adequacy test.

37.4 Insurance Income and Expense

Insurance income and expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018	2017
Insurance income	Premium income	₩ 10,730,227	₩ 8,234,731
	Reinsurance income	873,053	564,894
	Reversal of policy reserves	344	
	Separate account income	360,664	118,080
	Income of change in reinsurance assets	-	49,466
	Other insurance income	10,782	3,821
		11,975,070	8,970,992
Insurance expenses	Insurance claims paid	4,415,760	2,945,158
	Dividend expenses	9,400	6,233
	Refunds of surrender value	2,855,573	2,193,843
	Reinsurance expenses	947,560	652,910
	Provision of policy reserves	1,608,519	1,644,389
	Separate account expenses	276,412	65,773
	Insurance operating expenses	418,646	293,591
	Deferred acquisition costs	606,073	361,909
	Expenses of change in reinsurance assets	89,621	(126)
	Claim survey expenses paid	38,782	20,564
	Other insurance expenses	218,608	193,038
	11,484,954	8,377,282	
Net insurance income(expenses)	₩ 490,116	₩ 593,710	

37.5 Risk management of insurance

37.5.1 Overview

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

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

The risks associated with insurance contract that the Group faces are the insurance actuarial risk and the acceptance risk. Each risk occurs due to insurance contract's pricing and conditions of acceptance. In order to minimize acceptance risk, the Group establishes guidelines and procedure for acceptance and outlines specific conditions for acceptance by product. In addition, expected risk level at the date of pricing is compared with actual risk of contracts after acceptance and various subsequent measures such as the adjustments in the interest rate and sales conditions, termination of selling specific product and others are taken in order to reduce insurance actuarial risk. The Group has a committee to discuss status of product acceptance risk and interest rate policy. The committee decides important matters to set the processes that allow minimizing the insurance actuarial risk, the acceptance risk and other business related risk.

In addition, according to reinsurance operating standards, the Group establishes an operating strategy of reinsurance for large claims expense due to unexpected catastrophic events. The Group aims at policy holders' safety and its stable profit achievement. For the long-term goal, the Group manages risk at a comprehensive level to keep its value at the maximum.

37.5.3 Exposure to insurance price risk

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

The Group's exposure to insurance price risk as of December 31, 2018 and 2017, as follows:

(In millions of Korean won)

	2018			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 943,770	₩ 91,440	₩ (526,026)	₩ 509,184
Automobile	1,940,602	-	(63,720)	1,876,882
Long-term	2,285,378	-	(326,337)	1,959,041
	₩ 5,169,750	₩ 91,440	₩ (916,083)	₩ 4,345,107

(In millions of Korean won)

	2017			
	Direct insurance	Inward reinsurance	Outward reinsurance	Total
General	₩ 906,603	₩ 84,056	₩ (518,099)	₩ 472,560
Automobile	2,000,232	-	(34,579)	1,965,653
Long-term	2,020,782	-	(276,325)	1,744,457
	₩ 4,927,617	₩ 84,056	₩ (829,003)	₩ 4,182,670

37.5.4 Concentration of Insurance risk

The Group is selling general non-life insurances (fire, maritime, injury, technology, liability, package, title, guarantee and special type insurances), automobile insurances (for private use, for hire, for business, bicycle and other), long-term insurances (long-term non-life, property damage, injury, driver, savings, illness, nursing and pension) and various other insurances. The Group's risk is distributed through reinsurance, joint acceptance and diversified selling. In addition, insurances that cover severe level of risk, although there is rare possibility of the occurrence of disaster, such as storm and flood insurance are limited, and the Group controls the risk through joint acquisition.

Loss development tables

The Group uses claim development of payments and the estimated ultimate claims for the years where the accident has occurred, in order to maintain overall reserve adequacy in respect of general, automobile and long-term insurance. When the estimated ultimate claims are greater than claim payments, the Group establishes additional reserves. Loss development tables as of December 31, 2018 and 2017, are as follows:

<2018>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2014.1.1 ~ 2014.12.31	₩ 127,903	₩ 144,915	₩ 146,430	₩ 146,533	₩ 146,508
2015.1.1 ~ 2015.12.31	125,170	145,637	148,165	151,594	-
2016.1.1 ~ 2016.12.31	145,618	168,119	171,506	-	-
2017.1.1 ~ 2017.12.31	168,409	201,100	-	-	-
2018.1.1 ~ 2018.12.31	201,014	-	-	-	-
	768,114	659,771	466,101	298,127	146,508
Gross cumulative claim payments (B)					
2014.1.1 ~ 2014.12.31	94,901	129,652	136,689	141,170	142,217
2015.1.1 ~ 2015.12.31	93,443	130,430	137,854	142,645	-
2016.1.1 ~ 2016.12.31	108,098	151,583	162,360	-	-
2017.1.1 ~ 2017.12.31	132,430	184,716	-	-	-
2018.1.1 ~ 2018.12.31	153,770	-	-	-	-
	582,642	596,381	436,903	283,815	142,217
Difference (A-B)	₩ 185,472	₩ 63,390	₩ 29,198	₩ 14,312	₩ 4,291

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2012.1.1 ~ 2012.12.31	₩ 1,117,650	₩ 1,146,779	₩ 1,155,529	₩ 1,162,075	₩ 1,164,774	₩ 1,166,470	₩ 1,165,352
2013.1.1 ~ 2013.12.31	1,131,945	1,156,535	1,170,968	1,179,458	1,179,323	1,179,514	-
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	1,212,162	-	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	1,263,044	-	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	1,287,728	-	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	1,348,828	-	-	-	-	-
2018.1.1 ~ 2018.12.31	1,468,784	-	-	-	-	-	-
	8,740,033	7,373,135	6,075,807	4,816,602	3,556,259	2,345,984	1,165,352
Gross cumulative claim payments(B)							
2012.1.1 ~ 2012.12.31	939,239	1,105,672	1,135,064	1,149,585	1,156,150	1,159,614	1,160,769
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	1,175,681	-
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	1,204,580	-	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	1,245,779	-	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	1,264,651	-	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	1,306,235	-	-	-	-	-
2018.1.1 ~ 2018.12.31	1,224,820	-	-	-	-	-	-
	7,250,802	7,110,329	5,954,135	4,753,375	3,529,347	2,335,295	1,160,769
Difference (A-B)	₩ 1,489,231	₩ 262,806	₩ 121,672	₩ 63,227	₩ 26,912	₩ 10,689	₩ 4,583

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of ultimate claims (A)					
2014.1.1 ~ 2014.12.31	₩ 789,087	₩ 1,083,048	₩ 1,114,821	₩ 1,119,206	₩ 1,122,192
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	1,266,881	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	1,485,839	-	-
2017.1.1 ~ 2017.12.31	1,184,224	1,614,903	-	-	-
2018.1.1 ~ 2018.12.31	1,372,706	-	-	-	-
	5,296,237	5,354,917	3,856,711	2,386,087	1,122,192
Gross cumulative claim payments (B)					
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	1,119,531
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	1,262,528	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	1,477,415	-	-
2017.1.1 ~ 2017.12.31	1,130,868	1,599,227	-	-	-
2018.1.1 ~ 2018.12.31	1,319,613	-	-	-	-
	5,049,139	5,295,097	3,830,358	2,376,869	1,119,531
Difference (A-B)	₩ 247,098	₩ 59,820	₩ 26,353	₩ 9,218	₩ 2,661

<2017>

General Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of gross ultimate claims (A)					
2013.1.1 ~ 2013.12.31	₩ 170,587	₩ 203,250	₩ 208,100	₩ 207,329	₩ 206,450
2014.1.1 ~ 2014.12.31	127,903	144,915	146,430	146,533	-
2015.1.1 ~ 2015.12.31	125,170	145,637	148,165	-	-
2016.1.1 ~ 2016.12.31	145,618	168,127	-	-	-
2017.1.1 ~ 2017.12.31	168,409	-	-	-	-
	737,687	661,929	502,695	353,862	206,450
Gross cumulative claim payments (B)					
2013.1.1 ~ 2013.12.31	133,479	184,209	198,286	200,931	202,093
2014.1.1 ~ 2014.12.31	94,901	129,652	136,689	141,170	-
2015.1.1 ~ 2015.12.31	93,443	130,430	137,854	-	-
2016.1.1 ~ 2016.12.31	108,098	151,583	-	-	-
2017.1.1 ~ 2017.12.31	132,430	-	-	-	-
	562,351	595,874	472,829	342,101	202,093
Difference (A-B)	₩ 175,336	₩ 66,055	₩ 29,866	₩ 11,761	₩ 4,357

Automobile Insurance

(In millions of Korean won)

Accident year	Payment year						
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years
Estimate of gross ultimate claims (A)							
2011.1.1 ~ 2011.12.31	₩ 1,088,801	₩ 1,105,501	₩ 1,115,281	₩ 1,119,872	₩ 1,122,637	₩ 1,124,045	₩ 1,125,203
2012.1.1 ~ 2012.12.31	1,117,650	1,146,779	1,155,529	1,162,075	1,164,774	1,166,470	-
2013.1.1 ~ 2013.12.31	1,131,945	1,156,535	1,170,968	1,179,458	1,179,323	-	-
2014.1.1 ~ 2014.12.31	1,174,611	1,193,832	1,205,524	1,212,025	-	-	-
2015.1.1 ~ 2015.12.31	1,227,106	1,245,780	1,256,058	-	-	-	-
2016.1.1 ~ 2016.12.31	1,276,939	1,281,381	-	-	-	-	-
2017.1.1 ~ 2017.12.31	1,342,998	-	-	-	-	-	-
	8,360,050	7,129,808	5,903,360	4,673,430	3,466,734	2,290,515	1,125,203
Gross cumulative claim payments(B)							
2011.1.1 ~ 2011.12.31	929,491	1,066,885	1,093,589	1,109,202	1,117,381	1,119,765	1,120,687
2012.1.1 ~ 2012.12.31	939,239	1,105,672	1,135,064	1,149,585	1,156,150	1,159,614	-
2013.1.1 ~ 2013.12.31	939,569	1,114,063	1,145,110	1,161,624	1,168,617	-	-
2014.1.1 ~ 2014.12.31	969,211	1,150,462	1,180,953	1,196,387	-	-	-
2015.1.1 ~ 2015.12.31	1,020,975	1,198,241	1,228,357	-	-	-	-
2016.1.1 ~ 2016.12.31	1,052,830	1,235,656	-	-	-	-	-
2017.1.1 ~ 2017.12.31	1,104,158	-	-	-	-	-	-
	6,955,473	6,870,979	5,783,073	4,616,798	3,442,148	2,279,379	1,120,687
Difference (A-B)	₩ 1,404,577	₩ 258,829	₩ 120,287	₩ 56,632	₩ 24,586	₩ 11,136	₩ 4,516

Long-term Insurance

(In millions of Korean won)

Accident year	Payment year				
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years
Estimate of ultimate claims (A)					
2013.1.1 ~ 2013.12.31	₩ 709,602	₩ 965,587	₩ 997,607	₩ 1,003,646	₩ 1,006,025
2014.1.1 ~ 2014.12.31	789,087	1,083,048	1,114,821	1,119,206	-
2015.1.1 ~ 2015.12.31	885,476	1,219,393	1,256,051	-	-
2016.1.1 ~ 2016.12.31	1,064,744	1,437,573	-	-	-
2017.1.1 ~ 2017.12.31	1,184,224	-	-	-	-
	4,633,133	4,705,601	3,368,479	2,122,852	1,006,025
Gross cumulative claim payments (B)					
2013.1.1 ~ 2013.12.31	671,500	953,494	989,957	999,944	1,003,715
2014.1.1 ~ 2014.12.31	744,944	1,065,792	1,104,468	1,114,341	-
2015.1.1 ~ 2015.12.31	836,471	1,205,130	1,248,475	-	-
2016.1.1 ~ 2016.12.31	1,017,243	1,424,948	-	-	-
2017.1.1 ~ 2017.12.31	1,130,868	-	-	-	-
	4,401,026	4,649,364	3,342,900	2,114,285	1,003,715
Difference (A-B)	₩ 232,107	₩ 56,237	₩ 25,579	₩ 8,567	₩ 2,310

37.5.5 Sensitivity analysis of insurance risk

The Group manages insurance risk by performing sensitivity analysis based on discount rate, loss ratio and insurance operating expenses ratio which are considered to have significant influence on future cash flow, timing and uncertainty. According to result of sensitivity analysis there is no material influence on the equity and net profit before tax.

(In millions of Korean won)

	Assumption change	2018	
			Effect on LAT
Surrenders and termination rates	+10%	₩	440,697
	-10%		(481,587)
Loss ratio	+10%		4,235,661
	-10%		(4,235,661)
Insurance operating expenses ratio	+10%		332,885
	-10%		(332,885)
Discount rate	+0.5%		(1,297,557)
	-0.5%		1,608,051

(In millions of Korean won)

	Assumption change	2017	
			Effect on LAT
Surrenders and termination rates	+10%	₩	363,663
	-10%		(399,768)
Loss ratio	+10%		3,365,242
	-10%		(3,365,242)
Insurance operating expenses ratio	+10%		293,299
	-10%		(293,299)
Discount rate	+0.5%		(1,254,409)
	-0.5%		1,490,817

37.5.6 Liquidity risk of insurance contracts

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

Premium reserve's maturity structure as of December 31, 2018 and 2017, as follows:

(In millions of Korean won)

	2018 ¹					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 27,477	₩ 301,842	₩ 94,503	₩ 41,129	₩ 95,851	₩ 560,802
Linked	419,874	2,774,991	2,169,861	726,859	11,900,385	17,991,970
	447,351	3,076,833	2,264,364	767,988	11,996,236	18,552,772
Annuity						
Non-linked	5	251	2,279	3,736	1,327	7,598
Linked	200	58,182	339,662	1,176,168	2,194,381	3,768,593
	205	58,433	341,941	1,179,904	2,195,708	3,776,191
Asset-linked						
Linked	-	27,480	-	-	-	27,480
Total						
Non-linked	27,482	302,093	96,782	44,865	97,178	568,400
Linked	420,074	2,860,653	2,509,523	1,903,027	14,094,766	21,788,043
	₩ 447,556	₩ 3,162,746	₩ 2,606,305	₩ 1,947,892	₩ 14,191,944	₩ 22,356,443

¹ Includes long-term investment contract amounting to ₩ 110,255 million.

(In millions of Korean won)

	2017 ¹					
	Within 1 year	1~5 years	5~10 years	10~20 years	More 20 years	Total
Long-term insurance non participating						
Non-linked	₩ 26,239	₩ 297,196	₩ 117,610	₩ 40,229	₩ 94,477	₩ 575,751
Linked	458,340	2,723,485	2,135,336	926,591	10,269,931	16,513,683
	484,579	3,020,681	2,252,946	966,820	10,364,408	17,089,434
Annuity						
Non-linked	19	92	2,117	3,956	1,401	7,585
Linked	153	46,987	307,455	1,089,983	2,141,589	3,586,167
	172	47,079	309,572	1,093,939	2,142,990	3,593,752
Asset-linked						
Linked	-	27,499	-	-	-	27,499
Total						
Non-linked	26,258	297,288	119,727	44,185	95,878	583,336
Linked	458,493	2,797,971	2,442,791	2,016,574	12,411,520	20,127,349
	₩ 484,751	₩ 3,095,259	₩ 2,562,518	₩ 2,060,759	₩ 12,507,398	₩ 20,710,685

¹ Includes long-term investment contract amounting to ₩ 112,510 million.

37.5.7 Credit risk of insurance contract

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

As of December 31, 2018, there are 155 reinsurance companies that deal with the Group, and the top three reinsurance companies' concentration and credit ratings are as follows:

Reinsurance company	Ratio	Credit rating
KOREAN RE	70.21%	AA
SWISSRE	4.34%	AAA
HDlgerling	2.85%	AA+

Exposures to credit risk related to reinsurance as of December 31, 2018 and 2017 as follows:

(In millions of Korean won)

	2018		2017	
Reinsurance assets ¹	₩	688,993	₩	776,340
Net receivables from reinsurers ²		398,575		237,750
	₩	1,087,568	₩	1,014,090

¹ Net carrying amounts after impairment loss

² Net carrying amounts of each reinsurance company that reinsurance accounts receivable and reinsurance accounts are offset and after allowance for loan losses

37.5.8 Interest risk of insurance contract

The interest rate risk exposure from the Group's insurance contracts is the risk of unexpected losses in net interest income or net assets arising from changes in interest rates and it is managed to minimize the loss experienced. For long-term, non-life insurance contracts, the Group calculates exposure of interest-bearing assets and interest-bearing liabilities. Liabilities exposure is premium reserves after subtracting costs of termination deductions. Asset exposure is interest-bearing assets. Assets that receive only fees without interest are excluded from interest bearing assets. Exposures to interest rate risk as of December 31, 2018 and 2017, are as follows:

i) Exposure to interest rate risk

(In millions of Korean won)

	2018	
Liabilities		
Fixed interest rate	₩	560,471
Variable interest rate		20,332,094
		20,892,565
Assets		
Due from financial institutions at amortized cost and cash		100,701
Financial assets at fair value through profit or loss		4,257,959
Financial assets at fair value through other comprehensive income		2,691,744
Financial assets at amortized cost		7,718,337
Loans at amortized cost		6,877,139
	₩	21,645,880

(In millions of Korean won)

	2017	
Liabilities		
Fixed interest rate	₩	582,345
Variable interest rate		18,548,946
		19,131,291
Assets		
Due from banks		167,312
Financial assets at fair value through profit or loss		325,844
Available-for-sale financial assets		6,066,290
Held-to-maturity financial assets		6,501,529
Loans		6,338,470
	₩	19,339,445

ii) Measurement and recognition method

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

iii) Sensitivity to changes in interest rates

Generally, when interest rates rise, the value and duration of assets and liabilities fall when interest rates fall, value and duration of assets and liabilities increase. Where duration of assets is shorter than that of liabilities with the interest rates fall, the interest risk is increased since the incremental portion of liabilities exceeds that of assets.

iv) Negative spread risk control

In order to manage the reverse margins risk between interest expenses from liabilities and investment incomes on assets, the Group set the disclosure rate every month considering the market interest rate and the managing portfolio's profit ratio.

37.6 Risk management of life insurance**37.6.1 Overview**

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

Insurance price risk is the risk of loss arising from differences between received from policyholders and actual claims paid.

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid.

The Group measures only insurance price risk under RBC requirement because life insurance claim payout is mainly in a fixed amount with less volatility in policy reserve and shorter waiting period before payment

37.6.2 Concentration of insurance risk and reinsurance policy

The Group uses reinsurance to mitigate concentration of insurance risk seeking an enhanced capital management.

The Group categorized reinsurance into group and individual contracts, and reinsurance is ceded through the following process:

The Group's reinsurance is ceded through the following process:

- i. In the decision-making process of launching a new product, the Group makes a decision on ceding reinsurance. Subsequently, a reinsurer is selected through bidding, agreements with the relevant departments and final approval by the executive management.
- ii. The reinsurance department analyzes the object of reinsurance, the maximum limit of reinsurance and the loss ratio with the relevant departments.

37.6.3 The characteristic and exposure of insurance price risk

The exposure of insurance price risk is measured by the risk premium for all insurance contracts held for one year prior to the calculation date. The premium for risk retention is calculated by adding direct insurance premium and reinsurance assumed premium, and deducting reinsurance ceded premium (which is paid to reinsurance companies). If the holding risk premium is less than zero, the exposure of the insurance price is measured as zero.

The insurance risk of a life insurance company is measured by insurance price risk. As the life insurance coverage is in the form of a fixed payment, the fluctuation of policy reserve is small and the period from insured event to claims payment is not long. The policy reserve risk is managed by assessments of adequacy of the policy reserve.

The insurance price risk is managed through insurance risk management regulation established by Risk Management Committee.

The maximum exposures to insurance price risk as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 13,264	₩ 6,758
Disability	858	296
Hospitalization	1,287	358
Operation and diagnosis	3,936	1,031
Actual losses for medical expense	1,059	85
Others	1,019	96
	₩ 21,423	₩ 8,624

(In millions of Korean won)

	2017	
	Before reinsurance mitigation	After reinsurance mitigation
Death	₩ 14,356	₩ 10,279
Disability	1,331	899
Hospitalization	1,233	747
Operation and diagnosis	3,326	1,977
Actual losses for medical expense	817	403
Others	753	376
	₩ 21,816	₩ 14,681

Average ratios of claims paid per risk premium received on the basis of exposure before mitigation for the past three years as of December 31, 2018 and 2017, were 67.6% and 65.9%, respectively.

The exposure of market risk arising from embedded derivatives included in host insurance contracts as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Policyholders reserve ¹	Guarantee reserve	Policyholders reserve ¹	Guarantee reserve
Variable annuity	₩ 359,617	₩ 2,688	₩ 461,309	₩ 3,485
Variable universal	84,783	4,129	97,893	3,572
Variable saving	542,035	396	429,985	316
	₩ 986,435	₩ 7,213	₩ 989,187	₩ 7,373

¹ Excluding the amount of the lapsed reserve

37.6.4 Assumptions used in measuring insurance liabilities

The Group applies assumed rates defined in the premium and liability reserve calculation manual provided by the regulatory authority and in accordance with the Regulations on Supervision of Insurance Business when measuring insurance liabilities at every reporting period. For interest sensitive insurance, credit rate stated in the premium and liabilities reserve calculation manual, which is calculated based on adjusted external base rate and return rate of asset management according to Article 6-12 of the Regulation on Supervision of Insurance Business.

Reserve amount should exceed the standard reserve which is calculated using the standard interest rate and standard risk rate as required by the Regulation on Supervision of Insurance Business.

37.6.5 Premium reserves and unearned premium reserves residual maturity

Premium reserve's maturity structure as of December 31, 2018 and 2017, as follows:

(In millions of Korean won)

	2018						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 984,201	₩ 530,322	₩ 777,690	₩ 575,712	₩ 341,112	₩ 4,005,728	₩ 7,214,765

(In millions of Korean won)

	2017						
	Less than 3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years or more	Total
Premium reserves	₩ 971,517	₩ 660,139	₩ 829,157	₩ 591,689	₩ 333,031	₩ 3,892,579	₩ 7,278,112

37.7 The Overlay Approach

The Group applied “The Overlay Approach” under Korean IFRS 1104 at the initial application of Korean IFRS 1109.

Details of financial assets applied “The Overlay Approach” as of December 31, 2018, are as follows:

(In millions of Korean won)

	2018	
Financial assets designated at fair value through profit or loss		
Cash and due from financial institutions	₩	172,777
Debt securities		7,044,081
Equity securities		81,949
	₩	7,298,807

Changes of net losses on overlay adjustment for the year ended December 31, 2018, are as follows:

(In millions of Korean won)

	Net losses on overlay adjustment ²	
Beginning ¹	₩	(7,559)
Recognition due to acquisition		17,205
Reclassification to profit or loss due to disposal		(16,792)
Recognition of OCI from profit or loss due to re-designation		-
Recognition of profit or loss from OCI due to de-designation		-
Ending	₩	(7,146)

¹ Calculated based on Korean IFRS 1109

² Amounts are net of tax

38. Trust Accounts

Financial information of the trust accounts that Kookmin Bank manages as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Total assets	Operating revenues	Total assets	Operating revenues
Consolidated	₩ 4,259,441	₩ 127,994	₩ 4,148,600	₩ 110,487
Unconsolidated	47,644,193	1,609,587	43,256,371	2,590,728
	₩ 51,903,634	₩ 1,737,581	₩ 47,404,971	₩ 2,701,215

¹ Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, Trust Accounts, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant transactions between the Group and the trust accounts for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Revenues				
Fees and commissions from trust accounts	₩	496,424	₩	486,792
Interest income from loans on trust accounts		5,586		1,447
Commissions from early termination in trust accounts		88		92
	₩	502,098	₩	488,331
Expenses				
Interest expenses due to trust accounts	₩	61,454	₩	43,944
Receivables				
Accrued trust fees	₩	72,085	₩	65,076
Due from trust accounts		109,357		37,973
	₩	181,442	₩	103,049
Payables				
Due to trust accounts	₩	5,285,108	₩	5,018,031
Accrued interest on due to trust accounts		10,547		7,632
	₩	5,295,655	₩	5,025,663

39. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Cash	₩	2,186,035	₩	2,167,911
Checks with other banks		872,166		430,253
Due from Bank of Korea		9,098,891		8,981,665
Due from other financial institutions		8,117,398		8,237,996
		20,274,490		19,817,825
Due from financial institutions at fair value through profit or loss		381,718		-
		20,656,208		19,817,825
Restricted cash from financial institutions		(12,347,627)		(10,613,089)
Due from financial institutions with original maturities over three months		(1,665,765)		(799,838)
		(14,013,392)		(11,412,927)
	₩	6,642,816	₩	8,404,898

Significant non-cash transactions for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Decrease in loans due to the write-offs	₩	1,079,435	₩	1,033,056
Changes in accumulated other comprehensive income due to valuation of financial investments		-		89,117
Changes in accumulated other comprehensive income due to valuation of financial investments at fair value through other comprehensive income		119,182		-
Decrease in accumulated other comprehensive income from measurement of investment securities in associates		(3,733)		100,735
Changes in shares of investment in associate due to KB Insurance Co., Ltd.'s inclusion of the consolidation scope		-		(1,417,397)
Changes in other payables due to treasury stock trust agreement, etc		6,678		18,802

Cash inflows and outflows from income tax, interests and dividends for the year ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Activity	2018		2017	
Income tax paid	Operating	₩	759,013	₩	646,802
Interest received	Operating		12,346,795		11,243,363
Interest paid	Operating		4,069,935		3,444,715
Dividends received	Operating		222,670		229,289
Dividends paid	Financing		766,728		497,969

Changes in liabilities arising from financing activities

Changes in liabilities and assets that arising from financing activities for the year ended December 31, 2018 are as follows:

(In millions of Korean won)

	2018							Ending
	Beginning	Net cash flows	Non-cash changes				Other changes	
			Acquisition (Disposal)	Changes in foreign exchange rates	Changes in fair value	Business Combination		
Derivatives held for hedging ¹	₩(202,421)	₩ 15,044	₩ -	₩ -	₩ 195,426	₩ -	₩ -	₩ 8,049
Debts	28,820,928	4,216,014	-	178,543	-	(8,487)	(202,164)	33,004,834
Debentures	44,992,724	8,422,959	-	173,760	4,176	(355,800)	40,878	53,278,697
Other payables from trust accounts	5,018,031	267,077	-	-	-	-	-	5,285,108
Others	325,437	(185,894)	17,664	7,242	-	-	2,679	167,128
	₩ 78,954,699	₩ 12,735,200	₩ 17,664	₩ 359,545	₩ 199,602	₩ (364,287)	₩ (158,607)	₩ 91,743,816

¹ Derivatives held for hedging purposes are the net amount after offsetting liabilities from assets

The net cash outflow associated with the change of the subsidiaries for the year ended December 31, 2018 was ₩ 188,140 million.

40. Contingent Liabilities and Commitments

Details of payment guarantees as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Confirmed payment guarantees		
Confirmed payment guarantees in Korean won		
Payment guarantees for KB purchasing loan	₩ 196,517	₩ 252,817
Other payment guarantees	597,636	530,272
	794,153	783,089
Confirmed payment guarantees in foreign currency		
Acceptances of letter of credit	208,926	147,987
Letter of guarantees	53,210	60,853
Bid bond	51,528	46,984
Performance bond	604,311	563,506
Refund guarantees	592,925	778,779
Other payment guarantees in foreign currency	2,539,900	1,960,769
	4,050,800	3,558,878
Financial guarantees		
Payment guarantees for mortgage	50,497	57,446
Overseas debt guarantees	311,796	285,576
International financing guarantees in foreign currencies	110,070	46,953
Other financing payment guarantees	270,000	270,029
	742,363	660,004
	5,587,316	5,001,971
Unconfirmed acceptances and guarantees		
Guarantees of letter of credit	1,745,340	2,250,542
Refund guarantees	686,843	384,959
	2,432,183	2,635,501
	₩ 8,019,499	₩ 7,637,472

Payment guarantees that are exposed to credit risk as of December 31, 2018, are as follows:

(In millions of Korean won)

	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Total	
			Non-impaired	Impaired		
Confirmed payment guarantees						
Grade 1	₩	3,726,259	₩	179	₩	3,726,438
Grade 2		1,571,258		29,034		1,600,292
Grade 3		84,251		13,585		97,836
Grade 4		30,443		117,166		148,029
Grade 5		-		171		14,721
		5,412,211		160,135		14,970
						5,587,316
Unconfirmed acceptances and guarantees						
Grade 1		1,102,478		1,747		1,104,225
Grade 2		1,180,137		17,795		1,197,932
Grade 3		25,749		16,225		41,974
Grade 4		9,627		66,186		75,813
Grade 5		-		219		12,239
		2,317,991		102,172		12,020
	₩	7,730,202	₩	262,307	₩	26,990
					₩	8,019,499

Acceptances and guarantees by counterparty as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)			
Corporations	₩	4,775,838	₩	1,901,951	₩	6,677,789	83.27
Small companies		617,458		423,947		1,041,405	12.99
Public and others		194,020		106,285		300,305	3.74
	₩	5,587,316	₩	2,432,183	₩	8,019,499	100.00

(In millions of Korean won)

	2017						
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)			
Corporations	₩	4,185,975	₩	1,913,114	₩	6,099,089	79.86
Small companies		621,834		492,369		1,114,203	14.59
Public and others		194,162		230,018		424,180	5.55
	₩	5,001,971	₩	2,635,501	₩	7,637,472	100.00

Acceptances and guarantees by industry as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 72,071	₩ 3,736	₩ 75,807	0.95
Manufacturing	2,981,245	1,451,657	4,432,902	55.27
Service	931,680	84,586	1,016,266	12.67
Whole sale & Retail	998,333	723,367	1,721,700	21.47
Construction	280,146	40,988	321,134	4.00
Public sector	165,571	36,256	201,827	2.52
Others	158,270	91,593	249,863	3.12
	₩ 5,587,316	₩ 2,432,183	₩ 8,019,499	100.00

(In millions of Korean won)

	2017			
	Confirmed guarantees	Unconfirmed guarantees	Total	Proportion (%)
Financial institutions	₩ 23,317	₩ 7,353	₩ 30,670	0.40
Manufacturing	2,799,593	1,270,721	4,070,314	53.29
Service	655,057	100,004	755,061	9.89
Whole sale & Retail	935,647	837,230	1,772,877	23.21
Construction	335,156	198,996	534,152	6.99
Public sector	165,249	129,944	295,193	3.87
Others	87,952	91,253	179,205	2.35
	₩ 5,001,971	₩ 2,635,501	₩ 7,637,472	100.00

Commitments as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Commitments				
Corporate loan commitments	₩	37,340,727	₩	32,857,616
Retail loan commitments		41,335,454		16,074,323
Credit line on credit cards		54,488,133		49,299,924
Purchase of other security investment and others		5,426,058		3,951,304
		138,590,372		102,183,167
Financial Guarantees				
Credit line		2,447,369		2,669,071
Purchase of security investment		436,800		354,800
		2,884,169		3,023,871
	₩	141,474,541	₩	105,207,038

Other Matters (including litigation)

- a) The Group has filed 185 lawsuits as a plaintiff (excluding minor lawsuits in relation to the collection or management of loans), involving aggregate claims of ₩ 526,449 million, and faces 288 lawsuits (as a defendant) (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 229,430 million, which arose in the normal course of the business and are still pending as of December 31, 2018.
- b) Kookmin Bank made a construction contract building the integrated company building, and the integrated central IT, amounting to ₩ 151,280 million, and ₩ 116,563 million, respectively; for the year ended December 31, 2018, the subsidiary has paid ₩ 7,605 million and ₩ 42,857 million for each the integrated company building and the integrated central IT, respectively.
- c) The face value of the securities which Kookmin Bank sold to general customers through the bank tellers amounts to ₩ 372 million and ₩ 372 million as of December 31, 2018 and 2017, respectively.
- d) While setting up a fraud detection system, a computer contractor employed by the personal credit ratings firm Korea Credit Bureau caused a widespread data breach in June 2013, resulting in the theft of cardholders' personal information. As a result of the leakage of customer personal information, the KB Kookmin Card received a notification from the Financial Services Commission that the KB Kookmin Card is subject to a temporary three-month operating suspension as of February 16, 2014. In respect of the incident, the Group faces 113 filed as a defendant, with an aggregate claim of ₩ 6,906 million as of December 31, 2018. A provision liability of ₩ 9,886 million has been recognized for these pending lawsuits. In addition, the additional lawsuits may be filed against the Group; however, the final outcome of the cases cannot be reasonably ascertained.
- e) As of December 31, 2018, the Group is in the process of filing complaints regarding insurance contracts including reverse pension plans; the amount paid and the timing related with this filing cannot be predicted as of December 31, 2018.

41. Subsidiaries

Details of subsidiaries as of December 31, 2018, are as follows:

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Financial Group Inc.	Kookmin Bank	100.00	Korea	Dec. 31	Banking and foreign exchange transaction
	KB Securities Co., Ltd.	100.00	Korea	Dec. 31	Financial investment
	KB Insurance Co., Ltd.5	100.00	Korea	Dec. 31	Non-life insurance
	KB Kookmin Card Co., Ltd.	100.00	Korea	Dec. 31	Credit card and installment finance
	KB Life Insurance Co., Ltd.	100.00	Korea	Dec. 31	Life insurance
	KB Asset Management Co., Ltd.	100.00	Korea	Dec. 31	Collective investment and advisory
	KB Capital Co., Ltd.	100.00	Korea	Dec. 31	Financial Leasing
	KB Savings Bank Co., Ltd.	100.00	Korea	Dec. 31	Savings banking
	KB Real Estate Trust Co., Ltd.	100.00	Korea	Dec. 31	Real estate trust management
	KB Investment Co., Ltd.	100.00	Korea	Dec. 31	Capital investment
	KB Credit Information Co., Ltd.	100.00	Korea	Dec. 31	Collection of receivables or credit investigation
	KB Data System Co., Ltd.	100.00	Korea	Dec. 31	Software advisory, development, and supply
	Kookmin Bank	Kookmin Bank Int'l Ltd.(London) ⁶	100.00	United Kingdom	Dec. 31
Kookmin Bank Cambodia PLC.		100.00	Cambodia	Dec. 31	Banking and foreign exchange transaction
Kookmin Bank China Ltd.		100.00	China	Dec. 31	Banking and foreign exchange transaction
KB Microfinance Myanmar Co., Ltd.		100.00	Myanmar	Dec. 31	Other credit granting n.e.c.
KBD Tower 1st L.L.C. and 33 others ²		-	Korea	Dec. 31	Asset-backed securitization
KB Multi-Asset Private Securities Fund S-1(Bond Mixed)		99.96	Korea	Dec. 31	Investment trust
KB Multi-Asset Private Securities Fund P-1(Bond Mixed)		99.96	Korea	Dec. 31	Investment trust
KB Haeoreum private securities investment trust 96(Bond) ³		49.95	Korea	Dec. 31	Capital investment
Samsung KODEX 10Y F-LKTB Inverse ETF(Bond-Derivatives)		88.74	Korea	Dec. 31	Capital investment
KB Haeoreum private securities investment trust 83(Bond) ³		99.95	Korea	Dec. 31	Capital investment
Kiwoom Frontier Private placement fund 10[Bond]		99.85	Korea	Dec. 31	Capital investment
Tong Yang Safe Plus Qualified Private Trust S-8(Bond)		99.93	Korea	Dec. 31	Capital investment
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1		99.92	Korea	Dec. 31	Capital investment
NH-AMUNDI GLOBAL PRIVATE SECURITIES INVESTMENT TRUST 1(BOND)]		83.31	Korea	Dec. 31	Capital investment
Meritz Private Real Estate Fund 9-2		99.98	Korea	Dec. 31	Capital investment
AIP US RED PRIVATE REAL ESTATE TRUST NO.10		99.97	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Securities Co., Ltd.	KB Evergreen Private Securities Fund 98(Bond) ³	49.34	Korea	Dec. 31	Capital investment
	KB Korea Choet Term Premium Private Securities 5(USD)(Bond)	50.00	Korea	Dec. 31	Capital investment
	KB Korea Short Term Premium Private Securities 4(USD)(Bond) ³	49.60	Korea	Dec. 31	Capital investment
	KBFG Securities America Inc.	100.00	United States of America	Dec. 31	Investment advisory and securities dealing activities
	KB Securities Hong Kong Ltd.	100.00	China	Dec. 31	Investment advisory and securities dealing activities
	KB SECURITEIS VIETNAM JOINT STOCK COMPANY	99.67	Vietnam	Dec. 31	Investment advisory and securities dealing activities
	Able NS Co., Ltd and 61 others ²	-	Korea	Dec. 31	Asset-backed securitization
	KB NA COMPASS ENERGY PRIVATE SPECIAL ASSET FUND ³	29.70	Korea	Dec. 31	Capital investment
	Hyundai You First Private Real Estate Investment Trust No. 1	98.54	Korea	Dec. 31	Capital investment
	Hyundai Smart Index Alpha Securities Feeder Investment Trust No.1	98.76	Korea	Dec. 31	Capital investment
	Hyundai Strong Korea Equity Trust No.1	99.34	Korea	Dec. 31	Capital investment
	Hyundai Kidzania Equity Feeder Trust No.1	79.13	Korea	Dec. 31	Capital investment
	Hyundai Value Plus Equity Feeder Trust No.1	99.64	Korea	Dec. 31	Capital investment
	Hyundai Strong-small Corporate Trust No.1	90.57	Korea	Dec. 31	Capital investment
	Heungkuk Highclass Private Real Estate Trust No. 21	100.00	Korea	Dec. 31	Capital investment
	JB New Jersey Private Real Estate Investment Trust No. 1	98.15	Korea	Dec. 31	Capital investment
	Heungkuk Global Highclass Private Real Estate Trust No. 23	100.00	Korea	Dec. 31	Capital investment
	Hyundai Dynamic Mix Securities Feeder Investment Trust No.1	99.99	Korea	Dec. 31	Capital investment
	Hyundai Quant Long Short Securities Feeder Investment Trust No. 1	100.00	Korea	Dec. 31	Capital investment
	Hyundai China Index Plus Securities Investment Trust No.1	81.90	Korea	Dec. 31	Capital investment
	Hyundai Kon-tiki Specialized Privately Placed Fund No.1	98.05	Korea	Dec. 31	Capital investment
	DGB Private real estate Investment Trust No.8	98.77	Korea	Dec. 31	Capital investment
	Aquila Global Real Assets Fund No.1 LP	99.96	Cayman islands	Dec. 31	Capital investment
Able Quant Asia Pacific Feeder Fund(T.E.) Limited	100.00	Cayman islands	Dec. 31	Capital investment	
Mangrove Feeder Fund	100.00	Cayman islands	Dec. 31	Capital investment	
LB Ireland Private Real Estate Investment Trust 8	99.85	Korea	Dec. 31	Capital investment	
KTB Aircraft Private Investment Trust No.21-1	99.61	Korea	Dec. 31	Capital investment	

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
KB Insurance Co., Ltd.	Pacific US Blackrock Private Placement Real Estate Fund No.15	99.50	Korea	Dec. 31	Capital investment
	Vestas Qualified Investors Private Real Estate Fund Investment Trust No.38	54.04	Korea	Dec. 31	Capital investment
	KB Claims Survey & Adjusting	100.00	Korea	Dec. 31	Claim service
	KB Sonbo CNS	100.00	Korea	Dec. 31	Management service
	Leading Insurance Services, Inc.	100.00	United States of America	Dec. 31	Management service
	LIG Insurance (China) Co., Ltd.	100.00	China	Dec. 31	Non-life insurance
	PT. KB Insurance Indonesia	70.00	Indonesia	Dec. 31	Non-life insurance
	KB Golden Life Care Co., Ltd.	100.00	Korea	Dec. 31	Service
	KB AMP Infra Private Special Asset Fund 1(FoFs) ³	41.67	Korea	Dec. 31	Capital investment
	KB Muni bond Private Securities Fund 1(USD)(bond) ³	33.33	Korea	Dec. 31	Capital investment
	KB CHILE SOLAR FUND	80.00	Korea	Dec. 31	Capital investment
	Meritz Private Specific Real Estate Fund 1-2	87.21	Korea	Dec. 31	Capital investment
	KB Global Private Real Estate Debt Fund 1 ³	50.00	Korea	Dec. 31	Capital investment
	Dongbu Private Fund 16th	89.52	Korea	Dec. 31	Financial investment
	Hana Landchip Real estate Private Fund 58 th	99.99	Korea	Dec. 31	Financial investment
	Hyundai Aviation Private Fund 3rd	99.96	Korea	Dec. 31	Financial investment
	Hyundai Power Professional Investment Type Private Investment Fund No.4	99.78	Korea	Dec. 31	Financial investment
	KB U.S. LongShort Private Securities Fund 1	99.39	Korea	Dec. 31	Financial investment
	Hyundai Infra Professional Investment Type Private Investment Trust No.5	99.80	Korea	Dec. 31	Financial investment
	KB SAUDI Private Special Asset Fund	80.00	Korea	Dec. 31	Financial investment
	Meritz Private Real Estate Fund 8	99.36	Korea	Dec. 31	Financial investment
	Hyundia Star Private Real Estate Investment Trust No. 14	99.98	Korea	Dec. 31	Financial investment
	Vogo debt strategy private real estate fund VII	98.93	Korea	Dec. 31	Financial investment
KORAMCO Europe Debt Strategy Private Real-Estate Fund 2nd	99.80	Korea	Dec. 31	Capital investment	
KB Peru Transmission Facility Invesment Private Fund	99.03	Korea	Dec. 31	Capital investment	
KB Global Private Real Estate Debt Fund 2	98.36	Korea	Dec. 31	Capital investment	
KB Europe Private Real Estate Debt Fund 1	57.14	Korea	Dec. 31	Capital investment	
KB Kookmin Card Co., Ltd.	Wise Mobile 18th Securitization Co., Ltd. ²	0.50	Korea	Dec. 31	Asset-backed securitization and others
	KB Kookmin Card ^{3rd} Securitization Co., Ltd. And 2 other ²	0.50	Korea	Dec. 31	Asset-backed securitization and others
	Heungkuk Life Insurance Money Market Trust	100.00	Korea	Dec. 31	Trust asset management

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
	KB DAEHAN SPECIALIED BANK PLC.	90.00	Kambodia	Dec. 31	Banking
KB Life Insurance Co., Ltd.	KB Evergreen Private Securities Fund No. 59(Bond)	100.00	Korea	Dec. 31	Private fund
	KB Haeoreum Private Securities Investment Trust 1st(debt securities)	100.00	Korea	Dec. 31	Private fund
KB Asset Management Co., Ltd.	KB Star Office Private Real Estate Feeder fund 3-2	88.00	Korea	Dec. 31	Financial investment
	KB Asset Management Singapore Pte, Ltd.	100.00	Singapore	Dec. 31	Collective investment
	KB Global Equity Solution Securities Feeder Fund(Equity-FoFs) ³	44.04	Korea	Dec. 31	Capital investment
	KB Star Short Term Securities Feeder Fund(Bond) ³	37.11	Korea	Dec. 31	Capital investment
	KB Onkookmin Life Income RIF 20 Feeder Fund(Fofs) ³	49.98	Korea	Dec. 31	Capital investment
	KB Onkookmin Life Income RIF 40 Feeder Fund(Fofs) ³	49.13	Korea	Dec. 31	Capital investment
	KB Active Investor Secruticies Investment Trust(Derivatives Mixed)	99.95	Korea	Dec. 31	Financial investment
	KB Global Multiasset Income Securities Feeder Fund(Bond Mixed-FoFs)	96.17	Korea	Dec. 31	Financial investment
	KB G2 Plus Korea Securities Fund(Equity)	91.03	Korea	Dec. 31	Financial investment
KB Investment Co., Ltd.	2011 KIF-KB IT Venture Fund ⁴	43.33	Korea	Dec. 31	Capital investment
	KoFC-KB Young Pioneer 1st Fund ⁴	33.33	Korea	Dec. 31	Capital investment
	KB NEW CONTENTS Venture Fund ⁴	20.00	Korea	Dec. 31	Capital investment
	KB Young Pioneer 3.0 Venture Fund ⁴	40.00	Korea	Dec. 31	Capital investment
	KB Pre IPO Secondary Venture Fund 24	21.00	Korea	Dec. 31	Capital investment
	KB Contents Panda iMBC Contents Venture Fund	20.00	Korea	Dec. 31	Capital investment
Heungkuk Global Highclass Private Real Estate Trust 23	HYUNDAI ABLE INVESTMENT REIT	99.90	United States of America	Dec. 31	Real Estate Activities
Hyundai Strong Korea Equity Trust No.1	Hyundai Strong Korea Equity Trust No.1[Master]	80.93	Korea	Dec. 31	Capital investment
Hyundai Trust Securities Feeder Investment Trust No.1- Bond	Hyundai Trust Securities Master Investment Trust - Bond	96.83	Korea	Dec. 31	Capital investment
Hyundai Quant Long Short Securities Feeder Investment Trust	Hyundai Quant Long Short Securities Master Investment Trust	100.00	Korea	Dec. 31	Capital investment
Hyundai Smart Index Alpha Securities Feeder Inv Trust 1	Hyundai Smart Index Alpha Securities Master Investment Trust	99.91	Korea	Dec. 31	Capital investment
Hyundai Value Plus Securities Feeder Investment Trust 1 and others	Hyundai Value Plus Securities Master Investment Trust	100.00	Korea	Dec. 31	Capital investment
Hyundai Dynamic Mix Securities Feeder Investment Trust	Hyundai Dynamic Mix Securities Master Investment Trust	99.02	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Star Office Private Real Estate Investment Trust 4	51.96	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
Kookmin Bank, KB Insurance Co., Ltd., KB Investment Co., Ltd., KB Capital Co., Ltd.	KB Digital Innovation Investment Fund Limited partnership	62.40	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Hope Sharing BTL Private Special Asset ³	46.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance Co., Ltd.	KB Senior Loan Private Fund ³	37.39	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.	Hanbando BTL Private Special Asset Fund 1st ³	46.36	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.	KB KBSTAR KTB 3Y Futures Inverse ETF	79.95	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd.	KB KBSTAR Mid-Long Term KTB Active ETF	63.16	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd., KB life Insurance, KB Kookmin Card Co., Ltd., KB Capital Co., Ltd.	KB digital innovation&growth New Technology Business Investment Fund	100.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Insurance Co., Ltd., KB life Insurance, KB Asset Management Co., Ltd.	KB Global Core Bond Securities Fund Master Fund(Bond)	100.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Securities Co., Ltd., KB Asset Management Co., Ltd.	KB Everyone TDF 2035 Securities Investment Trust - Bond Balanced-Fund of Funds ³	37.62	Korea	Dec. 31	Financial investment
Kookmin Bank, KB Securities Co., Ltd., KB Asset Management Co., Ltd.	KB Everyone TDF 2045 Securities Investment Trust - Bond Balanced-Fund of Funds	54.06	Korea	Dec. 31	Financial investment
Kookmin Bank, KB Insurance Co., Ltd., KB Securities Co., Ltd., KB Real Estate Trust Co., Ltd.	KB Wise Star Private Real Estate Feeder Fund 1st.	100.00	Korea	Dec. 31	Investment trust
Kookmin Bank, KB Investment Co., Ltd., KB Capital Co., Ltd.	KB Intellectual Property Fund 2	75.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KB12-1 Venture Investment	100.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KB Start-up Creation Fund	62.50	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Investment Co., Ltd.	KB Intellectual Property Fund ⁴	34.00	Korea	Dec. 31	Capital investment
Kookmin Bank, KB life Insurance Co., Ltd.	KB Mezzanine Private Securities Fund 2nd ³	40.74	Korea	Dec. 31	Capital investment
Kookmin Bank, KB Insurance Co., Ltd., KB life Insurance, KB Investment Co., Ltd.	KB High-tech Company Investment Fund	100.00	Korea	Dec. 31	Capital investment
KB Insurance Co., Ltd., KB life Insurance Co., Ltd., KB Investment Co., Ltd.	KB-Solidus Global Healthcare Fund ³	43.33	Korea	Dec. 31	Capital investment
KB Kookmin Card Co., Ltd., KB Capital Co., Ltd.	KB KOLAO LEASING CO., Ltd	80.00	Laos	Dec. 31	Auto installment finance
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 1	100.00	Korea	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
Mangrove Feeder Fund	Mangrove Master Fund	100.00	Cayman islands	Dec. 31	Capital investment
LB Ireland Private Real Estate Investment Trust 8	BECKETT ACQUISITION LIMITED	100.00	Ireland	Dec. 31	Real Estate Activities
KB Securities Co., Ltd., KB Insurance Co., Ltd., KB Asset Management Co., Ltd.	KB Star Fund_KB Value Focus Korea Equity	95.45	Luxembourg	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Investment Co., Ltd.	KB KONEX Market Vitalization Fund4	46.88	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Investment Co., Ltd.	KB Neo Paradigm Agriculture Venture	50.00	Korea	Dec. 31	Capital investment
KB Securities Co., Ltd., KB Investment Co., Ltd.	KB New Paradigm Fisheries Venture Fund) ⁴	33.33	Korea	Dec. 31	Capital investment
KB Wise Star Private Real Estate Feeder Fund 1st.	KB Star Office Private Real Estate Master Investment Trust 2 ⁵	44.44	Korea	Dec. 31	Capital investment
KB Wise Star Private Real Estate Feeder Fund 1st.	KB Star Office Private Real Estate Investment Trust 3	54.51	Korea	Dec. 31	Capital investment
KB Star Short Term Securities Feeder Fund(Bond)	KB Star Short Term Securities Master Fund(Bond)	96.67	Korea	Dec. 31	Capital investment
KB Multi-Asset Private Securities Fund P-1(Bond Mixed)	KB Multi-Asset Private Securities Master Fund P-1(Bond Mixed)	100.00	Korea	Dec. 31	Investment trust
KB Global Core Bond Securities Master Fund(Bond)	KB Global Core Bond Securities Master Fund(Bond)	100.00	Korea	Dec. 31	Capital investment
KB Global Equity Solution Securities Feeder Fund(Equity-FoFs)	KB Global Equity Solution Securities Master Fund(Equity-FoFs)	100.00	Korea	Dec. 31	Capital investment
KB Global Multiasset Income Securities Feeder Fund(Bond Mixed-FoFs)	KB Global Multiasset Income Securities Master Fund(Bond Mixed-FoFs)	73.76	Korea	Dec. 31	Capital investment
KBFG Securities America Inc.	Global Investment Opportunity Limited	100.00	Malaysia	Dec. 31	Financial investment and Real Estate Activities
KB Onkookmin Life Income RIF 40 Feeder Fund(FoFs)	KB Onkookmin Life Income RIF 40 Master Fund(FoFs)	96.48	Korea	Dec. 31	Capital investment
KB Onkookmin Life Income RIF 20 Feeder Fund(FoFs)	KB Onkookmin Life Income RIF 20 Master Fund(FoFs)	96.14	Korea	Dec. 31	Capital investment
JB New Jersey Private Real Estate Investment Trust No. 1	ABLE NJ DSM INVESTMENT REIT	99.18	United States of America	Dec. 31	Real Estate Activities
HYUNDAI ABLE INVESTMENT REIT	HYUNDAI ABLE PATRIOTS PARK, LLC	100.00	United States of America	Dec. 31	Real Estate Activities
Aquila Global Real Assets Fund No.1 LP	AGRAF Real Estate No.1, Senningerberg	100.00	Luxembourg	Dec. 31	Asset-backed securitization
AGRAF Real Estate No.1, Senningerberg	AGRAF Real Estate Holding No.1, Senningerberg	100.00	Luxembourg	Dec. 31	Asset-backed securitization
AGRAF Real Estate Holding No.1, Senningerberg	Vierte CasaLog GmbH & Co. KG and 2 others	94.90	Germany	Dec. 31	Real Estate Activities
AGRAF Real Estate Holding No.1, Senningerberg	HD 1 Grundstucksgesellschaft mbH & Co. KG	94.90	Germany	Dec. 31	Real Estate Activities
AGRAF Real Estate Holding No.1, Senningerberg	Sechste Casallog KG	94.90	Germany	Dec. 31	Real Estate Activities
Able Quant Asia Pacific Feeder Fund(T.E.) Limited	Able Quant Asia Pacific Master Fund Limited	100.00	Cayman islands	Dec. 31	Capital investment

Investor	Investee	Ownership interests (%)	Location	Date of financial statements	Industry
ABLE NJ DSM INVESTMENT REIT	ABLE NJ DSM, LLC	100.00	United States of America	Dec. 31	Real Estate Activities
Kookmin Bank	Personal pension trusts and 10 other trusts ¹	-	Korea	Dec. 31	Trust

¹ The Group controls the trust because it has power that determines the management performance over the trust and is exposed to variable returns to absorb losses through the guarantees of payment of principal, or payment of principal and fixed rate of return.

² Although the Group holds less than a majority of the investee's voting rights, the Group controls these investees as it has power over relevant activities in case of default: is significantly exposed to variable returns by providing lines of credit or ABCP purchase commitments or due to acquisition of subordinated debt; and has ability to affect those returns through its power.

³ Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by managing the fund; has significant percentage of ownership; is significantly exposed to variable returns which is affected by the performance of the investees; and has ability to affect the performance through its power.

⁴ Although the Group holds less than a majority of the investee's voting rights, the Group controls the investee as it has power over relevant activities by taking the role of an operating manager and it is significantly exposed to variable returns which is affected by the performance of the investees, and has ability to affect the performance through its power.

⁵ Although the Group holds less than a majority of the investee's voting rights, the Group participated directly in establishment of this entity and has power over relevant activities, and is significantly exposed to variable returns which is affected by the performance of the investee, and has ability to affect the performance through its power. Accordingly the Group has control over the investee.

⁶ The Group changed Kookmin Bank Int'l Ltd. (London) to Kookmin Bank London Branch on May 16, 2018, and this event is categorized as business combination of entities under common control. The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts in the consolidated financial statements of the Group. The transferred assets and liabilities due to this business combination are ₩ 480,161 million and ₩ 480,023 million, respectively.

The condensed financial information of major subsidiaries as of December 31, 2018 and 2017, and for the years ended December 31, 2018 and 2017, is as follows:

(In millions of Korean won)

	2018					
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period	Total comprehensive income (loss) for the period
Kookmin Bank ¹	₩ 356,959,258	₩ 330,291,392	₩ 26,667,866	₩ 18,089,885	₩ 2,259,198	₩ 2,186,979
KB Securities Co., Ltd. ^{1,2}	45,086,292	40,613,423	4,472,869	6,667,005	178,850	204,903
KB Insurance Co., Ltd. ^{1,2}	34,785,551	31,289,706	3,495,845	11,977,601	262,266	317,067
KB Kookmin Card Co., Ltd. ¹	20,528,951	16,570,280	3,958,671	3,045,039	286,599	261,667
KB Life Insurance Co., Ltd. ¹	9,680,379	9,128,148	552,231	1,305,231	14,824	25,062
KB Asset Management Co., Ltd. ¹	254,256	107,504	146,752	130,027	39,586	40,154
KB Capital Co., Ltd. ^{1,2}	9,517,239	8,516,838	1,000,401	734,499	111,939	111,758
KB Savings Bank Co., Ltd.	1,388,844	1,186,871	201,973	85,346	11,018	10,832
KB Real Estate Trust Co., Ltd.	293,063	57,229	235,834	114,660	47,004	46,813
KB Investment Co., Ltd. ¹	528,701	374,925	153,776	114,914	14,532	14,529
KB Credit Information Co., Ltd.	26,276	11,041	15,235	35,219	185	95
KB Data System Co., Ltd.	40,197	23,788	16,409	131,374	2,942	1,705

(In millions of Korean won)

	2017					
	Assets	Liabilities	Equity	Operating income	Profit (loss) for the period	Total comprehensive income (loss) for the period
Kookmin Bank ¹	₩ 329,765,927	₩ 304,442,493	₩ 25,323,434	₩ 19,291,294	₩ 2,174,705	₩ 2,357,936
KB Securities Co., Ltd. ^{1,2}	37,351,680	32,936,024	4,415,656	5,974,054	271,701	236,587
KB Insurance Co., Ltd. ^{1,2}	32,351,778	29,128,747	3,223,031	8,740,682	330,286	320,756
KB Kookmin Card Co., Ltd. ¹	17,658,310	13,616,481	4,041,829	3,326,048	296,831	326,887
KB Life Insurance Co., Ltd. ¹	9,125,741	8,586,328	539,413	1,331,105	21,086	(10,151)
KB Asset Management Co., Ltd. ¹	201,481	44,860	156,621	117,746	52,022	52,176
KB Capital Co., Ltd. ^{1,2}	8,743,672	7,803,920	939,752	588,253	120,797	120,628
KB Savings Bank Co., Ltd.	1,158,829	960,812	198,017	79,428	21,150	21,329
KB Real Estate Trust Co., Ltd.	246,685	47,355	199,330	76,700	36,408	36,356
KB Investment Co., Ltd. ¹	355,763	218,671	137,092	41,150	(4,954)	(7,295)
KB Credit Information Co., Ltd.	26,121	10,979	15,142	31,737	(5,316)	(5,185)
KB Data System Co., Ltd.	41,945	27,240	14,705	117,946	945	323

¹ Financial information is based on its consolidated financial statements.² The amount includes the fair value adjustments due to the merger.

Nature of the risks associated with interests in consolidated structured entities

The terms of contractual arrangements to provide financial support to a consolidated structured entity

- The Group has provided payment guarantees of ₩3,227,444 million to KBD Tower 1st L.L.C. and other subsidiaries.
- The Group provides capital commitment to KB Wise Star Private Real Estate Feeder Fund 1st. and 13 other subsidiaries. The unexecuted amount of the investment agreement is ₩ 291,481 million. Based on the capital commitment, the Group is subject to increase its investment upon the request of the asset management company or the additional agreement among investors.
- The Group provides the guarantees of payment of principal, or principal and fixed rate of return in case the operating results of the trusts are less than the guaranteed principal, or principal and fixed rate of return.

Changes in subsidiaries

The subsidiaries newly included in consolidation during the year ended December 31, 2018, are as follows:

Company	Description
Tong Yang Safe Plus Qualified Private Trust S-8(Bond) and 24 others	Holds over than a majority of the ownership interests
KBD Tower 1st L.L.C. and 50 others	Holds the power in the case of default and exposed to variable returns by providing lines of credit, ABCP purchase commitments or acquiring subordinated debt
KB Global Private Real Estate Debt Fund 1 and 22 others	Holds the power to determine the operation of the trust and exposed to variable returns by holding significant amount of ownership interests
KB Pre IPO Secondary Venture Fund 2nd and 5 other	The Group has a power over the investee as a general partner, is significantly exposed to variable returns due to significant percentage of ownership.

The subsidiaries excluded from consolidation during the year ended December 31, 2018, are as follows:

Company	Description
Able Vison 1st Co., Ltd and 27 others	Lost the right of variable returns due to the releasing debt
Wise Mobile 12th Securitization Co., Ltd. and 14 others	Settlement
LIME ORANGE PRIVATE EQUITY FUND 6 and 8 others	Disposal
KB Everyone TDF 2025 Securities Investment Trust – Bond Balanced-Fund of Funds and 10 others	Ownership decrease under 50%

42. Unconsolidated Structured Entity

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

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

Details of scale of unconsolidated structured entities and nature of the risks associated with the Group's interests in unconsolidated structured entities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Asset-backed securitization	Project financing	Trusts	Funds	Others	Total
Total assets of unconsolidated structured entity	₩ 127,085,417	₩ 29,521,240	₩ 519,609	₩ 121,481,888	₩ 12,409,277	₩ 291,017,431
Carrying amount on financial statements						
Assets						
Financial assets at fair value through profit or loss	3,846,725	111,452	-	7,934,662	17,915	11,910,754
Derivative financial assets	4,089	-	-	23,794	-	27,883
Loans at amortized cost	956,733	3,015,613	34,000	391,665	650,833	5,048,844
Financial investments	6,040,008	-	-	8,636	-	6,048,644
Investment in associates and joint ventures	-	-	-	258,594	-	258,594
Other assets	16,837	1,680	109,357	48,872	248	176,994
	₩ 10,864,392	₩ 3,128,745	₩ 143,357	₩ 8,666,223	₩ 668,996	₩ 23,471,713
Liabilities						
Deposits	₩ 526,274	₩ 728,324	₩ -	₩ 81,502	₩ 7,757	₩ 1,343,857
Derivative financial liabilities	1,285	-	-	6,232	-	7,517
Other liabilities	28,461	1,246	-	59	-	29,766
	₩ 556,020	₩ 729,570	₩ -	₩ 87,793	₩ 7,757	₩ 1,381,140
Maximum exposure to loss ¹						
Holding assets	₩ 10,864,392	₩ 3,128,745	₩ 143,357	₩ 8,666,223	₩ 668,996	₩ 23,471,713
Purchase and investment commitments	1,094,489	-	-	3,345,947	-	4,440,436
Unused credit	2,211,226	6,789	-	1,450	-	2,219,465
Payment guarantee and loan commitments	889,315	1,213,261	-	-	-	2,102,576
	₩ 15,059,422	₩ 4,348,795	₩ 143,357	₩ 12,013,620	₩ 668,996	₩ 32,234,190
Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Loan commitments /investment agreements / purchase commitments and acceptances and guarantees	Dividends by results trust: Total amount of trust exposure	Investments /loans and capital commitments	Loan commitments	

(In millions of Korean won)

	2017					
	Asset-backed securitization	Project financing	Trusts	Funds	Others	Total
Total assets of unconsolidated structured entity	₩ 128,573,461	₩ 33,153,741	₩ 482,900	₩ 101,598,227	₩ 9,613,570	₩ 273,421,899
Carrying amount on financial statements						
Assets						
Financial assets at fair value through profit or loss	2,277,080	73,157	-	547,258	-	2,897,495
Derivative financial assets	1,136	-	-	118	-	1,254
Loans	833,380	3,366,675	54,500	266,653	393,664	4,914,872
Financial investments	6,826,097	13,104	300	5,788,925	20,619	12,649,045
Investment in associates and joint ventures	-	-	-	202,816	-	202,816
Other assets	11,699	5,874	37,972	962	307	56,814
	₩ 9,949,392	₩ 3,458,810	₩ 92,772	₩ 6,806,732	₩ 414,590	₩ 20,722,296
Liabilities						
Deposits	₩ 484,889	₩ 755,242	₩ -	₩ 38,657	₩ 3,985	₩ 1,282,773
Derivative financial liabilities	1,487	-	-	2,792	-	4,279
Other liabilities	11,292	44	-	48	-	11,384
	₩ 497,668	₩ 755,286	₩ -	₩ 41,497	₩ 3,985	₩ 1,298,436
Maximum exposure to loss ¹						
Holding assets	₩ 9,949,392	₩ 3,458,810	₩ 92,772	₩ 6,806,732	₩ 414,590	20,722,296
Purchase and investment commitments	964,106	-	-	1,301,784	-	2,265,890
Unused credit	2,299,236	10,000	-	1,203,917	16,000	3,529,153
Payment guarantee and loan commitments	382,300	1,385,722	-	-	-	1,768,022
	₩ 13,595,034	₩ 4,854,532	₩ 92,772	₩ 9,312,433	₩ 430,590	₩ 28,285,361
Methods of determining the maximum exposure to loss	Providing lines of credit and purchase commitments	Loan commitments / investment agreements / purchase commitments and acceptances and guarantees	Dividends by results trust: Total amount of trust exposure	Investments / loans and capital commitments	Loan commitments	

¹ Maximum exposure to loss includes the asset amounts, after deducting loss (provision for assets, impairment losses and others), recognized in the financial statements of the Group.

43. Finance and Operating Lease

43.1 Finance lease

43.1.1 The Group as finance lessee

The future minimum lease payments arising as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Net carrying amount of finance lease assets	₩	34,003	₩	29,817
Minimum lease payment				
Within 1 year		6,827		2,555
1-5 years		3,553		2,150
		10,380		4,705
Present value of minimum lease payment				
Within 1 year		6,705		2,510
1-5 years		3,456		2,059
		10,161		4,569

43.1.2 The Group as finance lessor

Total lease investment and the present value of minimum lease payments as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Total lease investment	Present value of minimum lease payment	Total lease investment	Present value of minimum lease payment
Within 1 year	₩ 710,532	₩ 618,169	₩ 654,412	₩ 557,188
1-5 years	1,225,265	1,121,063	1,330,610	1,215,476
	₩ 1,935,797	₩ 1,739,232	₩ 1,985,022	₩ 1,772,664

Unearned interest income of finance lease as of December 31, 2018 and 2017, is as follows:

(In millions of Korean won)

	2018	2017
Total lease investment	₩ 1,935,797	₩ 1,985,022
Net lease investment		
Present value of minimum lease payment	1,739,232	1,772,664
Unearned interest income	₩ 196,565	₩ 212,358

43.2 Operating lease

43.2.1 The Group as operating lessee

The future minimum lease payments arising from the non-cancellable lease contracts as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Minimum lease payment				
Within 1 yearz	₩	179,384	₩	168,707
1-5 years		299,900		196,050
Over 5 years		111,906		34,128
	₩	591,190	₩	398,885
Minimum sublease payment	₩	(6,561)	₩	(3,101)

The lease payment reflected in profit or loss for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Lease payment reflected in profit or loss				
Minimum lease payment	₩	221,305	₩	208,413
Sublease payment		(1,804)		(2,441)
	₩	219,501	₩	205,972

43.2.2 The Group as operating lessor

The future minimum lease receipts arising from the non-cancellable lease contracts as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Minimum lease receipts				
Within 1 year	₩	304,204	₩	163,203
1-5 years		985,097		375,344
Over 5 years		280,084		282,470
	₩	1,569,385	₩	821,017

44. Related Party Transactions

Profit and loss arising from transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	2017
Associates and joint ventures		
KB Insurance Co., Ltd. ¹	₩	₩
Interest income	-	12
Interest expense	-	202
Fee and commission income	-	8,994
Fee and commission expense	-	1,021
Gains on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	796
Losses on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	18,717
Other operating income	-	16,743
Other operating expense	-	633
General and administrative expenses	-	5,601
Provision for credit losses	-	12
Other non-operating income	-	51
Balhae Infrastructure Fund	6,691	7,162
Korea Credit Bureau Co., Ltd.	127	132
Fee and commission income	1,194	1,374
Fee and commission expense	1,909	2,645
General and administrative expenses	-	2,202
Provision for credit losses	-	1
Other operating expense	4	-
KoFC KBIC Frontier Champ 2010-5 (PEF)	197	216
KB GwS Private Securities Investment Trust	851	851
Incheon Bridge Co., Ltd.	9,426	25,511
Interest expense	296	292
Fee and commission income	9	-
Fee and commission expense	2	-
Insurance income	365	162
Reversal for credit losses	6	43
Provision for credit losses	1	-
Jaeyang Industry Co., Ltd.	-	98
Reversal for credit losses	-	6
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	210	481
Aju Good Technology Venture Fund	30	14
KB Star Office Private Real Estate Investment Trust No.1	370	370
Interest expense	93	63
Fee and commission income	435	435
Provision for credit losses	-	3
RAND Bio Science Co., Ltd.	3	16
Inno Lending Co., Ltd. ¹	1	3
Interest expense	-	1

(In millions of Korean won)

		2018	2017
KBIC Private Equity Fund No. 3 ¹	Fee and commission income	-	38
SY Auto Capital Co., Ltd.	Interest income	1,279	828
	Interest expense	-	22
	Fee and commission income	73	47
	Fee and commission expense	840	2,956
	Insurance income	33	29
	Other operating income	621	731
	Other operating expense	415	128
	Reversal for credit losses	-	32
	Provision for credit losses	14	-
	Other non-operating income	-	51
Kyobo 7 Special Purpose Acquisition Co., Ltd. ¹	Interest expense	-	1
Food Factory Co., Ltd.	Interest income	9	24
	Insurance income	5	3
	Fee and commission expense	1	-
	Gains on financial assets/liabilities at fair value through profit or loss	30	-
	Reversal for credit losses	1	-
	Provision for credit losses	1	44
KB Pre IPO Secondary Venture Fund 1st	Interest expense	27	60
	Fee and commission income	110	83
Builton Co., Ltd.	Interest income	4	-
	Insurance income	2	1
	Losses on financial assets/liabilities at fair value through profit or loss	1	-
KB Private Equity Fund III	Fee and commission income	521	457
Wise Asset Management Co., Ltd.	Interest expense	9	5
Acts Co., Ltd.	Interest income	-	249
	Insurance income	2	2
	Losses on financial assets/liabilities at fair value through profit or loss	1,851	-
	Losses on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	220
	Provision for credit losses	-	66
	General and administrative expenses	-	150
	Other non-operating expense	1,246	-
COBI Co., Ltd. ¹	Interest income	-	183
	Provision for credit losses	-	89
Dongjo Co., Ltd.	Reversal for credit losses	31	2
	Insurance income	2	-
A-PRO Co., Ltd.	Interest expense	1	-
	Insurance income	5	-
POSCO-KB Shipbuilding Fund	Fee and commission income	490	257
	Interest expense	81	3
Dae-A Leisure Co., Ltd.	Interest expense	9	1
Paycoms Co., Ltd.	Interest income	10	61

(In millions of Korean won)

		2018	2017
	Insurance income	1	-
	Gains on financial assets/liabilities at fair value through profit or loss	125	-
	Provision for credit losses	-	32
Bungaejangter Inc. ¹	Interest income	60	31
	Provision for credit losses	-	44
Faromancorporation Co.,Ltd. ¹	Reversal for credit losses	-	345
Daesang Techlon Co., Ltd. ¹	Insurance income	-	1
Big Dipper Co., Ltd.	Reversal for credit losses	2	-
	Provision for credit losses	-	2
KB-KDBC New Technology Business Investment Fund	Interest expense	39	4
	Fee and commission income	322	-
KBTS Technology Venture Private Equity Fund	Fee and commission income	305	-
KB-SJ Tourism Venture Fund	Fee and commission income	314	-
JLK INSPECTION Inc.	Interest income	6	-
TESTIAN Inc.	Interest income	4	-
	Gains on financial assets/liabilities at fair value through profit or loss	83	-
Rainist Co., Ltd.	Interest expense	2	-
IWON ALLOY CO.,LTD.	Insurance income	1	-
RMGP Bio-Pharma Investment Fund, L.P.	Other non-operating income	10	-
Hasys.	Losses on financial assets/liabilities at fair value through profit or loss	136	-
	Insurance income	4	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Interest expense	21	-
	Fee and commission income	108	-
Spark Biopharma, Inc.	Interest expense	25	-
KB No.8 Special Purpose Acquisition Company ¹	Interest income	-	75
	Interest expense	17	36
	Losses on financial assets/liabilities at fair value through profit or loss	2,330	-
	Losses on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	170
KB No.9 Special Purpose Acquisition Company	Interest income	-	76
	Interest expense	43	33
	Losses on financial assets/liabilities at fair value through profit or loss	2,256	-
	Losses on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	200
	Gains on financial assets/liabilities at fair value through profit or loss	48	-
KB No.10 Special Purpose Acquisition Company	Interest income	-	48
	Interest expense	30	24

(In millions of Korean won)

		2018	2017
KB No.11 Special Purpose Acquisition Company	Losses on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	103
	Gains on financial assets/liabilities at fair value through profit or loss	121	-
	Interest income	-	22
	Interest expense	12	-
	Fee and commission income	-	150
	Gains on financial assets/liabilities at fair value through profit or loss	56	-
	Gains on financial assets/liabilities at fair value through profit or loss (under Korean IFRS 1039)	-	711
Hyundai-Tongyang Agrifood Private Equity Fund ¹	Fee and commission income	151	187
KB IGen Private Equity Fund No.1	Fee and commission income	-	1,266
Keystone-Hyundai Securities No. 1 Private Equity Fund	Fee and commission income	116	94
Doosung Metal Co., Ltd.	Insurance income	1	1
Other			
Retirement pension	Fee and commission income	876	795
	Interest expense	3	3

Meanwhile, the Group purchased installment financial assets from SY Auto Capital Co., Ltd. amounts to ₩ 881,502 million and ₩ 838,010 million for the years ended December 31, 2018 and 2017

Details of receivables and payables, and related allowances for loan losses arising from the related party transactions as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018	2017
Associates and joint ventures			
Balhae Infrastructure Fund	Other assets	₩ 1,708	₩ 1,669
Korea Credit Bureau Co., Ltd.	Loans at amortized cost (Gross amount)	22	22
	Deposits	15,674	25,513
	Provisions	-	1
	Other liabilities	98	469
KB GwS Private Securities Investment Trust	Other assets	641	641
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	32,882	-
	Loans at amortized cost (Gross amount)	158,206	200,414
	Allowances for loan losses	15	288
	Other assets	736	710
	Deposits	43,666	48,795
	Provisions	10	3
	Insurance contract liabilities	113	189
	Other liabilities	24	29
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Other assets	90	176
Terra Co., Ltd.	Deposits	-	10

(In millions of Korean won)

		2018	2017
Jungdo Co., Ltd.	Deposits	4	4
Dongjo Co., Ltd.	Loans at amortized cost (Gross amount)	-	116
	Allowances for loan losses	-	1
	Insurance contract liabilities	2	-
Dae-A Leisure Co., Ltd.	Deposits	1,229	466
	Other liabilities	7	14
Aju Good Technology Venture Fund	Deposits	6,439	2,771
	Other liabilities	2	1
Jungdong Steel Co., Ltd.	Deposits	-	3
Doosung Metal Co., Ltd.	Deposits	3	-
	Insurance contract liabilities	-	1
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Deposits	18,813	-
	Other liabilities	7	-
KB Star Office Private Real Estate Investment Trust No.1	Loans at amortized cost (Gross amount)	10,000	10,000
	Allowances for loan losses	4	3
	Other assets	136	136
	Deposits	7,946	6,962
	Other liabilities	58	45
KB IGen Private Equity Fund No.1	Deposits	148	-
RAND Bio Science Co., Ltd.	Deposits	232	1,032
	Loans at amortized cost (Gross amount)	1	1
	Other liabilities	-	4
Inno Lending Co., Ltd. ¹	Loans at amortized cost (Gross amount)	-	2
	Deposits	-	41
SY Auto Capital Co., Ltd.	Loans at amortized cost (Gross amount)	48,356	40,057
	Allowances for loan losses	18	-
	Other assets	94	51
	Deposits	5	6
	Provisions	11	29
	Insurance contract liabilities	6	8
	Other liabilities	102	349
Food Factory Co., Ltd.	Financial assets at fair value through profit or loss	530	-
	Loans at amortized cost (Gross amount)	200	679
	Allowances for loan losses	1	44
	Other assets	1	1
	Deposits	68	1
	Insurance contract liabilities	3	3
KB Pre IPO Secondary Venture Fund 1st	Other assets	-	28
	Deposits	1,115	2,690
	Other liabilities	1	6
Builton Co., Ltd.	Other assets	1	-
	Financial assets at fair value through profit or loss	399	-
	Loans at amortized cost (Gross amount)	2	1

(In millions of Korean won)

		2018	2017
	Deposits	7	26
	Insurance contract liabilities	1	1
Wise Asset Management Co., Ltd.	Deposits	696	340
	Other liabilities	2	1
Acts Co., Ltd.	Loans at amortized cost (Gross amount)	-	1,927
	Allowances for loan losses	-	161
	Intangible assets	530	1,275
	Deposits	29	4
	Insurance contract liabilities	-	1
	Other liabilities	530	-
POSCO-KB Shipbuilding Fund	Other assets	-	123
Bungaejanter. Inc. ¹	Loans at amortized cost (Gross amount)	-	425
	Allowances for loan losses	-	36
Paycoms Co., Ltd.	Other assets	1	-
	Financial assets at fair value through profit or loss	1,032	-
	Loans at amortized cost (Gross amount)	-	1,066
	Allowances for loan losses	-	89
	Deposits	1	-
Daesang Techlon Co., Ltd. ¹	Deposits	-	2
Big Dipper Co., Ltd.	Loans at amortized cost (Gross amount)	5	6
	Deposits	182	473
	Provisions	-	2
KB-KDBC New Technology Business Investment Fund	Deposits	7,088	7,500
	Other liabilities	3	4
A-PRO Co., Ltd.	Insurance contract liabilities	2	-
	Deposits	2,201	-
JLK INSPECTION Inc.	Financial assets at fair value through profit or loss	7,300	-
TESTIAN Inc.	Other assets	1	-
	Financial assets at fair value through profit or loss	615	-
IWON ALLOY CO.,LTD.	Insurance contract liabilities	2	-
CARLIFE CO.,LTD.	Deposits	2	-
COMPUTERLIFE CO.,LTD.	Deposits	1	-
RMGP Bio-Pharma Investment Fund, L.P.	Financial assets at fair value through profit or loss	3,051	-
	Other liabilities	35	-
RMGP Bio-Pharma Investment, L.P.	Financial assets at fair value through profit or loss	4	-
Hasys.	Financial assets at fair value through profit or loss	5,864	-
	Insurance contract liabilities	29	-
SKYDIGITAL INC	Deposits	16	-
Rainist Co., Ltd.	Financial assets at fair value through profit or loss	2,504	-
	Deposits	1	-

(In millions of Korean won)

		2018	2017
Spark Biopharma, Inc.	Financial assets at fair value through profit or loss	6,500	-
	Deposits	2,630	-
	Other liabilities	19	-
HEYBIT, Inc.,	Financial assets at fair value through profit or loss	250	-
Stratio, Inc.	Financial assets at fair value through profit or loss	1,000	-
KB No.8 Special Purpose Acquisition Company ¹	Derivative financial assets	-	2,122
	Loans at amortized cost (Gross amount)	-	2,296
	Deposits	-	2,339
	Other liabilities	-	19
KB No.9 Special Purpose Acquisition Company	Financial assets at fair value through profit or loss	2,481	-
	Derivative financial assets	-	2,241
	Loans at amortized cost (Gross amount)	-	2,356
	Deposits	2,275	2,309
KB No.10 Special Purpose Acquisition Company	Other liabilities	42	38
	Financial assets at fair value through profit or loss	2,025	-
	Derivative financial assets	1,659	1,930
	Loans at amortized cost (Gross amount)	-	1,603
KB No.11 Special Purpose Acquisition Company	Deposits	1,666	1,698
	Other liabilities	11	10
	Financial assets at fair value through profit or loss	737	-
	Derivative financial assets	873	846
Key management	Loans at amortized cost (Gross amount)	-	697
	Deposits	658	530
	Other liabilities	2	-
	Loans at amortized cost (Gross amount)	2,338	1,665
	Other assets	2	2
Other	Deposits	10,828	8,707
	Insurance contract liabilities	1,092	809
	Other liabilities	178	124
	Retirement pension	331	348
	Other liabilities	25,238	10,056

¹ The amounts are not disclosed as the entity is excluded from the Group's related party as of December 31, 2018.

According to Korean IFRS 1024, the Group includes associates, key management (including family members), and post-employment benefit plans of the Group and its related party companies in the scope of related parties. Additionally, the Group discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the consolidated financial statements. Refer to Note 13 for details on investments in associates and joint ventures.

Significant lending transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018 ¹			
	Beginning	Increase	Decrease	Ending
Associates				
Korea Credit Bureau Co., Ltd.	₩ 22	₩ 22	₩ (22)	₩ 22
Incheon Bridge Co., Ltd.	200,414	5,388	(14,714)	191,088
Dongjo Co., Ltd.	116	-	(116)	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
RAND Bio Science Co., Ltd.	1	1	(1)	1
Inno Lending Co., Ltd. ²	2	-	(2)	-
SY Auto Capital Co., Ltd.	40,057	50,109	(41,810)	48,356
Food Factory Co., Ltd.	679	51	-	730
Builton Co., Ltd.	1	402	(2)	401
Acts Co., Ltd.	1,927	-	(1,927)	-
Bungaejanter. Inc. ²	425	-	(425)	-
Paycoms Co., Ltd.	1,066	1,032	(1,066)	1,032
Big Dipper Co., Ltd.	6	5	(6)	5
JLK INSPECTION Inc.	-	7,300	-	7,300
TESTIAN Inc.	-	615	-	615
RMGP Bio-Pharma Investment Fund, L.P.	-	3,051	-	3,051
RMGP Bio-Pharma Investment, L.P.	-	4	-	4
Hasys.	-	6,000	(136)	5,864
Rainist Co., Ltd.	-	2,504	-	2,504
Spark Biopharma, Inc.	-	6,500	-	6,500
HEYBIT, Inc.,	-	250	-	250
Stratio, Inc.	-	1,000	-	1,000
KB No.8 Special Purpose Acquisition Company ²	2,296	-	(2,296)	-
KB No.9 Special Purpose Acquisition Company	2,356	2,481	(2,356)	2,481
KB No.10 Special Purpose Acquisition Company	1,603	2,025	(1,603)	2,025
KB No.11 Special Purpose Acquisition Company	697	737	(697)	737
Key management	1,665	1,509	(836)	2,338

(In millions of Korean won)

	2017 ¹			
	Beginning	Increase	Decrease	Ending
Associates				
KB Insurance Co., Ltd. ²	₩ 6,791	₩ -	₩ (6,791)	₩ -
Korea Credit Bureau Co., Ltd.	14	8	-	22
Incheon Bridge Co., Ltd.	209,105	202,503	(211,194)	200,414
Dongjo Co., Ltd.	-	116	-	116
Jaeyang Industry Co., Ltd.	303	-	(303)	-
KB Star Office Private Real Estate Investment Trust No.1	10,000	-	-	10,000
RAND Bio Science Co., Ltd.	1	-	-	1
Inno Lending Co., Ltd. ²	-	2	-	2
SY Auto Capital Co., Ltd.	30,049	44,039	(34,031)	40,057
Food Factory Co., Ltd.	-	700	(21)	679
Builton Co., Ltd.	-	1	-	1
Acts Co., Ltd.	-	1,927	-	1,927
Bungaejanter. Inc. ²	-	425	-	425
Paycoms Co., Ltd.	-	1,066	-	1,066
Big Dipper Co., Ltd.	-	6	-	6
KB No.8 Special Purpose Acquisition Company ²	2,490	-	(194)	2,296
KB No.9 Special Purpose Acquisition Company	2,584	-	(228)	2,356
KB No.10 Special Purpose Acquisition Company	1,495	295	(187)	1,603
KB No.11 Special Purpose Acquisition Company	790	-	(93)	697
Key management	1,982	-	(317)	1,665

¹ Transactions from operating activities with related parties (i.e. such as settlement, daily overdraft loans, etc) are excluded.

² Excluded from the Group's related party as of December 31, 2018.

Significant borrowing transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018 ¹				
	Beginning	Borrowing	Repaymnet	Others ¹	Ending
Associates					
Korea Credit Bureau Co., Ltd.	₩ 25,513	₩ 8,000	₩ (16,000)	₩ (1,839)	₩ 15,674
Incheon Bridge Co., Ltd.	48,795	1,260	(1,270)	(5,119)	43,666
Terra Co., Ltd.	10	-	-	(10)	-
Jungdong Steel Co., Ltd.	3	-	-	(3)	-
Doosung Metal Co., Ltd	-	-	-	3	3
Jungdo Co., Ltd.	4	-	-	-	4
Dae-A Leisure Co., Ltd.	466	479	(466)	750	1,229
Daesang Techlon Co., Ltd. ²	2	-	-	(2)	-
CARLIFE CO.,LTD.	-	-	-	2	2
COMPUTERLIFE CO.,LTD.,	-	-	-	1	1
SKYDIGITAL INC	-	-	-	16	16
Aju Good Technology Venture Fund	2,771	-	-	3,668	6,439
KB-KDBC New Technology Business Fund	7,500	-	-	(412)	7,088
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	-	-	-	18,813	18,813
KB Star Office Private Real Estate Investment Trust No.1	6,962	351	-	633	7,946
SY Auto Capital Co., Ltd.	6	-	-	(1)	5
KB No.8 Special Purpose Acquisition Company ²	2,339	-	(2,300)	(39)	-
KB No.9 Special Purpose Acquisition Company	2,309	2,266	(2,234)	(66)	2,275
KB No.10 Special Purpose Acquisition Company	1,698	1,618	(1,618)	(32)	1,666
KB No.11 Special Purpose Acquisition Company	530	530	(530)	128	658
RAND Bio Science Co., Ltd.	1,032	-	(500)	(300)	232
Wise Asset Management Co., Ltd.	340	2,366	(2,008)	(2)	696
Builton Co., Ltd.	26	-	-	(19)	7
Food Factory Co., Ltd.	1	-	-	67	68
Acts Co., Ltd.	4	-	-	25	29
Paycoms Co., Ltd.	-	-	-	1	1
Big Dipper Co., Ltd.	473	-	-	(291)	182
A-PRO Co., Ltd.	-	-	-	2,201	2,201
Rainist Co., Ltd.	-	-	-	1	1
Spark Biopharma, Inc.	-	4,300	(3,300)	1,630	2,630
KB IGen Private Equity Fund No.1	-	-	-	148	148
KB Pre IPO Secondary Venture Fund 1st	2,690	2,000	(4,000)	425	1,115
POSCO-KB Shipbuilding Fund	-	32,800	(32,800)	-	-
Inno Lending Co., Ltd. ²	41	-	-	(41)	-
Key management ³	8,260	7,587	(5,283)	264	10,828

(In millions of Korean won)

	2017				
	Beginning	Borrowing	Repayment	Others ¹	Ending
Associates					
Korea Credit Bureau Co., Ltd.	₩ 26,827	₩ 11,000	₩ (6,000)	₩ (6,314)	₩ 25,513
Incheon Bridge Co., Ltd.	38,556	1,270	(21,270)	30,239	48,795
Terra Co., Ltd.	-	-	-	10	10
Jungdong Steel Co., Ltd.	3	-	-	-	3
Jungdo Co., Ltd.	-	-	-	4	4
Dae-A Leisure Co., Ltd.	-	-	-	466	466
Daesang Techlon Co., Ltd. ²	-	-	-	2	2
Aju Good Technology Venture Fund	1,201	-	-	1,570	2,771
KB Pre IPO Secondary Venture Fund 1st	-	-	-	7,500	7,500
Ejade Co., Ltd. ²	2	-	-	(2)	-
KB Star office Private real estate Investment Trust No.1	6,682	303	-	(23)	6,962
KB No.8 Special Purpose Acquisition Company ²	2,342	2,300	(2,300)	(3)	2,339
KB No.9 Special Purpose Acquisition Company	2,399	-	(100)	10	2,309
KB No.10 Special Purpose Acquisition Company	1,754	1,618	(1,600)	(74)	1,698
KB No.11 Special Purpose Acquisition Company	-	530	-	-	530
SY Auto Capital Co., Ltd.	3,997	2,000	(2,000)	(3,991)	6
RAND Bio Science Co., Ltd.	2,356	1,000	(2,500)	176	1,032
Wise Asset Management Co., Ltd.	-	1,346	(1,475)	469	340
Builton Co., Ltd.	-	-	-	26	26
Food Factory Co., Ltd.	-	-	-	1	1
Acts Co., Ltd.	-	-	-	4	4
Big Dipper Co., Ltd.	-	-	-	473	473
KB Pre IPO Secondary Venture Fund 1st	-	13,000	(11,000)	690	2,690
POSCO-KB Shipbuilding Fund	-	3,000	(3,000)	-	-
Inno Lending Co., Ltd. ²	1,902	-	-	(1,861)	41
KBIC Private Equity Fund No. ³	700	-	(700)	-	-

¹ Transactions from operating activities with related parties (i.e. such as settlement, deposit on demand, etc) are netted.² Excluded from the Group's related party as of December 31, 2018.³ Represents the transactions have started occurring since the current year.

Significant investment and collection transaction with related parties for the year ended December 31, 2018 is as follows:

(In millions of Korean won)

	2018	
	Equity investments	Withdrawal and others
Korea Credit Bureau Co., Ltd.	₩ -	₩ 113
Balhae Infrastructure Company	4,645	8,623
Daesang Techlon Co.,Ltd. ¹	-	42
PT Bank Bukopin TBK	116,422	-
KoFC KBIC Frontier Champ 2010-5(PEF)	-	4,800
KB GwS Private Securities Investment Trust	-	6,386
Aju Good Technology Venture Fund	9,808	-
KB-KDBC Pre-IPO New Technology Business Fund	10,000	-
KBTS Technology Venture Private Equity Fund	14,224	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	8,000	-
KB Star office Private real estate Investment Trust No.1	-	1,162
KB No.8 Special Purpose Acquisition Company ¹	-	5
Hyundai-Tongyang Agrifood Private Equity Fund ¹	-	82
KB IGen Private Equity Fund No.1	-	3
GH Real Estate I LP	17,678	-
KB-SJ Tourism Venture Fund	1,500	-
CUBE Growth Fund No.2	1,300	1,300
UNION Media Commerce Fund	1,000	-

¹ Excluded from the Group's related party as of December 31, 2018.

Unused commitments to related parties as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		2018	2017
Associates and joint ventures			
Balhae Infrastructure Fund	Purchase of security investment	₩ 10,453	₩ 12,564
Korea Credit Bureau Co., Ltd.	Unused commitments of credit card	108	108
KoFC KBIC Frontier Champ 2010-5(PEF)	Purchase of security investment	2,150	2,150
KB GwS Private Securities Investment Trust	Purchase of security investment	876	876
Aju Good Technology Venture Fund	Purchase of security investment	1,960	11,768
Incheon Bridge Co., Ltd.	Loan commitments in Korean won	20,000	20,000
	Unused commitments of credit card	94	86
KoFC POSCO HANHWA KB Shared Growth Private Equity Fund No. 2	Purchase of security investment	12,550	12,550
SY Auto Capital Co., Ltd.	Loan commitments in Korean won	6,700	10,000
	Unused commitments of credit card	94	92
KB No.9 Special Purpose Acquisition Company	Unused commitments of credit card	1	1
KB No.10 Special Purpose Acquisition Company	Unused commitments of credit card	5	5
RAND Bio Science Co., Ltd.	Unused commitments of credit card	24	24
Builton Co., Ltd.	Unused commitments of credit card	3	4
Food Factory Co., Ltd.	Unused commitments of credit card	11	11
Inno Lending Co., Ltd. ¹	Unused commitments of credit card	-	13
Big Dipper Co., Ltd.	Unused commitments of credit card	95	94
KB-KDBC New Technology Business Investment Fund	Purchase of security investment	5,000	15,000
KBTS Technology Venture Private Equity Fund	Purchase of security investment	13,776	-
KB-SJ Tourism Venture Fund	Purchase of security investment	3,500	-
KB-Brain KOSDAQ Scale-up New Technology Business Investment Fund	Purchase of security investment	32,000	-
Key management	Loan commitments in Korean won	1,559	984

¹ Excluded from the Group's related party as of December 31, 2018.

Compensation to key management for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 7,757	₩ 418	₩ 4,213	₩ 12,388
Registered directors (non-executive)	960	-	-	960
Non-registered directors	7,135	273	3,314	10,722
	₩ 15,852	₩ 691	₩ 7,527	₩ 24,070

(In millions of Korean won)

	2017			
	Short-term employee benefits	Post-employment benefits	Share-based payments	Total
Registered directors (executive)	₩ 2,026	₩ 87	₩ 2,991	₩ 5,104
Registered directors (non-executive)	896	-	-	896
Non-registered directors	8,420	338	14,610	23,368
	₩ 11,342	₩ 425	₩ 17,601	₩ 29,368

Collateral received from related parties as of December 31, 2018 and 2017, are as follows:

		(In millions of Korean won)	
		2018	2017
Associates			
KB Star Office Private Real Estate Investment Trust No.1	Real estate	₩ 13,000	₩ 13,000
Key management			
	Time deposits and others	401	388
	Real estate	3,182	2,287

As of December 31, 2018, Incheon Bridge Co., Ltd., a related party, provides fund management account, insurance for civil engineering completion, and management rights as senior collateral amounting to ₩ 611,000 million to a financial syndicate that consists of the Group and five other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders that consist of the Group and two other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to a financial syndicate consisting of the Group and five other institutions.

45 Business Combination

On July 6, 2018, the Group obtained control over KB Daehan Specialized Bank (which was renamed from Tomato Specialized Bank in March 2018) in Cambodia by acquiring 90% share of interests.

Regarding the business combination above, the amounts of the consideration transferred and the assets and liabilities acquired at the acquisition date are as follows:

		(In millions of Korean won)	
		2018	
Consideration			
	Cash and cash equivalents	₩	21,654
Recognized amounts of identifiable assets acquired and liabilities assumed			
	Cash and Due from financial institutions		11,995
	Loans at amortized cost		8,484
	Property and equipment		765
	Intangible assets		17
	Other assets		1,389
Total assets			22,650
Other liabilities			273
Total liabilities			273
Fair value of identifiable assets			22,377
Non-controlling interest			2,238
Goodwill			1,515

As a result of business combination goodwill has been recognized, and the Group has accounted for as an intangible asset in the consolidated financial statements.

46. Application of Korean IFRS 1109 *Financial Instruments* and IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied Korean IFRS 1109 *Financial Instruments* and IFRS 1115 *Revenue from Contracts with Customers*, which was issued on September 25, 2015, for the first time for their annual reporting period commencing January 1, 2018. Impact of the application of Korean IFRS 1109 and IFRS 1115 on the Group's consolidated financial statements is as follows:

The Group's categories and carrying amounts of financial assets per Korean IFRS 1039 and 1109 as of the initial application date are as follows:

(In millions of Korean won)

Measurement categories		Carrying amounts			
December 31, 2017 (Korean IFRS 1039)	January 1, 2018 (Korean IFRS 1109)	Korean IFRS 1039 ¹	Reclassification	Remeasure- ment	Korean IFRS 1109 ¹
Cash and due from financial institutions	Financial assets at amortized cost	₩ 19,817,825	₩ (2,795,301)	₩ (1,797)	₩ 17,020,727
	Financial assets at fair value through profit or loss ²	-	2,795,702	(12,881)	2,782,821
		19,817,825	401	(14,678)	19,803,548
Financial assets at fair value through profit or loss					
Financial assets held for trading: debt securities	Financial assets at fair value through profit or loss	25,168,338			
Financial assets held for trading: equity securities		4,935,100			
Financial assets held for trading: others		73,855	-	-	32,227,345
Financial assets designated at fair value through profit or loss ³		2,050,052			
		32,227,345	-	-	32,227,345
Derivative financial instruments held for trading	Derivative financial instruments held for trading	2,998,042	(43,787)	-	2,954,255
Derivative instruments designated for hedging	Derivative instruments designated for hedging	312,124	-	-	312,124
		3,310,166	(43,787)	-	3,266,379
Loans	Financial assets at amortized cost	290,122,838	(608,156)	(544,468)	288,970,214
	Financial assets at fair value through profit or loss ²	-	616,666	12,557	629,223
		290,122,838	8,510	(531,911)	289,599,437
Financial investments					
Available-for-sale financial assets: debt securities	Financial assets at fair value through other comprehensive income	38,959,401	(5,347,493)	-	33,611,908
	Financial assets at fair value through profit or loss ²	-	2,511,902	-	2,511,902
	Financial assets at amortized cost	-	2,835,591	4,118	2,839,709
	Financial assets measured at fair value through other comprehensive income	9,156,862	(6,789,392)	275	2,367,745
	Financial assets at fair value through profit or loss ²	-	6,800,720	(88)	6,800,632
	Financial assets at amortized cost	18,491,980	(274,020)	4,116	18,222,076
	Financial assets at fair value through profit or loss ²	-	274,020	(4,359)	269,661
		66,608,243	11,328	4,062	66,623,633
	Financial assets at amortized cost	10,195,015	(1,637)	(5,085)	10,188,293
		₩ 422,281,432	₩ (25,185)	₩ (547,612)	₩ 421,708,635

¹ Net of allowance.

² In accordance with Korean IFRS 1104, the Group has designated the financial assets related with insurance contract (cash and due from financial institutions amounting to ₩ 186,293 million, loans amounting to ₩ 587 million, available-for-sale financial assets amounting to ₩ 6,349,091 million, and held-to-maturity investments amounting to ₩ 57,386 million) to use overlay approach. Regarding the designated financial assets, the Group has reclassified the profit or loss amount that the Group would have applied Korean IFRS 1039, instead of Korean IFRS 1109.

³ Financial assets amounting to ₩ 2,050,052 million under Korean IFRS 1039, which were classified as financial assets designated at fair value through profit or loss, have been reclassified to financial assets at fair value through profit or loss by applying Korean IFRS 1109 without designation of fair value option.

The Group's categories and carrying amounts of financial liability per Korean IFRS 1039 and 1109 as of the initial application date are as follows:

(In millions of Korean won)

Measurement categories		Carrying amounts			
December 31, 2017 (Korean IFRS 1039)	December 31, 2017 (Korean IFRS 1039)	Korean IFRS 1039	Reclassification	Remeasure- ment	Korean IFRS 1109
Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	₩ 1,944,770	₩ -	₩ -	₩ 1,944,770
Financial liabilities designated at fair value through profit or loss	Financial liabilities designated at fair value through profit or loss	10,078,288	-	-	10,078,288
Derivative financial instruments held for trading	Derivative financial instruments held for trading	3,054,614	(3,737)	-	3,050,877
Derivative instruments designated as fair value hedge	Derivative instruments designated as fair value hedge	88,151	(404)	-	87,747
Deposits	Financial liabilities at amortized cost	255,800,048	-	-	255,800,048
Debts	Financial liabilities at amortized cost	28,820,928	-	-	28,820,928
Debentures	Financial liabilities at amortized cost	44,992,724	-	-	44,992,724
Other financial liabilities	Financial liabilities at amortized cost	18,330,004	(21,043)	2,899	18,311,860
		₩ 363,109,527	₩ (25,184)	₩ 2,899	₩ 363,087,242

The carrying amounts of the categories of financial assets per Korean IFRS 1109 as of the initial application date are as follows:

(In millions of Korean won)

	January 1, 2018				Total
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost ¹	Derivative instruments designated for hedging	
Cash and due from financial institutions	₩ -	₩ -	₩ 17,020,727	₩ -	₩ 17,020,727
Financial assets at fair value through profit or loss	45,221,584	-	-	-	45,221,584
Derivative instruments designated for trading	2,954,255	-	-	-	2,954,255
Derivative instruments designated for hedging	-	-	-	312,124	312,124
Loans at amortized cost	-	-	288,970,214	-	288,970,214
Financial investments	-	35,979,653	21,061,785	-	57,041,438
Other financial assets	-	-	10,188,293	-	10,188,293
	₩ 48,175,839	₩ 35,979,653	₩ 337,241,019	₩ 312,124	₩ 421,708,635

¹ Net of allowance.

On January 1, 2018 (the date of the initial application of Korean IFRS 1109), there were no financial assets at fair value through profit or loss reclassified to financial assets at amortized cost or financial assets at fair value through other comprehensive income.

On January 1, 2018 (the date of the initial application of Korean IFRS 1109), the Group classified certain financial assets, other than financial assets at amortized cost as at January 1, 2018, to amortized cost as follows:

(In millions of Korean won)					
	Measurement categories before reclassification		Fair value		Recognizable valuation gain or loss if not reclassified
Currency stabilization bond	Available-for-sale	₩	1,975,001	₩	(248)
Asset backed securities	Available-for-sale		860,590		(4,046)
		₩	2,835,591	₩	(4,294)

The reconciliation of the ending allowances/provision in accordance with Korean IFRS 1039 to the opening allowances in accordance with Korean IFRS 1109 is as follows:

(In millions of Korean won)					
Measurement categories		Carrying amounts			
December 31, 2017 (Korean IFRS 1039)	January 1, 2018 (Korean IFRS 1109)	Korean IFRS 1039 ¹	Reclassification	Remeasure- ment	Korean IFRS 1109 ²
Loans and receivables					
Due from financial institutions	Financial assets at amortized cost	₩ -	₩ -	₩ 1,797	₩ 1,797
Loans	Financial assets at amortized cost	2,064,469	-	544,468	2,608,937
	Financial assets at fair value through profit or loss	45,763	(45,763)	-	-
	Financial assets at amortized cost	104,813	-	5,086	109,899
Available-for-sale					
Debt securities	Financial assets at fair value through other comprehensive income	-	-	4,433	4,433
	Financial assets at amortized cost	-	-	176	176
Held-to-maturity securities					
Debt securities	Financial assets at amortized cost	-	-	1,530	1,530
		2,215,045	(45,763)	557,490	2,726,772
Unused commitments and guarantees		267,011	-	28,637	295,648
Financial guarantees		2,682	-	2,175	4,857
		₩ 2,484,738	₩ (45,763)	₩ 588,302	₩ 3,027,277

On January 1, 2018 (the date of the initial application of Korean IFRS 1109 and IFRS 1115), the impact on other comprehensive income due to financial liabilities designated at fair value through profit or loss is as follows:

(In millions of Korean won)	
	Impact of application
December 31, 2017 (before adoption of Korean IFRS 1109)	₩ -
Valuation loss from own credit risk of financial liabilities designated at fair value through profit or loss	(14,397)
Tax effect	3,959
January 1, 2018 (after adoption of Korean IFRS 1109)	₩ (10,438)

On January 1, 2018 (the date of the initial application of Korean IFRS 1109), the impact on other comprehensive income due to financial assets designated at fair value through other comprehensive income and others is as follows:

(In millions of Korean won)

	Impact of application	
December 31, 2017 (before adoption of Korean IFRS 1109)	₩	537,668
Change of classification/subsequent measurement category: available for sale to financial assets at amortized cost		4,295
Change of classification/subsequent measurement category: available for sale to financial assets at fair value through profit or loss		145,670
Reclassification of valuation gain or loss of derivatives from equity securities at other comprehensive income		5,854
Recognition of expected credit losses on debt securities at other comprehensive income		4,433
Reversal of impairment on equity securities at other comprehensive income		(617,004)
Changes in other comprehensive income of associates and joint ventures		(3,611)
Application of overlay approach		(10,903)
Adjustment of shares between contracting party		3,809
Others		391
Tax effect		128,028
January 1, 2018 (after adoption of Korean IFRS 1109)	₩	198,630

On January 1, 2018 (the date of the initial application of Korean IFRS 1109 and IFRS 1115), the impact on retained earnings is as follows:

(In millions of Korean won)

	Impact of application	
December 31, 2017 (before adoption of Korean IFRS 1109)	₩	15,044,204
Change of classification/subsequent measurement category: available for sale to financial assets at fair value through profit or loss		(145,670)
Reclassification of valuation gain or loss of derivatives from equity securities at other comprehensive income		(5,854)
Recognition of expected credit losses on debt securities at other comprehensive income		(4,433)
Reversal of impairment loss on equity securities at other comprehensive income		617,004
Changes in gains or losses on equity method for investments in associates and joint ventures		4,061
Effect of adjustment in convertible private bond		12,558
Valuation of fair value of structured deposits and debts		(17,291)
Application of expected credit losses on financial assets at amortized cost		(553,057)
Effect of changes in provision for unused commitment, etc.		(30,812)
Valuation loss from self-credit-risk of financial liabilities designated at fair value through profit or loss		14,397
Application of overlay approach		10,903
Effect of Retained Earnings by application of Korean IFRS 1115		883
Others		2,527
Tax effect		23,060
January 1, 2018 (after adoption of Korean IFRS 1109)	₩	14,972,480

¹ The Group has applied the revenue recognition with distinguishing between the duty to perform management and agency service for fee.

47. Approval of Issuance of the Financial Statements

The issuance of the Group's consolidated financial statements as of and for the year ended December 31, 2018, was initially approved on February 8, 2019 and re-approved due to revision on March 8, 2019 by the Board of Directors.



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying separate financial statements of KB Financial Group Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of KB Financial Group Inc. as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

No key audit matter is identified to be described in this audit report.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Korean Standards on Auditing 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the 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 internal control 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Yeob Yu, Certified Public Accountant.



Samil PricewaterhouseCoopers

Seoul, Korea

March 12, 2019

This report is effective as of March 12, 2019, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

December 31, 2018 and December 31, 2017

KB Financial Group Inc.

(in millions of Korean won)

	Notes	December 31, 2018	December 31, 2017
Assets			
Cash and due from financial institutions	4,5,6,28	₩ 344,302	₩ 245,400
Financial assets at fair value through profit or loss (under Korean IFRS 1039)	4,5,7	-	284,485
Financial assets at fair value through profit or loss	4,5,7	50,000	-
Loans at amortized cost	4,5,8	24,062,116	10,000
Investments in subsidiaries	9	2,185	24,062,116
Property and equipment	10	9,646	697
Intangible assets	11	-	8,864
Net defined benefit assets	16	8,184	201
Deferred income tax assets	12	857,462	10,282
Other assets	4,5,13	289,179	480,789
Total assets		₩ 25,623,074	25,102,834
Liabilities			
Debts	4,5,14	₩ 300,000	₩ 300,000
Debentures	4,5,15	5,373,266	5,162,600
Net defined benefit liabilities	16	183	-
Current income tax liabilities		691,909	308,854
Other liabilities	4,5,17	186,481	204,835
Total liabilities		6,551,839	5,976,289
Equity			
Share capital	18	2,090,558	2,090,558
Capital surplus	18	14,742,814	14,742,814
Accumulated other comprehensive income	18	(7,144)	(5,233)
Retained earnings	18	3,213,556	3,054,379
Treasury shares	18	(968,549)	(755,973)
Total equity		19,071,235	19,126,545
Total liabilities and equity		₩ 25,623,074	₩ 25,102,834

¹ The separate statement of financial position as of December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives as of December 31, 2017 has not been restated.

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

Separate Statements of Comprehensive Income

Year Ended December 31, 2018 and 2017

KB Financial Group Inc.

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

	Notes	2018	2017
Interest income		₩ 6,616	₩ 3,889
Interest expense		(122,451)	(101,107)
Net interest expense	20	(115,835)	(97,218)
Fee and commission income		788	738
Fee and commission expense		(5,996)	(8,546)
Net fee and commission expense	21	(5,208)	(7,808)
Net gains on financial assets at fair value through profit or loss (under Korean IFRS 1039)	22	-	745
Net gains on financial assets at fair value through profit or loss	23	18,319	-
Net other operating income	24	1,089,556	709,544
General and administrative expenses	22	(57,845)	(57,485)
Operating profit before provision for credit losses		928,987	547,778
Provision for credit losses		-	-
Operating profit		928,987	547,778
Net non-operating income (expense)	25	(259)	125
Profit before income tax		928,728	547,903
Income tax benefit (expense)	26	(2,823)	5,522
Profit for the year		925,905	553,425
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit liabilities		(1,911)	(491)
Other comprehensive loss for the year, net of tax		(1,911)	(491)
Total comprehensive income for the year		₩ 923,994	₩ 552,934
Earnings per share			
Basic earnings per share	27	₩ 2,335	₩ 1,388
Diluted earnings per share	27	2,322	1,380

¹ The separate statement of comprehensive income for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Separate Statements of Changes in Equity

Year Ended December 31, 2018 and 2017

KB Financial Group Inc.

(in millions of Korean won)

	Share Capital	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares	Total Equity
Balance at January 1, 2017	₩ 2,090,558	₩ 14,656,168	₩ (4,742)	₩ 2,998,923	₩ (719,090)	₩ 19,021,817
Comprehensive income						
Profit for the year	-	-	-	553,425	-	553,425
Remeasurements of net defined benefit liabilities	-	-	(491)	-	-	(491)
Total comprehensive income	-	-	(491)	553,425	-	552,934
Transactions with shareholders						
Dividends	-	-	-	(497,969)	-	(497,969)
Acquisition of treasury shares	-	-	-	-	(201,985)	(201,985)
Disposal of treasury shares	-	86,646	-	-	165,102	251,748
Total transactions with shareholders	-	86,646	-	(497,969)	(36,883)	(448,206)
Balance at December 31, 2017	₩ 2,090,558	₩ 14,742,814	₩ (5,233)	₩ 3,054,379	₩ (755,973)	₩ 19,126,545
Balance at January 1, 2018	₩ 2,090,558	₩ 14,742,814	₩ (5,233)	₩ 3,054,379	₩ (755,973)	₩ 19,126,545
Comprehensive income						
Profit for the year	-	-	-	925,905	-	925,905
Remeasurements of net defined benefit liabilities	-	-	(1,911)	-	-	(1,911)
Total comprehensive income	-	-	(1,911)	925,905	-	923,994
Transactions with shareholders						
Dividends	-	-	-	(766,728)	-	(766,728)
Acquisition of treasury shares	-	-	-	-	(212,576)	(212,576)
Total transactions with shareholders	-	-	-	(766,728)	(212,576)	(979,304)
Balance at December 31, 2018	₩ 2,090,558	₩ 14,742,814	₩ (7,144)	₩ 3,213,556	₩ (968,549)	₩ 19,071,235

¹ The separate statement of changes in equity for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Separate Statements of Cash Flows

Year Ended December 31, 2018 and 2017

KB Financial Group Inc.

(in millions of Korean won)

	Notes	2018	2017
Cash flows from operating activities			
Profit for the year		₩ 925,905	₩ 553,425
Adjustment for non-cash items			
Depreciation and amortization		864	604
Share-based payments		551	7,804
Net interest expense		5,198	9,430
Net gains on valuation on financial assets at fair value through profit or loss (under Korean IFRS 1039)		-	12,171
Net gains on valuation on financial assets at fair value through profit or loss		(4,694)	-
Net other expenses		2,118	2,182
		4,037	32,191
Changes in operating assets and liabilities			
Deferred income tax assets		2,782	(5,521)
Other assets		(1,046)	(699)
Other liabilities		(7,016)	(9,253)
		(5,280)	(15,473)
Net cash inflow from operating activities		924,662	570,143
Cash flows from investing activities			
Acquisition of subsidiaries		-	(1,363,932)
Acquisition of financial assets at fair value through profit or loss		-	(50,000)
Decrease (increase) in loans at amortized cost		(40,000)	19,415
Acquisition of property and equipment		(1,991)	(466)
Disposal of property and equipment		-	2
Acquisition of intangible assets		(866)	(1,073)
Disposal of intangible assets		34	-
Net increase in guarantee deposits paid		(375)	3,498
Other investing activities		(356)	-
Net cash outflow from investing activities		(43,554)	(1,392,556)
Cash flows from financing activities			
Increase in debts		298,321	1,621,552
Decrease in debts		(298,485)	(1,671,815)
Increase in debentures		897,872	1,836,114
Decrease in debentures		(688,486)	(149,669)
Dividends paid to shareholders		(766,728)	(497,969)
Acquisition of treasury shares		(224,700)	(185,465)
Net cash inflow (outflow) from financing activities		(782,206)	952,748
Net increase in cash and cash equivalents		98,902	130,335
Cash and cash equivalents at the beginning of the year	28	245,397	115,062
Cash and cash equivalents at the end of the year	28	₩ 344,299	₩ 245,397

¹ The separate statement of cash flows for the year ended December 31, 2018 is prepared in accordance with Korean IFRS 1109 and Korean IFRS 1115, and the comparatives for the year ended December 31, 2017 has not been restated.

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

Notes to the Separate Financial Statements

December 31, 2018 and 2017

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. in order to provide management services and financing to associated companies. The headquarters is located at 26, Gukjegeumyung-ro-8-gil, Yeongdeungpo-gu, Seoul. The Company's share capital as of December 31, 2018, 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. Also, the Company included Hyundai Securities Co., Ltd. as an associate in June 2016 and included as a subsidiary on October 2016 by comprehensive exchange of shares. KB Insurance Co., Ltd. became one of the subsidiaries through a tender offer in May 2017.

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

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

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

The preparation of 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 involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 2.4.

These financial statements have been prepared in accordance with the Korean IFRS which is effective or early adopted as of December 31, 2018.

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018.

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

Amendments to Korean IFRS 1028 clarifies that a venture capital organization or a mutual fund, and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

– Amendments to Korean IFRS 1040 *Transfers of Investment Property*

Amendments to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence. Paragraph 57 of the standard provides a list of such circumstances as examples.

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

Amendments to Korean IFRS 1102 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award.

– Enactment of Korean IFRS 2122 *Foreign Currency Transactions and Advance Consideration*

According to the enacted interpretation, the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the prepayment or receipt of advance consideration. In case there are multiple payments or receipts in advance, the entity should determine a date of the transaction for each payment or receipt of advance consideration.

– Enactment of Korean IFRS 1109 *Financial Instruments*

The Company has adopted Korean IFRS 1109 Financial Instruments with a date of initial application of January 1, 2018. As permitted by the transition requirements of Korean IFRS 1109, comparative periods have not been restated. The adoption does not have a significant impact on the financial statements.

– Enactment of Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company has adopted Korean IFRS 1115 Revenue from Contracts with Customers. As permitted by the transition requirements of Korean IFRS 1115, comparative periods have not been restated. The amendments does not have a significant impact on the financial statements.

Certain new accounting standards and interpretations that have been published but are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Company are set out below. The Company expects the effect on the financial statements applying the new standard will not be significant, with the exception of the adoption of Korean IFRS 1116 Lease

– Korean IFRS 1116 *Leases*

Korean IFRS 1116 Leases issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 Leases, Interpretation Korean IFRS 2104 Determining whether an Arrangement contains a Lease, Interpretation 2015 Operating Leases–Incentives, and Interpretation 2027 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the Company shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the Company may not need to reassess all contracts, if the Company elects to apply the practical expedient not to apply the standard to contracts that were entered into before the date of initial application. At the date of initial application, the Company will assess whether the contract is, or contains, a lease at inception of a contract.

For a contract that is, or contains, a lease, the Company shall account for each lease component within the contract as a lease separately from non-lease components of the contract. In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For the all (or partial) lease agreements, or the agreements including lease components, the Company plans to apply account the practical expedient to account for each lease component and any associated non-lease components as a single lease agreement.

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). The Company plans not to apply the requirements to real estates rent for single-use (a lease for education and others) and low value assets (e.g. underlying assets below ₩ 5 million and \$ 5,000).

In relation with sale and leaseback transactions, the Company(the seller-lessee) shall apply the requirements for determining when a performance obligation is satisfied in Korean IFRS 1115 'Revenue from Contracts with Customers' to determine whether the transfer of an asset is accounted for as a sale of that asset. However, for those transactions before the date of initial application, the Company shall not reassess them.

The accounting treatment as a lessor did not change significantly from the one under Korean IFRS 1017 Leases. The Bank expects the effect on the financial statements applying the new standard will not be significant as accounting for the Bank, as a lessor, will not significantly change.

A lessee shall apply this standard to its leases either (a) retrospectively to each prior reporting period presented applying Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors (Full retrospective application); or (b) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company plans to apply Korean IFRS 1116 retrospectively with the cumulative effect of initially applying the standard and as such will not restate any comparative information.

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116 based on available information as at December 31, 2018 to identify effects on 2019 financial statements.

The total minimum lease payment expected to be paid by the Company in relation to operating leases before discounted to their present value is ₩ 468 million. When the payment is discounted at incremental borrowing rate of the lessee, the total minimum lease payment amounts to ₩ 460 million. As a result of the financial effects on the financial statements analyzed, the Company expects the underlying leased asset and a lease liability as at December 31, 2018 to be increased by ₩ 684 million and ₩ 460 million, respectively. The difference between the right-of-use asset and the lease liability has been arising from the adjustments made at the right-of-use asset for the lease contracts entered before the date of the adoption of this standard. On the other hand, the results of the assessment may change due to additional information that the Company may obtain after the assessment.

Enactment, Amendments and Annual Improvements

– Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss.

– Amendments to Korean IFRS 1019 Employee Benefits

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling.

– Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

– Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The enactment clarifies the accounting for uncertainties in income taxes in the event that the decision of taxation authorities or courts can change tax treatment. The enactment presents calculating methods of disclosure amount based on the possibility of future recognition of the income tax treatment, and requires disclosure of the uncertainty of the amount.

– Annual Improvements to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation.

– Annual Improvements to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured.

– Annual Improvements to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

– Annual Improvements to Korean IFRS 1023 *Borrowing Cost*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings.

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

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

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

3. Significant Accounting Policies

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

3.1 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 a 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 financial instruments within the time frame established generally by market regulation or practice) is recognized and derecognized using trade date accounting.

The Company classifies 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. The Company classifies financial liabilities as financial liabilities at fair value through profit or loss, or other financial liabilities. The classification depends on the nature and holding purpose of the financial instrument at initial recognition in the separate financial statements.

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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.

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 on 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
- or any reduction (directly or through the use of an allowance account) due to impairment or uncollectibility

Fair value

Fair values, which the Company primarily uses for the measurement of financial instruments, are the published price quotations based on market prices or dealer price quotations of financial instruments traded in an active market where available. These are the best evidence 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, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, 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, willing parties, if available, referencing to 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. For more complex instruments, the Company uses internally developed models, which are usually based on valuation methods and techniques generally used within the industry, or a value measured by an independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to estimate fair value based on certain assumptions.

In addition, the fair value information recognized in the statements 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 entity 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 level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. Those factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price 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.

3.1.3 Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Company derecognizes a financial asset or a financial liability when, and only when:

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred, or all the risks and rewards of ownership of the financial assets are neither substantially transferred nor retained and the Company has not retained control. If the Company neither transfers nor disposes of substantially all the risks and rewards of ownership of the financial assets, 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 financial assets in its entirety or to a portion thereof when the principal and interest on the principal amount outstanding are determined to be no longer recoverable. In general, the Company considers write-off if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. The write-off decision is made in accordance with internal regulations and may require approval from external institution, if necessary. After the write-off, the Company can collect the written-off loans continuously according to the internal policy. Recovered amounts of financial assets previously written-off are recognized at profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

3.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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.

3.3 Non-derivative Financial Assets

3.3.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading, financial assets designated by the Company as at fair value through profit or loss upon initial recognition, and financial assets that are required to be mandatorily measured at fair value through profit or loss are classified as financial assets at

fair value through profit or loss.

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 the fair value are recognized in profit or loss. Interest income and dividend income from financial assets at fair value through profit or loss are also recognized in the statement of comprehensive income.

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 with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and consistent with representing solely payments of principal and interest on the principal amount outstanding or;
- equity instruments, not held for trading with the objective of generating a profit from short-term fluctuations in price or dealer's margin, 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. Gain and loss from changes in fair value, other than dividend income and interest income amortized using effective interest method and exchange differences arising on monetary items which are recognized directly in income as interest income or expense, are recognized as other comprehensive income in equity.

At disposal of financial assets at fair value through other comprehensive income, cumulative gain or loss is recognized as profit or loss for the reporting period. However, cumulative gain or loss of equity instrument designated as fair value through other comprehensive income are not recycled to profit or loss at disposal.

Financial assets at fair value through other comprehensive income denominated in foreign currencies are translated at the closing rate. Exchange differences resulting from changes in amortized cost are recognized in profit or loss, and other changes are recognized as equity.

3.3.3 Financial assets measured at amortized cost

A financial asset, which are held within the business model whose objective is to hold assets in order to collect contractual cash flows and consistent with representing solely payments of principal and interest on the principal amount outstanding, are classified as a financial asset at amortized cost.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest method.

3.4 Expected Credit Loss of Financial Assets (Debt Instruments)

The Company measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Company measures expected credit losses by reflecting reasonable and supportable information that is reasonably

available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Company uses the following three measurement techniques in accordance with Korean IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Simplified approach: for receivables, contract assets and lease receivables
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, the Company determines whether the credit risk has increased significantly since initial recognition using the following information.

- more than 30 days past due;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition;
- debt restructuring (except for impaired financial assets); and
- credit delinquency information on Korea Federation of Banks, and etc.

Under simplified approach, the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses. Under credit-impaired approach, the Company shall only recognize the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. 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 deems one or more of the following items credit-impaired:

- no less than 90 days past due;
- legal proceedings related to collection;
- a borrower that has received a warning from the Korea Federation of banks;
- corporate borrowers that are rated C or D;
- debt restructuring.

3.4.1 Forward-looking information

The Company uses forward-looking information, when it determines whether the credit risk has increased significantly since initial recognition and measures expected credit losses.

The Company assumes the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

Forward looking information used in calculation of expected credit loss is derived by KB Financial Group Research Institute after comprehensive consideration of a variety of factors including scenario in management planning, third party forecast, and others.

3.4.2 Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Company estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

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

Individual assessment of impairment

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cashflows. The Company uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, 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 expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

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

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

3.5 Revenue Recognition

The Company recognizes revenues in accordance with the following revenue recognition standard:

- 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 of financial assets at amortized cost and financial assets at fair value through other comprehensive income, and expense are recognized in statements of comprehensive income using the effective interest method. The effective interest method is a method of calculating

the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of 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 net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid (main components of effective interest rates 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 estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

Interest earned arising from debt investments at fair value through profit or loss is also classified as interest income in statements of comprehensive income.

3.5.2 Fee and commission income

The Company recognizes financial service fees in accordance with the accounting standard of the financial instrument related to the fees earned.

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

Such fees are generally treated as adjustments of effective interest. 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 measured 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.

Fees earned as services are provided

Such fees are recognized as revenue as the services are provided. Fees which can be earned through the certain periods, including account servicing fees, investment management fees, and etc, are recognized when the related services are provided.

Fees that are earned on the execution of a significant act

Such fees are recognized as revenue when the significant act has been completed.

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

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

- Gain or loss from financial instruments at fair value through profit or loss
- Gain or loss from derivatives for trading, including derivatives for hedging that does not meet the condition of 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 relevant items on statements of profit or loss and other comprehensive income in accordance with the classification of equity instruments.

3.6 Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are accounted at cost method in accordance with Korean IFRS 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

Recognition and Measurement

All property and equipment that qualify for recognition as an asset are measured at its cost and subsequently carried at 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 an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

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 lives of the assets are as follows:

Property and equipment	Depreciation method	Estimated useful life
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 or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

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 right, are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

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

The amortization period and the amortization method for intangible assets with a definite or limited useful life are reviewed at each financial year end. Where an intangible asset is not being amortized because its useful life is considered to be indefinite, the Company carries out a review in each accounting period to confirm whether or not events and circumstances still support the assumption of an indefinite useful life. If they do not, the change from the indefinite to definite or limited useful life 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 (i) deferred income tax assets, (ii) assets arising from employee benefits and (iii) 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 (the asset's cash-generating unit). 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 to sell 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. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of provisions, and where the effect of the time value of money is material, the amount of provisions are 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.

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.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from the equity.

3.12 Employee Compensation and Benefits

3.12.1 Post-employment benefit:

Defined benefit plans

All post-employment benefit, other than defined contribution plans, is classified as defined benefit plans. The amount recognized as a 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 including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income.

When the fair value of plan assets deducted from the total of the present value of the defined benefit obligation results in an asset, it is recognized to the extent of any cumulative unrecognized past service cost and 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 arises when the Company introduces a defined benefit plan that attributes to past service or changes the benefits payable for past service under an existing defined benefit plan. Such past service cost is recognized immediately in profit or loss.

Defined contribution plans

The contributions are recognized as employee benefit expense when they are due.

3.12.2 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as a liability (accrued expense), after deducting any amount already paid.

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

3.12.3 Share-based payment

The Company has share grant programs to directors and employees of the Company. When the stock grants are exercised, the Company can either select to issue new shares or distribute treasury shares, or compensate the difference in fair value of shares and exercise 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 determined that it has a present obligation to settle in cash because the Company has a past practice and a stated policy of settling in cash. Therefore, the Company accounts for the transaction in accordance with the requirements of cash-settled share-based payment transactions.

The Company measures the services acquired and the liability incurred at fair value, and the fair value is recognized as expense and accrued expenses over the vesting period. 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 for the year.

3.12.4 Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either (a) the Company decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes liabilities and expenses 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 1037 and involves the payment of termination benefits. Termination benefits are measured by considering the number of employees expected to accept the offer in the case of a voluntary early retirement. Termination benefits which are not expressed to be settled wholly before 12 months after the end of the reporting period are discounted to present values.

3.13 Income Tax Expenses

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 year, except to the extent that the tax arises from (a) a transaction or event which is recognized either in other comprehensive income or directly in equity and (b) a business combination.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit (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 expenses that is not deductible in determining taxable profit (loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) 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 offset the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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 is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that 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 be applied 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 when the Company has a legally enforceable right to offset 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.

Uncertain tax positions

Uncertain tax positions arise from a claim for rectification brought by the Company, an appeal for a refund of tax levied by the tax authorities, or others due to different interpretation of tax laws or others. The Company recognizes its uncertain tax positions in the separate financial statements based on the guidance in Korean IFRS 1012. The income tax asset is recognized if a tax refund is probable for taxes paid and levied by the tax authority. However, interest and penalties related to income tax are recognized in accordance with Korean IFRS 1037.

3.14 Earnings per Share

The Company calculates basic earnings per share amounts and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders 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 by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares including convertible bond and share option.

3.15 Operating Segments

The Company is composed of a single operating segment. Therefore, disclosures on segments are omitted in accordance with Korean IFRS 1108, Operating Segments.

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 and others.

The note regarding financial risk management provides information about the risks that the Company is exposed to, including the objectives, policies, assessment and management process of risks. Additional quantitative information is disclosed throughout the separate financial statements.

The Company's risk management system focuses on increasing transparency, developing the risk management environment, and the preemptive response to risk due to rapid changes in the financial environment to support the Company's long-term strategy and business decisions efficiently. Credit risk, market risk and liquidity risk have been recognized as the Company's key risks. These risks are measured and managed in Internal Capital or VaR (Value at Risk) using a statistical method.

4.1.2 Risk management organization

Risk Management Committee

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

Risk Management Council

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

Risk Management Division

The Risk Management Division is responsible for conducting detailed policies, procedures and working processes relating to the Company's risk management.

4.2 Credit Risk

4.2.1 Overview of credit risk

Credit risk is the risk of possible losses in an asset portfolio in the event of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk is considered.

4.2.2 Credit risk management

The Company measures expected losses on assets that are subject to credit risk management and uses it as a management indicator.

4.2.3 Maximum exposure to credit risk

The Company's maximum exposures of financial instruments to credit risk without consideration of collateral values as of December 31, 2018 and 2017, are as follows:

		(In millions of Korean won)
		2018
Due from financial institutions	₩	344,302
Loans at amortized cost		50,000
Other financial assets		17,116
	₩	411,418

(In millions of Korean won)

	2017	
Due from financial institutions	₩	245,400
Loans		10,000
Other financial assets		16,207
	₩	271,607

4.2.4 Credit risk of loans

The Company maintains an allowance for loan losses associated with credit risk on loans to manage its credit risk.

The Company assesses expected credit loss on financial asset at amortized cost and financial asset at fair value through other comprehensive income other than financial asset at fair value through profit or loss and recognizes loss allowance. Expected credit losses are a probability-weighted estimate of possible credit losses within certain range by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions. For financial assets at amortized cost, the Company measures the expected credit losses and presents it in the financial statements netting the allowance from the related loans; for financial assets measured at fair value through other comprehensive income, the Company presents it in the other comprehensive income.

Loans as of December 31, 2018 are classified as follows:

(In millions of Korean won)

	2018											
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments applying credit loss model	Financial instruments not applying expected credit losses	Total					
			Non-impaired	Impaired								
Financial assets at amortized cost Corporate												
Grade 1	₩	50,000	₩	-	₩	-	₩	-	₩	-	₩	50,000
Grade 2		-		-		-		-		-		-
Grade 3		-		-		-		-		-		-
Grade 4		-		-		-		-		-		-
Grade 5		-		-		-		-		-		-
	₩	50,000	₩	-	₩	-	₩	-	₩	-	₩	50,000

Credit quality of loans graded according to the probability of default as of December 31, 2018 is as follows:

	Range of PD (%) (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 ~

Loans as of December 31, 2017 are classified as follows:

(In millions of Korean won)

	2017	
	Corporate loans	Percentage (%)
Loans		
Neither past due nor impaired	₩ 10,000	100.00
Past due but not impaired	-	-
Impaired	-	-
	10,000	100.00
Less: Allowances	-	-
Carrying amount	₩ 10,000	100.00

Credit quality of loans that are neither past due nor impaired are as follows:

(In millions of Korean won)

	Corporate Loans	
	December 31, 2017	
Grade 1	₩	10,000
Grade 2		-
Grade 3		-
Grade 4		-
Grade 5		-
	₩	10,000

Credit quality of loans graded according to the probability of default as of December 31, 2017 is as follows:

	Range of PD (%) (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

The credit quality of due from financial institutions as of December 31, 2018, is classified as follows:

(In millions of Korean won)

	2018											
	The financial instruments applying 12-month expected credit losses		The financial instruments applying lifetime expected credit losses		Financial instruments applying credit loss model		Financial instruments not applying expected credit losses		Total			
			Non-impaired	Impaired								
Due from financial institutions at amortized cost												
Grade 1	₩	344,302	₩	-	₩	-	₩	-	₩	-	₩	344,302
Grade 2		-		-		-		-		-		-
Grade 3		-		-		-		-		-		-
Grade 4		-		-		-		-		-		-
Grade 5		-		-		-		-		-		-
	₩	344,302	₩	-	₩	-	₩	-	₩	-	₩	344,302

4.2.6 Credit risk concentration analysis

Details of the Company's loans by country as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Corporate loans	%	Allowances	Carrying amount	
Korea	₩	50,000	100.00	₩ -	₩ 50,000
	₩	50,000	100.00	₩ -	₩ 50,000

(In millions of Korean won)

	2017				
	Corporate loans	%	Allowances	Carrying amount	
Korea	₩	10,000	100.00	₩ -	₩ 10,000
	₩	10,000	100.00	₩ -	₩ 10,000

Details of the Company's corporate loans by industry as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Loans	%	Allowances	Carrying amount	
Financial institutions	₩	50,000	100.00	₩ -	₩ 50,000
	₩	50,000	100.00	₩ -	₩ 50,000

(In millions of Korean won)

	2017				
	Corporate loans	%	Allowances	Carrying amount	
Financial institutions	₩	10,000	100.00	₩ -	₩ 10,000
	₩	10,000	100.00	₩ -	₩ 10,000

Details of the Company's due from financial institutions by industry as of December 31, 2018 are as follows:

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost.				
Financial Institutions	₩ 344,302	100.00	₩ -	₩ 344,302
	₩ 344,302	100.00	₩ -	₩ 344,302

Details of the Company's due from financial institutions by country as of December 31, 2018 are as follows:

(In millions of Korean won)

	2018			
	Amount	%	Allowances	Carrying amount
Due from financial institutions at amortized cost				
Korea	₩ 344,302	100.00	₩ -	₩ 344,302
	₩ 344,302	100.00	₩ -	₩ 344,302

4.3 Liquidity Risk

4.3.1 Overview of liquidity risk

Liquidity risk is a risk that the Company becomes insolvent due to uncertain liquidity caused by unexpected cash outflows, or a risk of borrowing high interest debts or disposal of liquid and other assets at a substantial discount. The Company manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities. The Company discloses the analysis of remaining contractual maturity of financial assets and liabilities by maturity group; such as, on demand, up to one month, between over one month and three months, between over three months and 12 months, between over one year and five years, and over five years.

Cash flows disclosed for the maturity analysis are undiscounted contractual principal and interest to be received (paid) and; thus, are not identical to the amount in the financial statements that are based on the present value of expected cash flows in some cases. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through the maturity.

4.3.2. Liquidity risk management

The liquidity risk is managed by liquidity management principles and related guidelines which are applied to the risk management policies and procedures that address all the possible risks that arise from the overall business of the Company.

4.3.3. Analysis of remaining contractual maturity of financial assets and liabilities

The remaining contractual maturity of financial assets and liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 284,350	₩ 20,030	₩ 40,178	₩ -	₩ -	₩ -	₩ 344,558
Financial assets at fair value through profit or loss ²	-	-	-	-	-	289,179	289,179
Loans at amortized cost	-	-	-	51,075	-	-	51,075
Other financial assets	-	1,532	-	14,399	-	-	15,931
	₩ 284,350	₩ 21,562	₩ 40,178	₩ 65,474	₩ -	₩ 289,179	₩ 700,743
Financial liabilities							
Debts	₩ -	₩ -	₩ 300,000	₩ -	₩ -	₩ -	₩ 300,000
Debentures	-	6,009	103,180	870,199	3,636,044	1,187,038	5,802,470
Other financial liabilities	-	7,555	-	-	-	-	7,555
	₩ -	₩ 13,564	₩ 403,180	₩ 870,199	₩ 3,636,044	₩ 1,187,038	₩ 6,110,025

(In millions of Korean won)

	2017						
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets							
Cash and due from financial institutions ¹	₩ 245,437	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 245,437
Financial assets at fair value through profit or loss ²	-	-	-	-	-	284,485	284,485
Loans	-	-	-	10,096	-	-	10,096
Other financial assets	-	795	-	14,699	-	-	15,494
	₩ 245,437	₩ 795	₩ -	₩ 24,795	₩ -	₩ 284,485	₩ 555,512
Financial liabilities							
Debts	₩ -	₩ 494	₩ 300,462	₩ -	₩ -	₩ -	₩ 300,956
Debentures	-	2,726	24,121	767,259	3,592,586	1,192,247	5,578,939
Other financial liabilities	-	19,942	-	-	-	-	19,942
	₩ -	₩ 23,162	₩ 324,583	₩ 767,259	₩ 3,592,586	₩ 1,192,247	₩ 5,899,837

¹ The amount of ₩ 3 million, which is restricted due from the financial institutions as of December 31, 2018 and 2017, is excluded.

² Financial assets at fair value through profit or loss and financial assets designated at fair value through profit or loss are hybrid capital instruments and are included in the 'Over 5 years' category according to their remaining contractual maturity because the assets' point of sale is uncertain.

4.4 Market Risk

4.4.1 Concept

Market risk is the risk of possible losses which arise from changes in market factors; such as, interest rate, stock price, foreign exchange rate and other market factors that affect the fair value of future cash flows of financial instruments. The most significant risk of the Company is interest rate risk.

4.4.2 Interest rate risk

Definition of interest rate risk

Interest rate risk is the risk that the fair value of items in the statement of financial position and cash flows relating to interest income and interest cost incurred from investing and financing activities change due to interest rate fluctuation.

Observation method and management indicator on interest rate risk

The main objective of interest rate risk management is to protect asset values against interest rate fluctuations. The Company manages the risk through measurement and management of Value at Risk(VaR) for the interest rate.

Interest Rate VaR

Interest rate VaR is the maximum possible loss due to interest rate risk at a 99.9% confidence level. The measurement results of risk as of December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	2017
Interest rate VaR	₩ 149,774	₩ 159,530

4.5 Capital Adequacy

The Company complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III published by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011, and was implemented in Korea in December 2013. The Company is required to maintain a minimum Common Equity Tier 1 ratio of at least 7.125%(2017: 6.25%), a minimum Tier 1 ratio of 8.625%(2017: 7.75%) and a minimum Total Regulatory Capital ratio of 10.625%(2017: 9.75%) as of December 31, 2018.

The Company's equity capital is classified into three categories in accordance with the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies as below:

- Common Equity Tier 1 Capital: Common equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Company, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes (i) perpetual instruments issued by the Company that meet the criteria for inclusion in Additional Tier 1 capital, and (ii) stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.

- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Company. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Additional Tier 2 capital, and the allowance for loan losses which are accumulated for assets classified as normal or precautionary as a result of classification of asset soundness in accordance with Regulation on Supervision of Financial Holding Companies and others.

Risk weighted asset means the inherent risks in the total assets held by the Company. The Company calculates risk weighted asset by each risk (credit risk, market risk, and operational risk) based on the Supervisory Regulations and Detailed Supervisory Regulations on Financial Holding Companies and uses it for BIS ratio calculation.

The Company assesses and monitors its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and Internal Capital (amount of capital enough to cover all significant risks under target credit rate set by the Company). The Company monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy.

Internal Capital is the amount of capital to prevent the inability of payment due to unexpected loss in the future. The Company measures, allocates and monitors Internal Capital by risk type and subsidiaries.

The Risk Management Council of the Company determines the Company's risk appetite and allocates Internal Capital by risk type and subsidiary. Each subsidiary efficiently operates its capital within a range of allocated Internal Capital. The Risk Management Department of the Company monitors the limit on Internal Capital and reports the results to management and the Risk Management Council. The Company maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the Internal Capital is expected to exceed the limits due to new business or business expansion.

Details of the Company's capital adequacy calculation in line with Basel III, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Equity Capital:	₩	34,476,172	₩	32,401,580
Tier 1 Capital		32,993,826		31,059,475
Common Equity Tier 1 Capital		32,993,826		31,059,475
Additional Tier 1 Capital		-		-
Tier 2 Capital		1,482,346		1,342,105
Risk-weighted assets:		236,099,017		212,777,226
Equity Capital (%):		14.60		15.23
Tier 1 Capital (%)		13.97		14.60
Common Equity Tier 1 Capital (%)		13.97		14.60

5. Financial Assets and Financial Liabilities

5.1 Classification and Fair value of Financial Instruments

The carrying amounts and fair value of financial assets and liabilities by category as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
	Carrying amount	Fair value
Financial assets		
Financial assets at fair value through profit or loss	₩ 289,179	₩ 289,179
Financial assets at amortized cost		
Due from financial institutions	344,302	344,302
Loans	50,000	50,000
Other financial assets	17,116	17,116
	₩ 700,597	₩ 700,597
Financial liabilities		
Financial liabilities at amortized cost		
Debts	₩ 300,000	₩ 300,000
Debentures	5,373,266	5,398,656
Other financial liabilities	19,953	19,953
	₩ 5,693,219	₩ 5,718,609

(In millions of Korean won)

	2017	
	Carrying amount	Fair value
Financial assets		
Financial assets designated at fair value through profit or loss	₩ 284,485	₩ 284,485
Loans and receivables		
Due from financial institutions	245,400	245,400
Loans	10,000	10,000
Other financial assets	16,207	16,207
	₩ 556,092	₩ 556,092
Financial liabilities		
Financial liabilities at amortized cost		
Debts	₩ 300,000	₩ 300,000
Debentures	5,162,600	5,094,561
Other financial liabilities	29,963	29,963
	₩ 5,492,563	₩ 5,424,524

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Company discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

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

Cash and due from financial institutions	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are a reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF (Discounted Cash Flow) model.
Investment securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of external professional valuation institution where quoted prices are not available. The institutions use one or more of the following valuation techniques including DCF Model, Free Cash Flow to Equity Model, Imputed Market Value Model, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Company uses internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method and the Monte Carlo Simulation or valuation results from independent external professional valuation institution.
Loans at amortized cost	DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate.
Debts	Carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other debts is determined using a DCF model discounting contractual future cash flows at an appropriate discount rate.
Debentures	Fair value is determined by using the valuations of external professional valuation institution, which are calculated using market inputs.
Other financial assets and liabilities	The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

Fair value hierarchy

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

The Company classifies and discloses fair value of the financial instruments into the three-level hierarchy as follows:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed

against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

The fair value hierarchy of financial assets measured at fair value in the statement of financial position as of December 31, 2018 and 2017, is as follows:

(In millions of Korean won)

	2018			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
Derivative-linked securities	₩	- ₩	₩	289,179 ₩

(In millions of Korean won)

	2017			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities	₩	- ₩	₩	284,485 ₩

Fair value hierarchy of financial assets and liabilities whose fair values are disclosed

The fair value hierarchy of financial assets and liabilities whose fair values are disclosed as of December 31, 2018 and 2017, is as follows:

(In millions of Korean won)

	2018			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets				
Cash and due from financial institutions ¹	₩	- ₩	₩	344,302 ₩
Loans at amortized cost ²		-	₩	50,000 ₩
Other financial assets ³		-	₩	17,116 ₩
	₩	- ₩	₩	411,418 ₩
Financial liabilities				
Debts ⁴	₩	- ₩	₩	300,000 ₩
Debentures		-	₩	5,398,656 ₩
Other financial liabilities ³		-	₩	19,953 ₩
	₩	- ₩	₩	5,718,609 ₩

(In millions of Korean won)

	2017					
	Fair value hierarchy			Level 3	Total	
	Level 1	Level 2				
Financial assets						
Cash and due from financial institutions ¹	₩	- ₩	245,400 ₩	- ₩	₩	245,400
Loans ²		-	-	10,000		10,000
Other financial assets ³		-	-	16,207		16,207
	₩	- ₩	245,400 ₩	₩	₩	271,607
Financial liabilities						
Debts ⁴	₩	- ₩	300,000 ₩	- ₩	₩	300,000
Debentures		-	5,094,561	-		5,094,561
Other financial liabilities ³		-	-	29,963		29,963
	₩	- ₩	5,394,561 ₩	₩	₩	5,424,524

¹ Because due from financial institutions classified as level 2 are deposits on demand, carrying amounts are reasonable approximations of fair values. And because due from financial institutions classified as level 3 are due from financial institutions with residual maturity of less than 3 months, carrying amounts are reasonable approximations of fair values.

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

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

⁴ Because debentures classified as level 2 are liabilities with residual maturity of less than one year, carrying amounts are reasonable approximations of fair values.

Valuation techniques and inputs used in the fair value measurement

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

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Fair value		Valuation Techniques	Inputs
	2018	2017		
Financial liabilities				
Debentures	₩	5,398,656 ₩	DCF model	Discount rate

5.2 Level 3 of the Fair Value Hierarchy Disclosure

5.2.1 Valuation policy and process for fair value measurement categorized as Level 3

The Company uses external, independent and qualified professional valuer's valuation to determine the fair value of the Company's assets at the end of every reporting period.

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

Details of changes in Level 3 of the fair value hierarchy for the years ended December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)	
	2018	
	Financial assets at fair value through profit or loss	
Beginning balance	₩	284,485
Total gains or losses		
– Profit or loss for the period		4,694
– Other comprehensive income		–
Purchases		–
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	289,179

	(In millions of Korean won)	
	2017	
	Financial assets designated at fair value through profit or loss	
Beginning balance	₩	246,656
Total gains or losses		
– Profit or loss for the period		(12,171)
– Other comprehensive income		–
Purchases		50,000
Sales		–
Issues		–
Settlements		–
Transfers into Level 3		–
Transfers out of Level 3		–
Ending balance	₩	284,485

In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss, and profit or loss from financial instruments held at the end of the reporting period in the statement of comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

	(In millions of Korean won)		
	2018		
	Gains (losses) from financial investments at fair value through profit or loss	Other operating income	Net interest income
Total gains or losses included in profit or loss for the period	₩	4,694	₩ –
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	₩	4,694	₩ –

(In millions of Korean won)

	2017		
	Gains (losses) from financial investments at fair value through profit or loss (under Korean IFRS 1039)	Other operating income	Net interest income
Total gains or losses included in profit or loss for the period	₩ (12,171)	₩ -	₩ -
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	₩ (12,171)	₩ -	₩ -

5.2.3 Sensitivity analysis of changes in unobservable inputs

Information about fair value measurements using unobservable inputs as of December 31, 2018 and 2017, are as follows

(In millions of Korean won)

	2018				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at fair value through profit or loss					
Derivative-linked securities	₩ 289,179	Hull and White Model, Monte Carlo Simulation	Discount rate	2.43 ~ 4.80	The lower the discount rate, the higher the fair value
			Volatility of interest rate	0.47	The higher the volatility, the higher the fair value fluctuation

(In millions of Korean won)

	2017				
	Fair value	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets designated at fair value through profit or loss					
Derivative-linked securities	₩ 284,485	Hull and White Model, Monte Carlo Simulation, DCF Model	Discount rate	2.44 ~ 5.10	The lower the discount rate, the higher the fair value
			Volatility of interest rate	0.50	The higher the volatility, the higher the fair value fluctuation

Sensitivity analysis of changes in unobservable inputs

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

The results of the sensitivity analysis from changes in inputs are as follows:

(In millions of Korean won)

	2018			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets at fair value through profit or loss				
Derivative-linked securities ¹	₩ 5,882	₩ (5,782)	₩ -	₩ -

(In millions of Korean won)

	2017			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets				
Financial assets designated at fair value through profit or loss				
Derivative-linked securities ¹	₩ 8,563	₩ (8,314)	₩ -	₩ -

¹ For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters; such as, discount rate, the correlation of rates of long-term interest rate and short-term interest rate, or the volatility of the interest rate is shifted by $\pm 1\%$.

6. Due from Financial Institution

Details of due from financial institution as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		Financial institutions	Interest rate (%) (As of December 31, 2018)	2018	2017
Due from financial institution in Korean won	Due from banks	Kookmin Bank	0.00 ~ 1.75	₩ 69,621	₩ 46,062
		Standard Chartered Bank	1.55	41,350	60,694
		The Korea Securities Finance Corporation	1.79	100,000	-
		BNK Busan Bank	1.75	133,331	138,644
				₩ 344,302	₩ 245,400

Details of a maturity analysis of due from financial institution, excluding restricted cash, as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 344,299	₩ -	₩ -	₩ -	₩ -	₩ 344,299

(In millions of Korean won)

	2017					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Due from financial institution in Korean won	₩ 245,397	₩ -	₩ -	₩ -	₩ -	₩ 245,397

Restricted cash from financial institution as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Financial Institution	2018		2017		Financial institutions
Due from financial institution in Korean won	Kookmin Bank	₩	3	₩	3	Pledged as collateral for the overdraft establishment

7. Financial assets at fair value through profit or loss and financial assets at fair value through profit or loss (under Korean IFRS 1039)

Details of financial assets at fair value through profit or loss and financial assets at fair value through profit or loss (under Korean IFRS 1039) as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value through Profit or Loss (under Korean IFRS 1039)				
Derivative-linked securities	₩	289,179	₩	284,485

8. Loans at Amortized Cost

Details of loans at amortized cost as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Loans at amortized cost	₩	50,000	₩	10,000
Less: Allowances for loan losses		-		-
Carrying amount	₩	50,000	₩	10,000

Details of loan types and customer types of loans to customers, other than banks, as of December 31, 2018 is as follows:

(In millions of Korean won)

	2018			
	Retail	Corporate	Credit card	Total
Loans	₩ -	₩ 50,000	₩ -	₩ 50,000
	-	50,000	-	50,000
Proportion (%)	-	100.00	-	100.00
Less: Allowances	-	-	-	-
	₩ -	₩ 50,000	₩ -	₩ 50,000

9. Investments in Subsidiaries

Details of subsidiaries as of December 31, 2018, are as follows:

Name of subsidiary	Industry	Location
Kookmin Bank	Banking and domestic, foreign exchange transaction	Korea
KB Securities Co., Ltd.	Financial investment	Korea
KB Insurance Co., Ltd.	Insurance	Korea
KB Kookmin Card Co., Ltd.	Credit card	Korea
KB Life Insurance Co., Ltd.	Life insurance	Korea
KB Asset Management Co., Ltd.	Investment advisory and collective investment	Korea
KB Capital Co., Ltd.	Financial leasing	Korea
KB Savings Bank Co., Ltd.	Savings banking	Korea
KB Real Estate Trust Co., Ltd.	Real estate trust management	Korea
KB Investment Co., Ltd.	Capital investment	Korea
KB Credit Information Co., Ltd.	Collection of receivables and credit investigation	Korea
KB Data System Co., Ltd.	System software, development and supply	Korea

Investments in subsidiaries as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won, except for shares and ownership %)

Name of subsidiary	Number of Issued Shares	Ownership(%)	Carrying amount	
			2018	2017
	As of December 31, 2018			
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.	91,200,000	100.00	485,314	485,314
KB Asset Management Co., Ltd.	7,667,550	100.00	96,312	96,312
KB Capital Co., Ltd.	21,492,128	100.00	573,811	573,811
KB Savings Bank Co., Ltd.	8,001,912	100.00	157,544	157,544
KB Real Estate Trust Co., Ltd.	16,000,000	100.00	121,553	121,553
KB Investment Co., Ltd.	8,951,797	100.00	104,910	104,910
KB Credit Information Co., Ltd.	1,252,400	100.00	23,621	23,621
KB Data System Co., Ltd.	800,000	100.00	6,334	6,334
			₩ 24,062,116	₩ 24,062,116

Changes in accumulated impairment losses on investments in subsidiaries for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

(In millions of Korean won)

	2017			
	Beginning	Impairment	Others	Ending
Accumulated impairment losses on investments in subsidiaries	₩ (51,742)	₩ -	₩ -	₩ (51,742)

10. Property and Equipment

Details of property and equipment as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 1,034	₩ (842)	₩ -	₩ 192
Equipment and others	5,455	(3,462)	-	1,993
	₩ 6,489	₩ (4,304)	₩ -	₩ 2,185

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Leasehold improvements	₩ 823	₩ (747)	₩ -	₩ 76
Equipment and others	3,675	(3,054)	-	621
	₩ 4,498	₩ (3,801)	₩ -	₩ 697

The changes in property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 76	₩ 211	₩ -	₩ (95)	₩ 192
Equipment and others	621	1,780	-	(408)	1,993
	₩ 697	₩ 1,991	₩ -	₩ (503)	₩ 2,185

(In millions of Korean won)

	2017				
	Beginning	Acquisition	Disposal	Depreciation	Ending
Leasehold improvements	₩ 112	₩ 32	₩ -	₩ (68)	₩ 76
Equipment and others	357	434	(2)	(168)	621
	₩ 469	₩ 466	₩ (2)	₩ (236)	₩ 697

11. Intangible Assets

Details of intangible assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Software	₩ 3,679	₩ (2,748)	₩ -	₩ 931
Membership rights	9,623	-	(1,814)	7,809
Other intangible assets	4,635	(3,729)	-	906
	₩ 17,937	₩ (6,477)	₩ (1,814)	₩ 9,646

(In millions of Korean won)

	2017			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Carrying amount
Software	₩ 3,072	₩ (2,580)	₩ -	₩ 492
Membership rights	9,657	-	(1,864)	7,793
Other intangible assets	4,116	(3,537)	-	579
	₩ 16,845	₩ (6,117)	₩ (1,864)	₩ 8,864

The changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Beginning	Acquisition	Disposal	Amortization	Reversal ¹	Ending
Software	₩ 492	₩ 607	₩ -	₩ (168)	₩ -	₩ 931
Membership rights	7,793	-	(34)	-	50	7,809
Other intangible assets	579	520	-	(193)	-	906
	₩ 8,864	₩ 1,127	₩ (34)	₩ (361)	₩ 50	₩ 9,646

(In millions of Korean won)

	2017					
	Beginning	Acquisition	Disposal	Amortization	Reversal ¹	Ending
Software	₩ 165	₩ 456	₩ -	₩ (129)	₩ -	₩ 492
Membership rights	7,569	126	-	-	98	7,793
Other intangible assets	358	460	-	(239)	-	579
	₩ 8,092	₩ 1,042	₩ -	₩ (368)	₩ 98	₩ 8,864

¹ Impairment loss for membership rights of intangible assets with indefinite useful life was recognized when its recoverable amount is lower than its carrying amount and reversal of impairment losses was recognized when its recoverable amount is higher than its carrying amount.

The changes in accumulated impairment losses on intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Reversal	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (1,864)	₩ 50	₩ -	₩ (1,814)

(In millions of Korean won)

	2017			
	Beginning	Reversal	Disposal	Ending
Accumulated impairment losses on intangible assets	₩ (1,962)	₩ 98	₩ -	₩ (1,864)

12. Deferred Income Tax Assets and Liabilities

Details of deferred income tax assets and liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Assets	Liabilities	Net amounts
Share-based payments	₩ 2,922	₩ -	₩ 2,922
Membership rights	499	-	499
Defined benefit obligation	2,523	-	2,523
Plan assets	-	(1,604)	(1,604)
Short-term employee benefits	748	-	748
Gains (loss) on valuation of hybrid capital instruments	2,976	-	2,976
Others	120	-	120
	9,788	(1,604)	8,184
Offsetting of deferred tax assets and liabilities	(1,604)	1,604	-
	₩ 8,184	₩ -	₩ 8,184

(In millions of Korean won)

	2017		
	Assets	Liabilities	Net amounts
Share-based payments	₩ 4,158	₩ -	₩ 4,158
Membership rights	513	-	513
Defined benefit obligation	1,597	-	1,597
Plan assets	-	(948)	(948)
Short-term employee benefits	571	-	571
Gains (loss) on valuation of hybrid capital instruments	4,267	-	4,267
Others	124	-	124
	11,230	(948)	10,282
Offsetting of deferred tax assets and liabilities	(948)	948	-
	₩ 10,282	₩ -	₩ 10,282

Unrecognized deferred income tax assets

No deferred income tax assets have been recognized for the deductible temporary difference of ₩ 2,896,164 million, ₩ 66,162 million and ₩ 51,742 million associated with investments in subsidiaries, tax loss carryforwards and impairment losses on investments in subsidiaries, respectively, as of December 31, 2018, due to the uncertainty that all these will be realized in the future.

Unrecognized deferred income tax liabilities

No deferred income tax liabilities have been recognized for the taxable temporary difference of ₩ 2,395,805 million associated with investments in subsidiaries as of December 31, 2018, due to the following reasons:

- The Company is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not be reversed in the foreseeable future.

The changes in cumulative temporary differences for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Reversal	Disposal	Ending
Deductible temporary differences				
Share-based payments	₩ 15,121	₩ 5,048	₩ 551	₩ 10,624
Membership rights	1,864	50	-	1,814
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,808	1,393	4,760	9,175
Short-term employee benefits	2,077	2,077	2,721	2,721
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Gains(loss) on valuation of hybrid capital instruments	15,515	4,693	-	10,822
Others	451	416	404	439
	3,054,904	13,677	8,436	3,049,663
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses on investments in subsidiaries	51,742			51,742
	40,836			35,595
Tax rate (%) ¹	27.5			27.5
Deferred income tax assets from deductible temporary differences	₩ 11,230			₩ 9,788
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(3,449)	(1,393)	(3,779)	(5,835)
	(2,399,254)	(1,393)	(3,779)	(2,401,640)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(3,449)			(5,835)
Tax rate (%) ¹	27.5			27.5
Deferred income tax liabilities from taxable temporary differences	₩ (948)			₩ (1,604)

(In millions of Korean won)

	2017			
	Beginning	Reversal	Disposal	Ending
Deductible temporary differences				
Share-based payments	₩ 9,045	₩ 1,728	₩ 7,804	₩ 15,121
Membership rights	1,962	100	2	1,864
Investments in subsidiaries	2,896,164	-	-	2,896,164
Defined benefit obligation	5,236	2,199	2,771	5,808
Short-term employee benefits	1,573	1,573	2,077	2,077
Tax loss carryforwards	66,162	-	-	66,162
Impairment losses on investments in subsidiaries	51,742	-	-	51,742
Gains(loss) on valuation of hybrid capital instruments	3,344	-	12,171	15,515
Others	905	822	368	451
	₩ 3,034,801	₩ 6,422	₩ 25,193	₩ 3,054,904
Unrecognized deferred income tax assets:				
Investments in subsidiaries	2,896,164			2,896,164
Tax loss carryforwards	66,162			66,162
Impairment losses on investments in subsidiaries	51,742			51,742
	₩ 22,065			₩ 40,836
Tax rate (%) ¹	24.2			27.5
Deferred income tax assets from deductible temporary differences	₩ 5,340			₩ 11,230
Taxable temporary differences				
Investments in subsidiaries	(2,395,805)	-	-	(2,395,805)
Plan assets	(3,041)	(2,199)	(2,607)	(3,449)
	₩ (2,398,846)	₩ (2,199)	₩ (2,607)	₩ (2,399,254)
Unrecognized deferred income tax liabilities:				
Investments in subsidiaries	(2,395,805)			(2,395,805)
	(3,041)			(3,449)
Tax rate (%) ¹	24.2			27.5
Deferred income tax liabilities from taxable temporary differences	₩ (736)			₩ (948)

¹ The corporate tax rate was changed due to the amendment of corporate tax law in 2017. Accordingly, the rate of 27.5% has been applied for the deferred tax assets and liabilities expected to be utilized in periods after December 31, 2018.

13. Other Assets

Details of other assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Other financial assets				
Receivables	₩	675	₩	55
Accrued income		2,251		1,635
Guarantee deposits		14,190		14,517
		17,116		16,207
Other non-financial assets				
Receivables		838,450		463,012
Prepaid expenses		1,763		1,532
Advanced payments		133		38
		840,346		464,582
	₩	857,462	₩	480,789

14. Debts

Debts as of December 31, 2018 and 2017, consist of:

(In millions of Korean won)

	2018		2017	
Borrowings	₩	300,000	₩	300,000

Details of borrowings as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

		Lender	Annual interest rates (%) As of December 31, 2018	2018		2017	
Borrowings in Korean won	Other borrowings	SK Securities Co., Ltd.	-	₩	-	₩	150,000
		KB Securities Co., Ltd	-		-		150,000
		MERITZ Securities Co., Ltd	2.27		300,000		-
				₩	300,000	₩	300,000

The maturities of debts as of December 31, 2018 and 2017 are as follows:

(In millions of Korean won)

	2018					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Borrowings in Korean won	₩ 300,000	₩ -	₩ -	₩ -	₩ -	₩ 300,000

(In millions of Korean won)

	2017					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Borrowings in Korean won	₩ 300,000	₩ -	₩ -	₩ -	₩ -	₩ 300,000

15. Debentures

Details of debentures as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates (%) As of December 31, 2018	December 31, 2018	December 31, 2017
Unguaranteed debentures No. 3-2	Aug. 13, 2013	Aug. 13, 2018	-	₩ -	₩ 130,000
Unguaranteed debentures No. 3-3	Aug. 13, 2013	Aug. 13, 2020	3.65	70,000	70,000
Unguaranteed debentures No. 5-1	Mar. 19, 2014	Mar. 19, 2019	3.31	80,000	80,000
Unguaranteed debentures No. 5-2	Mar. 19, 2014	Mar. 19, 2021	3.50	50,000	50,000
Unguaranteed debentures No. 6	Feb. 26, 2015	Feb. 26, 2022	2.38	30,000	30,000
Unguaranteed debentures No. 7	June 23, 2015	June 23, 2018	-	-	150,000
Unguaranteed debentures No. 8	June 23, 2015	June 23, 2020	2.34	100,000	100,000
Unguaranteed debentures No. 9	June 23, 2015	June 23, 2022	2.52	150,000	150,000
Unguaranteed debentures No. 10	Sept. 17, 2015	Sept. 17, 2020	2.16	20,000	20,000
Unguaranteed debentures No. 11	Sept. 23, 2015	Sept. 23, 2020	2.06	30,000	30,000
Unguaranteed debentures No. 12-1	Nov. 27, 2015	Nov. 27, 2018	-	-	80,000
Unguaranteed debentures No. 12-2	Nov. 27, 2015	Nov. 27, 2020	2.26	110,000	110,000
Unguaranteed debentures No. 12-3	Nov. 27, 2015	Nov. 27, 2022	2.38	50,000	50,000
Unguaranteed debentures No. 13	Dec. 04, 2015	Dec. 04, 2018	-	-	130,000
Unguaranteed debentures No. 14-1	Dec. 09, 2015	Dec. 09, 2020	2.27	140,000	140,000
Unguaranteed debentures No. 14-2	Dec. 09, 2015	Dec. 09, 2022	2.38	30,000	30,000
Unguaranteed debentures No. 15-1	May 12, 2016	May 12, 2019	1.61	180,000	180,000
Unguaranteed debentures No. 15-2	May 12, 2016	May 12, 2021	1.72	220,000	220,000
Unguaranteed debentures No. 15-3	May 12, 2016	May 12, 2026	2.01	200,000	200,000
Unguaranteed debentures No. 16-1	May 27, 2016	May 27, 2019	1.67	240,000	240,000
Unguaranteed debentures No. 16-2	May 27, 2016	May 27, 2021	1.78	60,000	60,000
Unguaranteed debentures No. 16-3	May 27, 2016	May 27, 2023	1.91	150,000	150,000
Unguaranteed debentures No. 17	June 27, 2016	June 27, 2021	1.51	50,000	50,000
Unguaranteed debentures No. 18-1	July 25, 2016	July 25, 2019	1.38	170,000	170,000
Unguaranteed debentures No. 18-2	July 25, 2016	July 25, 2021	1.45	110,000	110,000
Unguaranteed debentures No. 18-3	July 25, 2016	July 25, 2026	1.69	80,000	80,000
Unguaranteed debentures No. 19-1	Aug. 25, 2016	Aug. 24, 2018	-	-	200,000
Unguaranteed debentures No. 19-2	Aug. 25, 2016	Aug. 25, 2021	1.46	100,000	100,000
Unguaranteed debentures No. 19-3	Aug. 25, 2016	Aug. 25, 2026	1.69	120,000	120,000
Unguaranteed debentures No. 20-1	Nov. 28, 2016	Nov. 28, 2019	2.13	50,000	50,000
Unguaranteed debentures No. 20-2	Nov. 28, 2016	Nov. 28, 2021	2.28	50,000	50,000
Unguaranteed debentures No. 21	Jan. 25, 2017	Jan. 23, 2020	1.82	100,000	100,000
Unguaranteed debentures No. 22-1	Feb. 28, 2017	Feb. 28, 2020	1.89	120,000	120,000
Unguaranteed debentures No. 22-2	Feb. 28, 2017	Feb. 28, 2022	2.11	110,000	110,000
Unguaranteed debentures No. 23	Mar. 23, 2017	Mar. 23, 2020	1.95	80,000	80,000
Unguaranteed debentures No. 24	Apr. 06, 2017	Apr. 06, 2020	1.97	70,000	70,000
Unguaranteed debentures No. 25-1	May 24, 2017	May 24, 2019	1.79	150,000	150,000
Unguaranteed debentures No. 25-2	May 24, 2017	May 24, 2020	1.97	100,000	100,000
Unguaranteed debentures No. 25-3	May 24, 2017	May 24, 2022	2.23	270,000	270,000
Unguaranteed debentures No. 25-4	May 24, 2017	May 24, 2027	2.62	80,000	80,000
Unguaranteed debentures No. 26-1	June 27, 2017	June 27, 2022	2.18	50,000	50,000

(In millions of Korean won)

	Issued date	Expiration date	Annual interest rates (%) As of December 31, 2018	December 31, 2018	December 31, 2017
Unguaranteed debentures No. 26-2	June 27, 2017	June 27, 2024	2.34	200,000	200,000
Unguaranteed debentures No. 27	July 19, 2017	July 19, 2024	2.41	100,000	100,000
Unguaranteed debentures No. 28-1	Aug. 30, 2017	Aug. 30, 2022	2.30	60,000	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	Sept. 19, 2017	Sept. 19, 2022	2.29	150,000	150,000
Unguaranteed debentures No. 29-2	Sept. 19, 2017	Sept. 19, 2024	2.44	110,000	110,000
Unguaranteed debentures No. 30	Jan. 25, 2018	Jan. 25, 2021	2.45	80,000	-
Unguaranteed debentures No. 31-1	Feb. 28, 2018	Feb. 26, 2021	2.57	150,000	-
Unguaranteed debentures No. 31-2	Feb. 28, 2018	Feb. 28, 2023	2.81	50,000	-
Unguaranteed debentures No. 31-3	Feb. 28, 2018	Feb. 28, 2028	3.02	60,000	-
Unguaranteed debentures No. 32-1	Apr. 06, 2018	Apr. 06, 2021	2.50	60,000	-
Unguaranteed debentures No. 32-2	Apr. 06, 2018	Apr. 06, 2023	2.71	80,000	-
Unguaranteed debentures No. 32-3	Apr. 06, 2018	Apr. 06, 2028	2.86	20,000	-
Unguaranteed debentures No. 33-1	June 12, 2018	June 12, 2023	2.81	100,000	-
Unguaranteed debentures No. 33-2	June 12, 2018	June 12, 2028	2.92	30,000	-
Unguaranteed debentures No. 34-1	July 25, 2018	July 23, 2021	2.41	40,000	-
Unguaranteed debentures No. 34-2	July 25, 2018	July 25, 2023	2.65	70,000	-
Unguaranteed debentures No. 34-3	July 25, 2018	July 25, 2025	2.71	20,000	-
Unguaranteed debentures No. 34-4	July 25, 2018	July 25, 2028	2.76	20,000	-
Unguaranteed debentures No. 35	Oct. 05, 2018	Oct. 05, 2023	2.52	120,000	-
				5,380,000	5,170,000
			Less: Discount on debentures	(6,734)	(7,400)
				₩ 5,373,266	₩ 5,162,600

The maturities of debentures as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ 80,000	₩ 570,000	₩ 220,000	₩ 1,910,000	₩ 2,600,000	₩ 5,380,000

(In millions of Korean won)

	2017					
	Up to 3 months	3~6 months	6~12 months	1~3 years	Over 3 years	Total
Debentures in Korean won	₩ -	₩ 150,000	₩ 540,000	₩ 1,810,000	₩ 2,670,000	₩ 5,170,000

Changes in debentures based on face value for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 5,170,000	₩ 900,000	₩ (690,000)	₩ 5,380,000

(In millions of Korean won)

	2017			
	Beginning	Issue	Repayment	Ending
Debentures in Korean won	₩ 3,480,000	₩ 1,840,000	₩ (150,000)	₩ 5,170,000

16. Net Defined Benefit Liabilities

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.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Company.

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

Changes in the defined benefit obligation for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 16,594	₩ (16,795)	₩ (201)
Current service cost	1,925	-	1,925
Interest cost (income)	479	(485)	(6)
Remeasurements:			
Actuarial gains and losses by changes in financial assumptions	1,205	-	1,205
Actuarial gains and losses by experience adjustments	1,151	-	1,151
Return on plan assets (excluding amounts included in interest income)	-	280	280
Contributions	-	(4,172)	(4,172)
Payments from plans (benefit payments)	(1,393)	1,393	-
Payments from the Company	(38)	-	(38)
Transfer in	2,883	(2,844)	39
Transfer out	(2,443)	2,443	-
Ending	₩ 20,363	₩ (20,180)	₩ 183

(In millions of Korean won)

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Beginning	₩ 15,075	₩ (15,268)	₩ (193)
Current service cost	1,870	-	1,870
Interest cost (income)	390	(395)	(5)
Remeasurements:			
Actuarial gains and losses by changes in financial assumptions	(533)	-	(533)
Actuarial gains and losses by experience adjustments	960	-	960
Return on plan assets (excluding amounts included in interest income)	-	220	220
Contributions	-	(2,541)	(2,541)
Payments from plans (benefit payments)	(2,199)	2,199	-
Payments from the Company	(63)	-	(63)
Transfer in	2,885	(2,801)	84
Transfer out	(1,791)	1,791	-
Ending	₩ 16,594	₩ (16,795)	₩ (201)

Details of the net defined benefit liabilities (assets) as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	2017
Present value of defined benefit obligation	₩ 20,363	₩ 16,594
Fair value of plan assets	(20,180)	(16,795)
Net defined benefit liabilities (assets)	₩ 183	₩ (201)

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	2017
Current service cost	₩ 1,925	₩ 1,870
Net interest expenses of net defined benefit liabilities	(6)	(5)
Post-employment benefits	₩ 1,919	₩ 1,865

Remeasurements of the net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	2017
Remeasurements		
Return on plan assets (excluding amounts included in interest income)	₩ (280)	₩ (220)
Actuarial gains and losses	(2,356)	(427)
Income tax effects	725	156
Remeasurements after income tax	₩ (1,911)	₩ (491)

Plan assets as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 20,180	₩ 20,180

(In millions of Korean won)

	2017		
	Assets quoted in an active market	Assets not quoted in an active market	Total
Cash and due from financial institutions	₩ -	₩ 16,795	₩ 16,795

Key actuarial assumptions used as of December 31, 2018 and 2017, are as follows:

	2018	2017
Discount rate (%)	2.30	2.90
Future salary increase rate (%)	3.75	3.75
Turnover (%)	1	1

Mortality assumptions are based on the 8th experience-based mortality table(retirement pension) of Korea Insurance Development Institute of 2015.

The sensitivity of the defined benefit obligation to changes in the principal assumptions as of December 31, 2018, is as follows:

	Changes in principal assumption	Effect on defined benefit obligation	
		Increase in principal assumption	Decrease in principal assumption
Discount rate (%)	0.5%p.	4.95 decrease	5.30 increase
Salary increase rate (%)	0.5%p.	5.44 increase	5.13 decrease
Turnover (%)	0.5%p.	0.45 decrease	0.47 increase

The above sensitivity analyses are 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 principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Expected maturity analysis of undiscounted pension benefits (including expected future benefits) as of December 31, 2018, 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	₩ 190	₩ 676	₩ 2,866	₩ 13,095	₩ 41,789	₩ 58,616

The weighted average duration of the defined benefit obligation is 10.5 years.

Expected contribution to plan assets for periods after December 31, 2018, is estimated to be approximately ₩ 2,200 million.

17. Other Liabilities

Details of other liabilities as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Other financial liabilities				
Payables	₩	7,375	₩	19,442
Accrued expenses		12,578		10,521
		19,953		29,963
Other non-financial liabilities				
Payables		49,348		36,899
Accrued expenses		116,800		137,243
Withholding taxes		380		730
		166,528		174,872
	₩	186,481	₩	204,835

18. Equity

18.1 Share Capital

Details of share capital and number of issued shares as of December 31, 2018 and 2017, are as follows:

	2018		2017	
Type of share		Ordinary share		Ordinary share
Number of authorized shares		1,000,000,000		1,000,000,000
Par value per share	₩	5,000	₩	5,000
Number of issued shares		418,111,537		418,111,537
Share capital ¹	₩	2,090,558	₩	2,090,558

¹ In millions of Korean won.

Changes in shares outstanding for the years ended December 31, 2018 and 2017, are as follows:

(In number of shares)

	2018		2017	
Beginning		399,037,583		398,357,724
Increase		-		4,440,000
Decrease		(3,486,286)		(3,760,141)
Ending		395,551,297		399,037,583

18.2 Capital Surplus

Details of capital surplus as of December 31, 2018 and December 31, 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Share premium	₩	13,190,275	₩	13,190,275
Other capital surplus		1,465,893		1,465,893
Gain on sales of treasury share		86,646		86,646
	₩	14,742,814	₩	14,742,814

18.3 Accumulated Other Comprehensive Income (Loss)

Details of accumulated other comprehensive income (loss) as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Remeasurements of net defined benefit liabilities	₩	(7,144)	₩	(5,233)

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (5,233)	₩ (2,636)	₩ 725	₩ (7,144)

(In millions of Korean won)

	2017			
	Beginning	Changes	Tax effect	Ending
Remeasurements of net defined benefit liabilities	₩ (4,742)	₩ (647)	₩ 156	₩ (5,233)

18.4 Retained Earnings

Details of retained earnings as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Legal reserves	₩	390,216	₩	334,873
Voluntary reserves		982,000		982,000
Regulatory reserve for credit losses		2,374		2,498
Retained earnings before appropriation		1,838,966		1,735,008
	₩	3,213,556	₩	3,054,379

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 net income after tax as reported in the separate statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its share capital in accordance with Article 53 of the Financial Holding Company Act. The reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce accumulated deficit.

Appropriation of retained earnings

(Expected date of appropriation for 2018: March 27, 2019)

(Date of appropriation for 2017: March 23, 2018)

(In millions of Korean won)

	2018		2017	
Unappropriated retained earnings				
Balance at the beginning of the year	₩	913,061	₩	1,181,583
Profit for the year		925,905		553,425
		1,838,966		1,735,008
Transfers such as discretionary reserves				
Regulatory reserve for credit losses		-		124
		-		124
Appropriation of retained earnings				
Legal reserve		92,591		55,343
Regulatory reserve for credit losses		2,084		-
Cash dividends		759,736		766,728
(Dividends per common share: ₩ 1,920(38.4%) in 2018)				
(Dividends per common share: ₩ 1,920(38.4%) in 2017)				
		854,411		822,071
Unappropriated retained earnings to be carried forward	₩	984,555	₩	913,061

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 Supervisory Regulations on Financial Holding Companies.

Details of the regulatory reserve for credit losses as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Beginning	₩	2,374	₩	2,498
Estimated amounts subject to provision (reversal)		2,084		(124)
Ending	₩	4,458	₩	2,374

The adjustments to the regulatory reserve for credit losses for the years ended December 31, 2018 and 2017, are as follows:

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

	2018		2017	
Provision of regulatory reserve for credit losses	₩	2,084	₩	(124)
Adjusted profit after provision of regulatory reserve for credit losses ¹		923,821		553,549
Adjusted basic earnings per share after provision of regulatory reserve for credit losses ¹		2,330		1,388
Adjusted diluted earnings per share after provision of regulatory reserve for credit losses ¹	₩	2,316	₩	1,380

¹ Adjusted profit after provision of regulatory reserve for credit losses is not in accordance with Korean IFRS and calculated on the assumption that provision of regulatory reserve for credit losses before income tax is adjusted to the profit for the period.

18.5 Treasury Shares

Changes in treasury shares outstanding for the years ended December 31, 2018 and 2017, are as follows:

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

	2018			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,073,954	3,486,286	-	22,560,240
Carrying amount ¹	₩ 755,973	₩ 212,576	₩ -	₩ 968,549

¹ For the year ended December 31, 2018, the treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd., which was signed in 2017, was terminated. In order to increase shareholder value, the Company entered into another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2018.

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

	2017			
	Beginning	Acquisition	Disposal	Ending
Number of treasury shares ¹	19,753,813	3,760,141	4,440,000	19,073,954
Carrying amount ¹	₩ 719,090	₩ 201,985	₩ 165,102	₩ 755,973

¹ For the year ended December 31, 2017, the treasury stock trust agreement of ₩800,000 million with Samsung Securities Co., Ltd., which was signed in previous year, was terminated. In order to increase shareholder value, the Company entered into another treasury stock trust agreement of ₩300,000 million with Samsung Securities Co., Ltd. for the year ended December 31, 2017.

19. Dividends

The dividends paid to the shareholders of the Company in 2018 and 2017 were ₩ 766,728 million (₩ 1,920 per share) and ₩ 497,969 million (₩1,250 per share), respectively. The dividend to the shareholders in respect of the year ended December 31, 2018, amounting to total dividends of ₩ 759,736 million(₩ 1,920 per share) is to be proposed at the annual general meeting on March 27, 2019. The Company's separate financial statements as of December 31, 2018, do not reflect this dividend payable.

20. Net Interest Expense

Interest income (expense) and net interest expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Interest income				
Due from financial institutions	₩	5,748	₩	3,481
Loans		619		146
Other		249		262
		6,616		3,889
Interest expense				
Debts		1,458		7,996
Debentures		120,993		93,111
		122,451		101,107
Net interest expense	₩	(115,835)	₩	(97,218)

21. Net Fee and Commission Expense

Fee and commission income (expense) and net fee and commission expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Fee and commission income				
Fees in Korean won	₩	788	₩	738
Fee and commission expense				
Fees paid in Korean won		5,867		8,380
Fees paid in foreign currency		129		166
		5,996		8,546
Net fee and commission expense	₩	(5,208)	₩	(7,808)

22. Net Gains on Financial Assets at Fair Value through Profit or Loss and Net Gains on Financial Assets at Fair Value through Profit or Loss (under Korean IFRS 1039)

Net gains on financial assets at fair value through profit or loss and net gains on financial assets at fair value through profit or loss (under Korean IFRS 1039) consist of gains or losses related to financial instrument that includes dividend income and gains or losses arising from changes in the fair values.

Details of net gains on financial assets at fair value through profit or loss and net gains on financial assets at fair value through profit or loss (under Korean IFRS 1039) as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018	
Gains related to financial instruments at fair value through profit or loss		
Dividend income on financial assets at fair value through profit or loss	₩	13,625
Gains on valuation on financial assets at fair value through profit or loss		4,694
		18,319
Losses related to financial instruments at fair value through profit or loss		
Financial assets at fair value through profit or loss		-
Net gains on financial instruments at fair value through profit or loss	₩	18,319

(In millions of Korean won)

	2017	
Gains related to financial instruments at fair value through profit or loss		
Financial assets designated at fair value through profit or loss	₩	12,916
Losses related to financial instruments at fair value through profit or loss		
Financial assets designated at fair value through profit or loss		12,171
Net gains on financial instruments at fair value through profit or loss	₩	745

23. Net Other Operating Income

Other operating income or other operating expense for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Other operating income				
Dividend income from subsidiaries	₩	1,089,556	₩	693,660
Dividend income from associate		-		15,884
		1,089,556		709,544
Net other operating income	₩	1,089,556	₩	709,544

24. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Employee benefits				
Salaries and other short-term employee benefits - Salaries	₩	27,021	₩	24,870
Salaries and other short-term employee benefits - Others		4,508		4,000
Post employment benefits - defined benefit plans		1,919		1,865
Post employment benefits - defined contribution plans		85		26
Share-based payments		551		7,804
		34,084		38,565
Depreciation and amortization		864		604
Other general and administrative expenses				
Travel		833		777
Communications		520		497
Tax and dues		326		268
Publication		250		225
Rental expense		1,503		1,620
Vehicle		153		155
Service fees		10,122		7,263
Advertising		909		839
Training		1,130		642
Others		7,151		6,030
		22,897		18,316
	₩	57,845	₩	57,485

Share-based Payments

The Company entered into share-based payment plan for executives and employees of the Company and its subsidiaries.

Details of stock grants linked to long-term performance as of December 31, 2018, are as follows:

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
KB Financial Group Inc.			
Series 17	Jan. 01, 2017	16,579	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Series 18	July. 17, 2017	7,444	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Series 19	Nov. 21, 2017	46,890	Services fulfillment, Achievement of targets on the basis of market performance (35%) ³ , Achievement of targets on the basis of non-market performance (65%) ⁵
Series 20	Jan. 01, 2018	35,330	Services fulfillment, Achievement of targets on the basis of market performance (30~50%) ³ , Achievement of targets on the basis of non-market performance (50~70%) ⁴
Deferred grant	2012	5,415	Satisfied in 2012
Deferred grant	2013	588	Satisfied in 2013
Deferred grant	2015	15,154	Satisfied in 2015
Deferred grant	2016	14,538	Satisfied in 2016
Deferred grant	2017	73,473	Satisfied in 2017
		215,411	
Kookmin Bank			
Series 69	Jan. 01, 2017	173,030	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 71	Aug. 26, 2017	4,372	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 72	Aug. 28, 2017	5,601	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 73	Nov. 21, 2017	27,786	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Series 74	Jan. 01, 2018	190,536	Services fulfillment, Achievement of targets on the basis of market performance (30~50%), Achievement of targets on the basis of non-market performance (50~70%)
Deferred grant	2015	33,050	Satisfied
Deferred grant	2016	110,967	Satisfied
Deferred grant	2017	139,697	Satisfied
		685,039	

(In number of shares)

	Grant date	Number of granted shares ¹	Vesting conditions
Other subsidiaries			
Stock granted in 2010	-	206	
Stock granted in 2011	-	382	Services fulfillment,
Stock granted in 2012	-	1,540	Achievement of targets on the basis of market
Stock granted in 2013	-	2,093	performance (10~50%), Achievement of targets on
Stock granted in 2014	-	1,885	the basis of non-market performance (50~90%)
Stock granted in 2015	-	11,533	
Stock granted in 2016	-	122,494	
Stock granted in 2017	-	297,384	
Stock granted in 2018	-	147,034	
		584,551	
		1,485,001	

¹ Granted shares represent the total number of shares initially granted to directors and employees that have residual shares at the end of reporting period (Deferred grants are residual shares at the end of the reporting period).

² Executives and employees were given the option of deferring payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement when the deferred grant has been confirmed.

³ Relative TSR (Total Shareholders Return) : ((fair value at contract end date - fair value at contract commencement date) + (total dividend paid for the period)) / fair value at contract commencement date

⁴ Accomplishment of subsidiaries' performance and accomplishment of performance results

⁵ EPS, Asset Quality, HCROI, Accomplishment of Non-Banking performance

The stock grant award program is an incentive plan that sets, on grant date, the maximum amount of shares that can be awarded. Actual stock granted at the end of the vesting period is determined in accordance with achievement of pre-specified targets over the vesting period.

Details of stock grants linked to short-term performances as of December 31, 2018, are as follows:

	Grant date	Number of granted shares ¹	Vesting conditions
KB Financial Group Inc.			
Stock granted in 2010	Jan. 01, 2010	322	Satisfied
Stock granted in 2011	Jan. 01, 2011	1,728	Satisfied
Stock granted in 2012	Jan. 01, 2012	2,642	Satisfied
Stock granted in 2013	Jan. 01, 2013	474	Satisfied
Stock granted in 2015	Jan. 01, 2015	13,516	Satisfied
Stock granted in 2016	Jan. 01, 2016	16,526	Satisfied
Stock granted in 2017	Jan. 01, 2017	16,855	Satisfied
Stock granted in 2018	Jan. 01, 2018	23,216	Proportional to service period
Kookmin Bank			
Stock granted in 2015	Jan. 01, 2015	58,366	Satisfied
Stock granted in 2016	Jan. 01, 2016	83,794	Satisfied
Stock granted in 2017	Jan. 01, 2017	80,331	Satisfied
Stock granted in 2018	Jan. 01, 2018	109,871	Proportional to service period
Other subsidiaries			
Stock granted in 2015		67,912	Satisfied
Stock granted in 2016		149,326	Satisfied
Stock granted in 2017		335,401	Satisfied
Stock granted in 2018		286,707	Proportional to service period

¹ Executives and employees were given the option of deferring payment of the granted shares (after the date of retirement), payment ratio, and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement when the deferred grant has been confirmed.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of December 31, 2018, are as follows:

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Linked to long term performance			
(KB Financial Group Inc.)			
Series 17	1.75	40,224~47,153	40,224~47,153
Series 18	1.75	41,473~45,236	41,473~45,236
Series 19	1.75	36,941~40,362	40,368~44,107
Series 20	1.75	39,641~44,580	40,224~45,236
Deferred grant in 2012	1.75	-	34,180~40,662
Deferred grant in 2013	1.75	-	31,245~38,404
Deferred grant in 2015	1.75	-	39,077~47,153
Deferred grant in 2016	1.75	-	40,224~47,153
Deferred grant in 2017	1.75	-	41,473~47,153
(Kookmin Bank)			
Series 69	1.75	40,224~47,153	40,224~47,153
Series 71	1.75	41,473~45,236	41,473~45,236
Series 72	1.75	41,473~45,236	41,473~45,236
Series 73	1.75	41,614~45,382	41,614~45,382
Series 74	1.75	38,510~44,580	39,077~45,236
Grant deferred in 2015	1.75	-	42,682~47,153
Grant deferred in 2016	1.75	-	40,224~47,153
Grant deferred in 2017	1.75	-	41,473~47,153
(Other subsidiaries)			
Share granted in 2010	1.75	-	43,965~47,153
Share granted in 2011	1.75	-	43,965~47,153
Share granted in 2012	1.75	-	43,965~47,153
Share granted in 2013	1.75	-	43,965~47,153
Share granted in 2014	1.75	-	43,965~47,153
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	42,682~47,153	40,224~47,153
Share granted in 2017	1.75	39,077~47,153	39,077~47,153
Share granted in 2018	1.75	36,769~44,580	37,840~46,317
Linked to short-term performance			
(KB Financial Group Inc.)			
Share granted in 2010	1.75	-	40,662
Share granted in 2011	1.75	-	38,111~40,662
Share granted in 2012	1.75	-	34,180~40,662
Share granted in 2013	1.75	-	31,245~37,881
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	-	37,840~47,153
Share granted in 2017	1.75	-	40,224~47,153
Share granted in 2018	1.75	-	40,224~47,153
(Kookmin Bank)			
Share granted in 2015	1.75	-	40,224~47,153
Share granted in 2016	1.75	-	39,077~47,153

	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Share granted in 2017	1.75	-	39,077~47,153
Share granted in 2018	1.75	-	39,077~45,236
(Other subsidiaries)			
Share granted in 2015	1.75	-	39,077~47,153
Share granted in 2016	1.75	-	37,840~47,153
Share granted in 2017	1.75	-	37,840~47,153
Share granted in 2018	1.75	-	37,840~64,683

The Company used the volatility of the stock price over the previous year as the expected volatility, and used the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year as the dividend yield, in order to calculate fair value.

Share-based payment 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 these companies. The accrued expenses representing share-based payments as of December 31, 2018 and 2017, are ₩ 111,058 million and ₩ 133,496 million, respectively, and the receivables to be reimbursed by the subsidiaries for the compensation costs are ₩ 100,434 million and ₩ 118,375 million, respectively. The compensation costs from share-based payments that amounts to ₩ 551 million and ₩ 7,804 million were recognized as an expense for the years ended December 31, 2018 and 2017, respectively.

25. Non-operating Income (Expense)

Details of non-operating income and expenses for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Non-operating income				
Reversal of impairment losses on intangible assets	₩	50	₩	100
Others		876		711
		926		811
Non-operating expenses				
Impairment losses on intangible assets		-		2
Donation		1,184		669
Others		1		15
		1,185		686
Non-operating income (expenses)	₩	(259)	₩	125

26. Income Tax Expense

Details of income tax expense(benefit) for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Tax payable				
Current tax expense	₩	-	₩	-
Change in deferred tax assets and liabilities				
Origination and reversal of temporary differences		(2,098)		5,678
Tax expense recognized directly in equity				
Remeasurements of net defined benefit liabilities		(725)		(156)
Income tax benefit (expense)	₩	(2,823)	₩	5,522

The analysis of profit before tax and income tax expense(benefit) for the years ended December 31, 2018 and 2017, follows:

(In millions of Korean won)

	2018		2017	
	Tax rate (%)	Amount	Tax rate (%)	Amount
Profit before tax		₩ 928,728		₩ 547,903
Tax at the applicable tax rate ¹	26.38	245,038	24.12	132,131
Non-taxable income	(27.71)	(257,323)	(27.61)	(151,302)
Non-deductible expense	0.08	739	0.08	455
Effects from change in tax rate	0.00	-	(0.23)	(1,234)
Consolidated tax effect	1.47	13,644	2.60	14,272
Other	0.08	725	0.03	156
Average effective tax rate and tax expense(benefit)	0.30	₩ 2,823	(1.01)	₩ (5,522)

¹ Applicable income tax rate for ₩ 200 million and below is 11%, for ₩ 200 million to ₩ 20 billion is 22%, for ₩ 20 billion to ₩ 300 billion is 24.2% and for over ₩ 300 billion is 27.5%.

27. Earnings (loss) per Share

Calculations of basic earnings (loss) per share on the profit (loss) attributable to ordinary shares are as follows:

Weighted average number of ordinary shares outstanding:

(In number of shares)

	2018		2017	
Beginning (A)		418,111,537		418,111,537
Acquisition of treasury shares (B)		21,611,579		19,380,154
Weighted average number of ordinary shares outstanding (A - B)		396,499,958		398,731,383

Basic earnings (loss) per share

(In Korean won and in number of shares)

	2018	
Profit (loss) attributable to ordinary shares ¹ (C)	₩	925,904,728,413
Weighted average number of ordinary shares outstanding (D)		396,499,958
Basic earnings (loss) per share (E = C / D)	₩	2,335

(In Korean won and in number of shares)

	2017	
Profit (loss) attributable to ordinary shares ¹ (C)	₩	553,425,224,846
Weighted average number of ordinary shares outstanding (D)		398,731,383
Basic earnings (loss) per share (E = C / D)	₩	1,388

¹ Profit (loss) attributable to ordinary shares is the same as profit (loss) for the period in the statements of comprehensive income.

Diluted earnings (loss) per share

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares include stock grants.

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

Adjusted profit (loss) to calculate diluted earnings (loss) per share:

(In Korean won)

	2018		2017	
Profit (loss) attributable to ordinary shares	₩	925,904,728,413	₩	553,425,224,846
Adjustment		-		-
Adjusted profit (loss) for diluted earnings (loss)	₩	925,904,728,413	₩	553,425,224,846

Adjusted weighted average number of ordinary shares outstanding to calculate diluted earnings (loss) per share:

(In number of shares)

	2018		2017	
Weighted average number of ordinary shares outstanding		396,499,958		398,731,383
Adjustment				
Stock grants		2,307,630		2,319,533
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		398,807,588		401,050,916

Diluted earnings per share : for the years ended December 31, 2018 and 2017

(In Korean won and in number of shares)

	2018		2017	
Adjusted profit for diluted earnings per share	₩	925,904,728,413	₩	553,425,224,846
Adjusted weighted average number of ordinary shares outstanding for diluted earnings per share		398,807,588		401,050,916
Diluted earnings per share	₩	2,322	₩	1,380

28. Supplemental Cash Flow Information

Cash and cash equivalents as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Due from financial institutions	₩	344,302	₩	245,400
Restricted cash from financial institutions		(3)		(3)
	₩	344,299	₩	245,397

Significant non-cash transactions for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
Reclassified from Investments in associates to Investments in subsidiaries	₩	-	₩	1,053,690
Changes in investments in subsidiaries and share capital in relation to stock exchange		-		251,748
Changes in receivables and payables from consolidated tax		393,380		(83,532)
Changes in receivables and payables relating to stock grants		(18,085)		47,678
Changes in other payables related with acquisition of treasury shares and others		6,678		18,802

Cash inflows and outflows due to interest and dividends for the years December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	Activity	2018		2017	
Income tax paid	Operating	₩	1,222	₩	1,928
Interest received	Operating		5,868		3,273
Interest paid	Operating		116,307		96,392
Dividends received	Operating		1,103,182		722,063
Dividends paid	Financing		766,728		497,969

Changes in liabilities arising from financing activities for the year ended December 31, 2018, is as follows:

(In millions of Korean won)

	2018						
	On demand	Net cash flows	Acquisition	Non-cash changes			Closing balance
				Changes in foreign exchange rates	Changes in fair value	Other changes	
Debts	₩ 300,000	₩ (164)	₩ -	₩ -	₩ -	₩ 164	₩ 300,000
Debentures	5,162,600	209,386	-	-	-	1,280	5,373,266
	₩ 5,462,600	₩ 209,222	₩ -	₩ -	₩ -	₩ 1,444	₩ 5,673,266

29. Contingent Liabilities and Commitments

Commitments made with financial institutions as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

	2018		2017	
	Amount of commitment	Amounts borrowed	Amount of commitment	Amounts borrowed
Standard Chartered Bank Korea Ltd	₩ -	₩ -	₩ 250,000	₩ -
NongHyup Bank	-	-	150,000	-
Woori Bank	-	-	80,000	-
KEB Hana Bank	50,000	-	50,000	-
	₩ 50,000	₩ -	₩ 530,000	₩ -

The Company faces two lawsuits as the defendant involving aggregate damages of ₩ 191 million.

30. Related Party Transactions

Significant related party transactions for the years ended December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

			2018	2017
Subsidiaries	Kookmin Bank	Interest income	₩ 5,178	₩ 3,368
		Fee and commission income	778	671
		Net other operating income	640,132	359,493
		General and administrative expenses	5,452	3,955
	KB Securities Co., Ltd.	Net other operating income	139,157	-
		General and administrative expenses	1,196	965
	KB Insurance Co., Ltd.	Net other operating income	49,875	15,884
		General and administrative expenses	1,031	1,078
	KB Kookmin Card Co., Ltd.	Net other operating income	180,044	250,056
		General and administrative expenses	970	723
		Net non-operating income	5	4
	KB Life Insurance Co., Ltd.	General and administrative expenses	79	17
	KB Asset Management Co., Ltd.	Net other operating income	50,000	50,000
	KB Capital Co., Ltd.	Net gains on financial assets at fair value through profit or loss (under Korean IFRS 1039)	-	745
		Net gains on financial assets at fair value through profit or loss	18,319	-
		Net other operating income	10,746	5,590
		General and administrative expenses	-	41
	KB Savings Bank Co., Ltd.	Net other operating income	8,802	5,521
	KB Real Estate Trust. Co., Ltd.	Net other operating income	10,800	20,000
	KB Investment Co., Ltd.	Interest income	615	96
		Net other operating income	-	3,000
	KB Data Systems Co., Ltd.	General and administrative expenses	1,477	1220

Significant receivables and payables, and related allowance for loan losses arising from the related party transactions as of December 31, 2018 and 2017, are as follows:

			(In millions of Korean won)	
			2018	2017
Subsidiaries	Kookmin Bank	Cash and due from financial institutions	₩ 69,621	₩ 46,062
		Other assets	643,010	283,610
		Other liabilities	4,545	2,837
	KB Securities Co., Ltd.	Other assets	62,993	18,630
		Other liabilities	-	26,192
	KB Insurance Co., Ltd.	Other assets	12,774	13,991
		Other liabilities	35,177	-
	KB Kookmin Card Co., Ltd.	Other assets	79,288	107,637
		Other liabilities	664	569
	KB Life Insurance Co., Ltd.	Other assets	3,991	5,404
		Other liabilities	5,315	7,647
	KB Asset Management Co., Ltd.	Other assets	10,666	23,223
	KB Capital Co., Ltd.	Financial assets at fair value through profit or loss (under Korean IFRS 1039)	-	284,485
		Financial assets at fair value through profit or loss	289,179	-
		Other assets	18,383	4,928
	KB Savings Bank Co., Ltd.	Other assets	1,670	4,824
	KB Real Estate Trust Co., Ltd.	Other assets	14,259	12,488
	KB Investment Co., Ltd.	Loans at amortized cost	50,000	10,000
		Other assets	1,198	1,481
		Other liabilities	486	-
	KB Credit Information Co., Ltd.	Other assets	985	1,160
		Other liabilities	-	16
	KB Data Systems Co., Ltd.	Tangible assets	140	214
		Other assets	3,357	2,735
		Other liabilities	137	98

According to Korean IFRS 1024, the Company includes subsidiaries and key management (including family members) in the scope of related parties. Additionally, the Company discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the separate financial statements. Refer to Note 9 for details on subsidiaries.

Key management includes the directors of the Company, their close family members, and the companies where the directors and/or their close family members have control or joint control.

Significant loan transaction with related parties for the years ended December 31, 2018 and 2017, is as follows:

		(In millions of Korean won and in number of shares)			
		2018 ¹			
		Beginning	Loans	Repayments	Ending
Subsidiary	KB Investment Co., Ltd.	₩ 10,000	₩ 40,000	₩ -	₩ 50,000

¹Transactions and balances arising from operating activities between related parties, such as settlements, are excluded.

		(In millions of Korean won and in number of shares)			
		2017 ¹			
		Beginning	Loans	Repayments	Ending
Subsidiary	KB Investment Co., Ltd.	₩ -	₩ 10,000	₩ -	₩ 10,000

¹Transactions and balances arising from operating activities between related parties, such as settlements, are excluded.

Unused commitments by a related party as of December 31, 2018 and 2017, are as follows:

(In millions of Korean won)

			2018		2017	
Subsidiaries	KB Kookmin Card Co., Ltd.	Unused commitments of credit card	₩	1,336	₩	1,431

Compensation to key management for the years ended December 31, 2018 and 2017, consists of:

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

	2018							
	Short-term employee benefits		Post-employment benefits		Share-based payments		Total	
Registered director (executive)	₩	1,397	₩	21	₩	454	₩	1,872
Registered director (non-executive)		623		-		-		623
Non-registered director		2,328		90		97		2,515
	₩	4,348	₩	111	₩	551	₩	5,010

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

	2017							
	Short-term employee benefits		Post-employment benefits		Share-based payments		Total	
Registered director (executive)	₩	756	₩	27	₩	1,160	₩	1,943
Registered director (non-executive)		581		-		-		581
Non-registered director		3,430		160		6,644		10,234
	₩	4,767	₩	187	₩	7,804	₩	12,758

31. Approval of Issuance of the Financial Statements

The issuance of the Company's separate financial statements as of and for the year ended December 31, 2018, was initially approved on February 8, 2019 and re-approved due to revision on March 8, 2019 by the Board of Directors.



Report on Independent Auditor's Review of Internal Control over Financial Reporting

To the President of KB Financial Group Inc.

We have reviewed the accompanying management's report on the effectiveness of the Internal Control over Financial Reporting ("ICFR") of KB Financial Group Inc. (the "Company") as of December 31, 2018. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of the ICFR and issue a report based on our review. The management's report on the effectiveness of the ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as at December 31, 2018, is designed and operating effectively, in all material respects, in conformity with the ICFR Design and Operating Conceptual Framework"

Our review was conducted in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of the ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's ICFR is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. Because of its inherent limitations, ICFR may not prevent or detect a material misstatement of the financial statements. 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.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the effectiveness of the ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the ICFR Evaluation and Reporting Best Practice Guideline.

Our review is based on the Company's ICFR as of December 31, 2018, and we did not review management's assessment of its ICFR subsequent to December 31, 2018. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

Samil PricewaterhouseCoopers
March 12, 2019

Report on the Effectiveness 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 Control over Financial Reporting (“ICFR”) Officer of KB Financial Group Inc. (“the Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting for the year ended December 31, 2018.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements.

For the purpose of design and operation of ICFR, we have used ‘ICFR Design and Operation Conceptual Framework’ as criteria which is established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”). We also followed the ‘ICFR Evaluation and Reporting Best Practice Guideline’ which is also established by the ICFR Committee to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2018, is designed and operating effectively, in all material respects, in conformity with the ‘ICFR Design and Operation Conceptual Framework’.

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 statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 28, 2019

Jong Kyoo Yoon,
Chief Executive Officer

Ki Hwan Kim,
Internal Control over Financial Reporting Officer

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Forward Looking Statements

This document contains forward-looking statements. Words and phrases such as “will,” “aim,” “will likely result,” “will continue,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify with forward-looking statements. All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

The factors that could cause actual results to differ include, but are not limited to, the following:

- IKB Financial Group’s ability to successfully implement its strategy;
- Ifuture levels of non-performing loans;
- IKB Financial Group’s growth and expansion;
- Iadequacy of allowance for credit and investment losses;
- Itechnological changes;
- Iinvestment income;
- Iavailability of funding and liquidity;
- Icash flow projections;
- IKB Financial Group’s exposure to market risks; and
- Iadverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on KB Financial Group’s income or results of operations could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on KB Financial Group’s business activities or investments;
- Korea’s monetary and interest rate policies;
- inflation or deflation;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- performance of the financial markets in Korea and internationally;
- changes in domestic and foreign laws, regulations and taxes;
- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

KB Financial Group cautions the reader not to place undue reliance on the forward-looking statements, which speak only as of the date of this document.

Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forwardlooking statements attributable to KB Financial Group or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.



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