

# 오른길을 만나다

2016 KB Financial Group  
Sustainability Report



## 오른길을 만나다

The title of the Report refers to 'Right and Ascending Path' that KB Financial Group is seeking throughout its business. KB Financial Group hopes to communicate with stakeholders about our direction and effort toward right and ascending business, finance and companionship through the 2016 Sustainability Report of KB Financial Group.

## About this report

KB Financial Group has been publishing the Sustainability Report annually since 2011, following KB Kookmin Bank's Sustainability Report published in 2009 and 2010. Through the Report, KB Financial Group is sharing its performance and progress in sustainable management transparently as well as its direction going forward with the stakeholders.

### Reporting period

The relevant period for this Report spans from January 1 to December 31, 2016, and some of material issues include progress made in the first half of 2017. To demonstrate trends in time series analysis, parts of the report include data of the previous 4 financial years(from January 2013 to December 2016).

### Reporting scope

This Report concerns the sustainable management activities and progress made by KB Financial Group(holding company and 12 subsidiaries) covering head offices and all of its business locations in Korea.

### Reporting and assurance standards

This Report was written and prepared in accordance with the Global Reporting Initiative's G4 guidelines and the Core option. To identify and determine the issues to be covered in this report, a materiality test was conducted. The material issues selected are described and explained in 8 sections in detail. To ensure the reliability and quality of the information presented in this report, the contents were subject to assurance by an independent third-party whose written opinion on the assurance process is attached in this Report.

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

KB Financial Group is selected as  
Dow Jones Sustainability World  
Index member in 2016



As a signatory to CDP(Carbon Disclosure Project),  
KB Kookmin Bank is urging companies to disclose  
their carbon data

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Letter from CEO



“KB Financial Group is committed to serving as a life-long financial partner for customers and the community by taking on the right and ascending path.”

Dear stakeholders,

First of all, I would like to express my sincere gratitude to all of you for your continuous support and encouragement for KB Financial Group.

In 2016, KB Financial Group made strenuous efforts to serve as a true and life-long financial partner for customers and the community. We accomplished a significant financial performance of net income exceeding KRW 2 trillion, and welcomed Hyundai Securities as a member of our Group, thus consolidating our business growth and diversification. In addition, we strived to provide better services and more values to our customers through collaboration and synergy creation among the subsidiaries of the Group.

However, the internal and external environment is still not favorable either at home or abroad: uncertainties of the global economy are increasing and the domestic economy is in a slow recovery. Moreover, the global industrial landscape is rapidly changing amid the fourth industrial revolution, and the unpredictable environmental changes that demographic changes would bring about might even threaten the survival of businesses.

Against this backdrop, we have defined our direction for change as ‘Right and Ascending Path’ in order to leap forward as a leading financial group in the Asian region and will pursue the following initiatives to ensure sustainable growth.

**First, we will pursue a sound and profitable growth to improve customer value.**

We believe that sustainable growth of business is a must to offer true value for our 30 million customers as their life-long financial partner. To that end, we will make our best effort to become a leading financial group by strengthening our profitability and soundness and promoting a balanced growth between the banking and non-banking sectors rather than focusing on short-term profit. Furthermore, we will continue to enhance customer satisfaction and customer value by pioneering new business models in the era of digitalization and developing products and services suiting customer needs.

**Second, we will adapt to and evolve in the ever-changing environments by exploring the right direction for the future.**

In 2016, we pictured our future in 10 years’ time at the Group level, and will continue to crystallize our future directions. Leveraging the collective intelligence and capabilities to find the right direction for the future will enable us to gain insights to overcome challenges in the great transformation in a wise manner. To that end, we will encourage our people to approach changes with curiosity and learn from them and we will stay dynamic and innovative.

**Third, as a responsible corporate citizen, we will fulfill our social responsibility and continue engagement with our stakeholders.**

With our rigorous ethics and integrity standard, we are committed to serve our customers and protect their personal information. Also, we will contribute to creating warmer and more hopeful communities by building trust and pursuing shared growth with our partners and sharing what we have with the underprivileged. We will continue our active engagement with a wide variety of stakeholders to explore ‘Right and Ascending Path’.

We sincerely ask for your generous support and encouragement in our unwavering efforts and journey toward ‘Right and Ascending Path’.

Chairman & CEO of KB Financial Group Inc.  
Jong Kyoo Yoon

# Company Profile

## Global Financial Group KB

KB Financial Group is a comprehensive financial service provider with the nation's largest number of customers and branches. With 12 subsidiaries operating under the Group, we boasts 32.28 million customers, 1,789 branches, total assets of KRW 375.7 trillion, revenue of KRW 25.4 trillion, operating income of KRW 1.7 trillion and net income of KRW 2.1 trillion as of the end of December 2016, establishing itself as Korea's largest comprehensive financial group. Major shareholders include National Pension Service(9.85%), JP Morgan Chase Bank(6.95%), and employee stock ownership association(0.48%), and the number of employees is 30,779.



## Vision and strategy

Under the vision of becoming 'global financial group leading the Asian financial industry', KB Financial Group aspires to become one of Asia's Top 10 and Global Top 50 financial groups. To that end, we have established 5 strategic directions and 13 strategic tasks to consolidate the basis for becoming a leading financial group by securing a differentiated competitive edge by 2017. We aim to regain our leadership in the domestic financial market by 2020 by stable growing assets and profits, and lead the Asian financial market by 2023 by gathering the Group's competencies.



※ WM : Wealth Management ※ CIB : Corporate & Investment Banking

## Subsidiaries of KB Financial Group

KB Financial Group was founded on September 29, 2008 to effectively cope with rapidly changing financial environment at home and abroad. We are the nation's largest financial group, providing comprehensive financial services in a wide variety of areas including banking, investment, and insurance and there are currently 12 subsidiaries in the Group.

<b>Banking</b>	<b>KB Kookmin Bank</b> was founded through the consolidation between former Kookmin Bank and former Housing & Commercial Bank in 2001. Boasting a strong brand power and wide network of distribution channel, the Bank has attracted more than 30 million customers and ranked first at the National Customer Satisfaction Index(NCSI) 10 times for the first time in the banking sector.
<b>Financial investment</b>	<b>KB Securities</b> has become a mega financial investment company with capital of KRW 4 trillion, customer assets of KRW 100 trillion, and 3.78 million customers through the consolidation between former KB Investment & Securities and former Hyundai Securities <b>KB Asset Management</b> provides comprehensive asset management services, with AuM worth KRW 50 trillion in various fields including stocks, bonds, SOC and real estate. It is playing a leading role in the long-term fund market. <b>KB Real Estate Trust</b> is a specialized real estate trust company in charge of developing, managing and disposing of real estate and handling REITs. It has achieved the biggest AuM of KRW 22 trillion in the industry at the end of December 2016. <b>KB Investment</b> makes equity investments in SMEs, venture businesses that have innovative technologies and services of next generation growth engines as well as entrepreneurship to help them grow into leading companies in the related industries.
<b>Insurance</b>	<b>KB Insurance</b> was founded as Bum Han Marine Insurance in 1959 and was incorporated into KB Financial Group in June 2015. It is committed to providing optimized protection against risks and comprehensive consulting services to customers. <b>KB Life Insurance</b> started its operation with bancassurance, and is growing into a comprehensive insurance service provider through financial consultant, direct marketing and general agency channels.
<b>Credit</b>	<b>KB Kookmin Card</b> was founded in 2011 as a spinoff from KB Kookmin Bank. It has established itself as Korea's No. 1 life solution provider by delivering customer-value centric products and strengthening its competitiveness in the fintech market. <b>KB Capital</b> , as a specialized auto finance company, has maintained growth throughout all business sectors ranging from auto finance, where it has asset portfolios for all types of vehicles, to personal finance.
<b>Small-loan finance</b>	<b>KB Savings Bank</b> is an exclusive small-loan finance company in the Group. Under its management policy that puts corporate social responsibility before short-term profits, it is serving as a good financial partner pursuing shared growth with ordinary citizens and local communities.
<b>Others</b>	<b>KB Credit Information</b> , founded in 1999, manages credit within KB Financial Group worth approximately KRW 4.3 trillion per year on average, and leading the domestic credit information industry both in scale and stability. <b>KB Data Systems</b> , as a specialized financial IT company, is contributing to IT efficiency of KB Financial Group with its expertise gained through diverse financial IT projects.

# Business Network

KB Financial Group is committed to becoming a global financial group that leads the Asian financial market with its large-scale sales network and strong brand power. KB Financial Group has 1,754 branches at home and 35 networks in 13 countries including China, the U.S, Japan, Vietnam, Hong Kong, and India. As for subsidiaries, KB Kookmin Bank has presence in Japan, New Zealand, the U.S, Vietnam, Hong Kong, United Kingdom, Cambodia, China, Myanmar and India. KB Securities is operating its local corporations and office in the U.S, Hong Kong, Singapore and China. Also, KB Insurance expanded its business into the U.S, China, Indonesia and Vietnam, and KB Capital is operating its local corporation in Laos.



## Domestic branch

KB Financial Group	1	KB Capital	26
KB Kookmin Bank	1,130	KB Savings Bank	9
KB Securities	115	KB Real Estate Trust	3
KB Insurance	356	KB Investment	1
KB Kookmin Card	70	KB Credit Information	17
KB Life Insurance	24	KB Data Systems	1
KB Asset Management	1	<b>Total</b>	<b>1,754</b>

※ A headoffice is counted as one branch.

As of December 31, 2016



## KOREA

Wide sales network with 1,754 branches (33 hybrid branches among them)

## OCEANIA

KB Kookmin Bank opened Auckland branch in 1997

Kookmin Bank Auckland Branch



## AMERICA

KB Kookmin Bank opened New York branch in 1999. KB Insurance established a corporation and branch in the U.S and an office in LA, and KB Securities opened a corporation in New York

## Global Network

KB Kookmin Bank		KB Securities	KB Insurance	KB Capital
Tokyo Branch	Kookmin Bank Cambodia PLC	KBFG Securities America Inc.	US Branch	KB KOLAO LEASING Co., Ltd
Auckland Branch	Kookmin Bank(China) Limited	KB Securities Hong Kong Ltd.	Leading Insurance Services, Inc.	
New York Branch	KB Microfinance Myanmar Co., Ltd.	KB Asset Management Singapore PTE Ltd.	LIG Insurance China Co.,Ltd.	
Hochiminh City Branch	Gurgaon Representative Office	HAI PTE Ltd.	PT. KB Insurance Indonesia	
Hong Kong Branch	Hanoi Representative Office	Shanghai Representative Office	LA Representative Office	
Kookmin Bank International Limited(London)	Yangon Representative Office		Ho Chi Minh City Representative Office	
			Hanoi City Representative Office	

As of May 31, 2017

# KB's Right and Ascending Path

We believe that not only pursuing continued business growth but also setting the right direction for better society and environment are of importance for sustainability of business. In this sense, we have set KPI targets for right and ascending businesses, right and ascending finance, and right and ascending companionship respectively, and have been striving to achieve the targets. In particular, we started to conduct impact valuation from 2016 to measure our impact on society and environment.



Key Performance Indicators			Input	Output	Impact	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)	
Right and Ascending Businesses	Future Growth	Total assets		●		KRW trillion	292	308	329	376			
		Net income		●			1.3	1.4	1.7	2.1			
	Digital KB	Customers who subscribe to online financial services		●		%	60.2	66.5	68.5	70.1	71.9	75.0	
		Active users of online financial services		●			32.8	34.5	34.7	35.3	35.6	38.0	
Right and Ascending Finance	Customer Protection and Satisfaction	Inspections on status of customer information security		●		Case	140	186	268	260	270	300	
		National Customer Satisfaction Index(NCSI)		●		Rank	1	2	1	1	1	1	
		Customer satisfaction level at branch		●		Point	94.6	93.0	94.5	95.6	96.0	96.0	
	Responsible Finance	Green funds		●			905.6	1,251.8	1,269.7	1,334.8	1,466.4	1,700.0	
		Green loans		●			1,206.5	1,247.3	1,369.0	1,413.9	1,555.2	1,800.0	
		Microfinance(deposit)		●			704.4	784.3	859.3	1,062.6	1,168.9	1,555.8	
		Microfinance(loan)		●			2,027.5	1,975.8	2,591.8	3,243.8	3,568.2	4,749.2	
	Environmental Impact	Reduction in GHG emissions induced by investment in new and renewable energy			●		KRW billion	-	-	-	8.2	8.8	10.0
		Reduction in GHG emissions induced by smart bills			●		KRW million	-	-	-	31	32	35

\* Environmental impact is value of GHG emission reduction calculated using internal price of carbon.

Key Performance Indicators			Input	Output	Impact	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)	
Right and Ascending Companionship	Talent Management	Average training hours per employee		●		Hour	127	147	152	154	155	160	
		Employee satisfaction level			●	Point	-	69.3	71.0	71.5	72	75	
		Employee engagement level			●		-	66.8	67.1	68.4	69	70	
	Human Rights Management	Evaluation on human rights management(business)			●		%	-	-	100	100	100	100
		Number of business partners self-assessed for supply chain sustainability			●		Case	-	-	153	179	190	230
		Business partner satisfaction level			●		Point	98.3	98.5	99.2	98.4	99.0	99.5
	Community Contribution	Charitable donation		●			KRW billion	59.8	52.1	47.9	39.8	42.0	45.0
		Support by KB Miso Microfinance		●				12.3	16.9	22.6	17.6	20.0	25.0
		The number of beneficiaries of KB Star Economy Class			●		Person	119,273	143,149	192,549	275,214	280,000	280,000
		The number of people who land a job through KB Good Job(cumulative)			●			3,493	4,702	5,474	6,555	7,201	7,849
Social Impact	Increased financial accessibility for those with low credit by KB Miso MicroFinance				●	KRW billion	-	-	-	1.06	1.1	1.5	
	KB Good Job's contribution to national economy				●		-	-	-	26.5	27.0	30.0	

# Right and Ascending Businesses

KB Financial Group will pursue right and ascending business to become the 'No. 1 financial group'



Future growth

KB creates new opportunities by proactively responding to changes in the business environment through organizational transformation, development of new growth engines, and entry into the global market.



Digital KB

KB is taking the lead in the digital financial innovation and introducing easy and convenient digital financial life by providing products and services based on the new technologies

This photo is KB Kookmin Bank's mobile financial service platform, Liv, that delivers easy and convenient financial services in daily life enabling Dutch treat, managing expenses for personal meetings and events, currency exchange and easy remittance.

## Where KB stands

The ratio of customers who subscribe to online financial services

**70.1%**

The ratio of active users of online financial services

**35.3%**

The ratio of non-banking business portfolio

**30.1%**

## Where KB is going

The global financial market is currently facing a paradigm shift that will dramatically change the services, products, and even common senses that we have become accustomed to. Services that were exclusively provided by traditional financial institutions in the past, such as payment and settlement, remittance, loan, investment, and asset management, are now available on the online platforms thanks to fintech technologies.

Against this backdrop, we are pursuing financial digitalization strategies to seize the opportunities in the fintech market. In addition, we are strengthening our fundamentals by revamping business portfolio, and also maximizing synergy creation among subsidiaries to deal with changes in the business environment.

Interview | Dae-Hyung Kim, Team Leader of Future Finance Department



"As a first mover in the digital finance, KB is aiming to provide innovative financial services by revamping our digitalization function and carrying out Group-wide digitalization strategy encompassing products, services and processes. With cutting-edge technology and customer-oriented approach, our mission is to provide digital financial services that customers would find warm and friendly."

# Future Growth

## Emerging as a leading financial group

### KB Financial Group's strategic direction in 2017

KB Financial Group has announced 'CODE 2017' as our strategic tasks of 2017. Code 2017 is about providing the best value for customers (Customer with KB), creating differentiated synergy among subsidiaries (One-Firm KB), leading the financial market through digital innovation (Digital KB), and becoming more dynamic organization by constantly evolving ourselves (Evolution & Dynamic KB).

### ▼ KB Financial Group's strategic direction in 2017

**C | 1 | @ | 2017**  
Customer · One-Firm · Digitalization · Evolution

Customer with KB	One-Firm KB	Digital KB	Evolution & Dynamic KB
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### Customer-oriented business innovation

We are pursuing profitable growth strategies with our aim on improving customer value. We have introduced a branch-in-branch system combining banking, securities and insurance which enable one-stop financial services to provide the best asset management services to customers. KB Securities has realigned its business model based on customer value establishing growth strategies focusing on four business areas, i.e. WM, IB, S&T, and wholesale, and went through reorganization in line with such strategy. KB Life Insurance, focusing on customer value-oriented growth, expanded protection product line and strengthened one-stop support system for sales force.

### Expanding non-banking business

We strive to improve the Return on Equity (ROE) in low interests rate environment by expanding non-banking business portfolio as well as improving the bank's profitability. Furthermore, Hyundai Securities was acquired in May 2016 and later merged with KB Investment & Securities to become a mega financial investment company boasting KRW 4 trillion in own capital, KRW 100 trillion in customer asset and 3.78 million customers. As a result, the share of non-banking business in the Group has increased from 27.7% in 2015 to 30.1% in 2016.

### Generating synergies through cross-subsidiary collaboration

We are making various efforts to create synergies among subsidiaries. To be specific, KB Kookmin Bank and KB Securities collaborated to introduce 'KB able Star', a bank account that enables securities trading for the bank's customer. Approximately 140,000 accounts were opened in just 6 months after its launch in July 2016.

In April 2016, KB Insurance and KB Kookmin Card introduced a 'Car Insurance Rider Offering Discount for Using Public Transport'. In August, they launched 'Simplified Claim Service for Medical Indemnity Insurance' that enables policyholders of medical indemnity insurance to easily file an insurance claim if they pay for medical bills with KB Kookmin Card. Moreover, 'KB Star Club', a loyalty program for frequent customers, was expanded to KB Insurance, KB Capital, and KB Savings Bank, providing customers with more financial benefits including free insurance, and favorable fees and interest rates for KB Capital and KB Savings Bank.



### Expanding the CIB business

In 2016, we revamped our organization and established joint sales system to boost the Corporate & Investment Banking (CIB) business. First, the Group set up 'Group CIB Committee' overseeing collaboration among subsidiaries, and introduced 'KB Partnership RM' scheme to conduct our business as a one firm. Second, we simplified decision-making process by allowing employees to hold multiple positions in the Group, Bank, and Securities at the same time, and also integrated workspaces of staff in charge of CIB business. Thanks to systematic improvement and active marketing efforts, we have successfully concluded a number of financing contracts in SOC projects such as power plants, roads, and railways. Furthermore, we were acknowledged for our leading role in IB business, ranking first in the domestic syndication market among banks, and also first in the DCM market among securities firms in 2016 Bloomberg's League Tables.

### Reinforcing WM business competence

We pay keen attention to Wealth Management (WM) as a new growth engine of the Group. In the wealth management business, we plan to provide comprehensive asset management services taking advantage of investment and consulting know-

how of KB Securities and KB Kookmin Bank's largest sales network and customer base in the nation. Using 33 WM hybrid branches as a strategic base, we will promote the partnership between 112 branches of KB Securities and branches of KB Kookmin Bank, and increase the number of such hybrid branches to over 50 by the end of 2017. Furthermore, we are developing various WM products by sourcing real assets funds such as real estate, specialized WM products linked to CIB assets, and structured alternative investment products, and also training highly qualified asset management specialist by establishing the Career Development Program (CDP) for WM. In order to strengthen WM business, we have introduced a system that allows employees to hold multiple positions in the Group, Bank, and Securities at the same time, and newly set up Investment Product & Service Division which is mirror organization of KB Kookmin Bank and KB Securities.

## Business case CIB best practice



**Project financing deal for acquisition of Marcus Hook Energy Center in the U.S**  
KB Kookmin Bank has arranged a project financing deal worth USD 660 million together with a string of global financial banks and financed USD 200 million. The project went through environmental impact assessment and social impact assessment.

### Syndicate loan for Goseong Hai Power Plant project

KB Kookmin Bank has successfully arranged a syndicated loan worth KRW 4 trillion for 'Goseong Hai Power Plant' jointly with other domestic banks and financed KRW 2.2 trillion. The power plant has applied the cutting-edge ultra super critical technology to minimize emissions of greenhouse gases, and went through the environmental and social impact assessments.

### Senior Secured Loan for acquisition of International Finance Center Seoul

Brookfield Asset Management has acquired the International Finance Center Seoul for KRW 2.6 trillion, and KB Kookmin Bank provided a senior secured loan worth KRW 1.6 trillion. The environmental and social impacts of the project on local communities were reviewed through assessments.

## Expanding our presence in the global market

### Establishing the global strategies

KB Financial Group has realigned our global strategies to expand our presence in the global market. We have reinforced our competitiveness in businesses including CIB, customer finance, digital bank, and asset management and developed global business strategies taking advantage of competitive edge. Furthermore, we have strived to improve our global talent development system and business management system, which will facilitate the entry into overseas markets. Also, we have realigned the existing business model catering to local business environment in each overseas network, and strengthened

the foundation for growth through company-wide support.

### Outpost for Asian business

KB Kookmin Bank Hong Kong branch (formerly local corporation) opened in January 2017. The Hong Kong branch will function as a CIB hub to expand the Group's business in Asia, and it will serve as CIB center, Treasury Center, and Training Center as well as an outpost to generate synergies among subsidiaries including KB Securities.

### Reinforcing global asset management capability

In an effort to attract foreign investors, KB Asset Management launched an offshore fund worth KRW 57.6 billion in AUM in Luxembourg in June 2016. In addition, it has diversified

its foreign investment assets to reinforce the global asset management capability as low interest rates and sluggish stock market have resulted in the need for expanding investments beyond the domestic market. In the short run, a platform for managing overseas fund of funds will be developed through partnership with global asset managers to provide customers with customized portfolios. KB Asset Management will continue to build up its capabilities to establish and manage overseas asset management firms in the long run.

### ▼ Entering the Southeast Asian financial market

#### A Launching global digital bank 'Liiv KB Cambodia'

In September 2016, KB Kookmin Bank launched a global digital bank 'Liiv KB Cambodia', which is customized for local market, as part of the efforts to expand its financial business in Southeast Asia.

#### B Establishing a microfinance company in Myanmar

KB Kookmin Bank has established KB Microfinance in Myanmar and started its operation in March 2017. The company will provide microcredit loans to support the living expenses of the working class and loans to improve their housing environments.

#### C Advancing into the Laotian financial market

KB Capital and KB Kookmin Card established a joint leasing company with a local business in Laos (ratio of share: KB Capital 51%, KB Kookmin Card 29%, and KOLAO Holdings 20%) and started the operation in March 2017.



## Digital KB

### Fintech First Mover strategy

#### Digitalization strategies

With the rapid growth of digital technologies, a number of new technologies, such as AI, big data, cloud, and block chain, have been developed to fundamentally change the financial infrastructure, and fintech services are spreading across the financial industry ranging from remittance and settlement to loan, asset management, and insurance. These changes in the digital finance environment imply that fundamental digital innovation is required not

at the level of individual products or services but across the overall financial business and process. Accordingly, we have established and implemented digitalization strategies and tasks at the group level to take the lead in financial innovation.

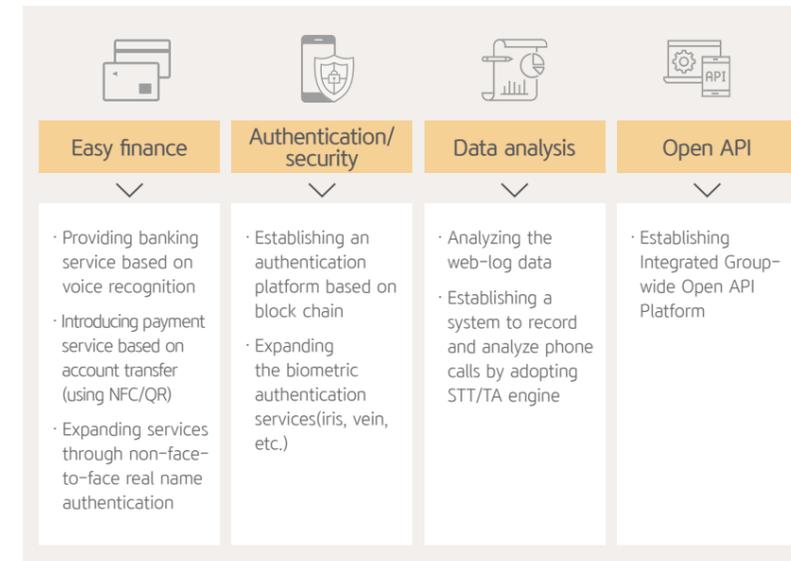
#### Innovating organization for digitalization

We aim to become more responsive to the changes in the digital environment. In response to the emergence of fintech, growing customer needs for mobile-based financial services, and changes in technologies, we created the Future Finance Department within the Group in January 2016. The newly established department takes charge of digital and non-face-to-face channels, promoting digitalization across the Group.

Expanding the function of KB Fintech Hub Center, which has been operated since 2015, we are conducting research on technologies and market trends, and also strive to create a fintech ecosystem including running 'KB Starters Valley', a customized startup nurturing program, helping startups through crowdfunding, and supporting fintech investment. For the efficient implementation of fintech strategies, the Bank elevated Future Channel Division into Future Channel Group and set up Smart Finance Department.

To promote company-wide digitalization, KB Kookmin Card set up Digital Division in 2016 and plans to set up task force team in 2017 to work on developing digitalization strategy and implementing actions plans on platform, payment, big data, etc.

### ▼ KB Kookmin Bank's key fintech tasks



### Strengthening digital capabilities

KB Financial Group holds 'KB Fintech Day' to encourage employees to experience future technologies in advance and gain insights. The 4th 'KB Fintech Day', held in April 2016, introduced an Israeli security solution provider to information security managers, and benchmarked advanced security system. On the 5th 'KB Fintech Day' held in September, a number of fintech services were introduced ranging from IoT, such as smart watch and smart home hub, AI virtual assistant, robo-advisor, to AI

call center, and employees experienced virtual reality with a cardboard VR headset made by KB. In addition, we have systematized intellectual property management at the group level by securing intellectual property rights related to future technologies and sharing the patent information within the group. Since establishing group-wide fintech patent management system in 2016, we have successfully applied for 'phone-to-phone payment system using sound waves' patent, and commercialized it by applying it to Liiv KB Cambodia (Cambodian digital bank application). Also, utility patent for block chain-based app security solution was issued and it will be applied to app solutions of the group in phases.

**Fintech-based products and services**

KB Financial Group strives to lead the future financial market and develop a competitive edge through digital innovation. By developing a new type of platforms such as 'Liiv', a financial service app enabling easy transactions, and 'Liiv Mate', an integrated mobile membership platform, we are providing customers with easy and convenient financial services. Moreover, we have built a mobile-based digital bank model to provide services in Southeast Asia. KB Securities has opened integrated MTS to enable biometric authentication and simple authentication

services. The system replaced the password of accredited certificate with iris or fingerprint, making login, purchase and wire transfer much easier. The simple authentication would be activated in case biometric authentication is not functioning. As such, we will continuously increase the convenience for online services users.

In September 2016, KB Kookmin Card launched 'KB Kookmin Alpha One Card', an all-in-one card linked to an application card(Kmotion), the first of its kind in Korea. In March 2016, KB Savings Bank introduced a block chain-based authentication service for the first time in the domestic financial industry, presenting a new model of financial service not requiring accredited certificate. In July, it adopted mobile scrapping technology for the first time in the industry, and launched KB Good Banking Mobile app that enables opening of an account with non-face-to-face real name authentication.

**Mobile-exclusive products and services**

KB Kookmin Bank provides customers with 'IC Card Certificate' storage service. In addition, it offers 'KB Safe Switch' service that allows users to control electronic financial transactions(ON-OFF) with their smartphone. KB Mobile Magic Car Loan, launched in November 2016, is a smartphone-only loan, which en-



- 1 VR contents demonstration on KB Fintech Day
- 2 Liiv, a financial service application
- 3 KB ChaChaCha, an online platform for buying and selling used cars

ables customers who want to purchase a new or used car to apply for a loan through KB Star Banking without the need to visit a branch and to pay back the loan in installments without establishing mortgage.

KB Insurance is actively using its mobile platform to increase its market share in car insurance. Direct car insurance has various riders offering discount for use of public transport-



tation, multiple children, car mileage and weekly no-drive day. It also offers various insurance products such as driver insurance, medical indemnity insurance, travel insurance, etc. through its mobile platform.

In June 2016, KB Capital launched 'KB ChaChaCha' online platform, which is designed to prevent false offerings of used cars and compensate any damage caused by such false offerings with the deposits paid by dealers.

KB Savings Bank launched 'All-V', a mobile bank account, which can be opened through non-face-to-face authentication. Cost saved from such non-face-to-face authentication is

returned to customers by offering 1.3% interest rate for deposits of up to KRW 50 million.

**▼ KB Kookmin Bank's fintech services**

	KB Star Alarm	Providing a notification of deposits and withdrawals and also financial information for free by using push function of smartphone
	Mobile Cash Card	Enabling customers to use ATMs of all banks with smartphone, even without card, by utilizing the HCE technology for the first time in the banking sector
	KB Smart Remote Assistance	Upon the request of KB Star Banking service users, counselors access the mobile phone of customers to provide real-time support
	Tablet Branch	Employees visit the place that customers designate to provide one-on-one consultations and one-stop banking services with tablet PC
	KB my money	Non-face-to-face service enabling customers to integrate and manage their assets in bank, credit card, securities and insurance companies on one screen
	Fingerprint Authentication	Replacing accredited certificate password and Personal Identification Number(PIN: Personal Identification Number) with fingerprint to enable financial transactions through smartphone
	KB Safe and Easy Authentication	Enabling customers to use all banking services without accredited certificate and security modules(security card/OTP) for the first time in the financial industry

**Business case  
Supporting fintech businesses**



The KB Innovation HUB operates the 'KB Starters Valley', a startup incubating program, to identify new fintech business opportunities and create an ecosystem that promotes mutual growth with fintech startups.

The startups selected for the program are provided with the comprehensive supports including office, investment partnership, and mentoring. As of the end of 2016, 20 fintech companies were selected and provided with professional support in accounting, patent, investment & finance, overseas expansion, and telecommunications.

As part of the efforts to support fintech startups, KB has arranged an academic-industrial forum, and established a crowdfunding and matching investment system for the first time in the financial sector. As of the end of 2016, 5 startups were recommended by KB Financial Group to receive crowdfunding of KRW 930 million and matching investment of KRW 150 million. In addition, 3 startups received the direct investment of KRW 4.5 billion in total from KB Investment.

# Right and Ascending Finance

KB Financial Group will take the lead in enhancing customer satisfaction and providing responsible financial services through the right and ascending finance.



## Customer protection

KB is protecting customer information and rights with our strong security system and corporate culture.



## Customer satisfaction

KB is seeking to maximize customer value by developing customer-oriented products and services and actively engaging with customers.



## Responsible finance

KB strives to fulfill our social and environmental responsibility, such as protecting the environment and reaching out to society.

This photo is KB's ATM with features to support senior citizens, the disabled and expats such as braille, wheelchair accessibility, multi-languages, bio-authentication, etc.

## Where KB stands

National Customer Satisfaction Index(NCSI)

**1<sup>st</sup>**

Inspections of customer information protection

**260** Cases

Green loans

**KRW 1.4** trillion

## Where KB is going

Information security is increasingly becoming a critical topic since important and sensitive personal information is commonly collected by, stored at, and sent through computers and networks. In this sense, KB Financial Group regularly inspects the information security and management system of all subsidiaries to effectively protect the information of 32.28 million customers.

Meanwhile, we have expanded the channels of communication with customers, such as 'KB Customer Advisory Panel' and 'KB Tribunus Plebis', to reflect their opinions on our business activities. Also, we have encouraged our customers to participate in the process of product and service development to meet their needs. Thanks to these efforts, we have won the first place in the National Customer Satisfaction Index(NCSI) for ten times.

Furthermore, we are making green investments, supporting microfinance, and investing in SMEs and venture businesses to meet the social demand for responsible finance. In this way, we are fulfilling our social and environmental responsibility and, at the same time, seizing the opportunities for new products and businesses.

Interview | Mi-Jung Park, Client



"I have been a client of KB for many years and I have come to trust KB as it is sensitive to customer needs. My husband is expat and he faces lots of challenges in financial transactions, but whenever he visits KB branches, tellers always help him find solutions. Also, I am happy that KB is introducing lots of convenient services for its clients"

# Customer Protection

## Customer information security

### Personal information security management system

KB Financial Group has established the Governance, Risk, and Compliance(GRC) framework to enhance our capability to protect customer information. In addition, we have completed risk scenarios and compliance checklists for the inspection and improvement of information security process. In the event of customer information leakage, we activate the emergency system to protect the right of customers whose information is leaked and prevent additional damage. Operating the Group-level Information Security Department, we have reinforced our capability to protect customer information at the group level by jointly conducting a information security projects and inspection on securing status of the group. In addition, we have enhanced the independence of information se-

curity function by designating the Chief Information Officer(CIO) and the Chief Information Security Officer(CISO) separately in major subsidiaries such as the Group, Bank, Securities, Insurance, and Card. In an effort to enhance its security, KB Kookmin Bank has operated systems that detect and respond to internal and external threats, such as Network Access Control(NAC) System, Customer Information Search and Leakage Prevention System, and Virus Response System. It protects customer information by adopting a network system that separates business areas and internet areas in employee PCs, and permits employees to take internal documents that include customer information out of the office only with multiple approvals. It also adopted Internal Security Risk Analysis System from 2017 so that individual employee can detect and respond to security threat immediately. KB Kookmin Card expanded prohibition of video and audio recording by smartphones to vendors and conducts APT hacking test to prevent contagion from malicious e-mails and code. It is also nurturing security experts by providing advanced training program to employees.

### Corporate culture of personal information protection

To heighten the employee awareness of information security, we designated the third Wednesday of each month as e-Cleansing Day to conduct information protection activities and trainings. On the first Wednesday of each month designated as Information Security Inspection Day, we carry out a regular inspection on 34 items including malicious code prevention. All employees of KB must receive information security training required by law as well as mandatory cyber training provided by Financial Security Institute bi-annually. KB Life Insurance and KB Securities enacted Personal Information Protection Charter in 2015 and 2017 respectively.

### Measures to protect personal information

For the protection of customer information, KB Kookmin Bank uses KB-PIN, which are separately managed within the Bank, instead of resident registration numbers, for financial transactions, and also amended approximately 1,100 forms to minimize the collection of personal information. In addition, it has operated Integrated Personal Information Protection Management System since January 2016 to prevent abuse and leakage of personal information through scenario analysis and mon-



itoring of abnormal signs. Following guidelines on preventing recurrence of personal information leakage, it is restricting inquiry on personal information and destructing and separately storing personal information of customers whose financial transaction is closed. KB Insurance acquired Information Security Management System(ISMS) certificate in February 2017 in recognition of its excellent information security standards in its online financial transactions services. KB Kookmin Card also obtained ISMS certificate in 2016 and plans to acquire PCI DSS certificate in 2017 to advance its security level.

## Protecting rights of financial consumers

### Consumer protection system

KB Kookmin Bank listens to Voice of Customer(VOC) through various channels to reflect them on its

business improvement and, to date, a total of 84 improvements have been made after analysis of frequent complaints. In addition, the Bank is implementing 'prior agreement for consumer protection' throughout all processes including product development, marketing and post-management to monitor business activities in the perspective of consumers. To enhance employee awareness on consumer protection, it is operating exclusive website, holding training sessions and running a mileage program to award best-performing employees. In recognition of such efforts, the Bank received the highest rating in 'Financial Consumer Protection Evaluation' by FSS and selected as 'The Most Reliable Bank' by Korea Finance Consumer Federation in 2016. KB Securities established the 'Regulations on Financial Consumer Protection' and 'Customer Complaints Management System(CCMS)'. KB

Insurance developed various guidelines on protecting consumers and handling complaints and KB Kookmin Card is coming up with action plans to better protect consumers by monitoring complaints raised to FSS, call center, website as well as seeking fresh ideas from employees. KB Life Insurance was able to reduce consumer complaints raised to FSS by 17.2% from the previous year by initiating company-wide efforts and closely monitoring consumer protection as one of KPIs.

### Dedicated team for consumer protection

KB Kookmin Bank formed the 'Consumer Brand Strategy Group' directly under CEO, and designated the head of the group as Chief Consumer Officer(CCO) to oversee consumer protection. Consumer Protection Department is in charge of addressing customer complaints, monitoring and improving areas of weakness in terms of customer protection and preventing fraud against consumers. Furthermore, the Bank has in place Financial Consumer Protection Council and Working-level Council on Financial Consumer Protection to deliberate and decide on customer protection and complaint issues to ensure fair treatment of consumers.

### ▼ KB Financial Group's manual to respond to customer information leakages



# Customer Satisfaction

## Encouraging customer engagement

To expand engagement and communication with customers, KB Kookmin Bank has established 'KB Customer Advisory Panel' and 'KB Tribunus Plebis' through which customer feedbacks are collected and reflected in business activities. Members of the panels participate in interviews, surveys, service experience, etc. and come up with suggestions to improve services and reduce customer dissatisfaction. Also, focus group interviews are conducted to reflect customer feedback in product development. The Bank also has 'KB Campus Star' consisting of 100 college students, and approximately 1,000 students have participated as student ambassadors for the bank so far. 'KB Golden Life Customer Advisory Panel' was established targeting senior citizens and feedbacks from the panel are used to improve products and services for senior customers. Various events were successfully held for senior customers such as 'Happy Retirement Planning Seminar', 'Life Planning Academy', 'Healing Camp for Retired Couples' and 'KB Golden

Life Theme Day'. In 2017, KB Expat Customer Advisory Panel, the first of its kind in the industry, was launched to get opinions from expat customers and improve service for them. KB Securities is striving to develop products meeting market needs by gathering opinions of external experts and customers from product planning to development stages. KB Insurance is operating customer panel called 'KB Hope Supporters' to get customer feedbacks on insurance products customers are most interested in such as driver insurance and child insurance and use them in product development. Also, it signed agreement with the Catholic University of Korea Seoul St. Mary's Hospital to get consultation on medical knowledge and use it in developing insurance products. Furthermore, KB Insurance conducted survey with customers who suffered diseases in the past to develop insurance products for such customers. KB Kookmin Card is striving to develop differentiated products by reflecting feedbacks from customers, and 37 products were developed in 2016 through such process. KB Life Insurance is holding marketing seminars with sales force and focus group interviews with customers and agents to reflect their opinions in product development.

## Youth customer satisfaction

KB Kookmin Bank revamped its on-

### ▼ KB Kookmin Bank's customer engagement programs

#### KB Customer Advisory Panel



Organizing an online panel of about 5,000 customers to conduct surveys on key issues

#### KB Tribunus Plebis



Operating a small group customer panel to check products, services, processes, and systems

#### KB Campus Star



College students promote brand, products and services of KB, and also suggest fresh ideas

#### KB Golden Life Customer Advisory Panel



Organizing a senior customer advisory group to improve related products and services

#### KB Expat Customer Advisory Panel



Conducting a survey with expat customers and holding off-line meetings

line communication channel exclusive to youth customers called Rock Star Blog and released an app to actively engage with them. There are approximately 24,000 members as of the end of 2016, and the Blog was awarded the grand prize at Korea Blog Award in recognition of its active engagement with youth customers. The Bank also held 2016 Let's Rock Festival in September 2016 inviting 1,500 Rock Star bloggers.

KB's Right and Ascending Path □ Right and Ascending Business ■ Right and Ascending Finance □ Right and Ascending Companionship

## Senior customer satisfaction

To help active senior customers enjoy financial services more conveniently, KB Kookmin Bank established a mobile platform for seniors, 'KB Golden Life Banking', which provides various services including larger font sizes, simple menus, and other useful information for seniors for the first time in the financial industry. For senior customers, it is providing 'Happy Healthcare Service' which includes medical consultation, medical checkups, doctor's appointment, doctor's advice on physical exercise, dementia prevention, diet, etc. Also, it is providing free legal advice on adult guardianship to help customers in dispute over property due to dementia.

## Enhancing customer convenience

KB Kookmin Bank opened customer complaint center at each branch and designated manager-level employees to enhance customer convenience. By putting up a poster that informs customers of 'How to Get Counseling on Financial Disputes' in the branch, we encourage customers to submit their opinions directly to the product or system related departments in the head office. To support customers' right to know, the Bank established 'Consumer Information Portal' on the first page of its website, and is collecting customer complaints through online customer complaint center in a prompt

### ▼ Products and services developed with the participation of stakeholders

Category	Stakeholder	Product and service
KB Kookmin Bank	Seoul Credit Guarantee Foundation	Mid-interest Financial Support Loan
	Federation of Credit Guarantee Foundations	KB Exporting Company Guarantee Loan
	Korea Credit Guarantee Fund/Korea Technology Finance Corporation	KB Startup Long-term Guarantee Loan
	Senior customers	Trust to support the adult guardianship system, counseling service for seniors with dementia, and smart gift trust to reduce gift taxes through gift splitting
KB Securities	Customers with testamentary trust and property trust	able Golden Plan Trust
	Customers with foreign currency funds	KB able Dollar MMT Trust KB able Sell&Buy Trust
KB Life Insurance	Customers and employees attending marketing seminars	(Non-par) KB People's Whole Life Insurance (Non-par) Slim-up Whole Life Insurance (Non-par) Happy+ Term Insurance (Non-par) KB Silver Safe Cancer Insurance
	Agents and customers	(Non-par) KB Kookmin Lifecare Living Support Cancer Insurance

## Business case Services for expat customers



KB Kookmin Bank operates 4 foreign exchange remittance centers exclusive for expats providing convenient services to meet their needs, such as flexible business hours on weekdays, operation on weekends, assigning employees who can speak foreign languages, and provision of rest areas for expats.

The Bank also strives to enhance convenience for expat customers by offering exclusive package products. The package includes KB Welcome Bankbook, KB Kookmin Welcome Plus Debit Card, KB Kookmin Tantaraero Welcome Credit Card, and KB Welcome Plus Installment Savings Plan along with diverse foreign exchange remittance services. The package also enables migrant workers to reserve remitting departure guarantee insurance claim. Moreover, the Bank is operating exclusive call centers for expats in six languages(English, Chinese, Japanese, Vietnamese, Russian, Cambodian) and services are also available in foreign languages at ATMs and through internet/mobile banking.

manner. Also, the service process at its mobile banking site was improved to enable customers to raise issues easily.

**Efforts to improve customer satisfaction**

KB Kookmin Bank regularly conducts a CSI and provides the results, not in the simple form of scores, but based on the in-depth analysis by age, gender, and time. In addition, the bank developed 'Service Quality Management System' to provide the service level and mileage of individual employees so that they can grasp their own CS history and make improvements. KB Kookmin Bank carries out BANK CSI, an in-depth study on the service quality factors including product, system, non-face-to-face channel, and process. Also, the opinions which are not found in a quantitative survey, are collected through the FGI to comprehend the Bank's service level compared to its competitors and identify areas for

improvement. The identified areas for improvement are worked on and tracked continuously.

**Customer satisfaction performance**

KB Kookmin Bank has ranked first in the banking sector at the National Customer Satisfaction Index(NCSI) ten times for the first time among domestic banks. The Bank also has been maintaining the highest score at over 95 points on average in CSI. Service know-how is shared within the Group including KB Securities and KB Capital, and free CS training sessions are offered to business partners in an effort to spread its know-how on customer satisfaction. KB Insurance won the grand prize at the 'Korea's Best Service Provider' held by the Korean Standards Association for two consecutive years, being acknowledged for its excellence in customer service. In particular, the mobile homepage, one of the representative con-

tact points with insurance customers, was awarded the grand prize in the insurance sector at the 'Korea's Best SNS Award' and in the business sector at the 'Korea's Best Internet Communication Award' in 2016. KB Kookmin Card has ranked first at the Korean Standard-Service Quality Index(KS-SQI) and in the debit card sector at the Korean Net Promoter Score(KNPS) for 2 consecutive years. KB Life Insurance has been acknowledged for the excellence of its call center services at the Korean Service Quality Index(KSQI) for 11 consecutive years.

▼ Wining the first place in the National Customer Satisfaction Index(NCSI) ten times for the first time in the banking sector



In the National Customer Satisfaction Index(NCSI) conducted by Korea Productivity Center, KB Kookmin Bank was ranked first place ten times, being highly acknowledged for its improvement of systems, processes, and services based on the result of regular customer satisfaction surveys. Moreover, the Bank was highly recognized for running KB Tribonus Plebis through which customer's needs and suggestions are actively addressed to practice customer-oriented business management. Applying the same methodology of the American Customer Satisfaction Index(ACSI), the NCSI survey is acknowledged for its reliability and adopted as customer satisfaction index globally.

# Responsible Finance

**Microfinance**

KB Kookmin Bank provides microcredit loans at low interest rate ranging from 2 to 4.5% to self-employed small business owners and unregistered businessmen with low income and low credit. The cumulative amount of microcredit loans reached KRW 121.2 billion as of 2016, exceeding KRW 100 billion mark for the first time in the industry. The Bank also offers microcredit loans to the disabled who are recommended by head of local district office in partnership with the Ministry of Health and Welfare. KB Insurance provides 5% discount on premium for medical indemnity insurance to basic livelihood security

recipients and lower income groups. KB Capital provides security deposit loans for public rental housing built by Korea Land & Housing Corporation and Seoul Housing & Communities Corporation at a low interest rate of 5-6%. KB Savings Bank offers sunshine loans for those with low income and low credit at an interest rate of 7-8% for up to KRW 30 million to support their living expenses, business funds, and conversion loans.

**Support for SMEs**

KB Kookmin Bank provides the 'KB Wise Consulting' service for SMEs. By forming a team of specialized consultants including CPAs and tax accountants, it offers consulting services on business management for SMEs. For the past 5 years, it has provided about 800 free consulting services. In 2016, the company also established 'KB Soho Business Incubating Center', the first of its kind in the financial industry, providing free consultations on how to start a business for aspiring entrepreneurs and

small business owners facing challenges in running their businesses. KB Insurance has been investing in venture capitals to support SMEs and entry into the overseas market since 2007, and it has committed KRW 141 billion as of the end of 2016. KB Investment launched 'KB SOLIDUS Global Healthcare Fund' worth KRW 150 billion to support bio, healthcare, cosmetics and pharmaceutical companies. Also it created 'KB Excellent Technology Company Investment Association' worth KRW 50 billion with funding from subsidiaries of the Group and plans to invest more than 80% of the funds to SMEs based on evaluation from Tech Credit Bureaus(TCBs).

**Reliable partner for retirement planning**

As Korea is expected to enter super-aged society, KB Kookmin Bank is providing a variety of retirement planning products and services to help customers prepare for their post-retirement life. Within VIP

▼ KB Kookmin Bank's product for low-income household and the disabled

Product	Description	Account	Amount
KB New Hope Spore II	Supporting the financially marginalized such as low income worker and small business owners by providing emergency funds	137,720	KRW 811.2 billion
KB Change Dream Loan	Conversion of high-interest loans to low-interest loans through credit guarantee by the National Happiness Fund	11,505	KRW 56.7 billion
KB 'Sah-it-dol' Middle Interest Rate Loan	Providing mid-interest rate microcredit loans to the low income group	4,395	KRW 46.3 billion
KB independent Loan for the Disabled	Providing microcredit loans for the disabled selected by the Ministry of Health and Welfare	1,377	KRW 13.0 billion
KB Happy Dream Loan II	Providing small amount of loans to support the living expenses of the self-employed and freelancers	247	KRW 0.5 billion

lounge of 870 branches, it opened a special counseling room for retirement planning where customers are provided with customized retirement planning services based on life cycle. With the largest reserve in the defined contribution(DC) plan market in Korea, the Bank is supporting people's retirement planning and playing a leading role in the DC plan market. It has stably managed customers' assets through diversification of investment and, as a result, achieved the highest returns on investment-type products for 5, 7 and 8 years respectively among banking peers and ranked first in reserves of DC plan for 10 consecutive years and in IRP for 7 consecutive years. KB Securities successfully held Retirement Planning Concert with Seoul Metropolitan Government and National Pension Service where people who are interested in retirement planning are invited to share experts' view on planning for retirement. KB Insurance is providing health insurance product for those in the 60~70s who have difficulties in buying insurance due to their medical history.

### Improving accessibility for the handicapped

To enhance accessibility for customers in wheelchair, KB Kookmin Bank installed Universal Counters at 666 branches in total as of the end of 2016. Among the ATMs, 8,479 are equipped with screen magnifier and

7,679 has braille and audio guidance for the visually handicapped, while 5,035 are designed to accommodate wheelchair users. To increase the access to website, KB Securities provides a reading service for the visually impaired and a subtitle service for the hearing-impaired. Since December 2016, it has enabled customers to use financial services in a faster and more convenient way by opening an online account through non-face-to-face image authentication.

### Green finance

KB Financial Group is deeply aware of impact of finance on environ-

ment, and thus offering a variety of products to facilitate transition to a low-carbon economy. We are offering green loans to support growth of green business, green funds to promote new and renewable energy industry and other various environmental and climate change products. By offering such products, we are contributing to reducing GHG emissions and creating revenue-generating opportunities at the same time. KB Green Growth Loan is our representative green loan product offering various benefits such as preferential lending rates for those in green industry such as manufacturers of green products, new and renewable

#### ▼ KB Financial Group's key environment-friendly products

Category	Subsidiary	Financial product	KRW billion
Green loans	KB Kookmin Bank	KB Green Growth Loan	867.4
		KB Solar Biz Loan	109.1
Green funds	KB Asset Management	KB Japan Photovoltaic PE Special Assets Investment Trust	106.9
		KB Mission Solar PE Special Assets Investment Trust No.1	63.9
		KB Europe New and Renewable Energy Customized Investment PE Special Assets Investment Trust	4.6
		KB Global New and Renewable Energy Customized Investment PE Special Assets Investment Trust	14.0
		KB New and Renewable Energy PE Special Assets Investment Trust	53.9
		KB RPS Focus PE Special Assets Investment Trust	170.5
		KB RPS Focus PE Special Assets Investment Trust No.2	31.3
		KB Solar Energy PE Special Assets Investment Trust	36.7
		KB Solar Energy PE Special Assets Investment Trust No.2	102.7
		KB Solar Energy Customized Investment PE Special Assets Investment Trust No.3	19.7
		KB Seoul Sunshine Power Plant PE Special Assets Fund	8.2
		KB Renewable Customized Investment PE Special Assets Investment Trust No.1	4.4
Other environment and climate change-related financial products	KB Kookmin Bank	Special Installment Savings Plan for Business Client	377.0
		KB Insurance	KB Magic Car Direct Car Insurance
	Mileage Discount Rider		4.4
	Public Transport Discount Rider		21.3
	Weekly No-Driving Day Rider		457.0
	Electric Vehicle Insurance	457.0	
KB Citizen Bicycle Insurance	9.0		

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energy companies, energy service companies, and business with green technology certificates. Also proceeds from the product is donated to relevant organizations to create virtuous circle of green growth. Also, we are providing loans for energy rationalization funds and environmental industry growth funds. Total balance of green loans as of the end of 2016 stands at KRW 1,413.9 billion, or 5.58% of revenue.

We are managing various green funds to support growth of new and renewable energy industry. There are other green funds investing in environmental facilities such as sewage treatment facilities and refuse-derived fuel(RDF) manufacturing facilities. Total balance of green funds as of the end of 2016 stands at KRW 1,334.8 billion, or 5.26% of revenue. We are also providing other various environmental and climate change products. KB Kookmin Bank is offering Special Installment Savings Plan for Business Client providing preferential deposit rate and services to green companies such as manufacturers of eco-friendly products and renewable energy companies. KB Insurance is offering automobile insurance with riders providing discount for fewer mileage, use of public transportation, etc, encouraging customers to reduce GHG emissions in life. Also KB Insurance offers electronic vehicle-exclusive insurance product. Total balance of such products as of

the end of 2016 stands at 9.75% of revenue.

### ESG Integration

We are integrating environmental, social and corporate governance(ESG) factors in credit and investment review process and developed Principle Code of Loan and Standards of Loan Practice. Under the Code, lending in illegal industries such as drugs, armaments are typically excluded, and investment and lending in unhealthy businesses harming sound development of national economy and public interest are strictly prohibited. Also, in corporate lending, we are taking into account applicant's track record in corporate social responsibility such as ethical management, environmental protection, community contribution, job creation. For large projects with potentially big impact on environment and society, we make sure to conduct environmental and social impact analysis through site inspections by internal credit officers and risk managers as well as independent experts before making final decision. KB Seoul Sunshine Power Plant Private Equity Special Asset Fund is a prime example of product launched through engagement with stakeholders. It was the first public fund developed reflecting opinions of city of Seoul and citizens.

### Business case

## Declining projects/deals in ESG perspective



### Investment company A

The LTV of the collateral, an unsold hotel, was fair enough at 40 percent, but the loan application was rejected as the history of engaging in fraudulent fund raising was revealed during the screening process.

### Multi-level marketing company B

The LTV of the collateral, a warehouse, was about 70% but the loan application was rejected due to the corporate governance issues such as embezzlement charges against CEO.

### Apparel company C

The investment proposal was excluded since an accounting fraud, which was not found in the financial statements, was discovered during the preliminary financial due diligence (by internal and external accounting experts) before going through review of top investment decision-making body.

# Right and Ascending Companionship

KB Financial Group will grow together with diverse stakeholders pursuing right and ascending companionship.



## Talent management

KB is developing capabilities of employees through systematic talent nurturing programs, and are providing a good working environment by enhancing the work-life balance and welfare of employees.



## Human rights management

KB is embracing diversity in workforce based on respect for human rights and promote active engagement between labor and management.



## Community contribution

KB is making efforts to become the most respected corporate citizen by carrying out its social responsibility, growing together with local communities, and spreading the culture of sharing.

This photo features violin performance of a student participating in KB Youth Music College program.

## Where KB stands

Average training hours per employee

**154** hours

Charitable donation

**KRW 39.8** billion

The number of those who land a job through KB Good Job(cumulative)

**6,555** people

## Where KB is going

Global stakeholders joined hands and came up with UN Sustainability Development Goals(UN SDGs) to address pressing global issues and set the targets for all nations and regions to achieve by 2030. UN SDGs pursues macroscopic development goals including cross-border relations, laws and institutions, market economy and trade, and direction for economic development, and setting roles and responsibilities for stakeholders including governments, companies, NGOs, and individuals.

In line with such global trend, we are closely tracking our performance and progress in non-financial areas such as environment, human rights, labor, anti-corruption, corporate governance, and contribution to communities. We will continue to actively engage with various stakeholders and carry out our social responsibilities to contribute to sustainable development.

Interview | Min-Haeng Lee, Participant of the 15th RaonAtti Laos Team



“The RaonAtti program has taught me that there are many people who need a helping hand not only in Korea but also in other countries. For the last 10 years, KB has been helping the underprivileged areas and encouraged young people to participate in the process to promote mutual growth, and this gave me a deep impression that KB’s community contribution program has genuine sincerity beyond mere corporate PR. I hope that KB will continue to carry on with its sincere program and make a positive influence on society.”

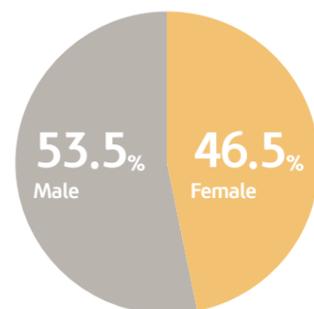
# Talent Management

## Securing and nurturing talents

### Open recruitment

KB Kookmin Bank pursues 'Open Recruitment' without restrictions on educational background, major, age, or gender, except for some job positions where expertise is required, and gives preferential treatment to the underprivileged in the recruitment process. For war veterans and their families, extra points of 5-10% are given pursuant to relevant law, and special recruitment program is in place for them. Another special recruitment program is in place for graduates of vocational high schools. The Bank also gives extra points to the basic livelihood security recipi-

### Employee gender breakdown



ents and lower income groups in hiring process to favor the underprivileged. In 2016, a total of 86 underprivileged persons were hired through these special recruitment processes. At the end of 2016, the number of employees with disability is 306 and the number of employees whose parents are war veterans is 1,579 in the group.

### Gender diversity

We are increasing the ratio of female employees to promote gender diversity in our workforce. As of the end of 2016, the number of employees is 30,779, 46.5% of which is women(14,310). Women account for 28% of management position, 28.1% of junior management position and 10% of top management position. Also, women account for 31.5% of management positions in revenue-generating departments such as sales department. We are making efforts to increase proportion of women in leadership by increasing female candidates for head of department and favoring female branch heads and investment banking managers in promotion. KB Kookmin Bank provides career-interrupted women with a number of part-time jobs to help them strike a work-life balance. In 2016, around 138 career-interrupted women were hired. KB Insurance has increased female proportion of new hires from about 12% in 2015 to 25% in 2016. In particular, 55% of

experienced employees hired were women in 2016

### Talent development

We have a well-organized training program by position and function which contributes to nurturing the talented employees and enhancing their job capabilities. In 2016, the average training hours per employee is 154, and the training expense per employee is KRW 1.24 million, up 2 hours and 4% from the previous year, respectively. There are various employee training programs aimed at developing employee skills in conducting essential business, leadership as well as basic education on human rights, prevention of sexual harassment and business etiquette. We are also providing training program aimed at nurturing talents for core functions to adapt to rapidly changing market.

KB Securities opened 15 training courses(a total of 257 hours) tailored for wealth management business and 1,475 employees completed the courses. The program offered special training on private banking and corporate & investment banking.

KB Insurance established differentiated training program by distribution channel in 2016 to enhance employee capabilities and generate business benefits. Also, it is operating KB Dream Campus for female employees to nurture future female leaders. KB Kookmin Card established Train-



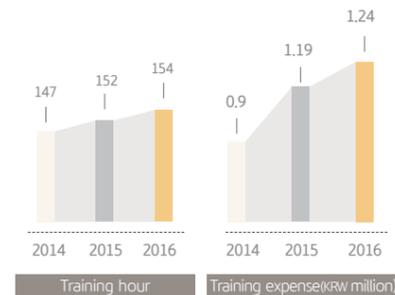
ing Road Map for each job level to enhance employee capabilities. It is offering special training programs such as Trend MBA(offline and on-line), Junior Trend Academy on such topics as AI, fintech, big data, etc.

### Employee satisfaction

To motivate employees, we have introduced a long-term incentive program, which is adopted by KB Kookmin Bank, KB Securities, KB Asset Management, KB Real Estate Trust, KB Investment, and KB Credit Information. The long-term incentives are provided in the form of employee shares, cash, and performance shares, and those in excess of certain amount are paid in installment over three years. Among the subsidiaries adopting long-term incentives, 8.15% of employees are under the program.

KB Financial Group strives to improve employee satisfaction by conducting employee surveys. The level of employee satisfaction was 71.5 points in 2016, slightly up from 71 points

### Average training hour and expense



of the previous year. Since 2014, the Group has evaluated the level of employee engagement by gender in terms of work-life balance, overall satisfaction level, growth potential, organizational culture, and employee welfare. The level of employee engagement is evaluated according to a seven point scale, and stood at 68.4% in 2016.

## Great work place

### Health program

We have a variety of programs to ensure healthy working environment. Regular medical checkup is provided every year and those found to have health problems at regular checkups are referred to specialists for close examination.

There are also healthcare programs to manage blood pressure, blood sugar, smoking cessation, obesity to improve health of employees. We are providing medical checkup reservation service, medical consultation, health information through Ever Health, a personalized health management platform. In order to enable employees to receive treatment promptly during office hour, in-house medical room and dental clinic are operated, and medical expenses for employees and their family are subsidized. To promote well-

being of employees, each subsidiary of the Group operates in-house fitness center, forms a partnership with neighboring fitness center to run health promotion program, or supports expense for fitness center membership. KB Kookmin Card runs walking exercise project to promote health of employees and makes contribution according to the steps employees made through the project.

### Stress management program

KB Kookmin Bank conducts 'KB Healing Cafe', a psychological counseling program for employees. The program is aimed at relieving work-related stress in collaboration with counseling centers, and the expense is paid by the company. Furthermore, 'KB Eco Healing Camp' is operated to provide venue for stress management and refreshment. KB Securities runs Customer Relations Employees Protection Committee to protect its employees from work-related stress. KB Insurance identified type of stresses that customer service representatives are experiencing and is providing professional counseling program to help them cope with stress at work. KB Kookmin Card is running Employee Assistance Program(EAP) to help employees experiencing stress due to work or personal problems and it is well received by the employees.

**Family-friendly corporate culture**

We are creating a family-friendly corporate culture that promotes a work-life balance. We are operating a variety of family-friendly programs such as giving 110 days of paid maternity leave(legally required minimum is 90 days). KB Kookmin Bank allows employees who are pregnant or raising infants to shorten their working hours, and those who have children under age nine to take childcare leave for two years. Furthermore, there are other family leave programs to support working families such as leave for taking infertility treatment, caring for sick family members, overseas assignment of spouse, etc. In KB Securities, thanks to its efforts to create family friendly culture, 12% of female employees under age 40 used paid childcare leave in 2016 and 88.6% of those who used paid maternity leave is taking child care leave as well. KB Securities is also encouraging male employees to take child care leave. KB Life Insurance was certified as The Best Family Friendly Management Company by the Ministry of Gender Equality and Family in recognition of its excellent family-friendly practices such as shorter working hours for pregnant women and encouraging employees to use childcare leave, etc. KB Capital is trying to prevent career interruption due to pregnancy, childbirth, and childcare by hiring

contract employees who substitute those taking maternity and childcare leave.

KB Kookmin Bank runs KB Gangseo Daycare Center and Daejeon Daycare Center and KB Kookmin Card runs I-nuri Daycare Center to support working families with young children. KB Insurance plans to open in-house childcare center in 2018.

We also have various programs to support parenting and childcare such as installing breastfeeding room in office, supporting educational expenses for preschool children and living expenses for children with disabilities.

**Work-life balance**

We are striving to create a family-friendly corporate culture that promotes a work-life balance so that employees can fully enjoy their personal life after work.

KB Kookmin Bank, KB Insurance and KB Kookmin Card designated a specific day of the week as 'Family Day' banning business meetings or company dinners after business hours, and introduced PC-off system. With increasing need for flexible work arrangement, KB Kookmin Bank is running pilot program of flextime. KB Kookmin Bank is running a variety of employee refreshment programs such as 'KB Summer Camp' and 'Beautiful Korea Vacation Program' that employees can enjoy with their family.

KB Kookmin card held a family event where the employees had a fun time with their family.

**Safe workplace**

We are making various effort to create safe and comfortable working environment. In order to protect employees from serious safety accident, earthquake, fire, terror and contagion, a quarterly safety and fire inspection is conducted in all departments. In order to improve crisis management ability, emergency evacuation drill is conducted regularly. Also, first aid training such as CPR is provided to employees to create safe working environment. KB Securities has expanded the scope of industrial accidents to include injuries caused by commuting accidents.

We are constantly inspecting offices areas to maintain optimal level of lighting(300~600LX on average), noise(below 55 dB), temperature(18 to 20°C in winter and 26-28°C in summer), and humidity(about 50%) in offices. Also, we are running HAVC during business hours and installed air purifiers inside offices for indoor air quality improvement. For call centers with high level of noise, sound absorbing board and special fabric partitions are installed, and high-quality headsets are provided to employees to help them work in a quiet environment. KB Insurance

provided high quality ergonomic chairs to customer service representatives and KB Investment provided standing desk to prevent back pains.

**Outplacement program**

With the advent of the homo-hundred era, it has become more important for people to prepare for their post-retirement life and find a new job opportunity. Against this backdrop, we have introduced outplacement program so that employees who are about to retire can plan their post-retirement life in advance. The outplacement program of KB is consisted of 3 stages, life planning program, career transition school, and career transition support. In 2016, a total of 152 and 38 employees participated in the life planning program and career transition school respectively.

Business case  
**Employee refreshment programs**



**KB Eco Healing Camp**

KB Kookmin Bank has organized a healing camp four times in total at Resom Forest in Jecheon, Chungcheongbuk-do with the participation of about 800 employees. The camps offered a variety of programs, such as lectures on stress and health management, meditation, and yoga, receiving positive feedbacks from the participants.

**KB Summer Camp**

KB Kookmin Bank has arranged the KB Summer Camp for 16 times in total for its employees. The camps were held at 23 facilities across the nation, including High 1 Resort in Jeongseon-gun and KB's training center in Daecheon, with the participation of 39,200 employees and their families.

**Beautiful Korea Vacation Program**

KB Kookmin Bank has provided a vacation program for employees in winter(Jan. 4~Feb. 26), spring(April. 4~May. 27) and autumn(Oct. 10~Nov. 18). A total of 3,312 employees participated in the program for refreshing.

# Human Rights Management

## Human rights management

### Human rights management principles

KB Financial Group supports universal values of human rights beyond ideologies, political, religious, and cultural backgrounds presented in the 'Universal Declaration of Human Rights' and 'UN Framework and Guiding Principles on Business and Human Rights' and actively taking into account such human rights principles when serving customers, making investments, managing human resources, building business relations with suppliers and partner companies in all of our business activities. To that end, we have declared KB Financial Group Statement on Human Rights. Following our Statement on Human Rights, we are prohibiting any discrimination against gender, age, race, dis-

ability, religion, political orientation, and place of origin throughout our human resources management process including recruiting, evaluation, compensation, and training, and we respect diversity of employees. We also prohibit child labor and forced labor, and complies with the labor standards on healthcare, safety, and working hours recommended by the International Labor Organization(ILO) and ratified by the Korean government. The principles and policies on human rights are applied to all stakeholders that KB can exert its influence on including employees and business partners. The principles and policies are applied across the Group in a consistent manner while specific human rights situations pursuant to individual subsidiaries are addressed by the respective subsidiaries.

### Human rights management process

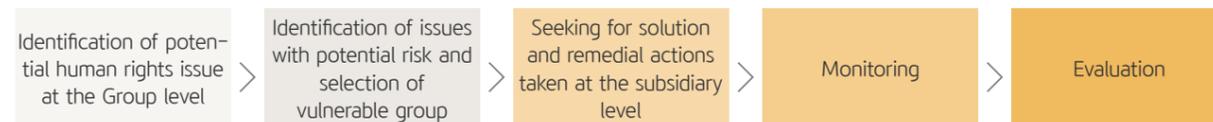
Based on our Statement on Human Rights, we operate human rights management process at the group level. The process involves identification of potential risks as well as potential human rights issues in our operations and value chain and selecting vulnerable groups. Remedial actions are taken at subsidiary lev-

el and monitoring is conducted. All subsidiaries in the Group carry out annual process of identifying potential human rights issues and develop follow-up measures.

### Human rights assessment

We are conducting assessment on potential human rights issues. Potential human rights issues are identified and assessed, also monitoring is carried out on implementation of remedial actions taken. 2016 assessment found that female employees and contractors such as call center operation companies that are engaged in dealing with customer complaints(also known as emotional labor) were identified as vulnerable groups. Remedial actions have been taken to improve human rights of the vulnerable groups. Issues were shared with relevant departments to come up with remedial actions, and measures such as making a surprise visit to departments to check current status, assessing and interviewing departments with highest level of risk factors, and sending official memo requesting improvement to relevant departments were taken continuously. In 2015, we conducted self-assessment on the human rights management process and, in 2016,

### ▼ Monitoring process on human rights evaluation



we were assessed by third-party agency.

## Human rights protection program

### Handling employee grievances

KB Kookmin Bank operates the Employee Grievance Center under Employee Satisfaction Department in an effort to boost employee morale and satisfaction at work. Employees can submit complaints and grievances by visiting branches or posting them on the bulletin board of the center. After the consultation with the related departments and the concerned employees, the result of grievance handling are notified within 10 days.

KB Securities established the Employee Grievance Committee and implemented a system in the intranet where employees can submit grievances anytime anywhere. KB Insurance operates e-Sinmungo(an online center where employees can voice their complaints) to receive and resolves employee grievances, and KB Credit Card operates Employee Grievance Center through online and offline channels to address employee grievances immediately. KB Life Insurance has appointed ombudspersons to provide consultations to employees regarding grievances and difficulties they are facing at work. KB Asset Management has placed grievance box where employees

can submit their complaints anonymously and the box is opened every month under the supervision of CEO to take prompt actions. KB Capital is operating a counseling center for sexual harassment and is providing information on programs on protecting customer service representatives.

### Labor-management communication

By fostering a cooperative culture between labor and management for mutual growth, KB Kookmin Bank has successfully achieved the stability of the organization and increased its productivity in 2016., Approximately 200 members of the labor union participated in five rounds of consultation with the management to discuss the pending issues of the Bank. In addition, communication channels are simplified with one-on-one matching between the management(and department head) and the executive members of the union ensuring efficient engagement between employee and management. The Labor-Management Council is held quarterly to address major issues regarding improvement of working conditions for employees.

### Business case

## Effort to protect human rights of emotional laborers



KB Kookmin Bank conducted surveys with employees of 7 contractors engaged in emotional labor to investigate potential human rights issues. As a result, the most serious potential human rights issue was found to be emotional and physical stress due to cursing by rude callers. The Bank held discussions with the contractors to address this issue and jointly developed remedial action plans.

KB Kookmin Card is actively working on the protection of human rights of emotional laborers. It developed and provided a manual on how to deal with rude customers including a list of abusive behaviors such as cursing, sexual harassment, interference with business, defamatory or life-threatening remarks. Also, if call center staff feels that he/she cannot continue with consultation due to rude behaviors of customers, the consultation is terminated upon issuance of warning through ARS.

# Community Contribution

## Community contribution to build the 'future together'

### Corporate citizenship strategy

We are striving to fulfill our corporate social responsibility, grow together with local communities, and spread a culture of sharing so that it can become a corporate citizen respected by people. We are carrying out strategic social contribution initiative taking advantage of its financial competence, such as KB Star Economy Class, KB Good Job, and

KB Miso Microfinance. Moreover, we are providing specialized public services that support 'youth growth & development' and 'independence of multicultural families'. Specifically, we are supporting educational and cultural activities of teenagers so that they can follow their dreams. We are helping multicultural families and migrant workers to stand on their own feet as a member of society in order to build a society where diversity is respected and to support community development of the Asian region where we have presence. In addition, as a financial institution that is closely related with local communities, we are making all-out efforts to resolve the local issues through community-based volunteering services. We have aligned our philanthropy strategies with UN SDGs to achieve contribute to achieving common global

goals. The SDGs that are directly linked to our strategies are quality education, global partnership and decent work and economic growth.

### KB Star Dream Volunteer Corps

KB Financial Group is running 'KB Star Dream Volunteer Corps' where all employees of the Group is participating. It consists of the Theme Volunteer Corps(volunteer activities in key strategic areas, such as supporting youth and multi-cultural families), Talent Dream Volunteer Corps (pro bono service by employees), and Speed Dream Volunteer Corps (relief aid for damage from natural disasters such as typhoon and flood). As of 2016, the total number of volunteers is 100,690, total volunteering hours is 372,860 and the average hours of participation per employee is 12.4 hours on cumulative basis.

### ▼ KB Financial Group's CSR Strategy

Goal	The Most Respected Corporate Citizen, KB Financial Group		
Direction	Taking social responsibility	Win-win growth with local communities	Spreading a culture of sharing
Priority	Public interest-focused social contributions		Strategic social contributions
Priority	Youths support	Multicultural community support	Economics and financial education, job creation
Program	KB Youth Music College, KB Hope Camp, KB StarB Dream Scholarship	KB Rainbow Love Camp, RaonAtti, Yangon KB Korean Language Class, KB StarB Dream Multicultural Mentoring	KB Star Economy Class, KB Good Job Fair, KB Good Job Academy
Social KPI	Enhance academic achievement of the youth such as increased admission rate Expand scholarship for the youth	Increase the number of recipients of multicultural CSR projects(e.g. mentoring for the multicultural families, the number of students who earned diploma from Korean language class)	Increase the number of those who receive KB Star economics education Increase youth's financial literacy Reduce youth unemployment rate by increasing the number of those hired through KB Good Job
Business KPI	Increase the number of youth customers Enhance brand reputation among youth customers	Expand entry into the Asian market and increase market share Expand product and service development for expat customers and increase revenues	Enhance brand reputation by expanding free economics and financial education
UN SDGs	<b>4</b> 4. Quality education	<b>17</b> 17. Global partnership	<b>8</b> 8. Decent work and economic growth

## Fostering hope together

We are running various programs to support educational and cultural activities of teenagers so that they can follow their dreams.

### KB Youth Music College

We have been running KB Youth Music College program since 2013 to nurture musical talents of underprivileged youth. Every year, we provide quality education in music to 120 underprivileged young people who have passion and talent in music through one-on-one tutoring with college professors and local and joint recitals in cooperation with 6 music colleges. As a result of these efforts, many of the program beneficiaries succeeded in obtaining admission to art high schools and colleges of music, and winning an award in the national music competitions. As such, we have contributed to developing the artistic potential of the youth and provided them with an opportunity for self-actualization.

### KB Hope Camp

Since 2013, we have held KB Hope Camp to support 120 young people with disabilities to design their career path by providing them with career counselors' mentoring and field experience with college students. The participants of the Camp(middle school, high school and college

students) develop their career plans, and explore and experience various careers through aptitude test and job experience. So far, the project has supported 500 young people with disabilities.

### KB StarB Dream Scholarship

Since 2016, KB Kookmin Bank has provided 'KB StarB Dream Scholarship' as a part of 'KB StarB Dream Project' to help students grow into sound members of society. The scholarship is consisted of 'Academic Scholarship' for students with high academic scores and 'Dream and Talent Scholarship' for those with dreams and talents. In 2016, the Bank provided total scholarship of KRW 800 million to 400 students and, in 2017, it plans to expand the amount of scholarship to KRW 1 billion to support 500 students.

## Joy of living together

We are running a number of projects for multicultural families and migrant workers in Korea to help them stand on their own feet and projects to support community development in Asian region where we have presence.

### KB Rainbow Camp

We are creating a society where diversity is respected. Every year, we are holding a two-day camp for



1 KB Youth Music College  
2 KB Hope Camp  
3 KB StarB Dream Scholarship

children from multicultural families providing them with economics and financial education and cultural activity program. In the camp, the children learn basic lessons on finance through games, and are matched with volunteering employees to have a fun time at an amusement park. The program has been highly appreciated not only by the participating children but also by NGOs for providing quality learning experience as well as fun activities at the same time.

### RaonAtti, Overseas College Student Volunteer Corps

RaonAtti is KB Kookmin Bank's overseas college student volunteer corps launched in 2008 aimed at supporting underdeveloped countries in Asia. College students joining the volunteer corps learn local language, culture and characteristics of beneficiaries of the country for one month before they are dispatched and engage in local community development activities for 5 months. Since 2008, 485 college students have been sent to 11 Asian countries including Laos, Myanmar, Vietnam, Cambodia, the Philippines, Taiwan and Sri Lanka providing education to underprivileged youth and job training to children with disabilities.

### KB Korean Language Class in Yangon, Myanmar

In 2013, KB Kookmin Bank opened 'KB Korean Language Class' in Yangon, Myanmar, to teach the local youngsters Korean language and culture and nurture them as global talents. In 2016, 484 young people took Korean language class. It is improving quality and efficiency of education by giving diploma on completing the program and providing special course for the Test of Proficiency in Korean.

### KB StarB Dream Multicultural Mentoring

Children from multicultural families often experience difficulties in their school life due to low proficiency in Korean and lack of social skills. KB Kookmin Bank is running KB StarB Dream Multicultural Mentoring Program in an effort to help those children learn Korean language and adapt to society. Moreover, the program helps the children learn their parents' language, raising their self-esteem and fostering them as global talents. In 2016, 130 kids from multicultural families participated in the program.

### Building economy together

We are carrying out financial education and job creation projects by utilizing our capabilities as a leading financial institution to promote sustainable economic growth.

### KB Star Economy Class

KB Star Economy Class, launched in 2012, is one of representative CSR programs of KB Financial Group. With KB Foundation, we are providing quality financial education. Education is available in various forms including offline, online, and mobile programs, and we are continuously upgrading contents of the program and training instructors to help peo-



- 1 KB Rainbow Camp
- 2 RaonAtti, Overseas College Student Volunteer Corps
- 3 Graduation ceremony of KB Korean Language Class in Yangon
- 4 KB StarB Dream Multicultural Mentoring

ple improve their financial literacy. Furthermore, we are offering education to various groups including military servicemen and college students as well as those who lack

access to financial education such as senior citizens, housewives and North Korean defectors. We have established education network with 11 local community facilities. We also have online education platform through which 140 educational contents are available for 6 different groups of students from preschool children to adults. Online training program is available for free at website of KB Foundation(www.kb.foundation.or.kr). We aim to improve quality of our education program by measuring youth's financial literacy with Ministry of Strategy and Finance and reflecting the results in upgrading the program.

### Job creation for youths

In an effort to reduce youth unemployment and support job creation, KB Kookmin Bank has launched 'KB Good Job', a program aimed at offering job information. Since its launch in 2011, the Bank has been providing job information in real time through its exclusive website(www.kbgoodjob.co.kr), and has organized Korea's biggest job fair participated by competent SMEs for 11 times up to 2016.

The Bank also has been operating 'KB Good Job School' with Ministry of Education for students from vocational high schools. A two-day job consulting camp is held at KB Kookmin Bank's training center to provide intensive consulting services such

as developing a strategy for getting a job, writing a resume, practicing mock interview, etc. and participants are also provided with one-on-one consulting and job information even after the camp.

Other subsidiaries are also supporting job creation and providing field experience opportunities for youth. KB Securities hired 36 interns on the same condition as full-time employees for the first time in the industry in February 2016 and full-time employment was guaranteed upon completing the internship. KB Insurance established the partnership with Hanyang University in 2016, hiring students majoring in economics and finance as interns offering them field experience. KB Investment made an investment worth KRW 9.4 billion in 9 investment companies through the KB Startup Support Investment Association for Future Planning which is organized for facilitating youth start-ups.

### KB StarB Accounting Guidebook

In partnership with 'Korea Guide Star', KB Kookmin Bank has developed and distributed accounting education materials customized for local community centers for children. A number of CPAs provided pro bono services to develop the materials, and provided accounting education for the staff at the centers. As of June 2016, the education materials were distributed to 4,207 centers



- 1 KB Star Economy Class
- 2 KB Good Job Fair
- 3 KB Good Job School

across the nation, and are also available at the websites of KB Kookmin Bank, Headquarters for Community Child Center, and Korea Guide Star.

# Appendix

Corporate Governance

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Associations and Principles

UN Global Compact

UN SDGs

## Corporate Governance

### Composition of the Board of Directors



### Board sub-committees

The Board of Directors of KB Financial Group is comprised of six sub-committees including Audit Committee, Risk Management Committee, Governance Committee, Compensation Committee, Non-executive Director Candidate Nomination Committee, and Audit Committee Member Nomination Committee. The sub-committees are authorized to perform certain functions of the Board of Directors as prescribed in laws and the Articles of Incorporation, and to monitor and advise on key agendas. Each sub-committee consists of directors with expertise in the relevant areas, contributing to strengthening the expertise and independence of the Board.

Sub-committees	Main role
Audit Committee	Oversee auditing activities
Risk Management Committee	Establish policies and decide matters on risk management
Governance Committee	Establish succession plans for Group CEO and CEOs of subsidiaries, and carry out the plan
Compensation Committee	Establish policies and decide matters on compensation
Non-executive Director Candidate Nomination Committee	Manage non-executive directors candidate pool and recommend candidates for non-executive directors
Audit Committee Member Nomination Committee	Recommend candidates for Audit Committee

### Independence and transparency

The Board of Directors of KB Financial Group decides on matters prescribed in laws and the Articles of Incorporation and important management matters as the top decision-making body of the Group. The Board also oversees the management, and strives to maximize the corporate value and build trust with stakeholders. The Board consists of nine directors including

one executive director, one non-standing director, and seven non-executive directors. In order for the Board to secure independence and perform the role of checks and balances, the majority of directors consists of non-executive directors, and the chairman of the Board is appointed among them. KB Financial Group discloses the details of decisions made by the Board and sub-committees in the quarterly reports. The 'Annual Report on Corporate Governance and Compensation System' is released to the public every March, disclosing the annual activities of the Board and the matters related to the corporate governance structure including succession of management and compensation scheme.

### Expertise and diversity

The Board of Directors of KB Financial Group has established the key principles of nominating non-executive directors as follows: representation of shareholders, expertise, and diversity. Accordingly, the candidates for non-executive directors are grouped and managed by areas of expertise that include financial management, accounting, finance, law/regulation, risk management, HR, and IT. For the first time in the financial industry, KB Financial Group gave all shareholders an opportunity to recommend the candidates for non-executive directors to enhance engagement with them, and utilized a headhunting company in managing pool of candidates to ensure the objectivity of the process. The candidates are selected from the pool of candidates, Non-executive Director Candidate Nomination Committee screens qualification specified in the related laws and the Articles of Incorporation and recommends them for nomination at a general meeting of shareholders. The details are disclosed at KB Financial Group's website to allow stakeholders to check the nomination process and qualifications of the candidates.

KB Financial Group has in place a number of policies related to the Board according to the 'Act on Corporate Governance of Financial Companies'. We increasingly feel the need to increase proportion of female directors in line with increasing number of female employees in our workforce and add diversity to our board as our global business expands. However, the Act on Corporate Governance of Financial Companies does not prescribe such criteria on diversity. We made efforts to enhance diversity in our board by enabling shareholders to recommend candidates for non-executive directors. As a result, we have one female non-executive director and two expat non-executive directors on our board as of March 2017.

### Operation and performance evaluation

A total of 16 meetings of the Board of Directors were held in 2016, and the participation rate of the incumbent directors is 100 percent as of the end of 2016. At regular board meeting held on a quarterly basis, business performance results are reported to the board and pending issues of the Group are discussed and ad-hoc board meeting held in December 2016 approved business plans and budgets for 2017. In 2016, a total of three training sessions for non-executive directors were provided to support the reasonable decision-making of the Board. The results of self-assessment on the Board are reported to the regular general meetings of shareholders pursuant to the related regulations. The results of assessment of non-executive directors are delivered to the Non-executive Director Candidate Nomination Committee to be used in deciding reappointment of directors. In addition, the performance of the Board is independently evaluated by Korea Corporate Governance Service every year. As a result of 2016 assessments, KB received an overall ESG performance grade of A+, and also an A+ grade for governance.



\* Korea Corporate Governance Service is an independent non-profit organization established to improve the corporate governance of Korean companies through establishment of best practices on corporate governance and evaluation of the corporate governance of listed companies in Korea.

## Risk Management

### Integrated risk management system

In order to deal with changing risk factors and manage capital efficiently, there were growing needs to develop group-wide risk management system. KB Financial Group established integrated risk management system by extending our risk management standards which used to be applied mainly to KB Kookmin Bank and KB Credit Card to all of our subsidiaries thus enhancing our group-wide risk management capabilities. With launch of KB Securities in 2016, we further improved our risk management system by developing risk management policies on high-risk portfolios and standards on approving investment proposals.

### Risk management function and process

KB Financial Group has established Risk Management Committee as one of sub-committees of the Board, and the Board delegated the Risk Management Committee to develop risk management policies, determine risk-taking level, set risk limits, and supervise adequacy of risk management policies and system. In addition, we set up Risk Management Council where risk management executives of the Group get together to discuss detailed action plans on risk management. Following enactment of the Act on Corporate Governance of Financial Companies, the Board appointed qualified risk managers with guaranteed term of office of minimum 2 years, which further enhanced independence of risk management function.

### Group-wide intensive risk management

KB Financial Group has defined types of risks we are managing at the group level and carrying out risk management activities such as establishing risk management policies, limits, process, managing asset adequacy and monitoring and adapting to regulatory changes. In 2016, we worked on enhancing the group's reserve level, loss absorption, preemptive risk management on high-risk sectors and getting regulatory approval on internal ratings-based approach for group's credit risk management.

Types of risk the Group is managing	
Credit risk	The risk of incurring loss from asset portfolio due to the other party's failure to perform its obligations or contract, or undermined credit rating
Market risk	The risk of incurring loss from trading position due to changes in market factors such as interest rates, stock prices, and exchange rates
Interest rate risk	The risk of possible decrease in net interest income or net asset value caused by adverse changes in the market interest rate
Liquidity risk	The risk of incurring loss due to lack of funds caused by discrepancy between financing and fund management period or unexpected outflow of funds, or due to financing at higher interest rate or unfavorable disposal of assets to address lack of funds
Operational risk	The risk of incurring loss due to inappropriate or wrong internal procedure, personnel, system or external accident.
Sustainability risk	Risks from ESG factors including climate change, environmental impact, social issues, etc

### Sophistication of risk management

We obtained regulatory approval on internal ratings-based approach for group's credit risk management and applied it to KB Kookmin Bank and KB Kookmin Card. In the process of obtaining the approval, we were able to improve our existing risk assumption system for probability of default, loss given default, and exposure at default. In addition, we developed group-wide integrated system for managing corporate exposure and default dramatically improving group-wide risk management capabilities. In 2016, we developed a system to collect raw data from KB Securities and KB Insurance which recently joined the group, and improved existing system of calculating internal capital of the Group.

### Emerging risk management

We have been monitoring long-term emerging risks that could affect our business in the long run. We identified following emerging risks and taking measures to reduce impact on our business.

#### Demographic changes due to low birth rate and aging

Korea is expected to become super-aged society in the future due to low birth rate and population aging, which will lead to decline in working age population, thereby eroding KB's customer base and reducing the size of relevant portfolios. Aging may trigger a drop in savings and a greater preference for safe assets with high liquidity, resulting in reduced demand for risk assets such as equity. Also, asset soundness may deteriorate as elderly debtors come to stop engaging in economic activities and face a decline in income. In the face of such demographic changes, we are seeking new growth opportunity by developing financial products and services that can tailor to the needs of the expanding elderly population and proactively strengthening risk management to brace for the possibility of aggravated credit portfolio soundness that might result from declining income of the elderly population.

#### Changes in the financial market landscape brought on by the fintech wave

Fintech-based financial services have quickly been gaining popularity, especially in the areas of personal loans and payment services and they are expected to become even more commonplace in the future, as the use of smartphones and reduced data processing costs have lowered the entry barrier into the financial industry and internet-savvy consumers in their 20s or 30s no longer feel the necessity to pay visits to banks in person, settling most of their financial transactions via smartphones. This phenomenon is threatening the business areas of existing financial players.

To respond to changes in consumer needs and technologies, we are shifting our business strategies and revamping relevant functions, expanding new channels for customer services such as mobile platform and AI chatbot systems and stepping up collaboration with fintech companies through investment, etc.

## Ethical Management

### Ethical management system

'KB Financial Group Charter of Ethics' and 'KB Financial Group Code of Ethics' are ethical value system for all of our employees to go by in their daily business conducts. Our ethical management system is applied to our employees, subsidiaries and business partners. An oath ceremony for the Charter of Ethics takes place every year, and we operate a channel through which unethical behaviors can be reported. We also newly set up Internal Control Committee, a consultative committee on operation of internal control system, and are operating Compliance Council, comprised of compliance officers of the Group, and Working-level Compliance Council, comprised of working-level compliance managers to address issues related to ethical management and internal control in a timely manner.

By defining a set of Standards of Conduct for Legal Compliance of Employees that reflect the unique business characteristics of each subsidiary, KB Financial Group has provided them with detailed standards with which they can resolve ethical conflicts that can develop in the course of their business operations. With the recent enactment of the Improper Solicitation and Graft Act, we have devised comprehensive measures at the group level such as forming task force team, providing tailored education for different positions or duties, and reflecting the law in our ethical standards and relevant internal policies. In addition, we have in place Integrity Pact System which documents and mandates prohibition of giving or receiving graft and entertainment in entering into a contract as well as Standards on Ethical Conduct for Contractors encouraging contractors to abide by principles of socially responsible management.

### Ethics education

We are providing education on anti-corruption and code of ethics to all employees on a regular basis including ethical standards, anti-graft law, unfair trade practices, etc., through which we are promoting internal control system to take root and create a fair and transparent business environment. Particularly, to fully comply with the Improper Solicitation and Graft Act enacted in 2016 and prevent risks of non-compliance with the law, we provided education and guideline on the law to all employees. In addition, we are providing education on employee work ethics around national holiday and education on preventing accidents at the end and beginning of the year.

	Unit	2013	2014	2015	2016
Average ethics education hours per employee	Hour	7.7	8.6	7.5	8.5

### Reinforcement of internal control system

We have in place various compliance program such as preliminary review, monitoring, training and preventive measures to encourage practice of ethical management and prevent legal sanctions, financial losses and reputational damage due to employees' violation of laws. In addition, we have a number of reporting channels and regular reporting process to manage internal control systems of subsidiaries. Since the 2nd half of 2013, we have been conducting on-site inspection on subsidiary's implementation of internal control measures to check the status of compliance with laws and regulations, and, since 2016, we are reporting the results of the inspection to the Board in accordance with the Act on Corporate Governance of Financial Companies.

We have in place whistleblowing system to prevent potential violation of internal control standards and stop accidents from further spreading. Reports made through internal whistleblowing channels such as mail, telephone, internet are investigated by relevant departments, and, depending on the results of the investigation, compliance officer could request head of relevant department to take corrective or remedial actions as well as disciplinary measures to those who committed the misconduct or award to the whistle blower. In 2015, an independent external whistleblowing channel was set up enabling whistleblowing through website and mobile apps anytime anywhere. Furthermore, we have set up a hot line enabling employees to directly contact compliance officer of the Group through his personal contact number, Viber or Telegram.

### Breaches on code of conduct and follow-up actions

		Unit	2013	2014	2015	2016
Whistleblowing		Case	2	6	7	5
Breaches of Code of Conduct and Code of Ethics	Graft		1	-	-	-
	Violation of internal control measures	Case	145	36	47	29
	Violation of privacy and human rights		-	-	-	-
Follow-up actions	Salary reduction		1	-	-	14
	Reprimand	Case	1	-	-	-
	Others		147	41	33	23
	Total		149	41	33	37

\* The scope of the breach and follow-up actions is all subsidiaries of the Group. The number of the breach and the follow-up actions does not match for the following reasons: some reports are made anonymously who are assumed to be the same person; some whistleblowing was made by anonymous reporters who are assumed to be the same person; the reported target was unspecified and no specific violation was found; or follow-up actions were taken in the following year after the report.

# Stakeholder Engagement and Materiality Test

## Engagement with stakeholders

KB Financial Group defines key stakeholders as those who have direct and indirect influence on its business activities, such as customers, employees, shareholders and investors, business partners, local communities, and the government and related agencies. We are identifying major demands from each stakeholder group and reflects them in developing our business strategies and making management decisions.

	Customer	Employee	Shareholder and investor	Business partner	Local community	Government and agencies
List of demands	<ul style="list-style-type: none"> <li>Improvement in product, service, system, process</li> <li>Addressing customer complaint</li> <li>Improving customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing employees' rights and welfare</li> <li>Increasing communication within organization</li> <li>Building win-win relationship between labor and management</li> </ul>	<ul style="list-style-type: none"> <li>Participating in decision-making process through shareholder meeting</li> <li>Sound corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening competitiveness and competencies of suppliers</li> <li>Expanding communication with suppliers and information sharing</li> </ul>	<ul style="list-style-type: none"> <li>Community contribution activities suited to needs of local community</li> <li>Striving to solve problems that local community faces</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with law and regulation</li> <li>Building up partnership</li> </ul>
Communication channel	<ul style="list-style-type: none"> <li>Sales branch</li> <li>Ads, press release</li> <li>Web site</li> <li>Call Center</li> <li>Customer Advisory Panel</li> <li>KB Tribunus Plebis</li> <li>KB Campus Star</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management council</li> <li>Town Hall meeting</li> <li>Management by Wandering Around</li> </ul>	<ul style="list-style-type: none"> <li>IR road shows</li> <li>IR presentations</li> <li>Shareholders' meetings</li> <li>Business report</li> <li>Meeting with institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>Survey on business partner satisfaction level</li> <li>Meeting with business partner</li> <li>KB Ombudsman</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with local community</li> <li>Community contribution activities</li> <li>Creation of jobs in local community</li> </ul>	<ul style="list-style-type: none"> <li>Public hearings</li> <li>Consultative bodies</li> <li>Symposium</li> </ul>

## Process of materiality test

KB Financial Group has selected sustainability issues based on the analysis of internal and external environments, and decided issues to report according to our priority. The materiality test was conducted to select the issues that are important in every aspect of economy, environment, and society in the long run, and stakeholders are most interested in.

Step 1	Step 2	Step 3	Step 4
<b>Identifying issues</b>	<b>Stakeholder survey</b>	<b>Determining priority</b>	<b>Selecting issues to report</b>
<ul style="list-style-type: none"> <li>KB Financial Group's business strategy and performance</li> <li>Sustainability management standard and evaluation</li> <li>Investor opinion</li> <li>Government policy and regulation</li> <li>Best practice in industry</li> <li>Media analysis, trend and impact analysis</li> </ul>	<ul style="list-style-type: none"> <li>Conducting internal and external stakeholder survey from 13 to 22 of February 2017 and 2,358 internal stakeholders and 4,958 external stakeholders participated in the survey.</li> <li>Employees(23): material issues(14), employee engagement(5), others(4)</li> <li>External stakeholders(17): material issues(14), others(3)</li> </ul>	<ul style="list-style-type: none"> <li>Materiality analysis in stakeholder perspective</li> <li>Materiality analysis in business perspective</li> <li>Review by external experts and the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Applying GRI G4 Guidelines</li> <li>Validity verification and selection of top 14 material issues</li> <li>Determining main issues to report</li> </ul>

## Materiality test result



Material aspect	External	Internal
1 Customer information security	90.8	91.6
2 Ethics and integrity	85.3	92.0
3 Transparency and soundness of corporate governance	83.0	91.1
4 Digitalization of finance	81.0	91.9
5 Customer satisfaction	84.5	87.6
6 Risk management	81.7	90.0
7 Product and service	80.1	88.8
8 Employment	80.9	86.6
9 Human rights management	79.9	87.2
10 Business strategy and financial performance	76.4	90.0
11 Brand management	75.9	89.6
12 Local community	77.4	78.0
13 Green finance	75.4	72.1
14 Greenhouse gas emission and energy	74.7	71.8

### 1 Material issue 1

Recently, the laws and public awareness on personal information security have been strengthened, while the number of customer information leakage has increased in the financial sector due to advancement of hacking technology. Information security is very serious issue since it can lead to financial losses due to government sanctions and penalties, and also to increased customer churning rate and brand value damage in the long-run.

### 3 Material issue 2

Since 2017, the FSS is expected to stop conducting comprehensive audit on financial companies but strengthen the self-imposed control of financial companies with a focus on enhancing the transparency of corporate governance. The FSS also plans to inspect financial companies from various angles for effective enforcement of the Act on Corporate Governance of Financial Companies, which was enacted in August 2016, implying that transparent corporate governance has emerged as an important issue in business management.

### 4 Material issue 3

Acceleration of financial digitalization such as the establishment of Internet-based bank and increasing number of customers doing financial transaction with their smartphone might lead to a decreased number of customers visiting branches and a decreased revenue of branches. Therefore, we need to actively adapt to such changes by transforming our organization and strategies.

# Performance Summary

## Economic performance

### Financial performance

	Unit	2013	2014	2015	2016
Total assets		292	308	329	376
Operating revenue	KRW trillion	22.6	21.5	22.2	25.4
Net income		1.3	1.4	1.7	2.1
Credit rating	Moody's	A1	A1	A1	A1
	Standard & Poor's	A	A	A	A+

\* The credit rating is based on KB Kookmin Bank's long-term credit rating, and other financial information is consolidated data of the Group

### Economic value distribution

Stakeholder	Type	Unit	2015	2016
Customers	Interest on deposit		3,035,425	2,476,579
Shareholders and investors	Dividend		378,625	497,969
Employees	Pay and benefit	KRW million	3,126,267	3,755,620
Local community	Charitable contribution		47,932	39,781
Business partners	Procurement and outsourcing		94,348	103,379
Government	Corporate tax		437,389	438,475
<b>Total</b>		KRW million	<b>7,119,986</b>	<b>7,311,803</b>

\* Consolidated financial data of the group

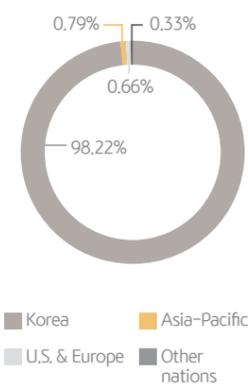
### Information on taxation

Since most of KB Financial Group's revenue is generated in Korea, most of our taxes and dues occur domestically with a minimal amount paid outside Korea including China and the U.S.

	Unit	2016 Operating revenue	2016 Operating income	2016 Taxes and the public utilities charge	2016 corporate tax	Total taxes and dues	Tax and dues by region %
Korea		25,140,519	1,588,213	111,357	430,837	542,194	98.22
China		79,619	38,007	926	2,440	3,366	
Japan		9,208	5,624	46	31	77	0.79
New Zealand	KRW million	12,149	5,422	36	916	952	
U.S.		75,635	26,401	571	2,006	2,577	0.66
U.K.		13,699	8,064	59	1,003	1,062	
Other nations		25,006	5,217	554	1,242	1,796	0.33
<b>Total</b>	KRW million	<b>25,355,835</b>	<b>1,676,948</b>	<b>113,549</b>	<b>438,475</b>	<b>552,024</b>	<b>100</b>

\* Other nations: Vietnam and Cambodia, etc

\* Taxes and the public utilities charge and consolidated tax expense are on accrual basis based on K-IFRS



### Customer satisfaction

	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)	
KB Kookmin Bank	NCSI	Rank	1	2	1	1	1	
	KCSI	Rank	1	4	3	3	1	
	Satisfaction level at branches	Point	94.6	93.0	94.5	95.6	96.0	96.0
KB Insurance	NCSI	Rank	4	2	2	2	2	
	NCSI		1	3	3	3	1	
KB Kookmin Card	KCSI	Credit card	Rank	2	4	3	3	1
		Debit card	Rank	1	3	1	1	1
	KS-SQI	Credit card		1	4	3	3	1
		Debit card		-	-	1	1	1

\* NCSI refers to National Customer Satisfaction Index by Korea Productivity Center

\* KCSI refers to Korean Customer Satisfaction Index by Korea Management Registration Consulting

\* KS-SQI refers to Korean Standard Service Quality Index by Korean Standards Association

## Environmental performance

### Environmental management system certification

KB Financial Group collects and manages the environmental data of all subsidiaries, and achieved the ISO 14001 certification to promote systematic environmental management according to international standards. The certified subsidiaries, including KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, and KB Capital, have a huge environmental impact in terms of the number of employees and of branches, and account for 95% of the Group.

	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)
EMS Certification(ISO 14001) coverage	%	85.0	83.2	70.5	95.1	97.0	100

### GHG emissions and energy consumption

KB Financial Group is making various efforts to reduce GHG emissions. To increase the efficiency of lighting that makes up the largest portion of electricity usage in offices, KB Financial Group is installing high-efficiency lighting and sensor lighting at approximately 100 branches every year. The construction of eco-friendly facilities in 2016, is expected to decrease the GHG emissions by 1,936 tCO<sub>2</sub>e and the annual cost by KRW 541 million. In addition, the branch offices have been equipped with the auto power-off system for non-working area, decreasing GHG emissions by 200 tCO<sub>2</sub>e and saving cost by KRW 4.7 million a year. Also, 1,409 tCO<sub>2</sub>e of reduction in GHG emission and cost saving of KRW 795 million were achieved through operation of Weekly No-Driving Day, program which decreased travel distance of motor vehicles by 6,707,000 km per year.

	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)	
GHG emission	Direct emission	tCO <sub>2</sub> e	18,643	18,617	20,806	21,513	20,868	19,362
	Indirect emission	tCO <sub>2</sub> e	114,021	110,080	116,908	122,536	118,860	110,285
	Total GHG emission	tCO <sub>2</sub> e	132,663	128,697	137,714	144,050	139,728	129,645
Energy consumption	MWh	238,427	238,312	253,030	262,839	254,954	236,555	
New and renewable energy consumption	kWh	-	217,097	190,060	165,133	173,390	198,160	
Water	Water use	m <sup>3</sup>	257,543	260,211	290,118	299,777	290,784	269,799
	GHG emission	tCO <sub>2</sub> e	170	172	191	198	192	178
Waste	Waste disposal	Metric ton	1,915	1,904	2,059	2,194	2,128	1,975
	GHG emission	tCO <sub>2</sub> e	651	647	700	746	724	671
Paper	Paper use	ton	1,829	1,854	2,080	2,213	2,146	1,992
	GHG emission	tCO <sub>2</sub> e	2,048	2,706	2,329	2,478	2,404	2,231

	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)	
Business travel distance	Air	km	9,048,553	9,181,589	9,707,570	11,380,566	11,039,149	10,242,510
	Train	km	3,445,888	3,295,183	4,052,696	3,510,106	3,404,803	3,159,095
	Bus	km	271,875	387,401	720,660	583,933	566,415	525,540
Business travel distance	Total travel distance	km	12,766,316	12,864,173	14,480,926	15,474,605	15,010,367	13,927,145
	Air	tCO <sub>2</sub> e	1,357	1,377	1,456	1,707	1,656	1,536
	Train	tCO <sub>2</sub> e	105	99	122	105	102	95
	Bus	tCO <sub>2</sub> e	8	11	20	16	16	15
	Total GHG emission	tCO <sub>2</sub> e	1,468	1,487	1,598	1,829	1,774	1,646

※ All data is calculated based on all subsidiaries.

※ When calculating the total distance of business travel, motor vehicle is excluded since it is reflected in the Scope 1 mobile combustion.(Retroactive application from 2013 to 2015)

※ GHG emissions and energy consumption of newly acquired subsidiaries were calculated from the year they joined the Group

### Environmental impact

KB Financial Group measures environmental impact of our business activities and estimates financial value throughout our business activities.

#### Reduction of GHG emission by investment in renewable energy and its economic impact(financial value) : KRW 8.2 billion

KB Insurance has concluded a number of investment agreements in the development of renewable energy sources, and measures the impact by estimating the reduction of GHG emissions and cost upon the completion of the projects. Currently, the company is making investments in six domestic projects for the development of renewable energy sources including wind power, fuel cell, and Energy Storage System(ESS). According to the Korea Institute of Energy Research, the annual reduction can be measured based on the capacity of power facilities. How to estimate the amount of GHG reduction is as follows. First, apply the annual capacity factor(13%) to the generation capacity according to the facility scale by generation type of renewable energy sources to calculate the annual energy production. Then, apply the annual energy production to the average value of domestic emission factors of existing energy generation(since the renewable energy sources do not emit greenhouse gases) to see the amount of reduction reach 410,384 tCO<sub>2</sub>e per year. When estimating the value of GHG emission reduction by using the internal price of carbon, which is used in carbon trading, it is approximately KRW 8.2 billion.

#### Reduction of GHG emission by promoting paperless office and its economic impact(financial value) : KRW 31 million

In the digital era, we have expanded paperless strategy to reduce paper use by sending customers smart bills and notifications, and also promoting online product sales and subscription of insurances. Considering the number of customers receiving online notifications and purchasing products online, the expected GHG emission reduction from decreased paper use reaches about 1,576 tCO<sub>2</sub>e, translating into economic value of approximately KRW 31 million(using internal price of carbon) and reduction in procurement cost by about KRW 1.4 billion.

※ Domestic LCI DB GHG emission factor which is a basic data for calculating environmental performance is used.

## Social performance

### Labor practices

	Unit	2013	2014	2015	2016
Ratio of employees under collective agreement	%	79.5	79.5	79.1	75.8
Employee grievances resolved	Case	18	19	553	480
Absenteeism rate	%	0.0007	0.0007	0.0005	0.0005

※ The ratio of employees under collective agreement is based on KB Kookmin Bank data.

※ The number of grievance resolved has increased since 2015 because KB Insurance encouraged employees to submit grievances through its intranet.

### Social contribution

	Unit	2013	2014	2015	2016	2017 (target)	2020 (target)
Charitable Contributions	KRW Billion	59.8	52.1	47.9	39.8	42.0	45.0
Average volunteering activity hours per employee	Hour	13.6	14.0	14.1	12.4	14	15
Support thorough KB Miso Microfinance	KRW Billion	12.3	16.9	22.6	17.6	20.0	25.0
Political contribution	KRW Billion	-	-	-	-	-	-
Individual members of KB Good Job(cumulative)	Person	38,085	44,144	47,975	50,887	52,414	53,940
People who land a job through KB Good Job(cumulative)	Person	3,493	4,702	5,474	6,555	7,201	7,849

※ Political contribution: In Korea, businesses are prohibited from making political contributions by law, and KB Financial Group prohibits contributions to political organizations based on its policy on contributions.

### Social impact

KB Financial Group measures the social impact that our local community contribution activities can have on our society, and evaluates the value of those activities. Impacts and costs are measured through estimation and utilized in establishing long-term goals and directions. As for evaluation methodology, 'Social Return on Investment(SROI)' is used and only long-term projects which have been implemented for more than 5 years are evaluated.

#### Reduction of interest burden for those with low credit ratings(below 7th) through the KB Miso Microfinance: KRW 1.1 billion

KB Financial Group has carried out the KB Miso Microfinance project, providing those with low credit ratings with small loans, since 2009 through the KB Miso Microfinance Foundation. With its microcredit amount exceeding KRW 110 billion by 2016, this project is reducing interest burden for recipients and also preventing damage caused by using illegal lending and decrease in credit rating. The project is able to lessen the interest burden by about KRW 1.1 billion compared to using traditional loan product for those with low credit rating.

#### Contribution of those who land a job through KB Good Job to the national economy: KRW 26.6 billion

Being introduced in 2011, KB Good Job is a job matching program that connects job seekers with competent SMEs. All services are provided for free, and reliable and competent businesses participate to provide job seekers with an opportunity to find a decent job. KB evaluates the impact of this program by measuring the number of registered members, the number of those who land a job, and the amount of their contribution to the national economy every year. KB Good Job has 50,887 members registered(cumulative) as of 2016, and 6,555 among them have successfully landed jobs. The amount of their contribution to the national economy has reached KRW 26.6 billion so far.

## GRI Content Index

Classification	No.	Indices	Page	UN SDGs
<b>General Standard Disclosures</b>				
Strategy and Analysis	G4-1	Provide a statement from the most senior decision-maker of the organization	2-3	
	G4-2	Key impacts, risks, and opportunities	3	
Organizational Profile	G4-3	Organization name	4	
	G4-4	Primary brands, products, and services	5	
	G4-5	Headquarters location	6-7	
	G4-6	Number of countries where the organization operates, name of countries with locations of major operations, or with specific relevance with sustainability issues covered in the report	6-7	
	G4-7	Nature of ownership and legal form	6-7	
	G4-8	Markets served(geographic breakdown, sector served, and customer / beneficiary type)	4-5	
	G4-9	Scale of the organization	4-7	
	G4-10	Total workforce by employment type, employment contract and region	4	
	G4-11	Percentage of total employees covered by collective bargaining agreements	54	
	G4-12	Major characteristics of the supply chain related to the organization's major activities, products and services	4-5	
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	5	
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	44-45	
	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	60-61	17
	G4-16	Memberships of associations(such as industry associations) and national or international advocacy organizations in which the organization subscribes or endorses	60	17
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	G4-20	Descriptions of material aspect boundaries within the organization	48-49	
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	G4-22	Effect of any re-statements of information provided in previous reports, and the reasons for such restatement	No restatement made	
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A	
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	G4-26	Stakeholder engagement approach, including frequency by type and by stakeholder group	48	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	48	
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	G4-29	Date of most recent previous report(if any)	About this report	
	G4-30	Reporting cycle(such as annual, biennial)	About this report	
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	G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	42-43	
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	42-43	
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Emission	EN15	Direct greenhouse gas(GHG) emissions(Scope 1)	52	7 13
	EN16	Indirect greenhouse gas(GHG) emissions(Scope 2)	52	7 13
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	EN23	Total weight of waste by type and disposal method	52	7 13
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<b>Specific Standard Disclosures: Society(Labor Practices and Rights)</b>				
Employment	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	30	
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Classification	No.	Indices	Page	UN SDGs
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<b>Specific Standard Disclosures: Society</b>				
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## Third Party's Assurance Statement

To the Readers of 2016 KB Financial Group Sustainability Report

### Foreword

Korea Management Registrar Inc.(hereinafter "KMR") has been requested by KB Financial Group Inc. to verify the contents of its 2016 Sustainability Report(hereinafter "the Report"). KB Financial Group is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

### Scope and standard

KB Financial Group describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS(2008) as an assurance standard. KMR's assurance team(hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI G4 indices as below, where professional judgment of the team was exercised as materiality criteria.

- GRI G4 Reporting Principles
- General Standard Disclosures
- Specific Standard Disclosures
  - Management Approach of each of following material Indicators of Aspects
  - Economic Performance: EC1, EC2
  - Indirect Economic Impacts: EC7, EC8
  - Energy: EN3, EN6
  - Water: EN8
  - Emissions: EN15, EN16, EN17, EN19, EN23
  - Transport: EN30
  - Employment: LA1
  - Training and Education: LA9
  - Investment: HR2
  - Freedom of Association and Collective Bargaining: HR4
  - Human Rights Grievance Mechanisms: HR12
  - Local Communities: SO1
  - Anti-corruption: SO4, SO5
  - Compliance: SO8
  - Grievance Mechanisms for Impacts on Society: SO11
  - Product and Service Labeling: PR5
  - Marketing Communications: PR7
  - Customer Privacy: PR8
- Financial Services Sector Disclosures: FS7, FS8 FS13, FS14

The scope of the assurance does not include data and information of business partners and contractors, etc. which is outside of the organization, i.e. KB Financial Group.

### Our Conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with KB Financial Group on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report regarding compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity** Inclusivity is the engaging stakeholders in developing and achieving an accountable and strategic response to sustainability
  - KB Financial Group is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment for its stakeholders and honour it. The assurance team could not find any critical stakeholder KB Financial Group left out during this procedure.
- **Materiality** Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
  - KB Financial Group is determining the materiality of issues found through stakeholder communication channels by conducting its own materiality test process, and the assurance team could not find any critical issues left out in this process.
- **Responsiveness** Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
  - The assurance team could not find any evidence that KB Financial Group's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI G4.

### Recommendation for Improvement

KMR recommends that the report published by KB Financial Group will be actively used as a tool for stakeholder communication and continuous improvement.

- KB Financial Group Sustainability Report is prepared to enhance its brand value among stakeholders by effectively communicating its efforts to achieve transparent management, social responsibility and green management following its principle on sustainability called 'Right and Ascending Path'.
- The Report describes KB Financial Group's performance in each area in detail, and, in particular, highlights the latest issues such as customer information protection and digitalization of finance.
- In order to improve the Report, KMR advises KB Financial Group to quantify materiality of economic, environmental and social impacts in the process of selecting material topics from stakeholders' opinions and standardize scope of data collected from subsidiaries as well as data presentation for better comparability.

### Our independence

KMR has no involvement in KB Financial Group's business activities other than providing third party assurance services and maintains independence to avoid conflicts of interest.



AA1000  
Licensed Assurance Provider  
000-129

June 30, 2017  
CEO of Korea Management Registrar Inc.  
Ki Ho Park

*K. H. Park*

# Associations and Principles

## Associations

Korea Financial Investment Association	Korea Chamber of Commerce and Industry	Korea Life Insurance Association
General Insurance Association of Korea	The Credit Finance Association	Korea Federation of Savings Banks
Federation of Korean Industries	Korea Federation of Banks	Korea Federation of SMEs
Korean Employer's Federation	Korea Association of Real Estate Investment Trusts	Korea International Trade Union
Korean Venture Capital Association	International Swaps and Derivatives Association, Inc.	

※ Contributions to trade associations: KRW 11.7 billion in 2013, KRW 11.3 billion in 2014, KRW 11.5 billion in 2015, KRW 12.8 billion in 2016  
 ※ Largest contributions in 2016: The Credit Finance Association(KRW 4.2 billion), Korea Federation of Banks(KRW 3.2 billion), Korea Financial Investment Association(KRW 2.7 billion), General Insurance Association of Korea(KRW 1.9 billion), Korea Life Insurance Association(KRW 0.3 billion)

## UN Global Compact



In 2009, KB Kookmin Bank joined the UN Global Compact(UNGC), an international agreement defining the social responsibility of global companies, and declared to comply with ten principles in the areas of human rights, labour, environment, and anti-corruption.

Human rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
Environment	Principle 6	the elimination of discrimination in respect of employment and occupation.
	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
Anti-corruption	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

## UN SDGs



The Sustainable Development Goals(SDGs) consist of 17 goals and 169 targets that the international society must achieve to resolve common human problems, environmental problems, and economic and social problems. Taking effect at the UN General Assembly on September 28, 2015 based on the agreement with leaders from 193 countries, the SDGs are expected to be achieved by the international society all together over 15 years from 2016 to 2030. KB Financial Group actively supports the SDGs and is strengthening its sustainability by establishing a foundation for mutual growth with society throughout its business activities.

<p><b>1. End poverty</b>                  · By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day</p>	<p><b>2. End hunger and achieve food security</b>                  · By 2030, end hunger and ensure access by all people to safe, nutritious and sufficient food all year round</p>	<p><b>3. Ensure healthy lives and promote wellbeing</b>                  · By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births</p>
<p><b>4. Ensure inclusive and equitable quality education</b>                  · By 2030, ensure that every children completes free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes</p>	<p><b>5. Achieve gender equality</b>                  · End all forms of discrimination against all women and girls everywhere</p>	<p><b>6. Management of water and sanitation</b>                  · By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p>
<p><b>7. Ensure access to energy</b>                  · By 2030, ensure universal access to affordable, reliable and modern energy services</p>	<p><b>8. Sustainable economic growth and productive employment</b>                  · Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</p>	<p><b>9. Resilient infrastructure and sustainable industrialization</b>                  · Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all</p>
<p><b>10. Reduce inequality</b>                  · By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average</p>	<p><b>11. Sustainable cities and human settlements</b>                  · By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>	<p><b>12. Sustainable consumption</b>                  · Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, taking into account the development and capabilities of developing countries</p>
<p><b>13. Action to combat climate change and its impacts</b>                  · Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p><b>14. Sustainable use of the oceans, seas and marine resources</b>                  · By 2025, significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution</p>	<p><b>15. Protect terrestrial ecosystems</b>                  · By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>
<p><b>16. Peaceful and inclusive societies</b>                  · Significantly reduce all forms of violence and related death rates everywhere</p>	<p><b>17. Global partnership</b>                  · Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection</p>	

# 오른길을 만나다

## 2016 KB Financial Group Sustainability Report

You can download the PDF version of the Report  
from the KB Financial Group website.

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 **KB Financial Group**