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# PRICING SUPPLEMENT

July 8, 2020

## KOOKMIN BANK

### Issue of EUR500,000,000 0.052% Sustainability Covered Bonds due 2025 under the U.S.\$7,000,000,000 Global Covered Bond Programme

MiFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)** - the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Covered Bonds are capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated May 6, 2020, as amended or supplemented, as the case may be, in this Pricing Supplement. This document constitutes the Pricing Supplement relating to the issue of the Covered Bonds described herein and contains the final terms of the Covered Bonds and must be read in conjunction with the Offering Circular as so supplemented.

1	(i) Series Number:	2020-1
	(ii) Tranche Number:	1
2	Specified Currency or Currencies:	EUR
3	Aggregate Nominal Amount:	
	(i) Series:	EUR500,000,000
	(ii) Tranche:	EUR500,000,000
4	Issue Price:	100.000 per cent. of the Aggregate Nominal Amount
5	(i) Specified Denominations:	Minimum denomination of EUR100,000 and integral multiples of EUR1,000 in excess thereof
	(ii) Calculation Amount:	EUR1,000
6	Issue Date:	July 15, 2020

## PRICING SUPPLEMENT

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- 7 (i) Maturity Date: July 15, 2025  
(ii) Extended Maturity Date: The Extended Maturity Date is July 15, 2026
- 8 Interest Basis:
- (i) Period to (and including) Maturity Date: 0.052 per cent. Fixed Rate
- (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: 1 Month EURIBOR + 0.400 per cent. Floating Rate (further particulars specified below)
- 9 Redemption/Payment Basis: Redemption at par
- 10 Change of Interest Basis: Applicable if and only to the extent the Extended Maturity Date is applicable (as specified in paragraphs 7, 8, 14 and 15)
- 11 Put/Call Options: Not Applicable
- 12 Method of distribution: Syndicated
- 13 Prohibition of Sales to EEA and UK Retail Investors: Not Applicable

### **Provisions Relating to Interest (if any) Payable**

- 14 Fixed Rate Covered Bond Provisions
- To Maturity Date: Applicable
- (i) Rate(s) of Interest: 0.052 per cent. per annum payable annually in arrear
- (ii) Interest Payment Date(s): July 15 in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): EUR0.52 per Calculation Amount
- (iv) Broken Amount(s): Not Applicable
- (v) Day Count Fraction (subject to paragraph 23): Actual/Actual (ICMA)
- (vi) Determination Date(s): Not Applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: None
- 15 Floating Rate Covered Bond Provisions
- (i) To Maturity Date: Not Applicable
- (ii) From Maturity Date up to Extended Maturity Date: Applicable
- (iii) Interest Period(s)/Specified Interest Payment Dates:
- (a) To Maturity Date: Not Applicable
- (b) From Maturity Date up to Extended Maturity Date: The 15th day of each calendar month, subject to adjustment in accordance with the Business Day Convention.

- (iv) Business Day Convention:
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Floating Rate Business Day Convention
- (v) Additional Business Center(s):
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Not Applicable
- (vi) Manner in which the Rate of Interest and Interest Amount is to be determined:
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: ISDA Determination
- (vii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Not Applicable
- (viii) Screen Rate Determination: Not Applicable
- (ix) ISDA Determination
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Applicable
    - Floating Rate Option: EUR-EURIBOR-Reuters
    - Designated Maturity: 1 Month
    - Reset Date: The first day of the relevant Interest Accrual Period
- (x) Margin(s):
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: +0.400 per cent. per annum
- (xi) Minimum Rate of Interest:
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Not Applicable
- (xii) Maximum Rate of Interest:
  - (a) To Maturity Date: Not Applicable
  - (b) From Maturity Date up to Extended Maturity Date: Not Applicable

(xiii) Day Count Fraction:

(a) To Maturity Date: Not Applicable

(b) From Maturity Date up to  
Extended Maturity Date: Actual/360

(xiv) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:

(a) To Maturity Date: Not Applicable

(b) From Maturity Date up to  
Extended Maturity Date: Not Applicable

**Provisions Relating to Redemption**

16 Call Option Not Applicable

17 Put Option: Not Applicable

18 Final Redemption Amount of each Covered Bond: EUR1,000 per Calculation Amount

**General Provisions Applicable to the Covered Bonds**

19 Form of Covered Bonds:

Form:

Registered Covered Bonds:

Unrestricted Global Certificate registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg

20 Additional Financial Center(s) or other special provisions relating to Payment Dates: Not Applicable

21 Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): No

22 U.S. Selling Restrictions: Reg. S Compliance Category 2 / TEFRA not applicable

23 Additional U.S. federal income tax considerations: Not Applicable

24 Calculation Agent: The Bank of New York Mellon, London Branch

**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Covered Bonds described herein pursuant to the U.S.\$7,000,000,000 Global Covered Bond Programme of Kookmin Bank (the “Programme”).

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Covered Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Covered Bonds.

Signed on behalf of the Issuer: \

By:

*Duly authorized*

Min Hyeon Kim  
General Manager

A handwritten signature in dark ink, consisting of a large, stylized 'M' followed by a series of loops and a final upward stroke.

**Part B—Other Information****1 Listing and Admission to Trading**

- |   |   |
|---|---|
| (a) Listing and Admission to trading:                           | Approval in-principle has been received from the SGX-ST for the listing and quotation of the Covered Bonds on the SGX-ST. |
| (b) Estimate of total expenses related to admission to trading: | SGD0  |

**2 Ratings**

- |          |  |
|----------|--|
| Ratings: | The Covered Bonds to be issued are expected to be assigned the following rating: |
|          | S&P: AAA   |
|          | Fitch: AAA   |

**3 Interests of Natural and Legal Persons involved in the Issue**

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

**4 Yield to Maturity Date (Fixed Rate Covered Bonds only)**

- |                      |                 |
|----------------------|-----------------|
| Indication of yield: | 0.052 per cent. |
|----------------------|-----------------|

**5 Operational Information**

- |  |                          |
|--|--------------------------|
| (a) ISIN Code:   | XS2199348231             |
| (b) Common Code:   | 219934823                |
| (c) LEI:   | 549300XXMOJSIW8P4769     |
| (d) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable           |
| (e) Delivery:  | Delivery against payment |
| (f) Names and addresses of additional Paying Agent(s) (if any):  | Not Applicable           |

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## USE OF PROCEEDS

The Issuer will apply an amount equivalent to the net proceeds from the issue of the Covered Bonds to finance new loans or refinance existing loans that have been issued within 24 months prior to the Issue Date and which fall under one or more of the Green Eligible Categories or the Social Eligible Categories, as identified in the Kookmin Bank Sustainable Financing Framework dated September 19, 2018 (the “Kookmin Bank Sustainable Financing Framework”) available on the Issuer’s website. Part of the proceeds may be used to mitigate the adverse effects of the COVID-19 pandemic.



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## **SCHEDULE A – RECENT DEVELOPMENTS**

*This section provides information that supplements or replaces certain information in the Offering Circular under the headings corresponding to the headings below. Capitalized terms used without definition in this section or elsewhere in this Pricing Supplement have the meanings given to such terms in the Offering Circular. If the information in this section differs from the information in the Offering Circular, potential investors should refer to the information in this section.*

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## RISK FACTORS

### Risks Relating to the Covered Bonds

*Covered Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to green assets, social assets or sustainability assets.*

The Issuer may issue Covered Bonds under the Programme which are specified to be “Green Bonds,” “Social Bonds” or “Sustainability Bonds” (any such Covered Bonds, “Green Bonds,” “Social Bonds” or “Sustainability Bonds”, respectively), in accordance with the Kookmin Bank Sustainable Financing Framework. In connection with an issue of Green Bonds, Social Bonds or Sustainability Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a “Second Party Opinion”) confirming that any Green Bonds, Social Bonds or Sustainability Bonds are in compliance with the Green Bond Principles 2018 (“GBP 2018”), ICMA (the “ICMA Green Bond Principles”), the Social Bond Principles 2018 (“SBP 2018”), ICMA (the “ICMA Social Bond Principles”) or the Sustainability Bond Guidelines 2018 (“SBG 2018”), ICMA (the “ICMA Sustainability Bond Guidelines”). The ICMA Green Bond Principles, the ICMA Social Bond Principles and the ICMA Sustainability Bond Guidelines are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond, social bond and sustainability bond markets.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green,” “social” or “sustainability,” and therefore no assurance can be provided to potential investors that the Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) will continue to meet the relevant eligibility criteria. Although applicable green projects, social projects or sustainability projects are expected to be selected in accordance with the categories recognized by the ICMA Green Bond Principles, the ICMA Social Bond Principles or the ICMA Sustainability Bond Guidelines and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects, social projects or sustainability projects. Where any negative impacts are insufficiently mitigated, green projects, social projects or sustainability projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

Potential investors should be aware that any Second Party Opinion will not be incorporated into, and will not form part of, this Pricing Supplement. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Series of Green Bonds, Social Bonds or Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Green Bonds, Social Bonds or Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

Furthermore, although the Issuer may agree at the relevant issue date of any Green Bonds, Social Bonds or Sustainability Bonds to allocate the net proceeds towards the financing and/or refinancing of Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) in accordance with certain prescribed eligibility criteria as described under the Kookmin Bank Sustainable Financing Framework, it would not be an event of default under the Green Bonds, Social Bonds or Sustainability Bonds if (i) the Issuer were to fail to comply with such undertaking or were to fail to allocate the proceeds in the manner specified in this Pricing Supplement and/or (ii) any Second Party Opinion issued in connection with such Green Bonds were to be withdrawn. Any failure to allocate the net proceeds of any Series of Green Bonds, Social Bonds or Sustainability Bonds in connection with green projects, social projects or sustainability projects and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally or socially focused investors with respect to such Green Bonds, Social Bonds or Sustainability Bonds may affect the value and/or trading price of the Green Bonds, Social Bonds or Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets, social assets or sustainability assets.

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Neither the Issuer nor the Managers make any representation as to the suitability for any purpose of any Second Party Opinion or whether any Green Bonds, Social Bonds or Sustainability Bonds fulfill the relevant environmental or social criteria. Prospective investors should have regard to the relevant Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) and the use of proceeds described in this Pricing Supplement. Each potential purchaser of any Series of Green Bonds, Social Bonds or Sustainability Bonds should determine for itself the relevance of the information contained in this Pricing Supplement regarding the use of proceeds and its purchase of any Green Bonds, Social Bonds or Sustainability Bonds should be based upon such investigation as it deems necessary.

## CAPITALIZATION

The following table sets forth the Issuer's capitalization, defined as the sum of its borrowings and debentures and its equity, as of March 31, 2020:

	As of March 31, 2020 <sup>(1)</sup>
	(in billions of Won)
Borrowings and debentures <sup>(2)</sup> .....	<u>₩41,602</u>
Equity	
Capital stock, par value ₩5,000	
Authorized—1,000,000,000 shares	
Issued and outstanding common stock—404,379,116 shares .....	₩ 2,022
Hybrid securities .....	575
Capital surplus .....	5,220
Accumulated other comprehensive income .....	(104)
Retained earnings .....	20,910
Non-controlling interests in equity .....	—
Total equity .....	<u>₩28,623</u>
Total capitalization .....	<u>₩70,225</u>

*Notes:*

(1) There has been no material change in the capitalization of the Issuer since March 31, 2020.

(2) Consists of borrowings of ₩20,631 billion and debentures of ₩20,971 billion.

## SELECTED FINANCIAL AND OPERATING DATA

### Selected Financial Data

The selected financial data as of and for the years ended December 31, 2017, 2018 and 2019 set forth below have been derived from the Issuer's audited annual consolidated financial statements, which have been prepared in accordance with Korean IFRS. The selected financial data as of March 31, 2020 and for the three months ended March 31, 2019 and 2020 have been derived from the Issuer's unaudited interim consolidated financial statements, which have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Korean IFRS 1109 *Financial Instruments* ("Korean IFRS 1109") is effective for annual periods beginning on or after January 1, 2018 and replaces Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* ("Korean IFRS 1039"). The Issuer has applied Korean IFRS 1109 in its (i) audited annual consolidated financial statements as of and for the years ended December 31, 2019 and 2018 and (ii) unaudited interim consolidated financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019. As permitted by the transition rules of Korean IFRS 1109, the Issuer's consolidated financial statements as of and for the year ended December 31, 2017 have not been restated to retroactively apply Korean IFRS 1109. Due to the application of Korean IFRS 1109, the Issuer's financial data as of and for the years ended December 31, 2018 and 2019 set forth below may not be directly comparable to corresponding data as of and for the year ended December 31, 2017.

You should read the following data together with the Issuer's annual and interim consolidated financial statements. Historical results do not necessarily predict future results.

	Year ended December 31,			Three months ended March 31,	
	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2019	2020
	(in billions of Won)				
<b>Consolidated statements of comprehensive income</b>					
Interest income	₩ 8,509	₩10,020	₩10,780	₩ 2,692	₩2,631
Interest expense	(2,944)	(3,919)	(4,416)	(1,140)	(994)
<b>Net interest income</b>	<b>5,565</b>	<b>6,101</b>	<b>6,364</b>	<b>1,552</b>	<b>1,637</b>
Fee and commission income	1,471	1,423	1,483	349	370
Fee and commission expense	(247)	(300)	(350)	(74)	(84)
<b>Net fee and commission income</b>	<b>1,225</b>	<b>1,123</b>	<b>1,133</b>	<b>275</b>	<b>286</b>
<b>Net losses on financial instruments at fair value through profit or loss (under Korean IFRS 1039)</b>	<b>(71)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>—</b>	<b>326</b>	<b>423</b>	<b>125</b>	<b>55</b>
<b>Net other operating expenses</b>	<b>(288)</b>	<b>(696)</b>	<b>(601)</b>	<b>(151)</b>	<b>(182)</b>
<b>General and administrative expenses</b>	<b>(3,666)</b>	<b>(3,767)</b>	<b>(3,887)</b>	<b>(971)</b>	<b>(887)</b>
<b>Operating profit before provision for credit losses</b>	<b>2,764</b>	<b>3,086</b>	<b>3,432</b>	<b>830</b>	<b>909</b>
Provision for credit losses	(115)	(94)	(104)	(54)	(77)
<b>Operating profit</b>	<b>2,649</b>	<b>2,992</b>	<b>3,328</b>	<b>776</b>	<b>833</b>
Share of profit (loss) of associates	38	50	29	10	(10)
Net other non-operating income (expenses)	(73)	44	(39)	(9)	(26)
<b>Net non-operating income (expenses)</b>	<b>(36)</b>	<b>94</b>	<b>(10)</b>	<b>1</b>	<b>(35)</b>
<b>Profit before income tax expense</b>	<b>2,613</b>	<b>3,086</b>	<b>3,318</b>	<b>777</b>	<b>797</b>
Income tax expenses	(439)	(827)	(879)	(204)	(211)
<b>Profit for the period</b>	<b>₩ 2,175</b>	<b>₩ 2,259</b>	<b>₩ 2,439</b>	<b>₩ 573</b>	<b>₩ 586</b>

SELECTED FINANCIAL AND OPERATING DATA

	Year ended December 31,			Three months ended March 31,	
	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2019	2020
	(in billions of Won)				
(Adjusted profit after provision of regulatory reserve for credit losses) .....	2,025	2,012	2,288	543	446
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities .....	14	(96)	(40)	(2)	(1)
Net gains (losses) on equity instruments at fair value through other comprehensive income .....	—	(36)	(17)	29	(212)
Items that may be reclassified subsequently to profit or loss:					
Currency translation adjustments .....	(67)	27	26	27	46
Gains on valuation of financial investments .....	110	—	—	—	—
Net gains (losses) on debt instruments at fair value through other comprehensive income .....	—	57	34	26	(26)
Share of other comprehensive income (loss) of associates .....	92	(3)	8	3	(8)
Gains (losses) on hedging instruments of net investments in foreign operations .....	27	(25)	(6)	(3)	(12)
Gains (losses) on cash flow hedging instruments .....	7	4	(15)	(8)	(15)
Other comprehensive income (loss) for the period, net of tax .....	183	(72)	(11)	73	(227)
Total comprehensive income for the period .....	<u>₩ 2,358</u>	<u>₩ 2,187</u>	<u>₩ 2,428</u>	<u>₩ 646</u>	<u>₩ 359</u>
Profit attributable to:					
Shareholders of the parent company .....	₩ 2,175	₩ 2,259	₩ 2,439	₩ 573	₩ 586
Non-controlling interests .....	—	—	—	—	—
	<u>₩ 2,175</u>	<u>₩ 2,259</u>	<u>₩ 2,439</u>	<u>₩ 573</u>	<u>₩ 586</u>
Total comprehensive income attributable to:					
Shareholders of the parent entity .....	₩ 2,358	₩ 2,187	₩ 2,428	₩ 646	₩ 359
Non-controlling interests .....	—	—	—	—	—

Note:

(1) Figures for the years ended December 31, 2018 and 2019 reflect the application of Korean IFRS 1109 and therefore may not be directly comparable to corresponding figures for the year ended December 31, 2017.

SELECTED FINANCIAL AND OPERATING DATA

	As of December 31,			As of March 31,
	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>
(in billions of Won)				
<b>Consolidated balance sheet data</b>				
<b>Assets</b>				
Cash and due from financial institutions . . . .	₩ 15,646	₩ 14,889	₩ 14,481	₩ 16,467
Financial assets at fair value through profit or loss (under Korean IFRS 1039) . . . . .	8,409	—	—	—
Financial assets at fair value through profit or loss . . . . .	—	12,257	13,866	15,883
Derivative financial assets . . . . .	2,608	1,614	2,317	4,058
Loans . . . . .	251,711	276,944	293,531	305,864
Financial investments . . . . .	40,816	42,723	52,419	52,501
Investments in associates . . . . .	346	507	565	521
Property and equipment . . . . .	3,016	3,128	3,784	3,755
Investment property . . . . .	338	258	476	478
Intangible assets . . . . .	218	224	269	278
Current income tax assets . . . . .	3	5	14	14
Deferred income tax assets . . . . .	2	3	2	2
Assets held for sale . . . . .	156	17	7	15
Other assets . . . . .	6,500	4,390	5,692	6,419
Total assets . . . . .	<u>₩329,766</u>	<u>₩356,959</u>	<u>₩387,425</u>	<u>₩406,256</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss (under Korean IFRS 1039) . . .	₩ 74	₩ —	₩ —	₩ —
Financial liabilities at fair value through profit or loss . . . . .	—	87	80	73
Derivative financial liabilities . . . . .	2,609	1,642	2,169	3,828
Deposits . . . . .	252,479	272,485	300,917	311,201
Debts . . . . .	15,811	17,496	19,141	22,667
Debentures . . . . .	19,184	23,164	18,740	20,971
Provisions . . . . .	358	308	311	312
Net defined benefit liabilities . . . . .	9	167	179	217
Current income tax liabilities . . . . .	4	6	8	5
Deferred income tax liabilities . . . . .	172	121	249	191
Other liabilities . . . . .	13,744	14,816	16,626	18,168
Total liabilities . . . . .	<u>₩304,442</u>	<u>₩330,291</u>	<u>₩358,421</u>	<u>₩377,633</u>
<b>Equity</b>				
Capital stock . . . . .	2,022	2,022	2,022	2,022
Hybrid securities . . . . .	—	—	575	575
Capital surplus . . . . .	5,220	5,219	5,220	5,220
Accumulated other comprehensive income . .	678	116	123	(104)
Retained earnings . . . . .	17,404	19,311	21,065	20,910
(Provision of regulatory reserve for credit losses) . . . . .	(2,001)	(2,151)	(2,291)	(2,442)
(Amounts estimated to be appropriated) . . . . .	(150)	(140)	(151)	(141)
Equity attributable to shareholders of the parent company . . . . .	25,323	26,668	29,004	28,622
Non-controlling interest equity . . . . .	—	—	—	—
Total equity . . . . .	<u>25,323</u>	<u>26,668</u>	<u>29,004</u>	<u>28,622</u>
Total liabilities and equity . . . . .	<u>₩329,766</u>	<u>₩356,959</u>	<u>₩387,425</u>	<u>₩406,256</u>

Note:

(1) Figures as of December 31, 2018, 2019 and 2020 reflect the application of Korean IFRS 1109 and therefore may not be directly comparable to corresponding figures as of December 31, 2017.

## SELECTED FINANCIAL AND OPERATING DATA

### Selected Operating Data

Unless otherwise stated, the selected ratios and other operating data set forth below as of and for the years ended December 31, 2017, 2018 and 2019 and as of and for the three months ended March 31, 2019 and 2020 have been calculated based on the separate financial statements of the Issuer prepared in accordance with Korean IFRS, which are not included in this Offering Circular.

Due to the application of Korean IFRS 1109, the Issuer's operating data as of and for the years ended December 31, 2018 and 2019 set forth below may not be directly comparable to corresponding data as of and for the year ended December 31, 2017.

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2019	2020
	(%)				
Profit as a percentage of:					
Average total assets <sup>(2)</sup>	0.73%	0.66%	0.66%	0.65%	0.65%
Average equity <sup>(2)</sup>	9.22	8.61	8.72	8.79	8.85
Ratio of non-performing credits to total credits <sup>(3)</sup>	0.48	0.39	0.29	0.40	0.30
Ratio of allowance to total credits <sup>(3)</sup>	1.35	1.30	1.19	1.29	1.18
Net interest spread <sup>(4)</sup>	1.67	1.67	1.62	1.65	1.52
Net interest margin <sup>(5)</sup>	1.71	1.71	1.67	1.71	1.56
Total capital adequacy ratio <sup>(6)(10)</sup>	16.01	15.52	15.85	15.76	15.01
Tier I capital adequacy ratio <sup>(7)(10)</sup>	14.86	14.33	14.68	14.50	13.85
Common equity Tier I capital adequacy ratio <sup>(8)(10)</sup>	14.86	14.33	14.37	14.50	13.56
Tier II capital adequacy ratio <sup>(9)(10)</sup>	1.15	1.19	1.17	1.26	1.16

#### Notes:

- (1) Figures for the years ended December 31, 2018 and 2019 reflect the application of Korean IFRS 1109 and therefore may not be directly comparable to corresponding figures for the year ended December 31, 2017.
- (2) Derived by dividing profit (annualized, for interim periods) by the daily average balance of total assets or total equity, as applicable, in each case calculated in accordance with applicable FSS reporting guidelines.
- (3) Includes loans, guarantees and other credits in both the banking and trust accounts, calculated in accordance with applicable FSS reporting guidelines.
- (4) Represents the difference between the average annual rate of interest earned on interest earning assets and the average annual rate of interest paid on interest bearing liabilities, calculated in accordance with applicable FSS reporting guidelines.
- (5) Derived by dividing net interest income (annualized, for interim periods) by average interest earning assets, calculated in accordance with applicable FSS reporting guidelines.
- (6) Calculated as the ratio of the sum of Tier I and Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy."
- (7) Calculated as the ratio of Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy."
- (8) Calculated as the ratio of common equity Tier I capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy."
- (9) Calculated as the ratio of Tier II capital to risk-weighted assets, on a consolidated basis and in accordance with guidelines issued by the FSC. See "Regulation and Supervision—Legal and Regulatory Framework in Korea—Capital Adequacy."
- (10) Calculated based on the consolidated financial statements of the Issuer prepared in accordance with Korean IFRS.



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**SCHEDULE B – INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF  
AND FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

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## **Independent Auditors' Review Report**

To the Shareholder and Board of Directors  
Kookmin Bank

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of Kookmin Bank and its subsidiaries (collectively the "Group"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2020, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2020 and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the interim financial statements**

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No. 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' review responsibility**

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No. 1034 *Interim Financial Reporting*.

### **Emphasis of matter**

The following matter may be helpful to the readers in their understanding of the condensed consolidated interim financial statements.

As described in note 36 to the condensed consolidated interim financial statements, the ongoing COVID-19 pandemic has increased the estimation uncertainty on the Group's expected credit losses on certain portfolios and potential impairment on assets and may have negative impacts on the Group's financial statements. While the Group believes that the negative impact from the COVID-19 in Korea is expected to be mitigated to some extent by the Korean government's financial and economic stabilization packages along with timely and effective disease control, the impact on the Group's condensed consolidated interim financial statements cannot be reliably determined as of March 31, 2020. Our conclusion is not modified in respect of this matter.

**Other matters**

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries.

The accompanying condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2019, were reviewed by other auditors whose report thereon, dated May 14, 2019, expressed that nothing came to their attention that caused them to believe that those interim financial statements are not prepared, in all material respects, in accordance with K-IFRS No. 1034 *Interim Financial Reporting*.

The consolidated statement of financial position of the Group as of December 31, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors in accordance with Korean Standards on Auditing and their report thereon, dated March 5, 2020, expressed an unqualified opinion. The accompanying consolidated statement of financial position of the Group as of December 31, 2019, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated statement of financial position from which it has been derived.

/s/ KPMG Samjong Accounting Corp.  
Seoul, Korea  
May 14, 2020

This report is effective as of May 14, 2020, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**March 31, 2020 and December 31, 2019**

(In millions of Korean won)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>			
Cash and due from financial institutions	4,6,7,35	16,466,736	14,481,309
Financial assets at fair value through profit or loss	4,6,11	15,882,769	13,866,303
Derivative financial assets	4,6,8	4,057,595	2,317,425
Loans at amortized cost	4,6,9,10	305,864,041	293,531,433
Financial investments	4,6,11	52,501,266	52,419,293
Investments in associates	12	521,076	564,711
Property and equipment	13	3,755,274	3,784,374
Investment property	13	477,678	475,968
Intangible assets	14	278,166	268,731
Current income tax assets		14,227	13,904
Deferred income tax assets	15	2,375	2,263
Assets held for sale	17	15,336	6,941
Other assets	4,6,16	6,419,068	5,692,383
<b>Total assets</b>		<b>406,255,607</b>	<b>387,425,038</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	4,6	73,195	80,235
Derivative financial liabilities	4,6,8	3,828,463	2,168,982
Deposits	4,6,18	311,201,384	300,917,482
Debts	4,6,19	22,666,906	19,141,262
Debentures	4,6,20	20,970,823	18,739,992
Provisions	21	311,627	311,140
Net defined benefit liabilities	22	217,317	179,110
Current income tax liabilities		4,529	8,338
Deferred income tax liabilities	15	191,168	248,652
Other liabilities	4,6,23,29	18,167,935	16,625,612
<b>Total liabilities</b>		<b>377,633,347</b>	<b>358,420,805</b>
<b>Equity</b>			
Capital stock	24	2,021,896	2,021,896
Hybrid securities	24	574,523	574,523
Capital surplus	24	5,219,704	5,219,704
Accumulated other comprehensive income	24, 33	(103,931)	123,334
Retained earnings	24, 32	20,910,068	21,064,776
(Provision of regulatory reserve for credit losses			
March 31, 2020 : ₩ 2,441,875 million			
December 31, 2019 : ₩ 2,291,019 million)			
(Amounts estimated to be appropriated			
March 31, 2020 : ₩ 140,763 million			
December 31, 2019 : ₩ 150,856 million)			
<b>Equity attributable to the shareholder of the Parent Company</b>		<b>28,622,260</b>	<b>29,004,233</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>28,622,260</b>	<b>29,004,233</b>
<b>Total liabilities and equity</b>		<b>406,255,607</b>	<b>387,425,038</b>

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month Periods Ended March 31, 2020 and 2019**

		Three-Month Period Ended March 31	
		2020	2019
(In millions of Korean won)	Notes	(Unaudited)	(Unaudited)
Interest income		2,631,398	2,692,484
Interest income from financial instruments at fair value through other comprehensive income and amortized cost		2,575,842	2,638,790
Interest income from financial instruments at fair value through profit or loss		55,556	53,694
Interest expense		(993,906)	(1,140,108)
<b>Net interest income</b>	25	<b>1,637,492</b>	<b>1,552,376</b>
Fee and commission income		369,901	349,235
Fee and commission expense		(84,067)	(74,476)
<b>Net fee and commission income</b>	26	<b>285,834</b>	<b>274,759</b>
<b>Net gains on financial assets/liabilities at fair value through profit or loss</b>	27	<b>55,456</b>	<b>124,822</b>
<b>Net other operating expenses</b>	28	<b>(182,427)</b>	<b>(151,136)</b>
<b>General and administrative expenses</b>	22,29	<b>(887,156)</b>	<b>(970,803)</b>
<b>Operating profit before provision for credit losses</b>		<b>909,199</b>	<b>830,018</b>
Provision for credit losses	7,10,11,16,21	(76,595)	(54,454)
<b>Operating profit</b>		<b>832,604</b>	<b>775,564</b>
Share of profit (loss) of associates	12	(9,699)	10,417
Net other non-operating expenses	30	(25,524)	(9,398)
<b>Net non-operating income (expenses)</b>		<b>(35,223)</b>	<b>1,019</b>
<b>Profit before income tax expense</b>		<b>797,381</b>	<b>776,583</b>
Income tax expense	31	(211,034)	(203,770)
<b>Profit for the period</b>		<b>586,347</b>	<b>572,813</b>
(Adjusted profit after provision of regulatory reserve for credit losses)	24		
March 31, 2020 (Three months) : ₩ 445,584 million			
March 31, 2019 (Three months) : ₩ 542,567 million)			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of net defined benefit liabilities	22	(965)	(2,277)
Net gains (losses) on equity instruments at fair value through other comprehensive income		(211,705)	29,446
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Currency translation adjustments		46,192	27,055
Net gains (losses) on debt instruments at fair value through other comprehensive income		(26,409)	25,826
Share of other comprehensive income of associates		(7,958)	3,161
Losses on hedging instruments of net investments in foreign operations		(11,663)	(2,687)
Losses on cash flow hedging instruments		(14,757)	(7,544)
<b>Other comprehensive income for the period, net of tax</b>	33	<b>(227,265)</b>	<b>72,980</b>
<b>Total comprehensive income for the period</b>		<b>359,082</b>	<b>645,793</b>
<b>Profit attributable to:</b>			
Shareholder of the Parent Company		586,347	572,813
Non-controlling interest		-	-
		<b>586,347</b>	<b>572,813</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholder of the Parent Company		359,082	645,793
Non-controlling interest		-	-
		<b>359,082</b>	<b>645,793</b>

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Three-Month Periods Ended March 31, 2020 and 2019**

	Attributable to the shareholder of the Parent Company					
	Capital Stock	Hybrid Securities	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Non-controlling Interest
<i>(In millions of Korean won)</i>						
<b>Balance at January 1, 2019</b>	2,021,896	-	5,218,788	115,784	19,311,398	-
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	572,813	-
Remeasurements of net defined benefit liabilities	-	-	-	(2,277)	-	-
Net gains (losses) on equity instruments at fair value through other comprehensive income	-	-	-	47,855	(18,409)	-
Currency translation differences	-	-	-	27,055	-	-
Net gains on debt instruments at fair value through other comprehensive income	-	-	-	25,826	-	-
Share of other comprehensive income of associates	-	-	-	3,161	-	-
Losses on hedging instruments of net investments in foreign operations	-	-	-	(2,687)	-	-
Losses on cash flow hedging instruments	-	-	-	(7,544)	-	-
<b>Total comprehensive income for the period</b>	-	-	-	91,389	554,404	-
<b>Transactions with the shareholder</b>						
Dividends	-	-	-	-	(667,226)	-
Changes in ownership of subsidiaries	-	-	(491)	-	-	-
<b>Total transactions with the shareholder</b>	-	-	(491)	-	(667,226)	-
<b>Balance at March 31, 2019 (Unaudited)</b>	2,021,896	-	5,218,297	207,173	19,198,576	-
<b>Balance at January 1, 2020</b>	2,021,896	574,523	5,219,704	123,334	21,064,776	-
<b>Comprehensive income (loss) for the period</b>						
Profit for the period	-	-	-	-	586,347	-
Remeasurements of net defined benefit liabilities	-	-	-	(965)	-	-
Net losses on equity instruments at fair value through other comprehensive income	-	-	-	(211,705)	-	-
Currency translation differences	-	-	-	46,192	-	-
Net losses on debt instruments at fair value through other comprehensive income	-	-	-	(26,409)	-	-
Share of other comprehensive income of associates	-	-	-	(7,958)	-	-
Losses on hedging instruments of net investments in foreign operations	-	-	-	(11,663)	-	-
Losses on cash flow hedging instruments	-	-	-	(14,757)	-	-
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(227,265)	586,347	-
<b>Transactions with the shareholder</b>						
Dividends	-	-	-	-	(731,926)	-
Dividends of hybrid securities	-	-	-	-	(9,129)	-
Changes in ownership of subsidiaries	-	-	-	-	-	-
<b>Total transactions with the shareholder</b>	-	-	-	-	(741,055)	-
<b>Balance at March 31, 2020 (Unaudited)</b>	2,021,896	574,523	5,219,704	(103,931)	20,910,068	-

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

**Kookmin Bank and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Three-Month Periods Ended March 31, 2020 and 2019**

(In millions of Korean won)

	Notes	Three-Month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		586,347	572,814
Adjustment for non-cash items			
Net losses (gains) on financial assets/liabilities at fair value through profit or loss		35,273	(76,548)
Net gains on derivative financial investments for hedging purposes		(38,453)	(52,306)
Adjustment of fair value of derivative financial instruments		62	684
Provision for credit losses		76,658	54,237
Net gains on financial investments		(91,155)	(32,954)
Share of loss (profit) of associates		9,699	(10,418)
Depreciation and amortization expense		140,572	110,597
Other net losses (gains) on property and equipment/intangible assets		(3,379)	3,588
Share-based payment		(4,635)	893
Post-employment benefits		40,118	38,997
Net interest expense		189,118	50,723
Losses on foreign currency translation		112,362	50,647
Other expense		12,768	36,337
		479,008	174,477
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		(1,699,538)	(82,487)
Derivative financial instrument		(35,950)	(7,250)
Loans at amortized cost		(11,565,587)	(1,900,271)
Current income tax assets		3,138	131
Deferred income tax assets		412	89
Other assets		355,702	(5,674,519)
Financial liabilities at fair value through profit or loss		(16,485)	(17,190)
Deposits		9,608,150	5,933,337
Deferred income tax liabilities		40,164	122,183
Other liabilities		1,813,451	5,566,518
		(1,496,543)	3,940,541
<b>Net cash inflow (outflow) from operating activities</b>		<b>(431,188)</b>	<b>4,687,832</b>
<b>Cash flows from investing activities</b>			
Net cash flows from derivative financial instrument for hedging purposes		1,296	4,216
Disposal of financial assets at fair value through profit or loss		2,404,706	1,719,994
Acquisition of financial assets at fair value through profit or loss		(2,662,087)	(1,568,004)
Disposal of financial investments		23,775,971	16,411,719
Acquisition of financial investments		(23,985,657)	(19,440,952)
Disposal of investments in associates		30,664	9,279
Acquisition of investments in associates		(7,705)	(8,151)
Disposal of property and equipment		230	753
Acquisition of property and equipment		(62,497)	(76,331)
Acquisition of investment property		(125)	-
Disposal of intangible assets		1,119	-
Acquisition of intangible assets		(16,106)	(49,036)
Net cash flows from changes in ownership of subsidiaries		(849)	(198)
Others		34,014	10,150
<b>Net cash outflow from investing activities</b>		<b>(487,026)</b>	<b>(2,986,561)</b>
<b>Cash flows from financing activities</b>			
Net cash flows from derivative financial instrument for hedging purposes		(13,297)	(6,995)
Net increase (decrease) in debts		2,975,555	(139,256)
Increase in debentures		4,732,107	1,755,594
Decrease in debentures		(2,814,581)	(2,968,977)
Payment of dividends		(731,926)	(667,226)
Net increase (decrease) in other payables from trust accounts		3,632	(245,245)
Others		(335,194)	(16,559)
<b>Net cash inflow (outflow) from financing activities</b>		<b>3,816,296</b>	<b>(2,288,664)</b>
<b>Exchange gains on cash and cash equivalents</b>		<b>16,764</b>	<b>95,716</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,914,846</b>	<b>(491,677)</b>
Cash and cash equivalents at the beginning of the period	35	4,879,313	4,856,495
<b>Cash and cash equivalents at the end of the period</b>	<b>35</b>	<b>7,794,159</b>	<b>4,364,818</b>

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

# **Kookmin Bank and Subsidiaries**

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

### **March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

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#### **1. The Bank**

Kookmin Bank (the “Bank” or the “Parent Company”) was incorporated in 1963 under the Citizens National Bank Act to provide banking services to the general public and to small and medium-sized enterprises. Pursuant to the Repeal Act of the Citizens National Bank Act, effective January 5, 1995, the Bank’s status changed to a financial institution which operates under the Banking Act and Commercial Act.

The Bank merged with Korea Long Term Credit Bank on December 31, 1998, and with its subsidiaries, Daegu, Busan, Jeonnam Kookmin Mutual Savings & Finance Co., Ltd., on August 22, 1999. Pursuant to the directive from the Financial Services Commission related to the Structural Improvement of the Financial Industry Act, the Bank acquired certain assets, including performing loans, and assumed most of the liabilities of Daedong Bank on June 29, 1998. Also, the Bank completed the merger with Housing and Commercial Bank (“H&CB”) on October 31, 2001, and merged with Kookmin Credit Card Co., Ltd., a majority-owned subsidiary, on September 30, 2003. Meanwhile, the Bank spun off its credit card business segment on February 28, 2011, and KB Kookmin Card Co., Ltd. became a subsidiary of KB Financial Group Inc.

The Bank listed its shares on the Stock Market Division of the Korea Exchange (“KRX,” formerly Korea Stock Exchange) in September 1994. As a result of the merger with H&CB, the shareholder of the former Kookmin Bank and H&CB received new common shares of the Bank which were relisted on the KRX on November 9, 2001. In addition, H&CB listed its American Depositary Shares (“ADS”) on the New York Stock Exchange (“NYSE”) on October 3, 2000, prior to the merger. Following the merger with H&CB, the Bank listed its ADS on the NYSE on November 1, 2001. The Bank became a wholly owned subsidiary of KB Financial Group Inc. through a comprehensive stock transfer on September 29, 2008. Subsequently, the Bank’s shares and its ADS, each listed on the KRX and the NYSE, were delisted on October 10, 2008 and September 26, 2008, respectively. As of March 31, 2020, the Bank’s paid-in capital is ₩ 2,021,896 million.

The Bank engages in the banking business in accordance with the Banking Act, trust business in accordance with the Financial Investment Services and Capital Markets Act, and other relevant businesses. As of March 31, 2020, the Bank operates its Seoul headquarters and 1,017 domestic branches, and eight overseas branches (excluding four subsidiaries and two offices).

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

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

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

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



# **Kookmin Bank and Subsidiaries**

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

### **March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

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

The Group's consolidated interim financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as of March 31, 2020.

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2020.

#### *- Amendment to Korean IFRS 1103 Business Combination – Definition of a Business*

Amendment to Korean IFRS 1103 specifies that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment also clarifies that a business can exist without including all of the inputs and processes needed to create output. The amendments do not have a significant impact on the financial statements.

#### *- Amendment to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the new definition of materiality. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that the materiality depends on the nature or magnitude of information considering the information, either individually or in combination with other information, in the context of its financial statements taken as a whole. Misstatements of items are material if they could influence the decisions that users make. The amendment does not have a significant impact on the financial statements.

#### *- The IFRS Interpretations Committee (IFRIC) Agenda Decision – Lease term*

On December 16, 2019, the IFRS Interpretations Committee issued agenda decision for 'Lease Term and Useful Life of Leasehold Improvements'. The interpretation describes how to determine the lease term of a cancellable lease or a renewable lease, and whether the useful life of any related non-removable leasehold improvements is limited to the lease term. The Bank should identify factors to consider broader economic penalty, reflect to the accounting policy, and determine lease term based on it.

The Bank is assessing the impact that the change in accounting policy of enforceable period will have on the Bank's financial statements, and the Bank will apply the impact in the financial statements as a change in accounting policy once the assessment is completed.

# **Kookmin Bank and Subsidiaries**

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

### **March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

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There are no new accounting standards and interpretations that have been published that are not mandatory for March 31, 2020 reporting periods and have not been early adopted by the Group.

#### **2.2 Measurement Basis**

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

#### **2.3 Functional and Presentation Currency**

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

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

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

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

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

##### **2.4.1 Income Taxes**

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

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

##### **2.4.2 Fair Value of Financial Instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make

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assumptions that mainly based on market conditions existing at the end of each reporting period. Refer to Note 6 for details on valuation techniques and inputs used to determine the fair value of financial instruments.

#### **2.4.3 Provisions for Credit Losses (allowances for loan losses, provisions for acceptances and guarantees, and unused loan commitments)**

The Group determines and recognizes allowances for losses on financial assets at amortized cost and fair value through other comprehensive income through impairment test and recognizes provisions for acceptances and guarantees, and unused loan commitments. The accuracy of provisions for credit losses is determined by the methodology and assumptions used for the estimation of expected cash flows of the borrower for individually assessed allowances of loans, collectively assessed allowances for groups of loans, acceptances and guarantees, and unused loan commitments.

#### **2.4.4 Net Defined Benefit Liability**

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions (Note 22).

#### **2.4.5 Estimated Impairment of Goodwill**

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 14).

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

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

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

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

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

#### **4.1 Summary**

##### **4.1.1 Overview of Financial Risk Management Policy**

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

The note regarding financial risk management provides information about the risks that the Group is exposed to, including the objectives, policies and processes for managing the risks, the methods used

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to measure the risks, and capital management. Additional quantitative information is disclosed throughout the consolidated interim financial statements.

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

#### **4.1.2 Risk Management Organization**

##### *Risk Management Committee*

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

##### *Risk Management Council*

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

##### *Risk Management Subcommittees*

The Risk Management Subcommittees enforce decisions made by Risk Management Council, and make practical decisions to implement risk management policies and procedures.

##### *- Credit Risk Management Subcommittee*

The Credit Risk Management Subcommittee approves exotic and hybrid products and reviews credit risk inherent in newly developed products. Also, it reviews and approves the exposure limits by industry.

##### *- Market Risk Management Subcommittee*

The Market Risk Management Subcommittee reviews and makes decisions on setting risk limits and approving the standard for investments in newly developed standard, exotic and hybrid products.

##### *- Operational Risk Management Subcommittee*

The Operational Risk Management Subcommittee reviews the issues that have a significant effect on the Group's operational risk relating to establishment, amendment and abolition of major system, process and others.

##### *Risk Management Group*

The Risk Management Group is responsible for managing specific policies, procedures and work processes relating to the Group's risk management.

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#### 4.2 Credit Risk

##### 4.2.1 Overview of Credit Risk

Credit risk is the risk of possible losses in an asset portfolio in the event of a counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole. The Group uses definition of default as defined and applied in the calculation of Capital Adequacy Ratio (Basel III) in accordance with the new Basel Accord.

##### 4.2.2 Credit Risk Management

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

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

The Group has organized a credit risk management group that focuses on credit risk management in accordance with the Group's credit risk management policy. The Group's credit group, customer service group and SME/SOHO group, which are independent from the sales department, are responsible for loan policy, loan limit, loan review, credit evaluation, restructuring and subsequent management. The credit risk management group is also responsible for planning risk management policy, applying limits of credit lines, measuring the credit risk internal capital, adjusting credit limits, reviewing credit and verifying credit evaluation models.

##### 4.2.3 Maximum Exposure to Credit Risk

The Group's maximum exposures of financial instruments, excluding equity securities, to credit risk without consideration of collateral values as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial assets</b>		
Due from financial institutions <sup>1</sup>	13,632,808	11,786,957
Financial assets at fair value through profit or loss		
Securities	15,485,300	13,446,838
Loans	165,005	188,133
Financial instruments indexed to gold	72,761	79,805
Derivatives	4,057,595	2,317,425
Loans at amortized cost <sup>1</sup>	305,864,041	293,531,433
Financial investments		
Securities at fair value through other comprehensive income	34,289,538	36,116,988
Securities at amortized cost <sup>1</sup>	16,158,340	13,964,339
Loans at fair value through other comprehensive income	351,719	344,292

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Other financial assets <sup>1</sup>	6,138,130	5,464,704
	<u>396,215,237</u>	<u>377,240,914</u>
<b>Off-balance sheet items <sup>2</sup></b>		
Acceptances and guarantees contracts	8,980,019	8,327,494
Financial guarantee contracts	3,395,807	3,305,051
Commitments	90,581,592	87,866,225
	<u>102,957,418</u>	<u>99,498,770</u>
	<u>499,172,655</u>	<u>476,739,684</u>

<sup>1</sup> Due from financial institutions, loans at amortized cost, securities at amortized cost and other financial assets are presented net of allowance.

<sup>2</sup> For details of relevant provisions, see Note 21.

#### 4.2.4 Credit Risk of Loans

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

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

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*Credit risk exposure*

Loans as of March 31, 2020 and December 31, 2019, are classified as follows:

(In millions of Korean won)

March 31, 2020						
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
Financial assets at amortized cost						
Corporate						
Grade 1	82,991,154	1,855,012	4,984	-	-	84,851,150
Grade 2	57,490,922	4,642,907	5,170	-	-	62,138,999
Grade 3	2,445,963	1,957,234	2,624	-	-	4,405,821
Grade 4	415,674	743,905	4,965	-	-	1,164,544
Grade 5	17,854	329,370	764,334	-	-	1,111,558
	143,361,567	9,528,428	782,077	-	-	153,672,072
Retail						
Grade 1	140,110,926	3,437,694	9,840	-	-	143,558,460
Grade 2	3,239,569	4,212,895	11,915	-	-	7,464,379
Grade 3	176,264	1,292,416	11,334	-	-	1,480,014
Grade 4	12,146	151,059	3,841	-	-	167,046
Grade 5	10,428	415,998	437,870	-	-	864,296
	143,549,333	9,510,062	474,800	-	-	153,534,195
	286,910,900	19,038,490	1,256,877	-	-	307,206,267
Financial assets at fair value through other comprehensive income						
Corporate						
Grade 1	206,112	-	-	-	-	206,112
Grade 2	145,607	-	-	-	-	145,607
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	351,719	-	-	-	-	351,719
Retail						
Grade 1	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	-	-	-	-	-	-
	351,719	-	-	-	-	351,719
	287,262,619	19,038,490	1,256,877	-	-	307,557,986

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December 31, 2019

	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non- impaired	Impaired			
<b>Financial assets at amortized cost</b>						
<b>Corporate</b>						
Grade 1	77,685,587	1,722,935	837	-	-	79,409,359
Grade 2	55,097,112	4,512,631	6,397	-	-	59,616,140
Grade 3	2,486,531	2,135,130	4,188	-	-	4,625,849
Grade 4	423,926	796,468	4,185	-	-	1,224,579
Grade 5	16,648	344,920	744,335	-	-	1,105,903
	<u>135,709,804</u>	<u>9,512,084</u>	<u>759,942</u>	<u>-</u>	<u>-</u>	<u>145,981,830</u>
<b>Retail</b>						
Grade 1	135,445,215	3,556,937	7,560	-	-	139,009,712
Grade 2	3,125,163	4,249,881	8,278	-	-	7,383,322
Grade 3	158,769	1,305,097	8,312	-	-	1,472,178
Grade 4	9,468	151,552	2,575	-	-	163,595
Grade 5	8,666	423,127	424,964	-	-	856,757
	<u>138,747,281</u>	<u>9,686,594</u>	<u>451,689</u>	<u>-</u>	<u>-</u>	<u>148,885,564</u>
	<u>274,457,085</u>	<u>19,198,678</u>	<u>1,211,631</u>	<u>-</u>	<u>-</u>	<u>294,867,394</u>
<b>Financial assets at fair value through other comprehensive income</b>						
<b>Corporate</b>						
Grade 1	210,718	-	-	-	-	210,718
Grade 2	133,574	-	-	-	-	133,574
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>344,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,292</u>
<b>Retail</b>						
Grade 1	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>344,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,292</u>
	<u>274,801,377</u>	<u>19,198,678</u>	<u>1,211,631</u>	<u>-</u>	<u>-</u>	<u>295,211,686</u>

<sup>1</sup> Before netting of allowance



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	<b>Corporate</b>	<b>Retail</b>
Grade 1	AAA ~ BBB+	1 ~ 5 grade
Grade 2	BBB ~ BB	6 ~ 8 grade
Grade 3	BB- ~ B	9 ~ 10 grade
Grade 4	B- ~ CCC	11 grade
Grade 5	CC or under	12 grade or under

*Credit risk mitigation by collateral*

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of March 31, 2020, is as follows:

(In millions of Korean won)

<b>March 31, 2020</b>						
	<b>Financial instruments applying 12-month expected credit losses</b>	<b>Financial instruments applying lifetime expected credit losses</b>		<b>Financial instruments applying credit impaired approach</b>	<b>Financial instruments not applying expected credit losses</b>	<b>Total</b>
		<b>Non-impaired</b>	<b>Impaired</b>			
Guarantees	73,564,755	3,805,346	182,819	-	-	77,552,920
Deposits and savings	1,322,286	110,257	6,638	-	-	1,439,181
Property and equipment	3,862,950	322,086	1,369	-	-	4,186,405
Real estate	155,278,518	10,503,395	418,468	-	-	166,200,381
	<u>234,028,509</u>	<u>14,741,084</u>	<u>609,294</u>	<u>-</u>	<u>-</u>	<u>249,378,887</u>

The quantification of the extent to which collateral and other credit enhancements mitigate credit risk as of December 31, 2019, is as follows:

(In millions of Korean won)

<b>December 31, 2019</b>						
	<b>Financial instruments applying 12-month expected credit losses</b>	<b>Financial instruments applying lifetime expected credit losses</b>		<b>Financial instruments applying credit impaired approach</b>	<b>Financial instruments not applying expected credit losses</b>	<b>Total</b>
		<b>Non-impaired</b>	<b>Impaired</b>			
Guarantees	69,711,057	3,834,566	177,047	-	-	73,722,670
Deposits and savings	1,376,045	118,204	6,156	-	-	1,500,405
Property and equipment	3,169,212	314,236	1,123	-	-	3,484,571
Real estate	152,887,321	10,508,403	382,471	-	-	163,778,195
	<u>227,143,635</u>	<u>14,775,409</u>	<u>566,797</u>	<u>-</u>	<u>-</u>	<u>242,485,841</u>

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4.2.5 Credit Quality of Securities

The credit quality of financial investments excluding equity securities that are exposed to credit risk as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		March 31, 2020				
		Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses
			Non-impaired	Impaired		Total
<b>Securities at amortized cost</b>						
Grade 1	16,072,459	-	-	-	-	16,072,459
Grade 2	47,633	-	-	-	-	47,633
Grade 3	39,757	-	-	-	-	39,757
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>16,159,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,159,849</u>
<b>Securities at fair value through other comprehensive income</b>						
Grade 1	32,704,813	-	-	-	-	32,704,813
Grade 2	1,582,068	-	-	-	-	1,582,068
Grade 3	2,657	-	-	-	-	2,657
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	<u>34,289,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,289,538</u>
	<u>50,449,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,449,387</u>

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(In millions of Korean won)

December 31, 2019

	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments not applying expected credit losses	Total
		Non-impaired	Impaired			
<b>Securities at amortized cost</b>						
Grade 1	13,894,203	-	-	-	-	13,894,203
Grade 2	33,148	-	-	-	-	33,148
Grade 3	38,230	-	-	-	-	38,230
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	13,965,581	-	-	-	-	13,965,581
<b>Securities at fair value through other comprehensive income</b>						
Grade 1	34,841,376	-	-	-	-	34,841,376
Grade 2	1,273,007	-	-	-	-	1,273,007
Grade 3	2,606	-	-	-	-	2,606
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
	36,116,989	-	-	-	-	36,116,989
	50,082,570	-	-	-	-	50,082,570

<sup>1</sup> Before netting of allowance

The credit qualities of securities, excluding equity securities according to the credit ratings by external rating agencies as of March 31, 2020, is as follows:

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

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

#### 4.2.6 Credit Risk of Due from Financial Institutions

The credit quality of due from financial institutions as of March 31, 2020 and December 31, 2019, are classified as follows:

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(In millions of Korean won)

March 31, 2020					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Total
		Non-impaired	Impaired		
Due from financial institutions at amortized cost <sup>1</sup>					
Grade 1	12,699,691	-	-	-	12,699,691
Grade 2	278,590	-	-	-	278,590
Grade 3	629,006	-	-	-	629,006
Grade 4	-	-	-	-	-
Grade 5	25,041	4,863	296	-	30,200
	13,632,328	4,863	296	-	13,637,487

(In millions of Korean won)

December 31, 2019					
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	
		Non-impaired	Impaired		Total
Due from financial institutions at amortized cost <sup>1</sup>					
Grade 1	10,936,300	-	-	-	10,936,300
Grade 2	149,927	-	-	-	149,927
Grade 3	677,249	-	-	-	677,249
Grade 4	-	-	-	-	-
Grade 5	13,990	13,179	360	-	27,529
	11,777,466	13,179	360	-	11,791,005

<sup>1</sup> Before netting of allowance

The classification criteria of the credit quality for due from financial institutions are the same as the criteria for securities (excluding equity securities).

#### 4.2.7 Credit Risk Mitigation of Derivative Financial Instruments

The quantification of the extent to which collateral mitigates credit risk of derivative financial instruments as of March 31, 2020 and December 31, 2019, is as follows:

(In millions of Korean won)	March 31, 2020	December 31, 2019
Deposits and savings, securities and others	519,385	496,294

#### 4.2.8 Credit Risk Concentration Analysis

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Details of the Group's loans by jurisdiction as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

<b>March 31, 2020</b>						
	<b>Retail</b>	<b>Corporate<sup>1</sup></b>	<b>Total</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Korea	153,246,814	145,820,530	299,067,344	97.20	(1,307,040)	297,760,304
China	-	3,662,705	3,662,705	1.19	(21,913)	3,640,792
Japan	106	719,151	719,257	0.23	(595)	718,662
United States	-	1,978,255	1,978,255	0.64	(5,110)	1,973,145
Europe	-	1,337,622	1,337,622	0.43	(4,003)	1,333,619
Others	287,275	670,533	957,808	0.31	(3,565)	954,243
	<b>153,534,195</b>	<b>154,188,796</b>	<b>307,722,991</b>	<b>100.00</b>	<b>(1,342,226)</b>	<b>306,380,765</b>

(In millions of Korean won)

<b>December 31, 2019</b>						
	<b>Retail</b>	<b>Corporate<sup>1</sup></b>	<b>Total</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Korea	148,609,480	139,599,908	288,209,388	97.58	(1,303,099)	286,906,289
China	-	3,135,501	3,135,501	1.06	(20,652)	3,114,849
Japan	101	629,717	629,818	0.21	(547)	629,271
United States	-	1,838,883	1,838,883	0.62	(5,421)	1,833,462
Europe	-	752,590	752,590	0.25	(3,680)	748,910
Others	275,983	557,656	833,639	0.28	(2,562)	831,077
	<b>148,885,564</b>	<b>146,514,255</b>	<b>295,399,819</b>	<b>100.00</b>	<b>(1,335,961)</b>	<b>294,063,858</b>

<sup>1</sup> Expected credit loss of loans at fair value through other comprehensive income as of March 31, 2020 and December 31, 2019, are ₩ 394 million and ₩ 582 million, respectively.

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Details of the Group's corporate loans by industry as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

**March 31, 2020**

	<b>Loans<sup>1</sup></b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	13,199,287	8.57	(5,730)	13,193,557
Manufacturing	45,995,403	29.83	(386,852)	45,608,551
Service	65,196,780	42.28	(176,483)	65,020,297
Wholesale and retail	19,553,664	12.68	(103,892)	19,449,772
Construction	3,097,343	2.01	(160,348)	2,936,995
Public	1,175,995	0.76	(2,686)	1,173,309
Others	5,970,324	3.87	(16,354)	5,953,970
	<b>154,188,796</b>	<b>100.00</b>	<b>(852,345)</b>	<b>153,336,451</b>

*(In millions of Korean won)*

**December 31, 2019**

	<b>Loans<sup>1</sup></b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Financial institutions	13,564,347	9.26	(5,091)	13,559,256
Manufacturing	42,707,287	29.15	(389,602)	42,317,685
Service	62,713,574	42.80	(178,869)	62,534,705
Wholesale and retail	17,900,225	12.22	(97,238)	17,802,987
Construction	2,833,544	1.93	(163,791)	2,669,753
Public	1,170,823	0.80	(2,005)	1,168,818
Others	5,624,455	3.84	(24,794)	5,599,661
	<b>146,514,255</b>	<b>100.00</b>	<b>(861,390)</b>	<b>145,652,865</b>

<sup>1</sup> Expected credit loss of loans at fair value through other comprehensive income as of March 31, 2020 and December 31, 2019, are ₩ 394 million and ₩ 582 million, respectively.

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Details of the Group's retail as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>		
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing purpose	82,395,103	53.67	(40,306)	82,354,797
General purpose	71,139,092	46.33	(449,575)	70,689,517
	<b>153,534,195</b>	<b>100.00</b>	<b>(489,881)</b>	<b>153,044,314</b>

<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>		
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Housing purpose	77,523,389	52.07	(33,536)	77,489,853
General purpose	71,362,175	47.93	(441,035)	70,921,140
	<b>148,885,564</b>	<b>100.00</b>	<b>(474,571)</b>	<b>148,410,993</b>

Details of the Group's mortgage loans<sup>1</sup> as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>		
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	10,902,091	11.31	(6,070)	10,896,021
Group2	20,965,444	21.74	(4,300)	20,961,144
Group3	34,969,565	36.27	(9,145)	34,960,420
Group4	28,440,616	29.49	(17,824)	28,422,792
Group5	1,131,083	1.17	(2,877)	1,128,206
Group6	17,910	0.02	(152)	17,758
	<b>96,426,709</b>	<b>100.00</b>	<b>(40,368)</b>	<b>96,386,341</b>

<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>		
	<b>Loans</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
Group1	9,410,202	9.99	(4,634)	9,405,568
Group2	19,269,533	20.48	(6,270)	19,263,263
Group3	33,500,810	35.61	(7,304)	33,493,506
Group4	30,517,828	32.44	(13,244)	30,504,584
Group5	1,364,155	1.45	(2,389)	1,361,766
Group6	25,763	0.03	(128)	25,635
	<b>94,088,291</b>	<b>100.00</b>	<b>(33,969)</b>	<b>94,054,322</b>

<sup>1</sup> Retail loans for general purpose with the real estate as collateral are included.

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	<b>Ranges</b>
Group1	LTV 0% to less than 20%
Group2	LTV 20% to less than 40%
Group3	LTV 40% to less than 60%
Group4	LTV 60% to less than 80%
Group5	LTV 80% to less than 100%
Group6	LTV over 100%

<sup>1</sup> LTV: Loan to Value ratio

*Credit risk by industry of due from financial institutions, securities and derivative financial instruments*

Details of the Group's credit risk of due from financial institutions, securities excluding equity securities and derivative financial instruments by industry as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions at amortized cost</b>				
Finance and Insurance	13,637,487	100.00	(4,679)	13,632,808
	<u>13,637,487</u>	<u>100.00</u>	<u>(4,679)</u>	<u>13,632,808</u>
<b>Securities at fair value through profit or loss</b>				
Government and government funded institutions	3,772,602	24.36	-	3,772,602
Finance and Insurance <sup>1</sup>	9,744,245	62.93	-	9,744,245
Others	1,968,453	12.71	-	1,968,453
	<u>15,485,300</u>	<u>100.00</u>	<u>-</u>	<u>15,485,300</u>
<b>Derivatives</b>				
Government and government funded institutions	43,766	1.08	-	43,766
Finance and Insurance <sup>1</sup>	3,798,509	93.61	-	3,798,509
Others	215,320	5.31	-	215,320
	<u>4,057,595</u>	<u>100.00</u>	<u>-</u>	<u>4,057,595</u>
<b>Securities at fair value through other comprehensive income<sup>2</sup></b>				
Government and government funded institutions	11,492,542	33.52	-	11,492,542
Finance and Insurance	18,633,862	54.34	-	18,633,862
Others	4,163,134	12.14	-	4,163,134
	<u>34,289,538</u>	<u>100.00</u>	<u>-</u>	<u>34,289,538</u>
<b>Securities at amortized cost</b>				
Government and government funded institutions	2,939,997	18.19	-	2,939,997
Finance and Insurance	13,209,849	81.75	(1,507)	13,208,342
Others	10,003	0.06	(2)	10,001
	<u>16,159,849</u>	<u>100.00</u>	<u>(1,509)</u>	<u>16,158,340</u>
	<u>83,629,769</u>		<u>(6,188)</u>	<u>83,623,581</u>



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	December 31, 2019			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions at amortized cost</b>				
Finance and Insurance	11,791,005	100.00	(4,048)	11,786,957
	11,791,005	100.00	(4,048)	11,786,957
<b>Securities at fair value through profit or loss</b>				
Government and government funded institutions	2,810,692	20.90	-	2,810,692
Finance and Insurance <sup>1</sup>	9,033,080	67.18	-	9,033,080
Others	1,603,067	11.92	-	1,603,067
	13,446,839	100.00	-	13,446,839
<b>Derivatives</b>				
Government and government funded institutions	7,330	0.32	-	7,330
Finance and Insurance <sup>1</sup>	2,146,545	92.62	-	2,146,545
Others	163,551	7.06	-	163,551
	2,317,426	100.00	-	2,317,426
<b>Securities at fair value through other comprehensive income<sup>2</sup></b>				
Government and government funded institutions	13,852,627	38.35	-	13,852,627
Finance and Insurance	18,726,118	51.85	-	18,726,118
Others	3,538,244	9.80	-	3,538,244
	36,116,989	100.00	-	36,116,989
<b>Securities at amortized cost</b>				
Government and government funded institutions	2,317,794	16.60	(15)	2,317,779
Finance and Insurance	11,637,772	83.33	(1,225)	11,636,547
Others	10,015	0.07	(2)	10,013
	13,965,581	100.00	(1,242)	13,964,339
	77,637,840		(5,290)	77,632,550

<sup>1</sup> Collective investment securities included in securities at fair value through profit or loss and derivatives are classified as finance and insurance.

<sup>2</sup> Expected credit loss of securities at fair value through other comprehensive income as of March 31, 2020 and December 31, 2019, are ₩ 2,670 million and ₩ 2,028 million, respectively.

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Details of the Group's credit risk of due from financial institutions, securities, excluding equity securities and derivative financial instruments by country as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>			
	<b>Amount</b>	<b>%</b>	<b>Allowances</b>	<b>Carrying amount</b>
<b>Due from financial institutions at amortized cost</b>				
Korea	8,409,314	61.66	-	8,409,314
United States	2,971,302	21.79	-	2,971,302
Others	2,256,871	16.55	(4,679)	2,252,192
	<u>13,637,487</u>	<u>100.00</u>	<u>(4,679)</u>	<u>13,632,808</u>
<b>Securities at fair value through profit or loss</b>				
Korea	13,687,180	88.39	-	13,687,180
United States	1,199,649	7.75	-	1,199,649
Others	598,471	3.86	-	598,471
	<u>15,485,300</u>	<u>100.00</u>	<u>-</u>	<u>15,485,300</u>
<b>Derivatives</b>				
Korea	1,366,071	33.67	-	1,366,071
United States	1,088,977	26.84	-	1,088,977
France	493,083	12.15	-	493,083
Others	1,109,464	27.34	-	1,109,464
	<u>4,057,595</u>	<u>100.00</u>	<u>-</u>	<u>4,057,595</u>
<b>Securities at fair value through other comprehensive income<sup>1</sup></b>				
Korea	31,593,708	92.14	-	31,593,708
United States	532,614	1.55	-	532,614
Others	2,163,216	6.31	-	2,163,216
	<u>34,289,538</u>	<u>100.00</u>	<u>-</u>	<u>34,289,538</u>
<b>Securities at amortized cost</b>				
Korea	15,399,927	95.30	(1,228)	15,398,699
United States	246,301	1.52	(40)	246,261
United Kingdom	365,163	2.26	(109)	365,054
Others	148,458	0.92	(132)	148,326
	<u>16,159,849</u>	<u>100.00</u>	<u>(1,509)</u>	<u>16,158,340</u>
	<u>83,629,769</u>		<u>(6,188)</u>	<u>83,623,581</u>

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	December 31, 2019			
	Amount	%	Allowances	Carrying amount
<b>Due from financial institutions at amortized cost</b>				
Korea	8,765,109	74.34	-	8,765,109
United States	1,244,220	10.55	-	1,244,220
Others	1,781,676	15.11	(4,048)	1,777,628
	<u>11,791,005</u>	<u>100.00</u>	<u>(4,048)</u>	<u>11,786,957</u>
<b>Securities at fair value through profit or loss</b>				
Korea	12,460,493	92.66	-	12,460,493
United States	626,596	4.66	-	626,596
Others	359,750	2.68	-	359,750
	<u>13,446,839</u>	<u>100.00</u>	<u>-</u>	<u>13,446,839</u>
<b>Derivatives</b>				
Korea	938,971	40.52	-	938,971
United States	461,145	19.90	-	461,145
France	299,491	12.92	-	299,491
Others	617,819	26.66	-	617,819
	<u>2,317,426</u>	<u>100.00</u>	<u>-</u>	<u>2,317,426</u>
<b>Securities at fair value through other comprehensive income<sup>1</sup></b>				
Korea	33,895,666	93.85	-	33,895,666
United States	423,145	1.17	-	423,145
Others	1,798,178	4.98	-	1,798,178
	<u>36,116,989</u>	<u>100.00</u>	<u>-</u>	<u>36,116,989</u>
<b>Securities at amortized cost</b>				
Korea	12,841,002	91.95	(833)	12,840,169
United States	165,745	1.19	(34)	165,711
United Kingdom	765,438	5.48	(237)	765,201
Others	193,396	1.38	(138)	193,258
	<u>13,965,581</u>	<u>100.00</u>	<u>(1,242)</u>	<u>13,964,339</u>
	<u>77,637,840</u>		<u>(5,290)</u>	<u>77,632,550</u>

<sup>1</sup> Expected credit loss of securities at fair value through other comprehensive income as of March 31, 2020 and December 31, 2019, are ₩ 2,670 million and ₩ 2,028 million, respectively.

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

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**4.3 Liquidity risk**

**4.3.1 Overview of Liquidity Risk**

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of interest-bearing assets and liabilities, assets and liabilities related to the other in and outflows, and off-balance sheet items related to the inflows and outflows of currency derivative instruments and others.

**4.3.2 Liquidity Risk Management and Indicator**

The liquidity risk is managed by ALM ('Asset Liability Management') and related guidelines which are applied to the risk management policies and procedures that addresses all the possible risks that arise from the overall business of the Group.

The Group has to establish the liquidity risk management strategy including the objectives of liquidity risk management, management policies and internal control system, and obtain approval from Risk Management Committee. Risk Management Committee operates the Risk Management Council for the purpose of efficient risk management, monitors establishment and enforcement of policies based on risk management strategy.

For the purpose of liquidity management, LCR, NSFR, the liquidity gap ratio, liquidity ratio, maturity gap ratio and the results of the stress testing related to liquidity risk on transactions affecting the inflows and outflows of funds and transactions of off-balance sheet items are measured, managed and reported to the Risk Management Committee and Risk Management Council on a regular basis.

**4.3.3 Analysis of Remaining Contractual Maturity of Financial Assets and Liabilities**

Cash flows disclosed below are undiscounted contractual principal and interest to be received (paid) and, thus, differ from the amounts in financial statements which are based on the present value of expected cash flows. The amount of interest to be received or paid on floating rate assets and liabilities is measured on the assumption that the current interest rate would be the same through maturity.

The remaining contractual maturity of financial assets and liabilities, excluding derivatives held for cash flow hedging, as of and March 31, 2020 and December 31, 2019, are as follows:

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(In millions of Korean won)

	March 31, 2020						Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Financial assets</b>							
Cash and due from financial institutions <sup>1</sup>	7,580,415	441,274	135,676	567,308	-	-	8,724,673
Financial assets at fair value through profit or loss <sup>2</sup>	15,717,264	22,630	99,300	-	-	87,445	15,926,639
Derivatives held for trading <sup>2</sup>	3,843,779	-	-	-	-	-	3,843,779
Derivatives held for hedging <sup>3</sup>	-	8,589	(4,754)	42,550	41,718	63,737	151,840
Loans at amortized cost	-	24,405,176	32,784,993	113,468,034	85,844,286	90,622,417	347,124,906
Financial investments	1,638,188	3,166,031	3,956,506	11,496,433	31,497,211	2,679,603	54,433,972
Financial assets at fair value through other comprehensive income <sup>4</sup>	1,638,188	1,732,499	2,167,261	5,629,544	25,920,489	273,635	37,361,616
Securities at amortized cost	-	1,433,532	1,789,245	5,866,889	5,576,722	2,405,968	17,072,356
Other financial assets	-	4,376,377	-	971,994	-	-	5,348,371
	<u>28,779,646</u>	<u>32,420,077</u>	<u>36,971,721</u>	<u>126,546,319</u>	<u>117,383,215</u>	<u>93,453,202</u>	<u>435,554,180</u>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>2</sup>	73,195	-	-	-	-	-	73,195
Derivatives held for trading <sup>2</sup>	3,730,909	-	-	-	-	-	3,730,909
Derivatives held for hedging <sup>3</sup>	-	(848)	8,730	6,542	14,841	181	29,446
Deposits <sup>5</sup>	144,566,204	17,593,434	27,362,945	111,865,600	11,449,415	2,352,839	315,190,437
Borrowings	1,696	5,830,050	3,188,508	8,619,498	4,757,264	619,934	23,016,950
Debentures	21,459	642,531	2,443,820	7,529,081	9,228,652	2,050,272	21,915,815
Lease liabilities	34	14,913	27,222	99,081	210,190	15,631	367,071
Other financial liabilities	-	13,885,679	1,148	101,073	102,771	2,888	14,093,559
	<u>148,393,497</u>	<u>37,965,759</u>	<u>33,032,373</u>	<u>128,220,875</u>	<u>25,763,133</u>	<u>5,041,745</u>	<u>378,417,382</u>
<b>Off-balance sheet items</b>							
Commitments <sup>6</sup>	90,581,592	-	-	-	-	-	90,581,592
Payment guarantees contracts	8,980,019	-	-	-	-	-	8,980,019
Financial guarantee contracts <sup>7</sup>	3,395,807	-	-	-	-	-	3,395,807
	<u>102,957,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,957,418</u>

<sup>1</sup> The amounts of ₩ 7,765,041 million which are restricted amount due from the financial institutions as of March 31, 2020 are excluded.

<sup>2</sup> Financial liabilities at fair value through profit or loss, derivatives held for trading and financial assets at fair value through profit or loss (excluding loans) are not managed by contractual maturity because they are held for trading or redemption before maturity. Therefore, the carrying amounts are included in the 'On demand' category.

<sup>3</sup> Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.

<sup>4</sup> Equity securities designated as financial assets at fair value through other comprehensive income included in the 'On demand' category as most are available for sale at any time. However, in the case of equity investments which are restricted for sale, these will be classified to its respective maturity when the restriction on disposal is released.

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

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demand' category.

<sup>6</sup> Unused lines of credit within commitments are included under the 'On demand' category as payments can be required upon request.

<sup>7</sup> Financial guarantee contracts are included under the 'On demand' category as payments can be required upon request.

(In millions of Korean won)

	December 31, 2019						Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
<b>Financial assets</b>							
Cash and due from financial institutions <sup>1</sup>	4,738,842	283,601	233,046	487,877	-	-	5,743,366
Financial assets at fair value through profit or loss <sup>2</sup>	13,677,669	251	17,846	134,012	-	87,445	13,917,223
Derivatives held for trading <sup>2</sup>	2,184,099	-	-	-	-	-	2,184,099
Derivatives held for hedging <sup>3</sup>	-	4,306	17,145	24,016	39,693	66,176	151,336
Loans at amortized cost	-	22,455,411	28,091,644	115,979,519	78,654,724	89,601,437	334,782,735
Financial investments	1,893,179	1,253,141	3,045,348	10,727,300	35,015,283	2,859,162	54,793,413
Financial assets at fair value through other comprehensive income <sup>4</sup>	1,893,179	310,261	1,122,554	5,499,868	30,502,706	456,250	39,784,818
Securities at amortized cost	-	942,880	1,922,794	5,227,432	4,512,577	2,402,912	15,008,595
Other financial assets	-	3,672,079	-	996,994	-	-	4,669,073
	<u>22,493,789</u>	<u>27,668,789</u>	<u>31,405,029</u>	<u>128,349,718</u>	<u>113,709,700</u>	<u>92,614,220</u>	<u>416,241,245</u>
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss <sup>2</sup>	80,235	-	-	-	-	-	80,235
Derivatives held for trading <sup>2</sup>	2,132,771	-	-	-	-	-	2,132,771
Derivatives held for hedging <sup>3</sup>	-	5,973	696	(4,529)	11,575	129	13,844
Deposits <sup>5</sup>	137,848,626	17,156,280	27,200,257	109,833,508	10,608,833	2,538,473	305,185,977
Borrowings	1,407	5,218,386	2,484,905	6,541,727	4,473,295	753,997	19,473,717
Debentures	22,285	1,014,596	1,870,767	5,668,559	9,593,393	1,633,467	19,803,067
Lease liabilities	520	14,196	27,962	101,976	198,415	13,885	356,954
Other financial liabilities	-	12,130,281	773	77,688	88,594	-	12,297,336
	<u>140,085,844</u>	<u>35,539,712</u>	<u>31,585,360</u>	<u>122,218,929</u>	<u>24,974,105</u>	<u>4,939,951</u>	<u>359,343,901</u>
<b>Off-balance sheet items</b>							
Commitments <sup>6</sup>	87,866,225	-	-	-	-	-	87,866,225
Payment guarantees contracts	8,327,494	-	-	-	-	-	8,327,494
Financial guarantee contracts <sup>7</sup>	3,305,051	-	-	-	-	-	3,305,051
	<u>99,498,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,498,770</u>

<sup>1</sup> The amounts of ₩ 8,759,558 million which are restricted amount due from the financial institutions as of December 31, 2019, are excluded.

<sup>2</sup> Financial liabilities at fair value through profit or loss, derivatives held for trading and financial assets at fair value through profit or loss (excluding loans) are not managed by contractual maturity because they are held for trading or redemption before maturity. Therefore, the carrying amounts are included in the 'On demand' category.

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<sup>3</sup> Cash flows of derivative instruments held for hedging are shown at net amounts of cash inflows and outflows by remaining contractual maturity.

<sup>4</sup> Equity securities designated as financial assets at fair value through other comprehensive income included in the 'On demand' category as most are available for sale at any time. However, in the case of equity investments which are restricted for sale, these will be classified to its respective maturity when the restriction on disposal is released.

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

<sup>6</sup> Unused lines of credit within commitments are included under the 'On demand' category as payments can be required upon request.

<sup>7</sup> Financial guarantee contracts are included under the 'On demand' category as payments can be required upon request.

The remaining contractual cash flows of derivatives held for cash flow hedging as of and March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	March 31, 2020					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash flow to be received of net settlement derivatives	14	280	842	45	-	1,181
Cash flow to be paid of net settlement derivatives	216	3,849	6,071	5,858	-	15,994

(In millions of Korean won)

	December 31, 2019					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash flow to be received of net settlement derivatives	38	357	1,015	564	-	1,974
Cash flow to be paid of net settlement derivatives	191	1,340	2,001	342	-	3,874

## 4.4 Market Risk

### 4.4.1 Concept

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate and other market factors, and incurred in securities, derivatives and others. The most significant risks associated with trading positions are interest rate risks and currency risks, and other risks include stock price risks. In addition, the Group is exposed to interest rate risks associated with non-trading positions. The Group classifies exposures to market risk into either trading or non-trading positions for managerial purpose.

### 4.4.2 Risk Management

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

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

The Asset-Liability Management Committee (ALCO) determines the operational standards of interest and commission, the details of establishment and prosecution of the Asset Liability Management (ALM) policies, and enacts and amends relevant guidelines. The Risk Management Council monitors the establishment and enforcement of ALM risk management policies and enact and amend ALM risk management guidelines. The interest rate risk limit is set based on the future assets/liabilities position and interest rate volatility estimation reflects the annual work plan. The ALM Department and Risk Management Department measures and monitors the interest risk status and limits on a regular basis. The status and limits of interest rate risks, such as interest rate EaR, duration gap and interest rate VaR, are reported to the ALCO and Risk Management Council on a monthly basis and to the Risk Management Committee on a quarterly basis. To ensure adequacy of interest rate and liquidity risk management, the Risk Management Department assigns the limits, monitors and reviews the risk management procedures and tasks conducted by the ALM Department. Also, the Risk Management Department independently reports related information to management.

#### 4.4.3 Trading Position

##### *Definition of a trading position*

Trading positions subject to market risk management are interest rate, stock price positions for short-term profit-taking and others. Also, they include all foreign exchange rate positions. The basic requirements of trading positions are defined under the Trading Policy and Guideline, are as follows:

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

##### *Observation method on market risk arising from trading positions*

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



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#### *Value at Risk (VaR)*

##### i. Value at Risk (VaR)

The Group uses the Value-at-Risk methodology to measure the market risk of trading positions.

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

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

The Group uses an internal model (VaR) to measure general risk, and a standard method to measure each individual risk. When the internal model is not permitted for certain market risk, the Group uses the standard method. Therefore, the market risk VaR may not reflect the market risk of each individual risk and some specific positions.

##### ii. Back-Testing

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

##### iii. Stress Testing

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

The units that analyze total VaR can be categorized as follows: ① by product: interest rate products (debt securities in Korean won and foreign currencies, etc.), foreign currency products (spots, futures, and CRS, etc.), equity securities (equities, ELS, etc.), ② by risk factors: interest rates (government bond interest rate in Korean won and foreign currencies, corporate bond interest rate, etc.), exchange rates (USD/KRW, USD/JPY, etc.), and stock market indexes (KOSPI, S&P 500, etc.); the Group previously assesses VaR by product considering timeliness and efficiency.

However, as the amount of investment in foreign currency asset increases, products evaluated as multiple risk factors (i.e. for foreign currency bonds, ① by product: interest rate product ② by risk

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factor: interest rate and foreign exchange rate) had a tendency that dispersion effect is excessive due to not reflecting the actual hedge position by products in detail; to prevent which, the Group has decided to use VaR by risk factor from 2018.

VaR at a 99%, excluding Stressed Value at Risks, confidence level of interest rate, stock price and foreign exchange rate risk for trading positions with a ten-day holding period as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	March 31, 2020			
	Average	Minimum	Maximum	Ending
Interest rate risk	24,155	9,588	72,318	72,318
Stock price risk	6,375	3,787	16,850	16,850
Foreign exchange rate risk	12,822	5,302	36,940	36,940
Deduction of diversification effect				(6,164)
Total VaR	30,798	14,225	119,944	119,944

(In millions of Korean won)

	December 31, 2019			
	Average	Minimum	Maximum	Ending
Interest rate risk	11,190	1,725	20,467	16,628
Stock price risk	3,434	2,402	4,310	3,914
Foreign exchange rate risk	15,760	11,416	20,704	13,081
Deduction of diversification effect				(13,246)
Total VaR	17,545	13,641	24,849	20,377

The required equity capital using the standard method related to the positions which are not measured by VaR as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)	March 31, 2020	December 31, 2019
Interest rate risk	81,732	83,731
Stock price risk	15,783	1,954
Foreign exchange rate risk	2,001	1,850
	99,516	87,535

#### Details of risk factors

##### i. Interest rate risk

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

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#### ii. Stock price risk

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

#### iii. Foreign exchange rate risk

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

#### 4.4.4 Non-trading Position (Interest Rate Risk of Banking Book)

##### i. Definition of interest rate risk of banking book

Interest rate risk of banking book (IRRBB) is interest rate risk arises from a change in equity and earnings caused by fluctuation in value of interest rate sensitive assets and liabilities, and these risks are measured with change in Economic Value of Equity ( $\Delta$ EVE) or interest rate VaR and change in Net Interest Income ( $\Delta$ NII).

##### ii. Bank's overall interest rate risk management and mitigation strategy

The Risk Management Committee approves policies, procedures and limits for interest rate risk management, and the management department regularly reports on interest rate risk levels of  $\Delta$ EVE,  $\Delta$ NII and changes of market condition etc., as compared to the set limit and changes of market conditions etc. To measure the sensitivity of bank's Economic Value of Measures and Earnings-Based Measures affected by interest rate changes, the interest rate and duration gaps of assets and liabilities are calculated every month. In addition, the management department conducts interest rate risk crisis analysis at least once a quarter, assuming abnormal interest rate fluctuations, and reports the results to the Risk Management Council. Independent internal and external audit departments regularly check the process of identifying, measuring and monitoring interest rate risk. The evaluation of adequacy of interest rate risk model is regularly conducted at least once a year by a department that is independent of the function they are assigned to review.

##### iii. Main modeling assumption used for the Bank's interest rate risk measurement system for internal management

The Bank separately calculates  $\Delta$ EVE for internal management purpose using Historical-simulation based on the volatility of interest rates in the past financial crisis (FY08-FY09), the portfolio of assets/liabilities and 27 interest rate gaps, considering the management strategy.

##### iv. The Bank's interest rate risk hedging methodology and related accounting

The Bank hedges the interest rate through the same back-to-back interest rate swap transaction. The Bank officially documents and manages the risk management strategy for hedge accounting application,

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risk management purpose, hedging relationship, and methods for assessing compliance with hedge effectiveness.

#### v. Main assumptions used for calculating $\Delta$ EVE, $\Delta$ NII

Interest rate risk is measured by considering the cash flows of all interest-sensitive assets, liabilities and off-balance sheet items in the Banking Book.  $\Delta$ EVE assumes a run-off balance sheet with an outflow view in which existing bank account positions are derecognized and are not replaced by new business. In addition,  $\Delta$ EVE is calculated by the cash flows generated by applying contracted interest rates which include commercial margins and other interest rate components are used for  $\Delta$ EVE. Risk-free interest rate that does not include commercial margins and other interest rate components is applied when discounting the estimated cash flows to present value.

$\Delta$ NII is computed assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, replaced period and spread components. Interest rate risk for interest rate shock scenarios is calculated considering only loss in each currency. Non-maturity deposits are categorized as retail\_transactional, retail\_non-transactional and wholesale according to depositor characteristics and account characteristics. The core deposit rate and upper average maturity cap of each aforementioned category are considered to determine average interest rate repricing maturity for non-maturity deposits. The average interest rate repricing maturity for non-maturity deposits is 2.5 years for core deposits and 1 day for non-core deposits, with the longest interest rate repricing maturity of 5 years. The prepayment rate of fixed-rate loan and early redemption rate of term deposit are estimated based on prepayment amount of fixed-rate loan and early redemption amount of term deposits during a month, respectively.

#### vi. $\Delta$ EVE, $\Delta$ NII

The Group calculates  $\Delta$ EVE by applying six rate shock and stress scenarios, and  $\Delta$ NII by applying parallel shock up and down scenarios. The results as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	March 31, 2020		December 31, 2019	
	Changes in the Economic Value of Equity Capital	Changes in net interest income	Changes in the Economic Value of Equity Capital	Changes in net interest income
Scenario 1 (Parallel up)	-	119,753	483,207	152,013
Scenario 2 (Parallel down)	279,577	4,135	31,718	9,717
Scenario 3 (Steeper)	143,153	-	257,756	-
Scenario 4 (Flattener)	428,722	-	411,237	-
Scenario 5 (Short rate up)	241,799	-	378,380	-
Scenario 6 (Short rate down)	604,825	-	492,047	-
Maximum of Scenarios 1-6	604,825	119,753	492,047	152,013
Basic capital	27,980,140	-	27,609,684	-

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#### **4.5 Operational Risk**

##### **4.5.1 Concept**

The Group defines operational risk as risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The operational risk includes financial and non-financial risks.

##### **4.5.2 Risk Management**

The purpose of operational risk management is not only to comply with requirements of regulatory authorities but is also to establish an integrated system to cultivate enterprise culture that values importance of risk management, strengthen internal controls, improve processes and provide with timely feedback to management so that eventually mitigate operational risk of the Group. In addition, the Group established Business Continuity Planning (BCP) to ensure critical business functions can be maintained, or restored, in the event of material disruptions arising from internal or external events. It has constructed replacement facilities as well as has carried out full scale test for head office and IT departments to test its BCPs.

#### **4.6 Capital Management**

The Group complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Basel III revised by Basel Committee on Banking Supervision in Bank for International Settlements in June 2011, and was implemented in Korea in December 2013.

The Group is required to maintain a minimum Common Equity Tier 1 ratio of at least 4.5%, a minimum Tier 1 ratio of 6.0% and a minimum Total Regulatory Capital of 8.0% as of March 31, 2020. Capital Conservation Buffer of 2.5% and Capital Requirement of Domestic Systemically Important Bank (D-SIB) of 1.0% are additionally applied. Therefore, the Group is required to maintain a capital ratio including a minimum capital ratio and additional capital requirements (a Common Equity Tier 1 Ratio of 8.0% (December 31, 2019: 8.0%), a Tier 1 Ratio of 9.5% (December 31, 2019: 9.5%), and a Total Regulatory Capital Ratio of 11.5% (December 31, 2019: 11.5%)).

The Group's equity capital is classified into three categories in accordance with Detailed Supervisory Regulations on Banking Business:

- Common Equity Tier 1 Capital: Common Equity Tier 1 Capital represents the issued capital that takes the first and proportionately greatest share of any losses and represents the most subordinated claim in liquidation of the Group, and not repaid outside of liquidation. It includes common shares issued, capital surplus, retained earnings, non-controlling interests of consolidated subsidiaries, accumulated other comprehensive income, other capital surplus and others.
- Additional Tier 1 Capital: Additional Tier 1 Capital includes perpetual instruments issued by the Group that meet the criteria for inclusion in Additional Tier 1 capital, and stock surplus resulting from the issue of instruments included in Additional Tier 1 capital and others.
- Tier 2 Capital: Tier 2 Capital represents the capital that takes the proportionate share of losses in the liquidation of the Group. Tier 2 Capital includes a fund raised by issuing subordinated debentures maturing in not less than 5 years that meet the criteria for inclusion in Tier 2 capital, and the allowance

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for loan losses which are accumulated for assets classified as normal or precautionary in accordance with Regulations on Supervision of Banking Business and others.

Risk weighted asset means the assets weighted according to the inherent risks in the total assets and the possible losses resulting from the errors of internal process and external events which the Group should cover. The Group calculates risk weighted asset by each risk (credit risk, market risk and operational risk) based on Detailed Regulations on Supervision of Banking Business and uses it for its capital ratio calculation. The Group complied with external capital adequacy requirements as of March 31, 2020 and December 31, 2019.

In addition to the capital ratio, the Group assesses its adequacy of capital by using the internal assessment and management policy of the capital adequacy. The assessment of the capital adequacy is conducted by comparing available capital (actual amount of available capital) and internal capital (amount of capital enough to cover all significant risks under target credit rate set by the Group). The Group monitors the soundness of finance and provides risk adjusted basis for performance review using the assessment of the capital adequacy. The internal capital is calculated by adding the stress testing results and other required items to the total internal capitals which are calculated for each risk.

The Risk Management Council of the Group determines the Group's risk appetite and allocates internal capital by risk type and business group. Each business group efficiently operates its capital within range of granted internal capital. The Risk Management Department of the Group monitors a management of the limit on internal capital and reports the results to management and the Risk Management Council. The Group maintains the adequacy of capital through proactive review and approval of the Risk Management Committee when the internal capital is expected to exceed the limits.

Details of the Group's capital adequacy calculation in line with Basel III requirements as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Equity Capital	30,323,107	29,809,730
Tier I Capital	27,980,140	27,609,684
Common Equity Tier 1 Capital	27,405,617	27,035,161
Additional Tier 1 Capital	574,523	574,523
Tier II Capital	2,342,967	2,200,046
Risk-weighted assets:	202,054,279	188,075,177
Credit risk <sup>1</sup>	185,663,160	172,985,173
Market risk <sup>2</sup>	6,374,775	5,150,641
Operational risk <sup>3</sup>	10,016,344	9,939,363
Equity Capital (%):	15.01	15.85
Tier I Capital (%)	13.85	14.68
Common Equity Tier 1 Capital (%)	13.56	14.37

<sup>1</sup> Credit risk weighted assets are measured using the Internal Rating-Based Approach and Standardized Approach.

<sup>2</sup> Market risk weighted assets are measured using the Internal Model-Based Approach and Standardized Approach.

<sup>3</sup> Operational risk weighted assets are measured using the Advanced Measurement Approach.



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**5. Segment Information**

**5.1 Overall Segment Information and Business Segments**

The Group is organized into Corporate Banking, Retail Banking and Other Activities. These segments are based on the nature of the products and services provided, the type or class of customer, and the Group's management organization.

- Corporate banking: The activities within this segment include providing credit, deposit products and other related financial services to large, small and medium-sized enterprises and SOHOs, and their local subsidiaries-related works.
- Retail banking: The activities within this segment include providing credit, deposit products and other related financial services to individuals and households.
- Other activities: The activities within this segment include trading activities in securities and derivatives, funding, trust and other activities.

Financial information by business segment for the three-month period ended March 31, 2020, is as follows:

(In millions of Korean won)

	2020				
	Corporate Banking	Retail Banking	Others	Intra-group Adjustment	Total
Operating revenues from external customers	649,348	750,186	396,821	-	1,796,355
Segment operating revenues(expenses)	(210)	-	(1,453)	1,663	-
	649,138	750,186	395,368	1,663	1,796,355
Net interest income	713,593	771,947	151,822	130	1,637,492
Interest income	1,135,876	1,169,734	310,412	15,376	2,631,398
Interest expense	(422,283)	(397,787)	(158,590)	(15,246)	(993,906)
Net fee and commission income	92,972	124,570	73,992	(5,700)	285,834
Fee and commission income	116,784	150,095	111,293	(8,271)	369,901
Fee and commission expense	(23,812)	(25,525)	(37,301)	2,571	(84,067)
Net gains(losses) on financial assets/liabilities at fair value through profit or loss	(104)	-	49,758	5,802	55,456
Net other operating income (expense)	(157,323)	(146,331)	119,796	1,431	(182,427)
General and administrative expenses	(272,794)	(490,533)	(123,905)	76	(887,156)
Operating profit before provision for credit losses	376,344	259,653	271,463	1,739	909,199
Provision for credit losses	(5,377)	(69,643)	(1,118)	(457)	(76,595)
Operating profit	370,967	190,010	270,345	1,282	832,604
Share of loss of associates	-	-	(9,699)	-	(9,699)
Net other non-operating expense	(76)	-	(7,647)	(17,801)	(25,524)
Segment profit before income tax expense	370,891	190,010	252,999	(16,519)	797,381
Income tax expense	(104,332)	(52,253)	(72,149)	17,700	(211,034)
Profit for the period	266,559	137,757	180,850	1,181	586,347
Profit attributable to the shareholder of the Parent Company	266,559	137,757	180,850	1,181	586,347
Profit attributable to non-controlling interest	-	-	-	-	-
Total assets <sup>1</sup>	149,444,465	152,093,167	110,284,050	(5,566,075)	406,255,607
Total liabilities <sup>1</sup>	150,744,773	165,609,084	63,168,873	(1,889,383)	377,633,347

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<sup>1</sup> Amounts before intra-segment transaction adjustment.

Financial information by business segment for the three-month period ended March 31, 2019, is as follows:

(In millions of Korean won)

	2019				
	Corporate Banking	Retail Banking	Others	Intra-group Adjustment	Total
Operating revenues from external customers	630,330	770,971	399,520	-	1,800,821
Segment operating revenues(expenses)	5,327	-	(116)	(5,211)	-
	635,657	770,971	399,404	(5,211)	1,800,821
Net interest income	697,858	787,959	66,695	(136)	1,552,376
Interest income	1,150,003	1,228,822	322,684	(9,025)	2,692,484
Interest expense	(452,145)	(440,863)	(255,989)	8,889	(1,140,108)
Net fee and commission income	86,498	116,263	76,843	(4,845)	274,759
Fee and commission income	106,932	137,746	111,236	(6,679)	349,235
Fee and commission expense	(20,434)	(21,483)	(34,393)	1,834	(74,476)
Net gains(losses) on financial assets/liabilities at fair value through profit or loss	(14,910)	-	150,889	(11,157)	124,822
Net other operating income (expense)	(133,789)	(133,251)	104,977	10,927	(151,136)
General and administrative expenses	(285,745)	(507,823)	(177,305)	70	(970,803)
Operating profit before provision for credit losses	349,912	263,148	222,099	(5,141)	830,018
Reversal (provision) for credit losses	6,589	(56,411)	(4,475)	(157)	(54,454)
Operating profit	356,501	206,737	217,624	(5,298)	775,564
Share of profit of associates	-	-	10,417	-	10,417
Net other non-operating income (expense)	(32)	-	3,250	(12,616)	(9,398)
Segment profit before income tax expense	356,469	206,737	231,291	(17,914)	776,583
Income tax expense	(98,251)	(56,853)	(52,046)	3,380	(203,770)
Profit for the period	258,218	149,884	179,245	(14,534)	572,813
Profit attributable to the shareholder of the Parent Company	258,218	149,884	179,245	(14,534)	572,813
Profit attributable to non-controlling interest	-	-	-	-	-
Total assets <sup>1</sup>	139,496,394	147,468,173	104,297,056	(3,836,585)	387,425,038
Total liabilities <sup>1</sup>	142,063,121	161,834,984	56,127,857	(1,605,157)	358,420,805

<sup>1</sup> Amounts before intra-segment transaction adjustment as of December 31, 2019



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**5.2 Services and Geographical Segments**

**5.2.1 Services Information**

Operating revenues from external customers by services for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Corporate banking service	649,348	630,330
Retail banking service	750,186	770,971
Other service	396,821	399,520
	<u>1,796,355</u>	<u>1,800,821</u>

**5.2.2 Geographical Information**

Geographical operating revenues from external customers for the three-month periods ended March 31, 2020 and 2019, and major non-current assets as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>		<b>2019<sup>1</sup></b>	
	<b>Revenues from external customers</b>	<b>Major non-current assets</b>	<b>Revenues from external customers</b>	<b>Major non-current assets</b>
Domestic	1,754,648	4,469,773	1,764,066	4,488,801
United States	5,884	10,291	2,278	9,452
New Zealand	1,912	3,087	1,539	3,516
China	20,487	13,441	21,484	12,946
Japan	1,620	3,444	1,246	3,480
Myanmar	1,574	1,884	743	1,570
Vietnam	3,907	2,031	2,141	1,938
Cambodia	4,719	3,797	3,094	3,944
United Kingdom	4,103	1,868	2,184	1,893
India	(2,499)	1,502	2,046	1,533
	<u>1,796,355</u>	<u>4,511,118</u>	<u>1,800,821</u>	<u>4,529,073</u>

<sup>1</sup> Balances of major non-current assets are as of December 31, 2019.

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**6. Financial Assets and Financial Liabilities**

**6.1.1 Classification and Fair Value**

Carrying amount and fair values of financial assets and liabilities as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
Cash and due from financial institutions	16,466,736	16,462,532
Financial assets at fair value through profit or loss	15,882,769	15,882,769
Debt securities	15,485,300	15,485,300
Equity securities	159,703	159,703
Loans	165,005	165,005
Others	72,761	72,761
Derivatives held for trading	3,843,779	3,843,779
Derivatives held for hedging	213,816	213,816
Loans at amortized cost	305,864,041	306,227,633
Financial assets at fair value through other comprehensive income	36,342,926	36,342,926
Debt securities	34,289,538	34,289,538
Equity securities	1,701,669	1,701,669
Loans	351,719	351,719
Securities at amortized cost	16,158,340	16,285,082
Other financial assets	6,138,130	6,138,130
	<b>400,910,537</b>	<b>401,396,667</b>
<b>Financial liabilities</b>		
Financial liabilities at fair value through profit or loss	73,195	73,195
Derivatives held for trading	3,730,909	3,730,909
Derivatives held for hedging	97,554	97,554
Deposits	311,201,384	311,619,276
Borrowings	22,666,906	22,670,070
Debentures	20,970,823	21,135,819
Other financial liabilities	17,215,611	17,215,611
	<b>375,956,382</b>	<b>376,542,434</b>

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	December 31, 2019	
	Carrying amount	Fair value
<b>Financial assets</b>		
Cash and due from financial institutions	14,481,309	14,478,216
Financial assets at fair value through profit or loss	13,866,303	13,866,303
Debt securities	13,446,838	13,446,838
Equity securities	151,527	151,527
Loans	188,133	188,133
Others	79,805	79,805
Derivatives held for trading	2,184,099	2,184,099
Derivatives held for hedging	133,326	133,326
Loans at amortized cost	293,531,433	293,767,751
Financial assets at fair value through other comprehensive income	38,454,954	38,454,954
Debt securities	36,116,988	36,116,988
Equity securities	1,993,674	1,993,674
Loans	344,292	344,292
Securities at amortized cost	13,964,339	14,056,395
Other financial assets	5,464,704	5,464,704
	<u>382,080,467</u>	<u>382,405,748</u>
<b>Financial liabilities</b>		
Financial liabilities at fair value through profit or loss	80,235	80,235
Derivatives held for trading	2,132,770	2,132,770
Derivatives held for hedging	36,212	36,212
Deposits	300,917,482	301,409,018
Borrowings	19,141,262	19,141,682
Debentures	18,739,992	18,959,416
Other financial liabilities	15,446,504	15,446,504
	<u>356,494,457</u>	<u>357,205,837</u>

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

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

<b>Cash and due from financial institutions</b>	The carrying amounts of cash and demand due from financial institutions and payment due from financial institutions are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from financial institutions is measured using DCF model (Discounted Cash Flow Model).
<b>Investment securities</b>	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined through the use of independent third-party pricing services where quoted prices are not available. Pricing services use one or more of the following valuation techniques including DCF Model, Monte Carlo Simulation, FCFE (Free Cash Flow to Equity Model), Comparable Company Analysis, Dividend Discount Model, Risk Adjusted Discount Rate Method, and Net Asset Value Method.
<b>Loans</b>	The fair value of loans is determined through DCF Model and the use of independent third-party pricing services. Fair value measured by DCF Model is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at appropriate discount rate. Fair value of the other loans that is not determined through DCF model is determined by independent third-party pricing services using Tree Model.
<b>Derivatives</b>	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The Group uses internally developed valuation models that are widely used by market participants to determine fair values of plain OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models including the Finite Difference Method(FDM), the Monte Carlo Simulation and the Tree model or independent third-party valuation service. For OTC derivatives, the credit risk of counterparty and the Group's own credit risk are applied through Credit Valuation Adjustment (CVA).
<b>Deposits</b>	The carrying amount of demand deposits is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of time deposits is determined using a DCF model. Fair value is determined by discounting the expected cash flows, which are contractual cash flows adjusted by the expected prepayment rate, at an appropriate discount rate.
<b>Borrowings</b>	The carrying amount of overdraft in foreign currency is regarded as representative of fair value because they do not have a fixed maturity and are payable on demand. Fair value of other borrowings is determined

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using a DCF model discounting contractual future cash flows at an appropriate discount rate.

#### **Debentures**

Fair value is determined by using the valuations (DCF Model) of independent third-party pricing services, which are calculated using market inputs.

#### **Other financial assets and other financial liabilities**

The carrying amounts are reasonable approximation of fair values. These financial instruments are temporary accounts used for other various transactions and their maturities are relatively short or not defined.

### **6.1.2 Fair value hierarchy**

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

The Group classifies and discloses the fair value of the financial instruments into the following three-level hierarchy:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: The fair values except for quoted prices included within Level 1 are based on inputs that are observable for the asset or liability, either directly or indirectly.

Level 3: The fair values are based on unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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

The fair value hierarchy of financial assets and liabilities at fair value in the statements of financial position as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	March 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Debt securities	3,702,827	9,859,934	1,922,539	15,485,300
Equity securities	114,246	-	45,457	159,703
Loans	-	-	165,005	165,005
Others	72,761	-	-	72,761
	<u>3,889,834</u>	<u>9,859,934</u>	<u>2,133,001</u>	<u>15,882,769</u>
Derivatives held for trading	-	3,843,722	57	3,843,779
Derivatives held for hedging	-	213,816	-	213,816
Financial assets at fair value through other comprehensive income				
Debt securities	8,529,044	25,760,494	-	34,289,538
Equity securities	633,228	-	1,068,441	1,701,669
Loans	-	351,719	-	351,719
	<u>9,162,272</u>	<u>26,112,213</u>	<u>1,068,441</u>	<u>36,342,926</u>
	<u>13,052,106</u>	<u>40,029,685</u>	<u>3,201,499</u>	<u>56,283,290</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	73,195	-	-	73,195
Derivatives held for trading	-	3,730,512	397	3,730,909
Derivatives held for hedging	-	97,554	-	97,554
	<u>73,195</u>	<u>3,828,066</u>	<u>397</u>	<u>3,901,658</u>

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	December 31, 2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Debt securities	2,960,226	8,633,172	1,853,440	13,446,838
Equity securities	107,480	-	44,047	151,527
Loans	-	-	188,133	188,133
Others	79,805	-	-	79,805
	<u>3,147,511</u>	<u>8,633,172</u>	<u>2,085,620</u>	<u>13,866,303</u>
Derivatives held for trading	-	2,184,029	70	2,184,099
Derivatives held for hedging	-	133,326	-	133,326
Financial assets at fair value through other comprehensive income				
Debt securities	12,896,896	23,220,092	-	36,116,988
Equity securities	952,427	-	1,041,247	1,993,674
Loans	-	344,292	-	344,292
	<u>13,849,323</u>	<u>23,564,384</u>	<u>1,041,247</u>	<u>38,454,954</u>
	<u>16,996,834</u>	<u>34,514,911</u>	<u>3,126,937</u>	<u>54,638,682</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	80,235	-	-	80,235
Derivatives held for trading	-	2,132,286	484	2,132,770
Derivatives held for hedging	-	36,212	-	36,212
	<u>80,235</u>	<u>2,168,498</u>	<u>484</u>	<u>2,249,217</u>

Valuation techniques and the inputs used in the fair value measurement of financial assets and liabilities classified as Level 2

Valuation techniques and inputs of financial assets and liabilities at fair value in the statements of financial position and classified as Level 2 as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)	Fair value March 31, 2020	Valuation techniques	Inputs
<b>Financial assets</b>			
Financial assets at fair value through profit or loss			
Debt securities	9,859,934	DCF Model, Monte Carlo Simulation, Net Asset Value	Discount rate, interest rate, prices of underlying assets(debt securities, stocks, etc.)
	<u>9,859,934</u>		
Derivatives held for trading	3,843,722	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	213,816	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others

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Financial assets at fair value through  
other comprehensive income

Debt securities	25,760,494	DCF Model	Discount rate
Loans	351,719	DCF Model	Discount rate
	<u>26,112,213</u>		
	<u>40,029,685</u>		

**Financial liabilities**

Derivatives held for trading	3,730,512	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	97,554	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
	<u>3,828,066</u>		

(In millions of Korean won)

	<b>Fair value December 31, 2019</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss			
Debt securities	8,633,172	DCF Model, Monte Carlo Simulation, Net Asset Value	Discount rate, interest rate, prices of underlying assets(debt securities, stocks, etc.)
	<u>8,633,172</u>		
Derivatives held for trading	2,184,029	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	133,326	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
Financial assets at fair value through other comprehensive income			
Debt securities	23,220,092	DCF Model	Discount rate
Loans	344,292	DCF Model	Discount rate
	<u>23,564,384</u>		
	<u>34,514,911</u>		
<b>Financial liabilities</b>			
Derivatives held for trading	2,132,286	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate, stock price and others
Derivatives held for hedging	36,212	DCF Model, Closed Form, FDM	Discount rate, volatility, foreign exchange rate and others
	<u>2,168,498</u>		



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

The fair value hierarchy of financial assets and liabilities whose fair value is disclosed as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	March 31, 2020			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,833,928	12,247,422	1,381,182	16,462,532
Loans at amortized cost	-	-	306,227,633	306,227,633
Securities at amortized cost	4,450,409	11,834,673	-	16,285,082
Other financial assets <sup>2</sup>	-	-	6,138,130	6,138,130
	<u>7,284,337</u>	<u>24,082,095</u>	<u>313,746,945</u>	<u>345,113,377</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	144,242,869	167,376,407	311,619,276
Borrowings <sup>1</sup>	-	298	22,669,772	22,670,070
Debentures	-	21,135,819	-	21,135,819
Other financial liabilities <sup>2</sup>	-	-	17,215,611	17,215,611
	<u>-</u>	<u>165,378,986</u>	<u>207,261,790</u>	<u>372,640,776</u>

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

<sup>2</sup> Other financial assets and other financial liabilities included in Level 3 are the carrying amounts which are reasonable approximation of fair values as of March 31, 2020.

*(In millions of Korean won)*

	December 31, 2019			
	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Cash and due from financial institutions <sup>1</sup>	2,694,352	10,695,432	1,088,432	14,478,216
Loans at amortized cost	-	-	293,767,751	293,767,751
Securities at amortized cost	4,372,712	9,683,683	-	14,056,395
Other financial assets <sup>2</sup>	-	-	5,464,704	5,464,704
	<u>7,067,064</u>	<u>20,379,115</u>	<u>300,320,887</u>	<u>327,767,066</u>
<b>Financial liabilities</b>				
Deposits <sup>1</sup>	-	138,097,349	163,311,669	301,409,018
Borrowings <sup>1</sup>	-	4,685	19,136,997	19,141,682
Debentures	-	18,959,416	-	18,959,416
Other financial liabilities <sup>2</sup>	-	-	15,446,504	15,446,504
	<u>-</u>	<u>157,061,450</u>	<u>197,895,170</u>	<u>354,956,620</u>

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

<sup>2</sup> The amounts of other financial assets and other financial liabilities that are classified as Level 3 are reasonable approximation of the fair values and presented in the financial statements as of

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6.1.2.2 Valuation techniques and inputs used in the fair value measurement

Valuation techniques and inputs of financial assets and liabilities which are disclosed by the carrying amounts because it is a reasonable approximation of fair value are not subject to be disclosed.

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 2 as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>	
	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities at amortized cost	11,834,673	DCF Model, Monte Carlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	21,135,819	DCF Model	Discount rate
<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>	
	<b>Fair value</b>	<b>Valuation technique</b>	<b>Inputs</b>
<b>Financial assets</b>			
Securities at amortized cost	9,683,683	DCF Model, Monte Carlo Simulation	Discount rate, interest rate
<b>Financial liabilities</b>			
Debentures	18,959,416	DCF Model	Discount rate

Valuation techniques and inputs of financial assets and liabilities whose fair values are disclosed and classified as Level 3 as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>		
	<b>Fair value</b>	<b>Valuation techniques</b>	<b>Inputs</b>	<b>Unobservable inputs</b>
<b>Financial assets</b>				
Cash and due from financial institutions	1,381,182	DCF Model	Credit spread, other spread, interest rates	Credit spread, other spread
Loans at amortized cost	306,227,633	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>307,608,815</u>			
<b>Financial liabilities</b>				
Deposits	167,376,407	DCF Model	Other spread, prepayment rate, Interest rates	Other spread, prepayment rate
Borrowings	22,669,772	DCF Model	Other spread, interest rates	Other spread
	<u>190,046,179</u>			

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December 31, 2019				
	Fair value	Valuation techniques	Inputs	Unobservable inputs
<b>Financial assets</b>				
Cash and due from financial institutions	1,088,432	DCF Model	Credit spread, other spread, interest rates	Credit spread, other spread
Loans at amortized cost	293,767,751	DCF Model	Credit spread, other spread, prepayment rate, interest rate	Credit spread, other spread, prepayment rate
	<u>294,856,183</u>			
<b>Financial liabilities</b>				
Deposits	163,311,669	DCF Model	Other spread, prepayment rate, Interest rates	Other spread, prepayment rate
Borrowings	19,136,997	DCF Model	Other spread, interest rates	Other spread
	<u>182,448,666</u>			

## 6.2 Level 3 of the Fair Value Hierarchy Disclosure

### 6.2.1 Valuation Policy and Process of Level 3 Fair Value

The Group uses external, independent and qualified third-party valuation service in addition to internal valuation models to determine the fair value of the Group's assets at the end of every reporting period.

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

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6.2.2 Changes in Fair Value (Level 3) Measured using Valuation Technique based on Unobservable Inputs in Market

Changes in Level 3 of the fair value hierarchy for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities at fair value through profit or loss	Loans at fair value through profit or loss	Equity securities at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning balance	1,897,487	188,133	1,041,246	(416)	-
Total gains or losses					
- Profit or loss	(49,230)	5,871	-	76	-
- Other comprehensive income	-	-	27,195	-	-
Purchases	249,040	-	-	-	-
Sales	(129,301)	(28,999)	-	-	-
Settlements	-	-	-	-	-
Ending balance	1,967,996	165,005	1,068,441	(340)	-

(In millions of Korean won)

	2019				
	Financial assets at fair value through profit or loss		Financial investments	Net derivatives financial instruments	
	Securities at fair value through profit or loss	Loans at fair value through profit or loss	Equity securities at fair value through other comprehensive income	Derivatives held for trading	Derivatives held for hedging
Beginning balance	1,520,631	212,596	927,577	(708)	-
Total gains or losses					
- Profit or loss	10,263	4,053	-	1,540	-
- Other comprehensive income	-	-	15,604	-	-
Purchases	171,121	15,000	-	-	-
Sales	(91,566)	(10,600)	(795)	-	-
Settlements	-	-	-	(1,519)	-
Transfers to Level 3 <sup>1</sup>	-	-	1,100	-	-
Ending balance	1,610,449	221,049	943,486	(687)	-

<sup>1</sup> Transfers between levels for the financial instruments have occurred due to the change in the availability of observable market data.

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In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the statements of comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

**2020**

	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating income</b>	<b>Net interest income</b>
Total gains or losses included in profit or loss for the period	(48,762)	5,479	-
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	(48,905)	5,479	-

*(In millions of Korean won)*

**2019**

	<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>Other operating income</b>	<b>Net interest income</b>
Total gains or losses included in profit or loss for the period	14,349	1,498	11
Total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period	12,597	1,498	11

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#### 6.2.3 Sensitivity Analysis of Changes in Unobservable Inputs

6.2.3.1 Information about fair value measurements using unobservable inputs as of March 31, 2020 and December 31, 2019, is as follows:

(In millions of Korean won)

March 31, 2020						
Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value	
Financial assets						
Financial assets at fair value through profit or loss						
Debt securities	1,922,539	Monte Carlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset  Correlation of underlying asset  Discount rate  Liquidation value  Volatility of the real estate price	30.42 ~ 68.97  30.27 ~ 93.25  1.23 ~ 7.61  0.00  0.00	Higher the volatility, higher the fair value fluctuation Higher the correlation, higher the fair value fluctuation Lower the discount rate, higher the fair value Higher the liquidation value, higher the fair value Higher the sale price, higher the fair value
Equity securities	45,457	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method	Growth rate, discount rate	Growth rate  Discount rate	0.00  4.95 ~ 15.39	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value
Loans	165,005	Tree Model, DCF Model	Stock price, volatility of the stock price, discount rate	Volatility of the stock price  Discount rate	26.56 ~ 53.76  10.72	Higher the volatility, higher the fair value fluctuation Lower the discount rate, higher the fair value
Derivatives held for trading						
Stock and index	57	Tree Model	Price of underlying asset, interest rate, volatility of underlying asset, dividend yield	Volatility of the underlying asset	36.49	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income						
Equity securities	1,068,441	DCF Model, Comparable Company Analysis, Risk Adjusted Discount Rate Method, Tree model	Growth rate, discount rate, stock price, volatility of the stock price	Growth rate  Discount rate  Volatility of the stock price	0.00  3.46 ~ 16.43  23.33 ~ 23.90	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value Higher the volatility, higher the fair value fluctuation
	3,201,499					
Financial liabilities						
Derivatives held for trading						

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Others	397	Monte Carlo Simulation, DCF Model	Stock price, interest rate, volatility of the stock price, volatility of the interest rate, discount rate	Volatility of the stock price Volatility of the interest rate Discount rate	36.56 0.36 1.67 ~ 1.72	Higher the volatility, higher the fair value fluctuation Higher the volatility, higher the fair value fluctuation Higher the discount rate, lower the fair value
	397					

(In millions of Korean won)

December 31, 2019						
	Fair value	Valuation techniques	Inputs	Unobservable inputs	Range of unobservable inputs (%)	Relationship of unobservable inputs to fair value
<b>Financial assets</b>						
Financial assets at fair value through profit or loss						
Debt securities	1,853,440	Monte Carlo Simulation, Net Asset Value, DCF Model	Price of underlying asset, interest rate, dividend yield, volatilities and correlation of underlying asset, discount rate, liquidation value, volatility of the real estate price	Volatilities of the underlying asset Correlation of underlying asset Discount rate Liquidation value Volatility of the real estate price	16.80 ~ 30.55 3.11 ~ 95.67 7.47 0.00 0.00	Higher the volatility, higher the fair value fluctuation Higher the correlation, higher the fair value fluctuation Lower the discount rate, higher the fair value Higher the liquidation value, higher the fair value Higher the sale price, higher the fair value
Equity securities	44,047	DCF Model, Comparable Company Analysis, Adjusted discount rate method	Growth rate, discount rate	Growth rate Discount rate	0.00 5.89 ~ 16.15	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value
Loans	188,133	Tree Model, DCF Model	Stock price, volatility of the stock price, discount rate	Volatility of the stock price Discount rate	12.91 ~ 48.28 10.81	Higher the volatility, higher the fair value fluctuation Lower the discount rate, higher the fair value
Derivatives held for trading						
Stock and index	70	Tree Model	Price of underlying asset, interest rate, volatility of underlying asset, dividend yield	Volatility of the underlying asset	21.85	Higher the volatility, higher the fair value fluctuation
Financial assets at fair value through other comprehensive income						
Equity securities	1,041,247	DCF Model, Comparable Company Analysis, Adjusted discount rate method, Tree Model	Growth rate, discount rate, stock price, volatility of the stock price	Growth rate Discount rate Volatility of the stock price	0.00 3.04 ~ 16.37 20.97 ~ 22.19	Higher the growth rate, higher the fair value Lower the discount rate, higher the fair value Higher the volatility, higher the fair value

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						fluctuation
						3,126,937
<b>Financial liabilities</b>						
Derivatives held for trading						
Others	484	Monte Carlo Simulation, DCF Model	Stock price, interest rate, volatility of the stock price, volatility of the interest rate, discount rate	Volatility of the stock price	16.28	Higher the volatility, higher the fair value fluctuation
				Volatility of the interest rate	0.52	Higher the volatility, higher the fair value fluctuation
				Discount rate	1.94 ~ 2.00	Higher the discount rate, lower the fair value
						484

6.2.3.2 Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or unfavorable. Amongst Level 3 financial instruments subject to sensitivity analysis, there are debt securities, loans, equity-related derivatives, currency-related derivatives, interest rate-related derivatives and other derivatives whose fair value changes are recognized in profit or loss as well as equity securities whose fair value changes are recognized in profit or loss or other comprehensive income or loss.

Sensitivity analysis by type of instrument as a result of varying input parameters are as follows:

(In millions of Korean won)

		March 31, 2020			
		Recognition in profit or loss		Other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>					
Financial assets at fair value through profit or loss					
Debt securities <sup>3, 5</sup>	8,900	(8,855)	-	-	
Equity securities <sup>2, 5</sup>	11,419	(4,027)	-	-	
Loans <sup>4</sup>	7,876	(5,925)	-	-	
Derivatives held for trading <sup>1</sup>	3	(2)	-	-	
Financial assets at fair value through other comprehensive income					
Equity securities <sup>2, 5, 6</sup>	-	-	210,044	(103,112)	
	28,198	(18,809)	210,044	(103,112)	
<b>Financial liabilities</b>					
Derivatives held for trading <sup>1</sup>					
	12	(12)	-	-	
	12	(12)	-	-	



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	December 31, 2019			
	Recognition in profit or loss		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Debt securities <sup>3, 5</sup>	3,374	(3,429)	-	-
Equity securities <sup>2, 5</sup>	10,906	(3,858)	-	-
Loans <sup>4</sup>	6,362	(4,344)	-	-
Derivatives held for trading <sup>1</sup>	1	(1)	-	-
Financial assets at fair value through other comprehensive income				
Equity securities <sup>2, 5, 6</sup>	-	-	188,090	(94,201)
	<u>20,643</u>	<u>(11,632)</u>	<u>188,090</u>	<u>(94,201)</u>
<b>Financial liabilities</b>				
Derivatives held for trading <sup>1</sup>	17	(17)	-	-
	<u>17</u>	<u>(17)</u>	<u>-</u>	<u>-</u>

<sup>1</sup> For derivative financial instruments, the changes in fair value are calculated by shifting principal unobservable input parameters; such as the price and the volatility of the underlying asset by  $\pm 10\%$ . For certain derivatives in previous year, the changes in fair value were calculated by shifting the loss given default ration by  $\pm 1\%$ .

<sup>2</sup> For equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate ( $-1\sim 1\%$ ) and growth rate ( $0\sim 0.5\%$ ).

<sup>3</sup> For beneficiary certificates, it is difficult to measure the sensitivity amounts per changes in input factor for practical reasons; only for those consisted with real properties, the sensitivity amounts are calculated by increasing and decreasing the correlations between the rate of increase in property disposal price ( $-1\sim 1\%$ ). For equity investments, the sensitivity amounts are calculated by increasing and decreasing the correlations between the liquidation value ( $-1\sim 1\%$ ) and the discount rates ( $-1\sim 1\%$ ). There were no significant correlation among major unobservable inputs.

<sup>4</sup> For loans, the changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices, and volatilities of stock prices ( $-10\sim 10\%$ ) and discount rate ( $-1\sim 1\%$ ).

<sup>5</sup> The amounts of ₩ 1,638,663 million and ₩ 1,634,734 million of financial assets classified as level 3 as of March 31, 2020 and December 31, 2019, respectively, are excluded because it is impracticable to calculate the sensitivity amounts.

<sup>6</sup> For some equity securities, the changes in fair value are calculated by shifting principal unobservable input parameters such as stock prices and volatilities of stock prices by  $\pm 10\%$ .

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**6.2.4 Day One Gain or Loss**

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

The aggregate deferred differences yet to be recognized in profit or loss at the beginning and end of the periods and changes in the balances of these differences are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Balance at the beginning of the period (A)	(1,778)	(2,916)
New transactions (B)	-	-
Amounts recognized in profit or loss during the period (C= a+b)	284	281
a. Amortization	284	281
b. Settlement	-	-
Balance at the end of the period (A+B+C)	(1,494)	(2,635)

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

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of financial assets and liabilities by category as of March 31, 2020, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>					
	<b>Financial instruments at fair value through profit or loss</b>	<b>Financial instruments mandatorily measured at fair value through other comprehensive income</b>	<b>Financial instruments designated at fair value through other comprehensive income</b>	<b>Financial instruments at amortized cost</b>	<b>Derivatives held for hedging</b>	<b>Total</b>
<b>Financial assets</b>						
Cash and due from financial institutions	-	-	-	16,466,736	-	16,466,736
Financial assets at fair value through profit or loss	15,882,769	-	-	-	-	15,882,769
Derivatives	3,843,779	-	-	-	213,816	4,057,595
Loans at amortized cost	-	-	-	305,864,041	-	305,864,041
Financial investments	-	34,641,257	1,701,669	16,158,340	-	52,501,266
Other financial assets	-	-	-	6,138,130	-	6,138,130
	<u>19,726,548</u>	<u>34,641,257</u>	<u>1,701,669</u>	<u>344,627,247</u>	<u>213,816</u>	<u>400,910,537</u>

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(In millions of Korean won)

March 31, 2020

	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	73,195	-	-	73,195
Derivatives	3,730,909	-	97,554	3,828,463
Deposits	-	311,201,384	-	311,201,384
Borrowings	-	22,666,906	-	22,666,906
Debentures	-	20,970,823	-	20,970,823
Other financial liabilities	-	17,215,611	-	17,215,611
	<u>3,804,104</u>	<u>372,054,724</u>	<u>97,554</u>	<u>375,956,382</u>

The carrying amounts of financial assets and liabilities by category as of December 31, 2019, are as follows:

(In millions of Korean won)

December 31, 2019

	Financial instruments at fair value through profit or loss	Financial instruments mandatorily measured at fair value through other comprehensive income	Financial instruments designated at fair value through other comprehensive income	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial assets</b>						
Cash and due from financial institutions	-	-	-	14,481,309	-	14,481,309
Financial assets at fair value through profit or loss	13,866,303	-	-	-	-	13,866,303
Derivatives	2,184,099	-	-	-	133,326	2,317,425
Loans at amortized cost	-	-	-	293,531,433	-	293,531,433
Financial investments	-	36,461,280	1,993,674	13,964,339	-	52,419,293
Other financial assets	-	-	-	5,464,704	-	5,464,704
	<u>16,050,402</u>	<u>36,461,280</u>	<u>1,993,674</u>	<u>327,441,785</u>	<u>133,326</u>	<u>382,080,467</u>

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(In millions of Korean won)

December 31, 2019

	Financial instruments at fair value through profit or loss	Financial instruments at amortized cost	Derivatives held for hedging	Total
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	80,235	-	-	80,235
Derivatives	2,132,771	-	36,211	2,168,982
Deposits	-	300,917,482	-	300,917,482
Borrowings	-	19,141,262	-	19,141,262
Debentures	-	18,739,992	-	18,739,992
Other financial liabilities	-	15,446,504	-	15,446,504
	<u>2,213,006</u>	<u>354,245,240</u>	<u>36,211</u>	<u>356,494,457</u>

## 7. Due from Financial Institutions

Details of due from financial institutions as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		Financial Institution	Interest rate (%)	March 31, 2020	December 31, 2019
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	0.00~0.75	6,481,180	8,117,840
	Due from banking institutions	The Daegu Bank Ltd. and others	0.00~2.70	179,781	187,638
	Due from others	NH Securities Co., Ltd. and others	0.00	6,166	9,608
				<u>6,667,127</u>	<u>8,315,086</u>
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	WELLS FARGO BANK, N.A. and others	0.00~0.48	5,537,076	2,346,580
	Time deposits in foreign currencies	CHINA CITIC BANK BEIJING BEIYUAN SUB-BRA and others	0.25~7.80	1,072,785	920,240
	Due from others	SUMITOMO MITSUI BANKING CORPORATION and others	0.00	360,499	209,099
				<u>6,970,360</u>	<u>3,475,919</u>
				<u>13,637,487</u>	<u>11,791,005</u>

<sup>1</sup> Before netting of allowance

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Restricted due from financial institutions as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		Financial Institution	March 31, 2020	December 31, 2019	Reason for restriction
Due from financial institutions in Korean won	Due from Bank of Korea	Bank of Korea	6,481,180	8,117,840	Bank of Korea Act
	Due from others	NH Securities Co., Ltd. and others	6,166	9,609	Derivatives margin account
			<u>6,487,346</u>	<u>8,127,449</u>	
Due from financial institutions in foreign currencies	Due from banks in foreign currencies	Bank of Korea and others	1,075,306	490,013	Bank of Korea Act and others
		Industrial and Commercial Bank of China	36,678	23,156	New York State Banking Law
	Time deposits in foreign currencies				
	Due from others	Morganstanley Bank International and others	165,562	118,814	Derivatives margin account
			<u>1,277,546</u>	<u>631,983</u>	
			<u>7,764,892</u>	<u>8,759,432</u>	

Changes in the allowances for due from financial institutions

Changes in the allowances for due from financial institutions for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020	
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	2,502	1,186	360
Transfer between stages	-	-	-
Provision (reversal) for credit losses	866	(221)	-
Others (change of currency ratio, etc.)	42	8	(64)
Ending	<u>3,410</u>	<u>973</u>	<u>296</u>

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	Financial instruments applying 12-month expected credit losses	2019	
		Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	1,548	-	-
Transfer between stages	-	-	-
Provision for credit losses	167	-	-
Others (change of currency ratio, etc.)	49	-	-
Ending	1,764	-	-

## 8. Derivative Financial Instruments and Hedge Accounting

The Group engages in derivative trading activities to hedge the interest rate and foreign currency risk exposures arising from the Group's own assets and liabilities. In particular, the Group applies fair value hedge accounting to interest rate swaps that hedge the risk of changes in fair values due to the changes in interest rates of structured debentures denominated in Korean won, issued financial debentures, structured deposits denominated in foreign currencies and debt securities at fair value through other comprehensive income. Also, the Group applies cash flow hedge accounting to interest rate swaps to hedge cash flow risk of collective loans at amortized cost, debentures denominated in foreign currencies and borrowings denominated in foreign currencies. In addition, the Group applies net investment hedge accounting by designating debentures denominated in foreign currencies and spot components of the currency forward as hedging instruments that hedge foreign exchange risks on net investments in foreign operations.

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Details of derivative financial instruments held for trading as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	<b>March 31, 2020</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Interest rate</b>			
Futures <sup>1</sup>	1,476,099	-	-
Swaps <sup>2</sup>	162,882,290	616,021	712,978
Options	15,152,000	435,264	530,413
	179,510,389	1,051,285	1,243,391
<b>Currency</b>			
Forwards	88,411,953	1,780,814	1,245,131
Futures <sup>1</sup>	122,260	-	-
Swaps	49,745,499	990,746	1,204,369
Options	3,899,149	20,877	37,499
	142,178,861	2,792,437	2,486,999
<b>Stock and index</b>			
Futures <sup>1</sup>	4,310	-	-
Options	20,186	57	122
	24,496	57	122
<b>Others</b>	807,860	-	397
	322,521,606	3,843,779	3,730,909

(In millions of Korean won)

	<b>December 31, 2019</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Interest rate</b>			
Futures <sup>1</sup>	837,568	-	-
Swaps <sup>2</sup>	148,405,496	416,866	485,464
Options	15,502,000	266,863	363,369
	164,745,064	683,729	848,833
<b>Currency</b>			
Forwards	79,191,968	885,424	670,066
Futures <sup>1</sup>	-	-	-
Swaps	46,175,092	609,438	598,670
Options	2,789,562	5,438	14,346
	128,156,622	1,500,300	1,283,082
<b>Stock and index</b>			
Futures <sup>1</sup>	2,185	-	-
Options	22,014	70	371
	24,199	70	371
<b>Others</b>	768,980	-	484
	293,694,865	2,184,099	2,132,770

<sup>1</sup> Gains or losses arising from daily mark-to-market futures are reflected in the margin accounts.

<sup>2</sup> Notional amounts of ₩ 129,006,768 million and ₩ 116,555,938 million as of March 31, 2020 and December 31, 2019, respectively, were traded through the central counterparty clearing house.

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The average price condition for future nominal cash flows by type of hedge accounting as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

March 31, 2020							
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
The nominal amount of the hedging instrument	2,215,725	1,526,106	775,267	511,862	611,481	1,801,213	7,441,654
Average price condition (%), (CD and Libor)	1.91	2.50	2.23	3.02	2.01	3.19	2.46
Cash flow hedge							
The nominal amount of the hedging instrument	1,752,205	244,520	550,170	-	-	-	2,546,895
Average price condition (%),(Libor)	2.42	2.51	2.83	-	-	-	2.52
Net investment in a foreign operation hedges							
The nominal amount of the hedging instrument	200,995	-	-	-	-	-	200,995
Average price condition (KRW/USD)	1,177.26	-	-	-	-	-	1,177.26

(In millions of Korean won)

December 31, 2019							
	1 year	2 years	3 years	4 years	5 years	Over 5 years	Total
Fair value hedge							
The nominal amount of the hedging instrument	757,201	1,548,353	830,440	309,882	466,053	1,414,570	5,326,499
Average price condition (%), (CD and Libor)	2.29	2.70	2.29	3.16	2.50	3.92	2.91
Cash flow hedge							
The nominal amount of the hedging instrument	1,539,874	289,450	521,010	-	-	-	2,350,334
Average price condition (%),(Libor)	2.68	2.65	2.83	-	-	-	2.71
Net investment in a foreign operation hedges							



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The nominal amount of the hedging instrument	190,342	-	-	-	-	-	190,342
Average price condition (KRW/USD)	1,175.97	-	-	-	-	-	1,175.97

*Fair value hedge*

Details of fair value hedged as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

		<b>March 31, 2020</b>				
		<b>Carrying amount</b>		<b>Accumulated adjusted amount</b>		<b>Changes in the fair value</b>
		<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	
Interest rate	Debt securities in Korean won	711,235	-	9,648	-	4,163
	Debt securities in foreign currencies	2,107,610	-	76,629	-	61,978
	Deposits in foreign currencies	-	651,196	-	3,218	(21,009)
	Debentures in Korean won	-	1,897,254	-	27,254	(6,184)
	Debentures in foreign currencies	-	2,250,468	-	110,918	(69,511)
		<u>2,818,845</u>	<u>4,798,918</u>	<u>86,277</u>	<u>141,390</u>	<u>(30,563)</u>

*(In millions of Korean won)*

		<b>December 31, 2019</b>				
		<b>Carrying amount</b>		<b>Accumulated adjusted amount</b>		<b>Changes in the fair value</b>
		<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	
Interest rate	Debt securities in Korean won	549,526	-	5,485	-	1,960
	Debt securities in foreign currencies	1,670,838	-	19,243	-	9,769
	Deposits in foreign currencies	-	780,491	-	(18,391)	(33,501)
	Debentures in Korean won	-	351,070	-	21,070	(1,206)
	Debentures in foreign currencies	-	2,067,556	-	41,406	(25,766)
		<u>2,220,364</u>	<u>3,199,117</u>	<u>24,728</u>	<u>44,085</u>	<u>(48,744)</u>

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Details of derivative financial instruments designated as fair value hedge as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in the fair value</b>
<b>Interest rate</b>				
Swaps	7,441,654	213,770	62,955	38,005
<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in the fair value</b>
<b>Interest rate</b>				
Swaps	5,326,500	129,084	29,675	53,115

Details of the ineffective portion of changes in fair value of derivatives recognized in profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>2020</b>	<b>2019</b>
		<b>Hedge ineffectiveness recognized in profit or loss</b>	<b>Hedge ineffectiveness recognized in profit or loss</b>
Interest rate		7,443	4,371

Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Gains on hedging instruments	38,480	50,189
Losses on the hedged item attributable to the hedged risk	(30,557)	(48,630)
	<b>7,923</b>	<b>1,559</b>

**Cash flow hedge**

Details of cash flow hedged items subject to cash flow hedges as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>	
		<b>Changes in fair value</b>	<b>Other comprehensive income for cash flow hedge</b>
Interest rate risk		20,528	(18,448)
<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>	
		<b>Changes in fair value</b>	<b>Other comprehensive income for cash flow hedge</b>
Interest rate risk		9,920	(3,691)

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Details of derivative financial instruments designated as cash flow hedge as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in the fair value</b>
<b>Interest rate</b>				
Swaps	2,546,895	46	26,984	(20,514)

<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>		
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Changes in the fair value</b>
<b>Interest rate</b>				
Swaps	2,350,334	835	6,537	(9,942)

Gains and losses from cash flow hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Losses on hedging instruments	(20,514)	(9,942)
Effective losses from cash flow hedging instruments (recognized in other comprehensive income)	(20,487)	(9,926)
Ineffective losses from cash flow hedging instruments (recognized in profit or loss)	(27)	(16)

Amounts recognized in other comprehensive income and reclassified from equity to profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Other comprehensive income	(20,487)	(9,926)
Reclassification to profit or loss	133	(480)
Income tax effect	5,597	2,862
	<b>(14,757)</b>	<b>(7,544)</b>

As of March 31, 2020, the hedged items subject to cash flow hedge are exposed to the risk of changes in cash flows until June 9, 2022.

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*Hedges of a net investment in a foreign operation*

Details of net investment in a foreign operation as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	
	<b>Changes in fair value</b>	<b>Other comprehensive income for hedges of a net investment in a foreign operation</b>
Currency (foreign currency risk)	16,096	(48,889)

  

<i>(In millions of Korean won)</i>	<b>December 31, 2019</b>	
	<b>Changes in fair value</b>	<b>Other comprehensive income for hedges of a net investment in a foreign operation</b>
Currency (foreign currency risk)	5,022	(37,226)

Details of derivative financial instruments designated as hedging instruments in hedge of net investment in a foreign operation as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>			<b>Changes in the fair value</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	
Forward exchange contract	200,995	-	7,615	(10,653)
Debentures in foreign currencies	102,698	-	102,698	(5,443)
	<u>303,693</u>	<u>-</u>	<u>110,313</u>	<u>(16,096)</u>

  

<i>(In millions of Korean won)</i>	<b>December 31, 2019</b>			<b>Changes in the fair value</b>
	<b>Notional amount</b>	<b>Assets</b>	<b>Liabilities</b>	
Forward exchange contract	190,342	3,407	-	(3,446)
Debentures in foreign currencies	97,255	-	97,255	(1,576)
	<u>287,597</u>	<u>3,407</u>	<u>97,255</u>	<u>(5,022)</u>

The fair value of non-derivative financial instruments designated as hedging instruments as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Debentures in foreign currencies	102,049	97,737

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Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Losses on hedging instruments	(16,096)	(5,022)
Effective losses from cash flow hedging instruments (recognized in other comprehensive income)	(16,096)	(5,022)
Ineffective losses from cash flow hedging instruments (recognized in profit or loss)	-	-

Gains or losses on the hedging instruments relating to the effective portion of the hedge recognized in other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Other comprehensive income	(16,088)	(5,022)
Reclassification to profit or loss	-	1,317
Income tax effect	4,425	1,018
Other comprehensive income after tax	(11,663)	(2,687)

**9. Loans at Amortized Cost**

Loans as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Loans	306,628,633	294,303,453
Deferred loan origination fees and costs	577,634	563,941
Allowances	(1,342,226)	(1,335,961)
Carrying amount	305,864,041	293,531,433

Loans to banks as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Loans <sup>1</sup>	5,632,156	4,041,247
Allowances	(588)	(434)
Carrying amount	5,631,568	4,040,813

<sup>1</sup> Deferred loan origination fees and costs are included.

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Loans to customers other than banks as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>		
	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Loans in Korean won	153,246,814	127,171,235	280,418,049
Loans in foreign currencies	287,381	9,102,797	9,390,178
Domestic import usance bills	-	3,065,748	3,065,748
Off-shore funding loans	-	1,489,738	1,489,738
Call loans	-	2,513,000	2,513,000
Bills bought in Korean won	-	1,575	1,575
Bills bought in foreign currencies	-	1,945,135	1,945,135
Guarantee payments under payment guarantee	-	13,822	13,822
Reverse repurchase agreements	-	1,950,208	1,950,208
Privately placed bonds	-	786,658	786,658
	153,534,195	148,039,916	301,574,111
Proportion (%)	50.91	49.09	100.00
Allowances	(489,881)	(851,757)	(1,341,638)
	153,044,314	147,188,159	300,232,473

*(In millions of Korean won)*

	<b>December 31, 2019</b>		
	<b>Retail</b>	<b>Corporate</b>	<b>Total</b>
Loans in Korean won	148,609,480	121,449,552	270,059,032
Loans in foreign currencies	276,084	7,154,477	7,430,561
Domestic import usance bills	-	2,617,862	2,617,862
Off-shore funding loans	-	1,452,288	1,452,288
Call loans	-	610,000	610,000
Bills bought in Korean won	-	2,843	2,843
Bills bought in foreign currencies	-	2,158,877	2,158,877
Guarantee payments under payment guarantee	-	3,312	3,312
Reverse repurchase agreements	-	5,937,258	5,937,258
Privately placed bonds	-	554,114	554,114
	148,885,564	141,940,583	290,826,147
Proportion (%)	51.19	48.81	100.00
Allowances	(474,571)	(860,956)	(1,335,527)
	148,410,993	141,079,627	289,490,620

<sup>1</sup> Deferred loan origination fees and costs are included.

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**10. Allowances for Loan Losses**

Changes in the allowances for loan losses for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020						
	Retails			Corporates			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired		Non-impaired	Impaired	
Beginning	179,286	176,857	118,428	-	194,520	260,784	406,086
Transfer between stages							
Transfer to 12-month expected credit losses	38,383	(38,376)	(7)	-	22,296	(22,072)	(224)
Transfer to lifetime expected credit losses (Non-impaired)	(24,549)	28,370	(3,821)	-	(11,676)	14,155	(2,479)
Transfer to lifetime expected credit losses (Impaired)	(79)	(22,377)	22,456	-	(309)	(13,121)	13,430
Write-offs	-	-	(81,744)	-	-	-	(40,097)
Disposal	(222)	(6)	-	-	-	-	-
Provision (reversal) for loan losses <sup>1, 2</sup>	(6,377)	36,504	67,685	-	(7,927)	2,111	31,196
Others (change of currency ratio, etc.)	33	19	(582)	-	896	2,183	2,593
Ending	186,475	180,991	122,415	-	197,800	244,040	410,505

<sup>1</sup> Provision (reversal) for credit losses in statement of comprehensive income also includes provision (reversal) for unused commitments and guarantees (Note 21), provision (reversal) for financial guarantee contracts (Note 21), provision (reversal) of allowance for other financial assets (Note 16), provision (reversal) of allowance for due from financial institutions (Note 7) and provision (reversal) of allowance for debt securities (Note 11).

<sup>2</sup> Recovery of written-off loans amounting to ₩ 44,620 million is included.

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(In millions of Korean won)

	2019							
	Retails				Corporates			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired			Non-impaired	Impaired	
Beginning	170,571	157,214	117,742	-	197,866	295,928	615,081	-
Transfer between stages								
Transfer to 12-month expected credit losses	28,128	(28,121)	(6)	-	23,016	(10,038)	(12,978)	-
Transfer to lifetime expected credit losses (Non-impaired)	(20,556)	23,760	(3,205)	-	(12,753)	17,945	(5,191)	-
Transfer to lifetime expected credit losses (Impaired)	(68)	(22,730)	22,798	-	(756)	(14,680)	15,436	-
Write-offs	12	6	(75,375)	-	-	3	(58,335)	-
Disposal	(122)	-	-	-	-	-	-	-
Provision (reversal) for loan losses <sup>1, 2</sup>	(11,278)	30,692	62,580	-	(2,536)	863	(8,826)	-
Others (change of currency ratio, etc.)	3	42	(211)	-	296	1,292	(13)	-
Ending	166,690	160,863	124,323	-	205,133	291,313	545,174	-

<sup>1</sup> Provision (reversal) for credit losses in statement of comprehensive income also includes provision (reversal) for unused commitments and guarantees (Note 21), provision (reversal) for financial guarantee contracts (Note 21), provision (reversal) of allowance for other financial assets (Note 16), provision (reversal) of allowance for due from financial institutions (Note 7) and provision (reversal) of allowance for debt securities (Note 11).

<sup>2</sup> Recovery of written-off loans amounting to ₩ 51,804 million is included.

The loan and receivables which were written-off but the claims has not been forfeited (i.e. its extinctive prescription did not occur, and that are not collected) amounts to ₩ 9,151,124 million and ₩ 9,149,486 million as of March 31, 2020 and December 31, 2019.



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**Changes in the gross carrying amounts of loans**

Changes in the gross carrying amounts of loans that significantly affect allowances for loan losses for the three-month periods ended March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

In millions of Korean won)	March 31, 2020			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired	
Beginning	274,457,085	19,198,678	1,211,631	-
Transfer between stages				
Transfer to 12-month expected credit losses	5,812,523	(5,793,691)	(18,832)	-
Transfer to lifetime expected credit losses (Non-impaired)	(7,093,947)	7,198,258	(104,311)	-
Transfer to lifetime expected credit losses (Impaired)	(86,151)	(391,771)	477,922	-
Write-offs	-	-	(121,841)	-
Sale	(3,813,082)	(12,943)	-	-
Net increase (decrease) (Execution, repayment and others)	17,634,590	(1,160,533)	(187,318)	-
Ending	286,911,018	19,037,998	1,257,251	-

(In millions of Korean won)

In millions of Korean won)	December 31, 2019			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		Financial instruments applying credit impaired approach
		Non-impaired	Impaired	
Beginning	255,870,341	21,239,153	1,389,110	-
Transfer between stages				
Transfer to 12-month expected credit losses	53,328,737	(53,214,637)	(114,100)	-
Transfer to lifetime expected credit losses (Non-impaired)	(56,105,075)	56,629,820	(524,745)	-
Transfer to lifetime expected credit losses (Impaired)	(405,440)	(1,632,279)	2,037,719	-
Write-offs	(2)	26	(539,607)	-
Sale	(888,511)	(12,223)	(186,250)	-
Net increase(decrease) (Execution, repayment and others)	22,657,035	(3,811,182)	(850,496)	-
Ending	274,457,085	19,198,678	1,211,631	-

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**11. Financial Assets at Fair Value through Profit or Loss and Financial Investments**

Details of financial assets at fair value through profit or loss and financial investments as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial assets at fair value through profit or loss</b>		
Debt securities		
Government and public bonds	2,901,011	1,974,113
Financial bonds	6,750,609	6,368,442
Corporate bonds	2,080,306	1,772,550
Asset-backed securities	130,487	100,101
Beneficiary certificates	2,607,659	2,283,046
Equity investments	209,741	209,260
Derivative-linked securities	117,577	160,576
Other debt securities	687,910	578,751
Equity securities		
Stocks	159,703	151,526
Loans		
Private placed corporate bonds	126,079	150,276
Other loans	38,926	37,857
Others		
Financial instruments indexed to the price of gold	72,761	79,805
	<u>15,882,769</u>	<u>13,866,303</u>
<b>Financial investments</b>		
<b>Financial assets at fair value through other comprehensive income</b>		
Debt securities		
Government and public bonds	5,457,742	8,172,111
Financial bonds	16,973,871	18,110,228
Corporate bonds	10,158,149	9,218,759
Asset-backed securities	1,659,991	615,890
Other debt securities	39,785	-
Equity securities		
Stocks	1,670,082	1,954,173
Equity investments	31,587	39,501
Loans		
Private placed corporate bonds	351,719	344,292
	<u>36,342,926</u>	<u>38,454,954</u>
<b>Financial assets at amortized cost</b>		
Debt securities		
Government and public bonds	867,497	538,968
Financial bonds	7,310,813	7,607,567
Corporate bonds	2,082,502	1,753,941
Asset-backed securities	5,899,037	4,065,105
Allowance	(1,509)	(1,242)
	<u>16,158,340</u>	<u>13,964,339</u>
	<u>52,501,266</u>	<u>52,419,293</u>

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Dividend incomes from the equity securities designated at fair value through other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

		2020	
		From the financial asset derecognized	From the remaining financial asset
Stocks	Listed	-	13,317
	Unlisted	-	10,637
Equity investments		-	261
		-	24,215

		2019	
		From the financial asset derecognized	From the remaining financial asset
Stocks	Listed	-	14,896
	Unlisted	-	17,012
Equity investments		-	-
		-	31,908

The derecognized equity securities at fair value through other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

		2020	
		Disposal price <sup>1</sup>	Accumulated OCI as of disposal date
Stocks	Listed	-	-
	Unlisted	-	-
		-	-

		2019	
		Disposal price <sup>1</sup>	Accumulated OCI as of disposal date
Stocks	Listed	12,308	(25,278)
	Unlisted	737	(114)
		13,045	(25,392)

<sup>1</sup> In accordance with joint resolution along the stock price increase, the Group disposed of stocks acquired by a debt to equity swap.

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Provision and reversal for the allowance of financial investments for the three-month periods ended March 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

	2020		
	Impairment losses	Reversal of impairment	Total
Debt instruments at fair value through other comprehensive income	(983)	71	(912)
Loans at fair value through other comprehensive income	(9)	224	215
Securities at amortized cost	(493)	230	(263)
	<u>(1,485)</u>	<u>525</u>	<u>(960)</u>

*(In millions of Korean won)*

	2019		
	Impairment losses	Reversal of impairment	Total
Debt instruments at fair value through other comprehensive income	(593)	145	(448)
Loans at fair value through other comprehensive income	(5)	11	6
Securities at amortized cost	(124)	53	(71)
	<u>(722)</u>	<u>209</u>	<u>(513)</u>

Changes in the allowances for financial investments for the three-month periods ended March 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

	Financial instruments applying 12-month expected credit losses	2020	
		Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	3,821	-	-
Transfer between stages	-	-	-
Transfer to 12-month expected credit losses	-	-	-
Transfer to lifetime expected credit losses	-	-	-
Disposal	(297)	-	-
Provision for loan losses	960	-	-
Others (change of currency ratio, etc.)	57	-	-
Ending	<u>4,541</u>	<u>-</u>	<u>-</u>

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	Financial instruments applying 12-month expected credit losses	2019	
		Financial instruments applying lifetime expected credit losses	
		Non-impaired	Impaired
Beginning	3,759	193	-
Transfer between stages			
Transfer to 12-month expected credit losses	189	(189)	-
Transfer to lifetime expected credit losses	-	-	-
Disposal	(157)	-	-
Provision for loan losses	513	-	-
Others (change of currency ratio, etc.)	35	-	-
Ending	4,339	4	-

# Kookmin Bank and Subsidiaries

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#### 12. Investments in Associates

Investments in associates as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

(In millions of Korean won)	March 31, 2020					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
Associates						
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	6,217	6,217	Credit information	Korea
Balhae Infrastructure Fund <sup>1</sup>	12.61	105,644	100,901	100,901	Investment finance	Korea
KB GwS Private Securities Investment Trust <sup>1</sup>	20.93	89,124	107,706	107,706	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(14,908)	-	Operation of highways and related facilities	Korea
KB Sprott Renewables No.1. Private Equity Fund <sup>1</sup>	30.00	1,327	958	958	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund <sup>1</sup>	45.00	3,375	3,145	3,145	Discovery of and investment in promising FinTech-business venture	Korea
KB12-1 Venture Investment Partnership <sup>2</sup>	80.00	9,200	39,132	39,132	Investment finance	Korea
Future Planning KB Start-up Creation Fund <sup>2</sup>	50.00	8,500	13,562	13,562	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	20.00	8,296	8,034	8,296	Investment finance	Korea
KB High-tech Company Investment Fund <sup>2</sup>	50.00	8,900	19,057	19,057	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	19,998	21,944	21,808	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund <sup>2</sup>	33.33	9,500	9,205	9,205	Investment finance	Korea
KB-TS Technology Venture Private Equity Fund <sup>2</sup>	30.00	10,620	9,890	9,890	Investment finance	Korea
KB Intellectual Property Fund <sup>2</sup>	37.50	12,000	11,435	12,000	Investment finance	Korea
KB Digital Innovation Investment Fund Limited partnership <sup>2</sup>	25.74	32,200	30,776	32,200	Investment finance	Korea
KB-Brain KOSDAQ Scale-up Fund <sup>2</sup>	21.28	11,000	10,658	10,658	Investment finance	Korea
KB Global Platform Fund <sup>2</sup>	22.73	19,500	18,899	19,500	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund <sup>2</sup>	29.53	3,450	3,547	3,547	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(613)	116	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>3</sup>	26.49	-	(62)	-	Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	16	256	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. <sup>3</sup>	38.62	-	-	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98	Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(194)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	806	115	Wholesale of agricultural and	Korea

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				forestry machinery and equipment	
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	552	- Manufacture of motor vehicles, trailers and semitrailers	Korea
Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,492	- Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	1,613	578 Earth works	Korea
Chong Il Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(126)	- Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	22	3 Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	394	- Manufacture of smelting, refining and alloys	Korea
Carlife Co., Ltd. <sup>3</sup>	24.39	-	(75)	- Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. <sup>3</sup>	45.71	-	(260)	69 Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC. <sup>3</sup>	20.40	-	(248)	- Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	75	- Manufacture of special glass	Korea
IL-KWANG ELECTRONIC MATERIALS CO., LTD. <sup>3</sup>	29.06	-	(398)	- Manufacture of electronic parts	Korea
SO-MYUNG RECYCLING CO., LTD. <sup>3</sup>	20.23	-	184	- Manufacture of nonferrous metal	Korea
IDTECK CO., LTD <sup>3</sup>	32.80	-	(103)	- Other manufacturing of wireless telecommunications equipment	Korea
Seyoon Development Company <sup>3</sup>	26.95	-	2	- Civil engineering facility construction industry	Korea
PIP System CO., LTD <sup>3</sup>	20.72	-	27	- Print equipment	Korea
PT Bank Bukopin TBK <sup>4,5</sup>	22.00	116,422	96,441	102,059 Banking	Indonesia
		<u>482,715</u>	<u>497,917</u>	<u>521,076</u>	

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

(In millions of Korean won)

	December 31, 2019					
	Ownership (%)	Acquisition cost	Share of net asset amount	Carrying amount	Industry	Location
<b>Associates</b>						
Korea Credit Bureau Co., Ltd. <sup>1</sup>	9.00	4,500	5,991	5,991	Credit information	Korea
Balhae Infrastructure Fund <sup>1</sup>	12.61	105,213	101,390	101,390	Investment finance	Korea
KB GwS Private Securities Investment Trust	20.93	89,124	108,026	108,026	Investment finance	Korea
Incheon Bridge Co., Ltd. <sup>1</sup>	14.99	9,159	(14,746)	-	Operation of highways and related facilities	Korea
KB Sprott Renewables No.1. Private Equity Fund <sup>1</sup>	30.00	1,327	1,031	1,031	Investment finance	Korea
KB Digital Innovation & Growth New Technology Business Investment Fund <sup>1</sup>	45.00	2,250	2,030	2,030	Discovery of and investment in promising FinTech-business venture	Korea
KB12-1 Venture Investment Partnership <sup>2</sup>	80.00	14,000	53,535	53,535	Investment finance	Korea
Future Planning KB Start-up Creation Fund <sup>2</sup>	50.00	9,900	15,021	15,021	Investment finance	Korea
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	20.00	10,376	10,892	10,892	Investment finance	Korea
KB High-tech Company Investment Fund <sup>2</sup>	50.00	13,350	31,904	31,904	Investment finance	Korea
Aju Good Technology Venture Fund	38.46	19,998	23,016	23,016	Investment finance	Korea
KB-KDBC Pre-IPO New Technology Business Investment Fund <sup>2</sup>	33.33	10,000	9,494	9,494	Investment finance	Korea
KBTS Technology Venture Private Equity Fund <sup>2</sup>	30.00	10,620	10,570	10,570	Investment finance	Korea
KB Intellectual Property Fund <sup>2</sup>	37.50	9,000	8,514	8,514	Investment finance	Korea
KB Digital Innovation Investment Fund Limited partnership <sup>2</sup>	25.74	32,200	31,371	31,371	Investment finance	Korea
KB-Brain KOSDAQ Scale-up Fund <sup>2</sup>	21.28	11,000	10,252	10,252	Investment finance	Korea
KB Global Platform Fund <sup>2</sup>	22.73	19,500	18,779	18,779	Investment finance	Korea
KB-UTC Inno-Tech Venture Fund <sup>2</sup>	29.53	300	278	278	Investment finance	Korea
Shinla Construction Co., Ltd. <sup>3</sup>	20.17	-	(551)	-	Specialty construction	Korea
Terra Corporation <sup>3</sup>	24.06	-	2	-	Manufacture of fabricated and processed metal products	Korea
MJT&I Corp. <sup>3</sup>	22.89	-	(613)	116	Wholesale of other merchandise	Korea
Jungdong Steel Co., Ltd. <sup>3</sup>	42.65	-	(433)	-	Wholesale of primary metal	Korea
Doosung Metal Co., Ltd. <sup>3</sup>	26.49	-	(62)	-	Manufacture of metal door, windows, shutter and relevant products	Korea
Shinhwa Underwear Co., Ltd. <sup>3</sup>	26.05	-	16	256	Manufacture of underwear and sleepwear	Korea
DPAPS Co., Ltd. <sup>3</sup>	38.62	-	-	-	Wholesale of paper	Korea
Jaeyang Industry Co., Ltd. <sup>3</sup>	20.86	-	(552)	-	Manufacture of luggage and other protective cases	Korea
Kendae Co., Ltd. <sup>3</sup>	41.01	-	(252)	98	Screen printing	Korea
Jinseung Tech Co., Ltd. <sup>3</sup>	30.04	-	(194)	-	Manufacture of other general-purpose machinery n.e.c.	Korea
Dongjo Co., Ltd. <sup>3</sup>	29.29	-	806	115	Wholesale of agricultural and forestry machinery and equipment	Korea
Korea NM Tech Co., Ltd. <sup>3</sup>	22.41	-	552	-	Manufacture of motor vehicles, trailers and semitrailers	Korea



# Kookmin Bank and Subsidiaries

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### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Jungdo Co., Ltd. <sup>3</sup>	25.34	-	1,492	- Office, commercial and institutional building construction	Korea
Dae-A Leisure Co., Ltd. <sup>3</sup>	49.36	-	1,613	578 Earth works	Korea
Chong Il Machine & Tools Co., Ltd. <sup>3</sup>	20.40	-	(126)	- Wholesale machinery and equipment	Korea
Imt Technology Co., Ltd. <sup>3</sup>	25.29	-	22	3 Computer Peripherals Distribution	Korea
Iwon Alloy Co., Ltd. <sup>3</sup>	23.20	-	394	- Manufacture of smelting, refining and alloys	Korea
Carlfe Co., Ltd. <sup>3</sup>	24.39	-	(75)	- Publishing of magazines and periodicals (publishing industry)	Korea
Computerlife Co., Ltd. <sup>3</sup>	45.71	-	(260)	69 Publishing of magazines and periodicals (publishing industry)	Korea
SKYDIGITAL INC. <sup>3</sup>	20.40	-	(248)	- Manufacture of multimedia and video devices	Korea
Jo Yang Industrial Co., Ltd. <sup>3</sup>	22.77	-	75	- Manufacture of special glass	Korea
IL-KWANG ELECTRONIC MATERIALS CO., LTD. <sup>3</sup>	29.06	-	(398)	- Manufacture of electronic parts	Korea
SO-MYUNG RECYCLING CO., LTD. <sup>3</sup>	20.23	-	184	- Manufacture of nonferrous metal	Korea
IDTECK CO., LTD. <sup>3</sup>	32.80	-	(103)	- Other manufacturing of wireless telecommunications equipment	Korea
Seyoon Development Company <sup>3</sup>	26.95	-	2	- Civil engineering facility construction industry	Korea
PIP System CO., LTD <sup>3</sup>	20.72	-	27	- Print equipment	Korea
PT Bank Bukopin TBK <sup>4,5</sup>	22.00	116,422	115,321	121,382 Banking	Indonesia
		488,239	543,987	564,711	

<sup>1</sup> As of March 31, 2020 and December 31, 2019, the Group is represented in the governing bodies of its associates. Therefore, the Group has significant influence over the decision-making process relating to their financial and business policies.

<sup>2</sup> As of March 31, 2020 and December 31, 2019, the Group is a partner in a limited partnership and does not have the right to control over these entities.

<sup>3</sup> The investment in associates was reclassified from financial assets at fair value through other comprehensive income due to termination of rehabilitation procedures.

<sup>4</sup> The Group has entered into an agreement with PT Bosowa Corporindo, the major shareholder of PT Bank Bukopin TBK. Under this agreement, both parties have a right of first refusal, a tag-along right and a drag-along right. The Group additionally has the drag-along right that can be exercised for the duration of two years after three-years from acquisition date (July 27, 2018), subject to the occurrence of certain situations as defined in the agreement.

<sup>5</sup> The fair value of PT Bank Bukopin TBK's common stock based on its quoted market price is ₩ 18,980 million and ₩ 47,709 million as of March 31, 2020 and December 31, 2019.

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Summarized financial information on the main associates, the carrying amount of the Group's interest in the main associates and dividends received from the main associates is as follows:

(In millions of Korean won)

March 31, 2020<sup>1</sup>

	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains and losses and others	Carrying amount
Korea Credit Bureau Co., Ltd.	98,167	29,084	10,000	69,083	6,217	-	6,217
Balhae Infrastructure Fund	802,288	1,809	838,106	800,479	100,901	-	100,901
KB GwS Private Securities Investment Trust	515,587	993	425,814	514,595	107,706	-	107,706
Incheon Bridge Co., Ltd.	594,083	693,533	61,096	(99,450)	(14,908)	14,908	-
KB Sprott Renewables No.1. Private Equity Fund	3,683	490	9,640	3,193	958	-	958
KB Digital Innovation & Growth New Technology Business Investment Fund	6,989	-	7,500	6,989	3,145	-	3,145
KB12-1 Venture Investment Partnership	49,314	399	11,500	48,915	39,132	-	39,132
Future Planning KB Start-up Creation Fund	29,348	2,224	17,000	27,124	13,562	-	13,562
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	43,049	2,879	41,480	40,171	8,034	262	8,296
KB High-tech Company Investment Fund	38,343	229	17,800	38,114	19,057	-	19,057
Aju Good Technology Venture Fund	58,098	1,042	52,000	57,057	21,944	(136)	21,808
KB-KDBC Pre-IPO New Technology Business Investment Fund	27,765	151	28,500	27,614	9,205	-	9,205
KBTS Technology Venture Private Equity Fund	34,363	1,396	35,400	32,967	9,890	-	9,890
KB Intellectual Property Fund 2	30,493	-	32,000	30,493	11,435	565	12,000
KB Digital Innovation Investment Fund Limited partnership	120,507	920	125,120	119,586	30,776	1,424	32,200
KB-Brain KOSDAQ Scale-up Fund	50,397	304	51,700	50,094	10,658	-	10,658
KB Global Platform Fund	83,154	-	85,800	83,154	18,899	601	19,500
KB-UTC Inno-Tech Venture Fund	12,265	254	11,684	12,011	3,546	-	3,546
PT Bank Bukopin TBK	7,441,426	7,003,060	106,536	438,367	96,441	5,618	102,059

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

	March 31, 2020 <sup>1</sup>				
	Operating revenues	Profit (Loss)	Other comprehensive income	Comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	23,988	2,996	-	2,996	(90)
Balhae Infrastructure Fund	15,594	20,342	-	20,342	(3,484)
KB GwS Private Securities Investment Trust	12,125	11,871	-	11,871	(4,060)
Incheon Bridge Co., Ltd.	20,477	(1,903)	-	(1,903)	-
KB Sprott Renewables No.1. Private Equity Fund	-	(245)	-	(245)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	-	(42)	21	(21)	-
KB12-1 Venture Investment Partnership	770	(6,004)	-	(6,004)	(4,800)
Future Planning KB Start-up Creation Fund	11	(118)	-	(118)	-
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	43	(1,275)	-	(1,275)	-
KB High-tech Company Investment Fund	1,334	(6,793)	-	(6,793)	(5,000)
Aju Good Technology Venture Fund	146	(3,140)	-	(3,140)	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	23	(127)	-	(127)	-
KBTS Technology Venture Private Equity Fund	88	(264)	-	(264)	-
KB Intellectual Property Fund 2	5	(211)	-	(211)	-
KB Digital Innovation Investment Fund Limited partnership	424	(2,312)	-	(2,312)	-
KB-Brain KOSDAQ Scale-up Fund	42	(269)	-	(269)	-
KB Global Platform Fund	1,646	526	-	526	-
KB Star office private real estate Investment Trust No.1	-	252	-	252	-
PT Bank Bukopin TBK <sup>2</sup>	125,791	(37,699)	(47,923)	(85,622)	-

**Kookmin Bank and Subsidiaries**  
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**March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

(In millions of Korean won)

December 31, 2019<sup>1</sup>

	Total assets	Total liabilities	Paid-in capital	Equity	Share of net asset amount	Unrealized gains and losses and others	Carrying amount
Korea Credit Bureau Co., Ltd.	96,855	30,289	10,000	66,566	5,991	-	5,991
Balhae Infrastructure Fund	806,218	1,854	834,695	804,364	101,390	-	101,390
KB GwS Private Securities Investment Trust	522,865	741	425,814	522,124	108,026	-	108,026
Incheon Bridge Co., Ltd.	609,194	707,563	61,096	(98,369)	(14,746)	14,746	-
KB Sprott Renewables No.1. Private Equity Fund	3,686	249	9,640	3,437	1,031	-	1,031
KB Digital Innovation & Growth New Technology Business Investment Fund	4,510	-	5,000	4,510	2,030	-	2,030
KB12-1 Venture Investment Partnership	67,896	977	17,500	66,919	53,535	-	53,535
Future Planning KB Start-up Creation Fund	32,704	2,662	19,800	30,042	15,021	-	15,021
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	55,524	1,063	51,880	54,461	10,892	-	10,892
KB High-tech Company Investment Fund	64,125	317	26,700	63,808	31,904	-	31,904
Aju Good Technology Venture Fund	60,675	828	52,000	59,847	23,016	-	23,016
KB-KDBC Pre-IPO New Technology Business Investment Fund	29,086	603	30,000	28,483	9,494	-	9,494
KBTS Technology Venture Private Equity Fund	36,445	1,212	35,400	35,233	10,570	-	10,570
KB Intellectual Property Fund 2	22,708	4	24,000	22,704	8,514	-	8,514
KB Digital Innovation Investment Fund Limited partnership	122,153	255	125,120	121,898	31,371	-	31,371
KB-Brain KOSDAQ Scale-up Fund	48,369	185	51,700	48,184	10,252	-	10,252
KB Global Platform Fund	85,314	2,686	85,800	82,628	18,779	-	18,779
KB-UTC Inno-Tech Venture Fund	1,016	75	1,016	941	278	-	278
PT Bank Bukopin TBK <sup>2</sup>	8,148,013	7,623,829	106,536	524,184	115,321	6,061	121,382

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

	March 31, 2019 <sup>1</sup>				
	Operating revenues	Profit (Loss)	Other comprehensive income	Comprehensive income (loss)	Dividends
Korea Credit Bureau Co., Ltd.	19,539	1,559	-	1,559	135
Balhae Infrastructure Fund	15,307	13,516	-	13,516	3,429
KB GwS Private Securities Investment Trust	10,627	10,375	-	10,375	3,977
Incheon Bridge Co., Ltd.	22,794	(721)	-	(721)	-
KB Digital Innovation & Growth New Technology Business Investment Fund	1	(106)	-	(106)	-
KB12-1 Venture Investment Partnership	6,825	6,537	-	6,537	-
Future Planning KB Start-up Creation Fund	144	(324)	-	(324)	-
KoFC KBIC Frontier Champ 2010-5(PEF)	1	(6)	-	(6)	-
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	1,288	961	-	961	-
KB High-tech Company Investment Fund	5,609	5,150	-	5,150	-
Aju Good Technology Venture Fund	1,158	919	-	919	-
KB-KDBC Pre-IPO New Technology Business Investment Fund	27	(124)	-	(124)	-
KBTS Technology Venture Private Equity Fund	-	(236)	-	(236)	-
KB Intellectual Property Fund 2	7	(194)	-	(194)	-
KB Digital Innovation Investment Fund Limited partnership	16	(678)	-	(678)	-
KB-Brain KOSDAQ Scale-up Fund	28	(274)	-	(274)	-
KB Star office private real estate Investment Trust No.1	3,364	1,346	-	1,346	-
PT Bank Bukopin TBK	109,760	(7,158)	19,063	11,905	-

<sup>1</sup> The amounts included in the financial information of the associates are adjusted to reflect adjustments made by the Group, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

<sup>2</sup> The goodwill of PT Bank Bukopin TBK as of March 31, 2020 and December 31, 2019, are ₩ 3,994 million and ₩ 4,437 million, respectively.

Changes in investments in associates for the three-month periods ended March 31, 2020 and 2019, are as follows:

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

2020

	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) from using equity method	Other comprehen- sive income	Ending
Korea Credit Bureau Co., Ltd.	5,991	-	-	(90)	316	-	6,217
Balhae Infrastructure Fund	101,390	430	-	(3,484)	2,565	-	100,901
KB GwS Private Securities Investment Trust	108,026	-	-	(4,060)	3,740	-	107,706
Incheon Bridge Co., Ltd.	-	-	-	-	-	-	-
KB Sprott Renewables No.1. Private Equity Fund	1,031	-	-	-	(73)	-	958
KB Digital Innovation & Growth New Technology Business Investment Fund	2,030	1,125	-	-	(19)	9	3,145
KB12-1 Venture Investment Partnership	53,535	-	(4,800)	(4,800)	(4,803)	-	39,132
Future Planning KB Start-up Creation Fund	15,021	-	(1,400)	-	(59)	-	13,562
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	10,892	-	(2,080)	-	(516)	-	8,296
KB High-tech Company Investment Fund	31,904	-	(4,450)	(5,000)	(3,397)	-	19,057
Aju Good Technology Venture Fund	23,016	-	-	-	(1,208)	-	21,808
KB-KDBC Pre-IPO New Technology Business Investment Fund	9,494	-	(500)	-	211	-	9,205
KBTS Technology Venture Private Equity Fund	10,570	-	-	-	(680)	-	9,890
KB Intellectual Property Fund 2	8,514	3,000	-	-	486	-	12,000
KB Digital Innovation Investment Fund Limited Partnership	31,371	-	-	-	829	-	32,200
KB-Brain KOSDAQ Scale-up Fund	10,252	-	-	-	406	-	10,658
KB Global Platform Fund	18,779	-	-	-	721	-	19,500
KB-UTC Inno-Tech Venture Fund	278	3,150	-	-	119	-	3,547
MJT&I Corp.	116	-	-	-	-	-	116
Shinhwa Underwear Co., Ltd.	256	-	-	-	-	-	256
Kendae Co., Ltd.	98	-	-	-	-	-	98
Dongjo Co., Ltd.	115	-	-	-	-	-	115
Dae-A Leisure Co., Ltd.	578	-	-	-	-	-	578
Imt Technology Co., Ltd	3	-	-	-	-	-	3
Computerlife Co., Ltd.	69	-	-	-	-	-	69
PT Bank Bukopin TBK	121,382	-	-	-	(8,337)	(10,986)	102,059
	564,711	7,705	(13,230)	(17,434)	(9,699)	(10,977)	521,076

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

2019

	Beginning	Acquisition and others	Disposal and others	Dividends	Gains (losses) from using equity method	Other comprehen- sive income	Ending
Korea Credit Bureau Co., Ltd.	5,941	-	-	(135)	192	-	5,998
Balhae Infrastructure Fund	108,050	191	-	(3,429)	1,704	-	106,516
KB GwS Private Securities Investment Trust	106,613	-	-	(3,977)	2,172	-	104,808
KB Digital Innovation & Growth New Technology Business Investment Fund	1,079	-	-	-	(48)	-	1,031
KB12-1 Venture Investment Partnership	49,912	-	-	-	5,230	-	55,142
Future Planning KB Start-up Creation Fund	18,069	-	(1,600)	-	(162)	-	16,307
KoFC KBIC Frontier Champ 2010-5(PEF)	140	-	(140)	-	-	-	-
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	11,681	-	-	-	186	-	11,867
KB High-tech Company Investment Fund	22,563	-	-	-	2,576	-	25,139
Aju Good Technology Venture Fund	18,134	-	-	-	301	-	18,435
KB-KDBC Pre-IPO New Technology Business Investment Fund	7,297	-	-	-	(131)	-	7,166
KBTS Technology Venture Private Equity Fund	7,381	960	-	-	(71)	-	8,270
KB Intellectual Property Fund 2	2,942	-	-	-	(73)	-	2,869
KB Digital Innovation Investment Fund Limited Partnership	7,617	7,000	-	-	(174)	-	14,443
KB-Brain KOSDAQ Scale-up Fund	3,966	-	-	-	(59)	-	3,907
KB Star office private real estate Investment Trust No.1	20,252	-	-	-	283	-	20,535
MJT&I Corp.	122	-	-	-	(6)	-	116
Shinhwa Underwear Co., Ltd.	182	-	-	-	74	-	256
Kendae Co.,Ltd.	98	-	-	-	-	-	98
Dongjo Co., Ltd.	115	-	-	-	-	-	115
Dae-A Leisure Co., Ltd.	578	-	-	-	-	-	578
Imt Technology Co., Ltd	-	-	-	-	3	-	3
PT Bank Bukopin TBK	113,932	-	-	-	(1,575)	4,359	116,716
	506,664	8,151	(1,740)	(7,541)	10,422	4,359	520,315

**Kookmin Bank and Subsidiaries**  
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**13. Property and Equipment, and Investment Properties**

Details of property and equipment as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

<b>March 31, 2020</b>				
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	1,961,737	-	(1,018)	1,960,719
Buildings	1,469,080	(478,526)	(5,859)	984,695
Leasehold improvements	795,809	(710,292)	-	85,517
Equipment and vehicles	1,254,496	(1,020,543)	-	233,953
Construction in-progress	127,089	-	-	127,089
Right-of-use assets	653,948	(290,647)	-	363,301
	<b>6,262,159</b>	<b>(2,500,008)</b>	<b>(6,877)</b>	<b>3,755,274</b>

(In millions of Korean won)

<b>December 31, 2019</b>				
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Land	1,985,370	-	(1,018)	1,984,352
Buildings	1,478,343	(476,154)	(5,859)	996,330
Leasehold improvements	788,586	(697,387)	-	91,199
Equipment and vehicles	1,262,759	(1,001,033)	-	261,726
Construction in-progress	85,953	-	-	85,953
Right-of-use assets	597,267	(232,453)	-	364,814
	<b>6,198,278</b>	<b>(2,407,027)</b>	<b>(6,877)</b>	<b>3,784,374</b>

Details of investment properties as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

<b>March 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Carrying amount</b>
Land	330,204	-	330,204
Buildings	166,270	(18,796)	147,474
	<b>496,474</b>	<b>(18,796)</b>	<b>477,678</b>

(In millions of Korean won)

<b>December 31, 2019</b>			
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Carrying amount</b>
Land	328,587	-	328,587
Buildings	164,774	(17,393)	147,381
	<b>493,361</b>	<b>(17,393)</b>	<b>475,968</b>



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The valuation technique and input variables that are used to measure the fair value of investment property as of March 31, 2020, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>	
	<b>Fair Value</b>	<b>Valuation technique</b>	<b>Inputs</b>
	51,374	Cost approach value	- Price per square meter - Replacement cost
Land and Buildings	465,815	Income approach	- Discount rate - Capitalization rate - Vacancy rate

As of March 31, 2020 and December 31, 2019, fair values of the investment properties amount to ₩ 517,189 million and ₩ 513,307 million, respectively. The investment properties were measured by qualified independent appraisers with experience in valuing similar properties in the same area. In addition, per the fair value hierarchy in Note 6.1, the fair value hierarchy of all investment properties has been classified as Level 3.

Rental income from the above investment properties for the three-month periods ended March 31, 2020 and 2019, amounts to ₩ 7,268 million and ₩ 3,707 million, respectively.

#### **14. Intangible Assets**

Details of intangible assets as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	
Goodwill	66,490	-	(1,202)	65,288	
Other intangible assets	1,071,001	(855,997)	(2,126)	212,878	
	1,137,491	(855,997)	(3,328)	278,166	

  

<i>(In millions of Korean won)</i>		<b>December 31, 2019</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	
Goodwill	66,490	-	(1,202)	65,288	
Other intangible assets	1,040,642	(835,033)	(2,166)	203,443	
	1,107,132	(835,033)	(3,368)	268,731	

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Details of goodwill as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>
Housing & Commercial Bank	65,288	65,288	65,288	65,288
KB Cambodia Bank	1,202	-	1,202	-
	<u>66,490</u>	<u>65,288</u>	<u>66,490</u>	<u>65,288</u>

The goodwill arose from the merger of Housing & Commercial Bank ("H&CB"), and there is no change in goodwill for the three-month periods ended March 31, 2020 and 2019.

Details of intangible assets, excluding goodwill, as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>
Industrial property rights	2,045	(1,775)	-	270
Software	867,391	(734,956)	-	132,435
Other intangible assets	166,438	(91,806)	(2,126)	72,506
Right-of-use assets	35,127	(27,460)	-	7,667
	<u>1,071,001</u>	<u>(855,997)</u>	<u>(2,126)</u>	<u>212,878</u>

*(In millions of Korean won)*

	<b>December 31, 2019</b>			
	<b>Acquisition cost</b>	<b>Accumulated amortization</b>	<b>Accumulated impairment losses</b>	<b>Carrying Amount</b>
Industrial property rights	2,020	(1,727)	-	293
Software	853,867	(719,890)	-	133,977
Other intangible assets	149,628	(87,928)	(2,166)	59,534
Right-of-use assets	35,127	(25,488)	-	9,639
	<u>1,040,642</u>	<u>(835,033)</u>	<u>(2,166)</u>	<u>203,443</u>

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

Details of deferred income tax assets and liabilities as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
Other provisions	59,319	-	59,319
Impairment losses on property and equipment	3,653	-	3,653
Share-based payments	6,807	-	6,807
Provisions for guarantees	21,700	-	21,700
Gains on valuation of derivatives	-	(84,332)	(84,332)
Present value discount	-	(172)	(172)
Losses on fair value hedged item	38,882	-	38,882
Accrued interest	-	(31,252)	(31,252)
Deferred loan origination fees and costs	-	(140,152)	(140,152)
Gains on revaluation	-	(284,298)	(284,298)
Investments in subsidiaries and associates	34,125	(73,327)	(39,202)
Gains on valuation of security investment	-	(10,109)	(10,109)
Defined benefit liabilities	419,800	-	419,800
Accrued expenses	75,905	-	75,905
Retirement insurance expense	-	(360,160)	(360,160)
Adjustments to the prepaid contributions	-	(29,460)	(29,460)
Others	275,652	(111,374)	164,278
	935,843	(1,124,636)	(188,793)
Offsetting of deferred income tax assets and liabilities	(933,468)	933,468	-
	2,375	(191,168)	(188,793)

*(In millions of Korean won)*

	<b>December 31, 2019</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net amount</b>
Other provisions	60,244	-	60,244
Impairment losses on property and equipment	2,656	-	2,656
Share-based payments	12,114	-	12,114
Provisions for guarantees	20,959	-	20,959
Gains on valuation of derivatives	-	(59,827)	(59,827)
Present value discount	-	(118)	(118)
Losses on fair value hedged item	12,123	-	12,123
Accrued interest	-	(48,979)	(48,979)
Deferred loan origination fees and costs	-	(136,178)	(136,178)
Gains on revaluation	-	(286,269)	(286,269)
Investments in subsidiaries and associates	31,509	(88,492)	(56,983)
Gains on valuation of security investment	-	(100,400)	(100,400)
Defined benefit liabilities	422,800	-	422,800
Accrued expenses	173,023	-	173,023
Retirement insurance expense	-	(375,300)	(375,300)
Adjustments to the prepaid contributions	-	(22,897)	(22,897)
Others	250,358	(113,715)	136,643
	985,786	(1,232,175)	(246,389)
Offsetting of deferred income tax assets and liabilities	(983,523)	983,523	-
	2,263	(248,652)	(246,389)

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**16. Other Assets**

Details of other assets as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Other financial assets</b>		
Other receivables	3,849,431	3,059,196
Accrued income	865,194	867,534
Guarantee deposits	970,690	995,678
Domestic exchange settlement debits	454,748	523,182
Others	12,974	32,329
Allowances for loan losses	(13,204)	(11,461)
Present value discount	(1,704)	(1,754)
	<u>6,138,129</u>	<u>5,464,704</u>
<b>Other non-financial assets</b>		
Other receivables	281	86
Prepaid expenses	165,847	120,873
Guarantee deposits	3,000	3,047
Others	120,173	120,201
Allowances on other assets	(8,362)	(16,528)
	<u>280,939</u>	<u>227,679</u>
	<u>6,419,068</u>	<u>5,692,383</u>

Changes in allowances for loan losses on other assets for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	11,461	16,528	27,989
Provision	2,625	78	2,703
Written-off	(1,098)	(8,244)	(9,342)
Others	216	-	216
Ending	<u>13,204</u>	<u>8,362</u>	<u>21,566</u>

  

<i>(In millions of Korean won)</i>	<b>2019</b>		
	<b>Other financial assets</b>	<b>Other non-financial assets</b>	<b>Total</b>
Beginning	21,775	16,992	38,767
Provision	2,961	(234)	2,727
Written-off	(991)	(9)	(1,000)
Others	(93)	-	(93)
Ending	<u>23,652</u>	<u>16,749</u>	<u>40,401</u>

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**17. Assets Held for Sale**

Details of assets held for sale as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	<b>March 31, 2020</b>			
	<b>Acquisition cost<sup>1</sup></b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land	13,104	(1,360)	11,744	23,740
Buildings	8,640	(5,048)	3,592	3,591
	<u>21,744</u>	<u>(6,408)</u>	<u>15,336</u>	<u>27,331</u>

(In millions of Korean won)

	<b>December 31, 2019</b>			
	<b>Acquisition cost<sup>1</sup></b>	<b>Accumulated impairment losses</b>	<b>Carrying amount</b>	<b>Fair value less costs to sell</b>
Land	7,210	(1,530)	5,680	6,467
Buildings	2,513	(1,252)	1,261	1,261
	<u>9,723</u>	<u>(2,782)</u>	<u>6,941</u>	<u>7,728</u>

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

The valuation technique and input variables that are used to measure the fair value of assets held for sale as of March 31, 2020, are as follows:

(In millions of Korean won)

	<b>March 31, 2020</b>				
	<b>Fair value</b>	<b>Valuation technique<sup>1</sup></b>	<b>Unobservable inputs<sup>2</sup></b>	<b>Estimated range of unobservable inputs (%)</b>	<b>Effect of unobservable inputs on fair value</b>
Land and buildings	27,331	Market comparison approach model and others	Adjustment index	0.44 ~ 1.36	Fair value increases as the adjustment index rises

<sup>1</sup> The appraisal value is adjusted by the adjustment ratio in the event the public sale is unsuccessful.

<sup>2</sup> Adjustment index is calculated by using the time factor correction, regional factors or individual factors.

Among assets held for sale, real estates were measured by an independent evaluator who has recently assessed similar properties in the area of the qualifying real estates. All of assets held for sale are included in level 3 in accordance with Note 6.1.

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As of March 31, 2020, assets held for sale consist of seven real estates of closed offices, which were committed to sell by the management, but not yet sold as of March 31, 2020. Negotiation with buyers is in process for the two assets and the remaining five assets are also being actively marketed.

**18. Deposits**

Details of deposits as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Demand deposits</b>		
Demand deposits in Korean won	129,953,484	124,457,990
Demand deposits in foreign currencies	8,453,190	7,937,663
	<u>138,406,674</u>	<u>132,395,653</u>
<b>Time deposits</b>		
Time deposits in Korean won	160,720,602	156,738,952
Time deposits in foreign currencies	8,459,219	7,561,299
Fair value adjustments on fair value hedged time deposits in foreign currencies	3,218	(18,391)
	<u>169,183,039</u>	<u>164,281,860</u>
<b>Certificates of deposits</b>	<u>3,611,671</u>	<u>4,239,969</u>
	<u>311,201,384</u>	<u>300,917,482</u>

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**19. Borrowings**

Details of borrowings as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Borrowings	20,631,096	18,043,380
Bonds sold under repurchase agreements and others	572,494	830,095
Call money	1,463,316	267,787
	<b>22,666,906</b>	<b>19,141,262</b>

Details of borrowings as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

		<b>Lenders</b>	<b>Annual interest rate (%)</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Borrowings in Korean won</b>	Borrowings from the Bank of Korea	Bank of Korea	0.25	2,759,845	2,649,851
	Borrowings from the Government	SEMAS and others	0.00~2.70	1,793,750	1,658,810
	Borrowings from non-banking financial institutions	Korea Development Bank	0.20~3.80	414,204	408,042
	Other borrowings	Korea Development Bank and others	0.00~4.90	4,258,068	4,344,937
				<b>9,225,867</b>	<b>9,061,640</b>
<b>Borrowings in foreign currencies</b>	Due to banks	NATIONAL WESTMINSTER BANK PLC THE N and others	-	295	4,682
	Borrowings from banking institutions	Central Bank of Uzbekistan and others	0.00~11.60	9,642,293	7,450,947
	Borrowings from other financial institutions	Export Import Bank of Korea and others	1.79~2.99	6,570	7,081
	Other borrowings in foreign currencies	ING BANK N.V. and others	-	1,756,071	1,519,030
				<b>11,405,229</b>	<b>8,981,740</b>
				<b>20,631,096</b>	<b>18,043,380</b>

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**20. Debentures**

Details of debentures as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>Annual interest rate (%)</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Debentures in Korean won</b>			
Structured debentures	5.65~5.86	33,180	33,310
Subordinated fixed rate debentures	2.02~4.35	3,815,987	3,416,590
Fixed rate debentures	1.08~2.44	12,151,914	10,787,614
Floating rate debentures	1.23~1.33	440,000	300,000
		16,441,081	14,537,514
<b>Fair value adjustments on fair value hedged debentures in Korean won</b>		27,254	21,070
<b>Discount on debentures in Korean won</b>		(7,662)	(3,588)
		16,460,673	14,554,996
<b>Debentures in foreign currencies</b>			
Floating rate debentures	1.92~2.70	1,300,846	1,301,367
Fixed rate debentures	1.20~4.50	3,113,130	2,857,545
		4,413,976	4,158,912
<b>Fair value adjustments on fair value hedged debentures in foreign currencies</b>		110,918	41,406
<b>Discount on debentures in foreign currencies</b>		(14,744)	(15,322)
		4,510,150	4,184,996
		20,970,823	18,739,992

Changes in debentures based on face value for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>				
	<b>Beginning</b>	<b>Issues</b>	<b>Repayments</b>	<b>Others</b>	<b>Ending</b>
<b>Debentures in Korean won</b>					
Structured debentures	33,310	-	(130)	-	33,180
Subordinated fixed rate debentures	3,416,590	400,000	(603)	-	3,815,987
Fixed rate debentures	10,787,614	4,011,900	(2,647,600)	-	12,151,914
Floating rate debentures	300,000	140,000	-	-	440,000
	14,537,514	4,551,900	(2,648,333)	-	16,441,081
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,301,367	94,298	(166,248)	71,429	1,300,846
Fixed rate debentures	2,857,545	92,753	-	162,832	3,113,130
	4,158,912	187,051	(166,248)	234,261	4,413,976
	18,696,426	4,738,951	(2,814,581)	234,261	20,855,057



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	2019				
	Beginning	Issues	Repayments	Others	Ending
<b>Debentures in Korean won</b>					
Structured debentures	34,320	-	(150)	-	34,170
Subordinated fixed rate debentures	3,422,729	-	(4,316)	-	3,418,413
Fixed rate debentures	15,024,545	1,262,900	(2,574,511)	-	13,712,934
Floating rate debentures	640,000	-	(390,000)	-	250,000
	<u>19,121,594</u>	<u>1,262,900</u>	<u>(2,968,977)</u>	<u>-</u>	<u>17,415,517</u>
<b>Debentures in foreign currencies</b>					
Floating rate debentures	1,344,628	-	-	23,086	1,367,714
Fixed rate debentures	2,725,699	500,220	-	59,716	3,285,635
	<u>4,070,327</u>	<u>500,220</u>	<u>-</u>	<u>82,802</u>	<u>4,653,349</u>
	<u>23,191,921</u>	<u>1,763,120</u>	<u>(2,968,977)</u>	<u>82,802</u>	<u>22,068,866</u>

## 21. Provisions

Details of provisions as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	March 31, 2020	December 31, 2019
Provisions for unused loan commitments	90,530	95,755
Provisions for acceptances and guarantees	78,928	76,256
Provisions for asset retirement obligation	109,495	106,269
Others	32,674	32,860
	<u>311,627</u>	<u>311,140</u>

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Changes in provisions for unused loan commitments, acceptances and guarantees for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020					
	Provisions for unused loan commitments			Provisions for acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non- impaired	Impaired		Non- impaired	Impaired
Beginning	61,085	34,670	-	23,881	35,588	16,787
Transfer between stages						
Transfer to 12-month expected credit losses	2,640	(2,640)	-	17	(17)	-
Transfer to lifetime expected credit losses	(1,430)	1,432	(2)	(69)	69	-
Impairment	(9)	(339)	348	-	(446)	446
Provision (reversal) for loan losses	(4,891)	(1,115)	(346)	(528)	(1,446)	1,910
Others (effects of changes in foreign exchange rate, etc.)	539	588	-	871	1,381	484
Ending	57,934	32,596	-	24,172	35,129	19,627

(In millions of Korean won)

	2019					
	Provisions for unused loan commitments			Provisions for acceptances and guarantees		
	12-month expected credit losses	Lifetime expected credit losses		12-month expected credit losses	Lifetime expected credit losses	
		Non- impaired	Impaired		Non- impaired	Impaired
Beginning	74,987	28,895	-	26,291	29,625	17,981
Transfer between stages						
Transfer to 12-month expected credit losses	2,801	(2,795)	(6)	51	(51)	-
Transfer to lifetime expected credit losses	(2,285)	2,286	(1)	(165)	249	(84)
Impairment	(40)	(422)	462	(16)	(277)	293
Provision (reversal) for loan losses	(3,441)	5,107	(455)	893	19,110	(1,809)
Others (effects of changes in foreign exchange rate, etc.)	226	101	-	182	256	107
Ending	72,248	33,172	-	27,236	48,912	16,488

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Changes in provisions for asset retirement obligation for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Beginning	106,269	95,396
Increase	6,824	-
Reversal	(2,487)	-
Used	(1,836)	-
Unwinding of discount	725	530
Ending	109,495	95,926

Provisions for asset retirement obligation are present value of estimated costs to be incurred for restoration of the leased properties. Actual expenses are expected to be incurred at the end of each lease contract. Three-year historical data of expired leases were used to estimate the average lease year. Also, the average restoration expense based on actual three-year historical data and the three-year historical average inflation rate were used to estimate the present value of estimated costs.

Changes in other provisions for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>				
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee liabilities</b>	<b>Others</b>
Beginning	53	3,578	10,662	5,411	13,156
Provision (Reversal)	13	624	(896)	208	672
Used and Others	(19)	(788)	-	-	-
Ending	47	3,414	9,766	5,619	13,828

<i>(In millions of Korean won)</i>	<b>2019</b>				
	<b>Membership rewards program</b>	<b>Dormant accounts</b>	<b>Litigations</b>	<b>Financial guarantee liabilities</b>	<b>Others</b>
Beginning	61	4,375	6,478	2,391	21,894
Provision (Reversal)	16	253	14,455	11,716	(2,468)
Used and Others	(21)	(542)	(25)	-	(227)
Ending	56	4,086	20,908	14,107	19,199

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**22. Net Defined Benefit Liabilities**

*Defined benefit plan*

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

- The Group has the obligation to pay the agreed benefits to all its current and former employees.
- Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

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

Changes in the net defined benefit liabilities for the three-month periods ended March 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

	<b>2020</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
Beginning	1,669,963	(1,490,853)	179,110
Current service cost	39,224	-	39,224
Interest expense (income)	8,239	(7,345)	894
Remeasurements :			
-Return on plan assets (excluding amounts included in interest income)	-	1,332	1,332
Payments from plans (benefit payments)	(57,912)	57,912	-
Payments from the Group	(3,268)	-	(3,268)
Transfer in	3,337	(3,337)	-
Transfer out	(2,869)	2,869	-
Effects of changes in foreign exchange rate	25	-	25
Ending	<u>1,656,739</u>	<u>(1,439,422)</u>	<u>217,317</u>

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*(In millions of Korean won)*

	<b>2019</b>		
	<b>Present value of defined benefit obligation</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liabilities</b>
Beginning	1,549,092	(1,382,487)	166,605
Current service cost	38,041	-	38,041
Interest expense (income)	8,807	(7,851)	956
Remeasurements :			
-Return on plan assets (excluding amounts included in interest income)	-	3,141	3,141
Payments from plans (benefit payments)	(73,664)	73,664	-
Payments from the Group	(3,689)	-	(3,689)
Transfer in	3,753	(3,753)	-
Transfer out	(2,153)	2,153	-
Effects of changes in foreign exchange rate	6	-	6
Ending	<u>1,520,193</u>	<u>(1,315,133)</u>	<u>205,060</u>

Details of the net defined benefit liabilities as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	1,656,739	1,669,963
Fair value of plan assets	(1,439,422)	(1,490,853)
Net defined benefit liabilities	<u>217,317</u>	<u>179,110</u>

Details of post-employment benefits recognized in profit or loss as employee compensation and benefits for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current service cost	39,224	38,041
Interest expenses of net defined benefit liabilities	894	956
Total	<u>40,118</u>	<u>38,997</u>

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**23. Other Liabilities**

Details of other liabilities as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Other financial liabilities</b>		
Other payables	4,055,777	3,422,209
Prepaid card and debit cards	1,581	2,038
Accrued expenses	2,723,672	2,748,242
Financial guarantee liabilities	43,609	41,008
Deposits for letter of guarantees and others	441,765	286,946
Domestic exchange settlement credits	1,523,885	2,073,263
Foreign exchanges settlement credits	108,682	114,316
Borrowings from other business accounts	2,024	256
Payables to trust accounts	5,220,092	5,216,460
Liabilities incurred from agency relationship	2,278,369	771,609
Account for agency businesses	423,700	407,475
Lease liabilities	354,952	344,417
Others	37,503	18,265
	<u>17,215,611</u>	<u>15,446,504</u>
<b>Other non-financial liabilities</b>		
Other payables	502,214	557,775
Unearned revenue	48,796	47,932
Accrued expenses	274,648	389,976
Withholding taxes	73,157	118,057
Others	53,509	65,368
	<u>952,324</u>	<u>1,179,108</u>
	<u>18,167,935</u>	<u>16,625,612</u>

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**24. Equity**

**24.1 Capital Stock**

Details of outstanding shares of the Group as of March 31, 2020 and December 31, 2019, are as follows:

	<b>Ordinary shares</b>	
	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Number of shares authorized	1,000,000,000	1,000,000,000
Face value per share <sup>1</sup>	5,000	5,000
Number of shares	404,379,116	404,379,116
Capital stock <sup>2</sup>	2,021,896	2,021,896

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

<sup>2</sup> In millions of Korean won.

**24.2 Hybrid Security**

Details of hybrid security classified as equity as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>Issuance date</b>	<b>Maturity</b>	<b>Interest rate (%)</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Amortized Conditional Capital Securities</b>	July 2, 2019	Permanent	4.35	574,523	574,523

Above securities are redeemable at the option of the Group on July 2, 2024 and each interest payment date thereafter.

**24.3 Capital Surplus**

Details of capital surplus as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Paid-in capital in excess of face value	4,604,417	4,604,417
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Other capital surplus	40,389	40,389
	<b>5,219,704</b>	<b>5,219,704</b>

The gain on business combination is a gain from a bargain purchase related to the merger with Korea Long Term Credit Bank on December 31, 1998, in accordance with previous Korean GAAP.

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**24.4 Accumulated Other Comprehensive Income (Loss)**

Details of accumulated other comprehensive income as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Remeasurements of net defined benefit liabilities	(217,032)	(216,067)
Currency translation differences	62,135	15,943
Net gains on debt instruments at fair value through other comprehensive income	30,341	56,750
Net gains on equity instruments at fair value through other comprehensive income	91,633	303,338
Share of other comprehensive income of associates	(3,671)	4,287
Losses on cash flow hedging instruments	(18,448)	(3,691)
Losses on hedges of net investments in foreign operations	(48,889)	(37,226)
	<u>(103,931)</u>	<u>123,334</u>

**24.5 Retained Earnings**

Retained earnings as of March 31, 2020 and December 31, 2019, consist of:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Legal reserves	2,042,618	2,041,898
Regulatory reserve for credit losses	2,441,875	2,291,019
Voluntary reserves	15,809,196	14,257,527
Retained earnings before appropriation	616,379	2,474,332
	<u>20,910,068</u>	<u>21,064,776</u>

With respect to the allocation of net profit earned in a fiscal term, the Bank must set aside in its legal reserve an amount equal to at least 10% of its net income after tax as reported in the consolidated statement of comprehensive income each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital in accordance with Article 40 of the Banking Act. This reserve is not available for the payment of cash dividends, but may be transferred to share capital, or used to reduce deficit. The Bank is reserving other reserves (legal reserves) in accordance with local regulation in oversea.

*Regulatory Reserve for Credit Losses*

Measurement and disclosure of regulatory reserve for credit losses are required in accordance with Articles 29.1 through 29.2 of Regulation on Supervision of Banking Business.



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Details of the regulatory reserve for credit losses as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Beginning	2,441,875	2,291,019
Amounts estimated to be appropriated	140,763	150,856
Ending	2,582,638	2,441,875

Adjustments to the regulatory reserve for credit losses for three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
Provision of regulatory reserve for credit losses	140,763	30,246
Adjusted profit after provision of regulatory reserve for credit losses <sup>1</sup>	445,584	542,567

<sup>1</sup> Adjusted profit after provision of regulatory reserve for credit losses is calculated on the assumption that expected provision of regulatory reserve for credit losses which is measured in accordance with Banking Supervision Regulations would be reflected in net profit for the periods without consideration of income tax effect.

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**25. Interest Income and Expense**

Details of interest income, expense, and net interest income for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Interest income</b>		
Securities at fair value through profit or loss	54,510	51,924
Loans at fair value through profit or loss	1,046	1,770
Securities at fair value through other comprehensive income	142,462	142,027
Loans at fair value through other comprehensive income	2,489	3,162
Due from financial institutions at amortized cost	14,342	15,056
Securities at amortized cost	77,157	74,828
Loans at amortized cost	2,273,685	2,373,621
Others	65,707	30,096
	<u>2,631,398</u>	<u>2,692,484</u>
<b>Interest expenses</b>		
Deposits	781,564	884,555
Borrowings	75,565	88,325
Debentures	114,784	141,923
Others	21,993	25,305
	<u>993,906</u>	<u>1,140,108</u>
<b>Net interest income</b>	<u>1,637,492</u>	<u>1,552,376</u>

Interest income recognized on impaired loans is ₩ 5,681 million (March 31, 2019: ₩ 5,869 million) for the three-month period ended March 31, 2020.

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**26. Net Fee and Commission Income**

Details of fee and commission income, and fee and commission expense for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Fees and commission income</b>		
Banking activity fees	51,556	53,084
Lending activity fees	22,884	18,450
Credit card related fees	163	259
Debit card related fees and commissions	143	148
Agent activity fees	77,828	72,285
Trust and other fiduciary fees	74,781	72,779
Guarantee fees	11,778	8,511
Foreign currency related fees	22,604	20,705
Security activity commissions	35,937	29,787
Other business account commission on consignment	12,243	11,086
Others	59,984	62,141
	<u>369,901</u>	<u>349,235</u>
<b>Fees and commission expenses</b>		
Trading activity related fees <sup>1</sup>	3,074	2,819
Lending activity fees	7,926	5,217
Credit card related fees	6,472	4,484
Outsourcing related fees	19,212	19,333
Foreign currency related fees	6,698	4,975
Management fees of charge-off loans	3,054	3,689
Contributions to external institutions	6,110	6,187
Others	31,521	27,772
	<u>84,067</u>	<u>74,476</u>
<b>Net fees and commission income</b>	<u>285,834</u>	<u>274,759</u>

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

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**27. Net Gains or Losses from Financial Assets/Liabilities at Fair Value through Profit or Loss**

Net gains or losses from financial assets/liabilities at fair value through profit or loss are composed of dividend income and gains or losses arising from changes in the fair values, sales and redemptions.

Details of net gains or losses from financial assets/liabilities at fair value through profit or loss for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Revenue from financial instruments at fair value through profit or loss</b>		
<b>Financial assets at fair value through profit or loss</b>		
Debt instruments	113,577	106,346
Equity instruments	3,856	8,155
	<u>117,433</u>	<u>114,501</u>
<b>Derivatives held for trading</b>		
Interest rate	1,416,021	552,350
Currency	3,523,648	1,273,168
Stock or stock index	320	91
Others	539	209
	<u>4,940,528</u>	<u>1,825,818</u>
<b>Financial liabilities at fair value through profit or loss</b>	44	113
<b>Other financial instruments</b>	391	19
	<u>5,058,396</u>	<u>1,940,451</u>
<b>Expense from financial instruments at fair value through profit or loss</b>		
<b>Financial assets at fair value through profit or loss</b>		
Debt instruments	129,114	17,721
Equity instruments	27,152	625
	<u>156,266</u>	<u>18,346</u>
<b>Derivatives held for trading</b>		
Interest rate	1,525,315	589,425
Currency	3,321,140	1,207,424
Stock or stock index	36	104
Others	86	102
	<u>4,846,577</u>	<u>1,797,055</u>
<b>Financial liabilities at fair value through profit or loss</b>	78	228
<b>Other financial instruments</b>	19	-
	<u>5,002,940</u>	<u>1,815,629</u>
<b>Net gains from financial assets/liabilities at fair value through profit or loss</b>	<u>55,456</u>	<u>124,822</u>

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**28. Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Other operating income</b>		
Revenue related to financial assets at fair value through other comprehensive income		
Gains on redemption of the securities at fair value through other comprehensive income	106	4
Gains on sale of the securities at fair value through other comprehensive income	91,181	33,205
Revenue related to financial assets at amortized cost		
Gains on sale of loans at amortized cost	19,570	2,341
Gains on foreign exchange transactions	634,771	181,214
Dividend income	24,215	31,907
Others	182,501	78,087
	<u>952,344</u>	<u>326,758</u>
<b>Other operating expenses</b>		
Expenses related to financial assets at fair value through other comprehensive income		
Losses on sale of the securities at fair value through other comprehensive income	133	255
Expenses related to financial assets at amortized cost		
Losses on sale of loans at amortized cost	-	-
Losses on foreign exchanges transactions	754,217	195,281
Others	380,421	282,358
	<u>1,134,771</u>	<u>477,894</u>
<b>Net other operating expenses</b>	<u>(182,427)</u>	<u>(151,136)</u>

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**29. General and Administrative Expenses**

**29.1 General and Administrative Expenses**

Details of general and administrative expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Employee Benefits</b>		
Salaries and short-term employee benefits - salaries	362,311	339,906
Salaries and short-term employee benefits - welfare expense	154,782	251,389
Post-employment benefits - defined benefit plans	40,118	38,997
Post-employment benefits - defined contribution plans	1,484	1,100
Termination benefits	105	44,775
Share-based payments	(4,635)	893
	<u>554,165</u>	<u>677,060</u>
<b>Depreciation and amortization</b>	<u>140,572</u>	<u>110,597</u>
<b>Other general and administrative expenses</b>		
Rental expense	16,755	15,474
Tax and dues	35,086	32,335
Communication	6,862	5,842
Electricity and utilities	6,173	5,555
Publication	2,024	2,547
Repairs and maintenance	2,348	2,053
Vehicle	1,351	1,325
Travel	614	1,041
Training	3,572	4,317
Service fees	26,738	24,456
Others	90,896	88,201
	<u>192,419</u>	<u>183,146</u>
	<u>887,156</u>	<u>970,803</u>

**29.2 Share-based Payments**

**29.2.1 Share Grants**

The Group changed the scheme of share-based payment from share option to share grants in November 2007. The share grant award program is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted is determined in accordance with achievement of performance targets over the vesting period.

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Details of the share grants as of March 31, 2020, are as follows:

(In number of shares)

Share grants	Grant date	Number of granted shares <sup>1, 2</sup>	Vesting conditions
Series 75	2019-01-01	153,661	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 76	2019-04-01	5,380	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 77	2019-05-27	5,569	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 78	2019-11-21	36,443	Services fulfillment, TSR 30%, EPS and Asset Quality 70%
Series 79	2020-01-01	278,433	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Series 80	2020-03-01	7,702	Services fulfillment, TSR 30~50%, Company and work performance 50~70%
Deferred grant in 2015	-	2,759	
Deferred grant in 2016	-	19,109	
Deferred grant in 2017	-	58,380	
Deferred grant in 2018	-	65,587	
Deferred grant in 2019	-	98,194	
		<u>731,217</u>	

<sup>1</sup> Granted shares in relation to Series 75 ~ 80 represent the total number of shares granted to directors and employees but not vested at the end of reporting period. The number of deferred grants represents residual shares that have been vested at the end of reporting period.

<sup>2</sup> Certain percentages among the granted shares are deferred for over five years from the time of initial exercising. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

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Details of share grants linked to short-term performance as of March 31, 2020, are as follows:  
(In number of shares)

Share grants <sup>1</sup>	Number of vested shares	Vesting conditions
Granted shares for 2015	9,887	Vested
Granted shares for 2016	22,575	Vested
Granted shares for 2017	31,522	Vested
Granted shares for 2018	77,478	Vested
Granted shares for 2019	103,707	Vested
Granted shares for 2020	43,079	Proportion to service period

<sup>1</sup> Executives and employees were given the option of deferred payment of the granted shares (after the date of retirement), payment ratio and payment period. Accordingly, a certain percentage of the granted amount is deferred for up to five years after the date of retirement after the deferred grant has been confirmed.

Share grants are measured at fair value using the Monte Carlo Simulation Model and assumptions used in determining the fair value as of March 31, 2020, are as follows:

(In Korean won)

	Expected exercise period (Years)	Risk free rate (%)	Fair value (Market performance condition)	Fair value (Non-market performance condition)
Series 75	0.75~3.75	0.99%	30,603~33,775	30,603~33,775
Series 76	1.00~4.76	0.99%	29,610~32,660	29,610~32,660
Series 77	1.15~4.76	0.99%	29,610~32,660	29,610~32,660
Series 78	1.64~4.76	0.99%	29,610~32,660	29,610~32,660
Series 79	0.00~4.76	0.99%	29,610~33,775	29,610~33,775
Series 80	1.92~5.76	0.99%	28,681~31,592	28,681~31,592
Grant deferred in 2015	0.75~1.75	0.99%	-	32,660~33,775
Grant deferred in 2016	0.75~3.75	0.99%	-	30,603~33,775
Grant deferred in 2017	0.64~3.75	0.99%	-	30,603~33,775
Grant deferred in 2018	0.75~3.75	0.99%	-	30,603~47,631
Grant deferred in 2019	0.75~2.75	0.99%	-	31,592~47,631
Share granted in 2015	0.00~3.75	0.99%	-	30,603~47,153
Share granted in 2016	0.00~4.76	0.99%	-	29,610~47,631
Share granted in 2017	0.00~3.75	0.99%	-	30,603~47,631
Share granted in 2018	0.00~3.75	0.99%	-	30,603~47,631
Share granted in 2019	0.75~2.75	0.99%	-	31,592~33,775
Share granted in 2020	1.75~3.75	0.99%	-	30,603~32,660

The Group used the volatility of the stock price over the previous year as the expected volatility and used the dividend yield as the arithmetic mean of the dividend rate of one year before, two years before, and three years before the base year, in order to calculate fair value. Fair value is calculated based on 1 year-KTB rate.

As of March 31, 2020 and December 31, 2019, the accrued expenses related to share-based payments including share grants, amounted to ₩ 22,329 million and ₩ 41,344 million, respectively, and the compensation costs from share grants amounting to ₩ 4,635 million were reversed during the three-



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month period ended March 31, 2020, and the compensation costs from share grants amounting to ₩ 893 million were incurred during the three-month period ended March 31, 2019.

29.2.2 Mileage Stock

Details of Mileage Stock as of March 31, 2020, are as follows:

<i>(In number of shares)</i>		<b>Number of granted shares<sup>1</sup></b>	<b>Expected exercise period (Years)<sup>2</sup></b>	<b>Number of exercisable shares</b>
	<b>Grant date</b>			
Share granted in 2017	2017-04-03	82	0.00~0.01	61
	2017-05-22	20	0.00~0.14	17
	2017-07-03	52	0.00~0.25	52
	2017-08-07	29	0.00~0.35	19
	2017-08-08	5	0.00~0.35	2
	2017-08-16	204	0.00~0.38	140
	2017-08-17	40	0.00~0.38	24
	2017-08-24	387	0.00~0.40	274
	2017-09-08	83	0.00~0.44	73
	2017-11-01	120	0.00~0.59	103
	2017-11-06	106	0.00~0.60	101
	2017-12-06	105	0.00~0.68	83
	2017-12-26	255	0.00~0.74	170
	2017-12-29	114	0.00~0.75	58
Share granted in 2018	2018-01-10	19,197	0.00~0.78	14,404
	2018-02-12	9	0.00~0.87	7
	2018-04-02	115	0.00~1.00	99
	2018-04-30	86	0.00~1.08	58
	2018-05-08	170	0.00~1.10	147
	2018-06-01	140	0.00~1.17	116
	2018-07-02	180	0.00~1.25	123
	2018-08-07	194	0.00~1.35	157
	2018-08-09	47	0.00~1.36	36
	2018-08-14	30	0.00~1.37	30
	2018-08-16	130	0.00~1.38	103
	2018-09-07	106	0.00~1.44	82
	2018-10-04	129	0.00~1.51	92
	2018-11-01	258	0.00~1.59	221
	2018-11-06	236	0.00~1.60	181
	2018-12-03	132	0.00~1.67	132
	2018-12-04	21	0.00~1.68	21
	2018-12-07	91	0.00~1.68	85
	2018-12-12	64	0.00~1.70	47
	2018-12-18	271	0.00~1.72	245
	2018-12-19	42	0.00~1.72	34
	2018-12-31	127	0.00~1.75	106
Share granted in 2019	2019-01-11	26,580	0.00~1.78	23,407

# Kookmin Bank and Subsidiaries

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	2019-02-01	12	0.00~1.84	8
	2019-04-01	167	0.00~2.00	143
	2019-04-18	105	0.00~2.05	105
	2019-04-22	33	0.00~2.06	33
	2019-07-01	109	0.00~2.25	109
	2019-08-29	39	0.00~2.41	39
	2019-09-02	50	0.00~2.42	50
	2019-11-01	119	0.00~2.59	119
	2019-11-08	14	0.00~2.61	14
	2019-12-05	56	0.00~2.68	56
	2019-12-06	84	0.00~2.68	84
	2019-12-31	87	0.00~2.75	87
Share granted in 2020	2020-01-18	29,065	0.00~2.80	28,177
		<u>79,897</u>		<u>70,134</u>

<sup>1</sup> Mileage stock is exercisable for two years after one year from the grant date. When the mileage stock is exercised, the closing price of prior month is applied. However, in case of transfer or retirement during the vesting period, mileage stock is exercisable at the closing price of the last month prior to transfer or retirement.

<sup>2</sup> The exercisable shares are assessed based on the stock price as of March 31, 2020. These shares are vested immediately at grant date.

The accrued expenses for share-based payments in regard to mileage stock as of March 31, 2020 and December 31, 2019, are ₩ 2,423 million and ₩ 2,705 million, respectively. The compensation costs amounting to ₩ 460 million and ₩ 1,243 million were recognized as an expense for the three-month periods ended March 31, 2020 and 2019, respectively.

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**30. Non-operating Income and Expenses**

Details of non-operating income and expenses for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Non-operating income</b>		
Gains on disposal in property and equipment and assets held for sale	8,968	3
Rental income	9,528	5,804
Others	2,650	21,531
	<u>21,146</u>	<u>27,338</u>
<b>Non-operating expenses</b>		
Losses on disposal in property and equipment and assets held for sale	267	3,481
Donation	34,686	23,028
Restoration cost	109	1,383
Others	11,608	8,844
	<u>46,670</u>	<u>36,736</u>
<b>Net non-operating expenses</b>	<u>(25,524)</u>	<u>(9,398)</u>

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**31. Income Tax Expense**

Income tax expense for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>2020</b>
<b>Tax payable</b>	
Current tax expense	172,173
Adjustments recognized in the period for current tax of prior years	7,793
	179,966
<b>Changes in deferred income tax assets (liabilities)</b>	(57,595)
<b>Income tax expense of overseas branches</b>	2,194
<b>Income tax recognized directly in equity</b>	
Net gains on equity instruments at fair value through other comprehensive income	80,302
Net gains on debt instruments at fair value through other comprehensive income	10,943
Exchange difference in foreign operation	(7,004)
Remeasurements of net defined benefit liabilities	366
Gains on hedges of a net investment in foreign operations	4,425
Gains on cash flow hedging instruments	5,597
Share of other comprehensive income of associates	3,019
Others	3,462
	101,110
<b>Consolidated tax effect</b>	(14,641)
<b>Tax expense</b>	211,034
<i>(In millions of Korean won)</i>	<b>2019</b>
<b>Tax payable</b>	
Current tax expense	101,834
Adjustments recognized in the period for current tax of prior years	(13,069)
	88,765
<b>Changes in deferred income tax assets (liabilities)</b>	142,704
<b>Income tax expense of overseas branches</b>	518
<b>Income tax recognized directly in equity</b>	
Net losses on equity instruments at fair value through other comprehensive income	(18,152)
Net losses on debt instruments at fair value through other comprehensive income	(9,678)
Exchange difference in foreign operation	(3,333)
Remeasurements of net defined benefit liabilities	864
Gains on hedges of a net investment in foreign operations	1,018
Gains on cash flow hedging instruments	2,862
Share of other comprehensive income of associates	(1,199)
	(27,618)
<b>Reclassification of sale of securities at fair value through other comprehensive income</b>	6,982
<b>Consolidated tax effect</b>	(7,581)
<b>Tax expense</b>	203,770

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**32. Dividends**

The dividends to the shareholder of the Group for the year ended December 31, 2019, amounting to ₩ 731,926 million, ₩ 1,810 per shares was paid in March 2020.

**33. Accumulated Other Comprehensive Income (Loss)**

Details of changes in accumulated other comprehensive income for the three-month periods ended March 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

	2020					
	Beginning	Changes (excluding reclassification)	Reclassification to profit or loss	Tax effect	Transfer to retained earnings	Ending
Remeasurements of net defined benefit liabilities	(216,067)	(1,331)	-	366	-	(217,032)
Currency translation differences	15,943	53,196	-	(7,004)	-	62,135
Net gains (losses) on debt instruments at fair value through other comprehensive income	56,750	59,835	(97,187)	10,943	-	30,341
Net gains (losses) on equity instruments at fair value through other comprehensive income	303,338	(292,007)	-	80,302	-	91,633
Share of other comprehensive income of associates	4,287	(10,977)	-	3,019	-	(3,671)
Gains (losses) on cash flow hedging instruments	(3,691)	(20,487)	133	5,597	-	(18,448)
Gains (losses) on hedges of a net investment in foreign operations	(37,226)	(16,088)	-	4,425	-	(48,889)
	123,334	(227,859)	(97,054)	97,648	-	(103,931)

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(In millions of Korean won)

	2019					
	Beginning	Changes (excluding reclassification)	Reclassification to profit or loss	Tax effect	Transfer to retained earnings	Ending
Remeasurements of net defined benefit liabilities	(175,698)	(3,141)	-	864	-	(177,975)
Currency translation differences	(10,328)	25,035	5,353	(3,333)	-	16,727
Net gains (losses) on debt instruments at fair value through other comprehensive income	22,475	69,406	(33,902)	(9,678)	-	48,301
Net gains (losses) on equity instruments at fair value through other comprehensive income	302,014	40,615	-	(18,152)	25,392	349,869
Share of other comprehensive income of associates	(3,259)	4,360	-	(1,199)	-	(98)
Gains (losses) on cash flow hedging instruments	11,539	(9,926)	(480)	2,862	-	3,995
Gains (losses) on hedges of a net investment in foreign operations	(30,959)	(5,022)	1,317	1,018	-	(33,646)
	<u>115,784</u>	<u>121,327</u>	<u>(27,712)</u>	<u>(27,618)</u>	<u>25,392</u>	<u>207,173</u>

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**34. Trust Accounts**

Financial information of the trust accounts the Group manages as of March 31, 2020 and December 31, 2019, and for the three-month periods ended March 31, 2020 and 2019, is as follows:

(In millions of Korean won)

	Total assets		Operating revenues	
	March 31, 2020	December 31, 2019	2020	2019
Consolidated	4,386,666	4,384,959	40,963	37,236
Unconsolidated	55,147,693	51,685,885	576,109	489,669
	59,534,359	56,070,844	617,072	526,905

<sup>1</sup> Financial information of the trust accounts has been prepared in accordance with the Statement of Korea Accounting Standard 5004, *Trust Accounts*, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

Significant receivables and payables related to the Group's trust accounts as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		March 31, 2020	December 31, 2019
Trust Segment	<b>Assets</b>		
	Accrued trust fees	45,877	37,340
	Other accrued income	27,125	23,976
		73,002	61,316
	<b>Liabilities</b>		
	Due to trust accounts	869,530	1,268,401
	Accrued interest on due to trust accounts	7,208	7,081
	Deposits	290,365	278,975
	Accrued interest on deposits	2,454	2,481
		1,169,557	1,556,938
Custody Segment	<b>Assets</b>		
	Accrued trust fees	6,200	6,387
		6,200	6,387
	<b>Liabilities</b>		
	Due to trust accounts	4,350,562	3,948,059
	Accrued interest on due to trust accounts	2,461	3,055
		4,353,023	3,951,114

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Significant revenue and expenses related to the Group's trust accounts for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>2020</b>	<b>2019</b>
Trust Segment	<b>Revenues</b>		
	Fees and commissions from trust accounts	66,628	65,460
	Management fees and commissions from retirement pension	6,889	7,192
	Commissions from early termination in trust accounts	33	20
		<u>73,550</u>	<u>72,672</u>
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	4,506	4,953
	Interest expenses on deposits	1,130	4,210
		<u>5,636</u>	<u>9,163</u>
Custody Segment	<b>Revenues</b>		
	Fees and commissions from trust accounts	8,153	7,320
		<u>8,153</u>	<u>7,320</u>
	<b>Expenses</b>		
	Interest expenses on due to trust accounts	8,320	12,479
		<u>8,320</u>	<u>12,479</u>



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**35. Supplemental Cash Flow Information**

Cash and cash equivalents as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Cash	2,287,534	2,310,852
Checks with other banks	546,395	383,501
Due from Bank of Korea	7,355,274	8,336,097
Due from other financial institutions	6,277,533	3,450,859
	<u>16,466,736</u>	<u>14,481,309</u>
Restricted due from financial institutions	(7,764,892)	(8,759,432)
Due from financial institutions with original maturities over three months	(907,685)	(842,565)
	<u>(8,672,577)</u>	<u>(9,601,997)</u>
	<u>7,794,159</u>	<u>4,879,312</u>

Cash inflows and outflows from income tax, interest and dividends for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>Activities</b>	<b>2020</b>	<b>2019</b>
Income tax paid	Operating	44,004	71,263
Interest received	Operating	2,676,390	2,631,666
Interest paid	Operating	989,209	987,700
Dividends received	Operating	14,411	30,979
Dividends paid	Financing	731,926	667,226

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**36. Contingent Liabilities and Commitments**

Acceptances and guarantees as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Confirmed acceptances and guarantees</b>		
<b>Confirmed acceptances and guarantees in Korean won</b>		
Acceptances and guarantees for KB purchasing loan	167,650	161,314
Performance bond	3,686	3,686
Refund guarantees	27,811	28,021
Others	739,906	715,116
	<u>939,053</u>	<u>908,137</u>
<b>Confirmed acceptances and guarantees in foreign currencies</b>		
Acceptances of letter of credit	149,234	155,151
Letter of guarantees	45,928	49,754
Bid bond	42,606	37,765
Performance bond	953,546	718,097
Refund guarantees	925,291	1,022,646
Others	3,070,761	2,935,939
	<u>5,187,366</u>	<u>4,919,352</u>
<b>Financial guarantees</b>		
Acceptances and guarantees for mortgage	46,232	47,384
Overseas debt guarantees	466,374	406,680
International financing guarantees in foreign currencies	244,887	231,685
Others	280,950	230,000
	<u>1,038,443</u>	<u>915,749</u>
	<u>7,164,862</u>	<u>6,743,238</u>
<b>Unconfirmed acceptances and guarantees</b>		
Guarantees of letter of credit	2,190,332	1,845,509
Refund guarantees	663,268	654,496
	<u>2,853,600</u>	<u>2,500,005</u>
	<u>10,018,462</u>	<u>9,243,243</u>

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*Guarantee exposure by credit ratings*

The credit quality of the guarantees exposure as of March 31, 2020 and December 31, 2019, can be categorized as follows:

(In millions of Korean won)

(In millions of Korean won)	March 31, 2020			
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		
		Non-impaired	Impaired	Total
Confirmed acceptances and guarantees <sup>1</sup>				
Grade 1	4,914,477	1,414	-	4,915,891
Grade 2	1,827,970	34,974	-	1,862,944
Grade 3	93,690	66,441	-	160,131
Grade 4	16,794	196,992	1,081	214,867
Grade 5	-	647	10,382	11,029
	6,852,931	300,468	11,463	7,164,862
Unconfirmed acceptances and guarantees <sup>1</sup>				
Grade 1	1,507,694	3,293	-	1,510,987
Grade 2	1,212,050	34,033	-	1,246,083
Grade 3	17,170	18,330	-	35,500
Grade 4	2,779	42,744	-	45,523
Grade 5	-	529	14,978	15,507
	2,739,693	98,929	14,978	2,853,600
	9,592,624	399,397	26,441	10,018,462

(In millions of Korean won)

(In millions of Korean won)		December 31, 2019		
	Financial instruments applying 12-month expected credit losses	Financial instruments applying lifetime expected credit losses		
		Non-impaired	Impaired	Total
<b>Confirmed acceptances and guarantees<sup>1</sup></b>				
Grade 1	4,220,046	696	-	4,220,742
Grade 2	2,105,637	38,271	-	2,143,908
Grade 3	93,074	81,317	-	174,391
Grade 4	18,773	172,440	-	191,213
Grade 5	-	2,873	10,111	12,984
	6,437,530	295,597	10,111	6,743,238
<b>Unconfirmed acceptances and guarantees<sup>1</sup></b>				
Grade 1	1,228,258	1,289	-	1,229,547
Grade 2	1,121,159	32,413	-	1,153,572
Grade 3	17,091	20,957	-	38,048
Grade 4	4,236	62,964	-	67,200
Grade 5	-	170	11,468	11,638
	2,370,744	117,793	11,468	2,500,005
	8,808,274	413,390	21,579	9,243,243

<sup>1</sup> Applied same criteria as the credit quality classification of loans.

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Acceptances and guarantees by counterparty as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Large companies	6,354,696	2,183,493	8,538,189	85.23
Small and medium sized companies	678,292	448,863	1,127,155	11.25
Public and others	131,874	221,244	353,118	3.52
	<u>7,164,862</u>	<u>2,853,600</u>	<u>10,018,462</u>	<u>100.00</u>

*(In millions of Korean won)*

	<b>December 31, 2019</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Large companies	5,962,004	1,904,346	7,866,350	85.10
Small and medium sized companies	650,612	397,539	1,048,151	11.34
Public and others	130,622	198,120	328,742	3.56
	<u>6,743,238</u>	<u>2,500,005</u>	<u>9,243,243</u>	<u>100.00</u>

Acceptances and guarantees by industry as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

	<b>March 31, 2020</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Financial institutions	499,685	2,963	502,648	5.02
Manufacturing	3,305,547	1,926,422	5,231,969	52.22
Service	1,245,497	107,130	1,352,627	13.50
Wholesale and retail	1,334,268	637,401	1,971,669	19.68
Construction	383,102	21,103	404,205	4.03
Public	110,194	103,935	214,129	2.14
Others	286,569	54,646	341,215	3.41
	<u>7,164,862</u>	<u>2,853,600</u>	<u>10,018,462</u>	<u>100.00</u>

*(In millions of Korean won)*

	<b>December 31, 2019</b>			
	<b>Confirmed guarantees</b>	<b>Unconfirmed guarantees</b>	<b>Total</b>	<b>Proportion (%)</b>
Financial institutions	260,974	23,999	284,973	3.08
Manufacturing	3,373,220	1,627,840	5,001,060	54.11
Service	1,187,516	88,158	1,275,674	13.80
Wholesale and retail	1,126,976	597,998	1,724,974	18.66
Construction	467,114	20,590	487,704	5.28
Public	107,481	81,895	189,376	2.05
Others	219,957	59,525	279,482	3.02
	<u>6,743,238</u>	<u>2,500,005</u>	<u>9,243,243</u>	<u>100.00</u>

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Commitments as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Commitments</b>		
Corporate loan commitments	42,401,983	41,340,286
Retail loan commitments	43,937,886	42,492,182
Other acceptance and guarantees		
in Korean won	1,300,000	1,300,000
Purchase of securities	2,941,723	2,733,757
	<u>90,581,592</u>	<u>87,866,225</u>
<b>Financial Guarantees</b>		
Credit line	1,781,364	1,797,802
Purchase of securities	576,000	591,500
	<u>2,357,364</u>	<u>2,389,302</u>
	<u>92,938,956</u>	<u>90,255,527</u>

*Other Matters (including litigation)*

a) The Group has filed 56 lawsuits (excluding minor lawsuits in relation to the collection or management of loans), as the plaintiff, involving aggregate claims of ₩ 324,603 million, and faces 103 lawsuits as the defendant (excluding minor lawsuits in relation to the collection or management of loans) involving aggregate damages of ₩ 157,745 million, which arose in the normal course of the business and are still pending as of March 31, 2020.

b) As of March 31, 2020, the Group has entered into construction contracts amounting to ₩ 163,960 million related to the construction of integrated headquarter building and payments made up to March 31, 2020 amount to ₩ 74,438 million.

c) As of March 31, 2020, the Group has entered into construction contracts amounting to ₩ 249,110 million related to the construction of The K Project (IT infrastructure construction business needed KB's Digital Transformation to cope with change of IT technology and finance environment), and payments made until March 31, 2020 amount to ₩ 73,828 million.

d) The Group has acquired 70% of shares of PRASAC (PRASAC Microfinance Institution Limited), a microfinance deposit taking institution in Cambodia, for US\$ 603 million from the existing shareholders on April 10, 2020.

The Group has signed a shareholders' agreement with the existing shareholders of PRASAC. Each of the existing shareholders has a put option to sell the remaining 30% shares to the Group at the exercise price calculated on the basis of the adjusted book value as of December 31, 2021. The put option will expire within six months following the finalization of the audited financial statements for the year ending December 31, 2021 and the confirmation of the adjusted book value. If the put option is not exercised until its expiry, the Group may exercise a call option during the six months following the expiry of such put option. All shareholders are restricted from selling shares or additional pledge before exercising the put option and call option.

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e) The ongoing COVID-19 pandemic has had a negative impact on the global economy, and has increased the estimation uncertainty on the Group's expected credit losses on certain portfolios and potential impairment on assets. The Group's ability to generate revenue may be adversely affected by the factors including;

-uncertainties arising from significant increases in credit risks of borrowers affected by COVID-19 pandemic

-uncertainties arising from forward-looking macroeconomic information in estimating expected credit losses

-depreciation of Korean won against major currencies causing increase in the payment amount of principal and interests of borrowings denominated in foreign currencies; and

-a significant decline in fair value of the Group's investments in companies affected by COVID-19 pandemic

The negative impact from the COVID-19 pandemic in Korea, however, is expected to be fairly mitigated to some extent by Korean government's financial and economic stabilization packages along with timely and effective disease control. Although the Group is thoroughly monitoring the impact of COVID-19 pandemic, including whether forward-looking information is to be remeasured, the impact on the Group's consolidated financial statements cannot be reliably determined as of March 31, 2020.

Loans by major industry of the Group that can be impacted by COVID-19 as of March 31, 2020, are ₩ 504,758 million, ₩ 7,498,926 million, ₩ 2,712,482 million and ₩ 3,517,156 million for airplane/travel industries, food/lodging industries, leisure/movie advertising industries, and automobile parts industries, respectively. However, there may be changes in the industries that may be affected by COVID-19 due to the changes in the future overall economic events.

f) The face values of the securities sold to general customers through tellers' sale amount to ₩ 372 million and ₩ 372 million as of March 31, 2020 and December 31, 2019, respectively.

# Kookmin Bank and Subsidiaries

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#### 37. Subsidiaries

Details of subsidiaries as of March 31, 2020, are as follows:

Investor	Investee	Ownership (%)	Location	Industry
Kookmin Bank	Kookmin Bank Int'l Ltd.(London) <sup>1</sup>	100.00	United Kingdom	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank Cambodia PLC.	100.00	Cambodia	Banking and foreign exchange transaction
Kookmin Bank	Kookmin Bank (China) Ltd.	100.00	China	Banking and foreign exchange transaction
Kookmin Bank	KB Microfinance Myanmar Co., Ltd	100.00	Myanmar	Micro finance services
Kookmin Bank	Personal pension trust and 10 others <sup>2</sup>	0.00	Korea	Trust
Kookmin Bank	KH the 2nd L.L.C. and 40 others <sup>3</sup>	0.00	Korea	Asset-backed securitization and others
Kookmin Bank	KB Wise Star Private Real Estate Feeder Fund 1 <sup>3</sup>	86.00	Korea	Investment Trust
KB Wise Star Private Real Estate Feeder Fund 1	KB Star Office Private Real Estate Master Fund 2 <sup>3</sup>	44.44	Korea	Investment Trust
Kookmin Bank	KB Haeorum Private Securities 83 <sup>3</sup>	99.96	Korea	Investment Trust
Kookmin Bank	Kiwoom Frontier Private placement fund 10[Bond] <sup>3</sup>	99.93	Korea	Investment Trust
Kookmin Bank	Woori Safe Plus Qualified Private Trust S-8(Bond) <sup>3</sup>	99.98	Korea	Investment Trust
Kookmin Bank	Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1 <sup>3</sup>	99.93	Korea	Investment Trust
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 1	100.00	Korea	Investment Trust
Mirae Asset Triumph Global Privately placed Feeder Investment Trust 1	Mirae Asset Triumph Global Privately placed Master Investment Trust 2	100.00	Korea	Investment Trust
Kookmin Bank	NH-Amundi Global Private Securities Investment Trust 1(BOND) <sup>3</sup>	100.00	Korea	Investment Trust
Kookmin Bank	Meritz Private Real Estate fund No.9-2 <sup>3</sup>	99.98	Korea	Investment Trust
Kookmin Bank	AIP US Red Private Real Estate Trust NO.10 <sup>3</sup>	99.97	Korea	Investment Trust
Kookmin Bank	KB KBSTAR 3-Year Futures Inverse Securities ETF (Debt-Derivative) <sup>3</sup>	94.58	Korea	Investment Trust
Kookmin Bank	KB Core Blind Private Estate Fund 1st <sup>3</sup>	90.09	Korea	Investment Trust
KB Core Blind Private Estate Fund 1st	Wise Star Private Real Estate Feeder Fund 3rd <sup>3</sup>	46.65	Korea	Investment Trust

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Kookmin Bank	KB Global Private Real Estate Debt Fund 3 <sup>rd</sup> (USD) <sup>3</sup>	99.50	Korea	Investment Trust
Kookmin Bank	UBS Hana Professional Investor Private Investment Trust 1 [Bond] <sup>3</sup>	99.97	Korea	Investment Trust
Kookmin Bank	Mirae Asset Triumph Privately Placed Investment Trust 7 <sup>3</sup>	99.15	Korea	Investment Trust
Kookmin Bank	Samsung Credit Value Plus Private Investment Trust [Bond] <sup>3</sup>	99.01	Korea	Investment Trust

<sup>1</sup> The Bank converted Kookmin Bank Int'l Ltd. (London) into a London branch as of May 16, 2018, which is considered to be a merger transaction between subsidiaries under common control. The Bank accounted for the transaction by applying carrying amount method and measured the transferred assets and liabilities at carrying amounts included in the consolidated financial statements. The amounts of the transferred assets and liabilities resulting from the business combination were ₩ 480,161 million and ₩ 480,023 million, respectively, as of the acquisition date.

<sup>2</sup> The Bank controls the trust because it has power that determines the management performance over the trust, and is exposed to variable returns to absorb losses through the guarantees of payment of principal or payment of principal and fixed rate of return.

<sup>3</sup> The Bank controls these investees because it is exposed to variable returns from its involvement with the investees and has ability to affect those returns through its power.

KB Western Inland highway Private Special Asset Fund (SOC) and two other investment trusts as structured companies that hold more than half of their ownership percentage but do not have the strength to related activities in accordance with agreements with trust and other shareholders are excluded from the consolidation.

The condensed financial information of major subsidiaries as of March 31, 2020 and December 31, 2019, and for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)	March 31, 2020			2020	
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the period
Kookmin Bank Int'l Ltd.(London)	39,464	921	38,543	9	(17)
Kookmin Bank Cambodia PLC.	353,224	247,758	105,466	5,030	970
Kookmin Bank (China) Ltd.	3,078,911	2,624,948	453,963	31,127	967
KB Microfinance Myanmar Co.,Ltd	30,946	6,071	24,875	1,681	445
Personal pension trust and 10 others	4,354,720	4,262,599	92,121	33,783	(22,345)

  

(In millions of Korean won)	December 31, 2019			2019	
	Assets	Liabilities	Equity	Operating revenue	Profit for the period
Kookmin Bank Int'l Ltd.(London)	37,404	887	36,517	251	249
Kookmin Bank Cambodia PLC.	307,604	208,670	98,934	3,264	1,088
Kookmin Bank (China) Ltd.	3,032,642	2,599,516	433,126	36,366	5,120
KB Microfinance Myanmar Co.,Ltd	24,188	2,559	21,629	904	22
Personal pension trust and 10 others	4,413,755	4,299,288	114,467	50,003	432



**Kookmin Bank and Subsidiaries**  
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**Nature of the risks associated with interests in consolidated structured entities**

Terms of contractual arrangements that provide financial support to a consolidated structured entity are as follows:

- The Bank provides the capital commitments of ₩ 172,000 million to KB Wise Star Private Real Estate Feeder Fund 1st, of which ₩ 817 million has not been utilized, and of ₩ 61,118 million to Meritz Private Real Estate fund No.9-2, of which ₩ 21,508 million has not been utilized, and of ₩ 100,000 million to KB Core Blind Private Estate Fund 1st, of which ₩ 66,842 million has not been utilized.
- The Bank has provided purchase commitment and grant of credit to the structured entities that are considered as subsidiaries. The Bank should purchase unsold commercial paper securities if there is a shortage of the investors for the commercial paper securities issued by the structured entity. If events causing the cessation of the issuance of commercial paper securities occur or if the structured entities become insolvent, the Bank should provide loans to the structured entities under certain conditions.

*(In millions of Korean won)*

	<b>March 31, 2020</b>
KH the 2nd L.L.C.	41,393
Silver Investment 2nd Inc.	50,000
KBM the 1st L.L.C.	40,234
KH the 3rd L.L.C.	30,100
KBH the 1st L.L.C.	6,570
HLD the 3rd L.L.C.	112,500
KBC the 2nd L.L.C.	30,192
KLD the 1st L.L.C.	15,200
LOG the 3rd L.L.C.	24,300
KBL Incheon 1st L.L.C.	101,000
KB DTower 1st L.L.C.	785
KB Display 1st L.L.C.	20,420
KB Firstpark L.L.C.	48,450
KB Aluminium 1st L.L.C.	50,244
KB INO 2nd L.L.C.	30,139
KBH the 5th L.L.C.	25,093
KB Happy 1st L.L.C.	50,147
KL Industrial 2nd L.L.C.	30,177
KB Socio the 1st L.L.C.	30,200
KB Industry the 1st L.L.C.	30,170
KBST the 1st L.L.C.	30,069
KB Geumjeong Hill L.L.C.	64,580
KBH the 4th L.L.C.	20,179
Great Forest the 1st L.L.C.	25,161
KBC the 3rd L.L.C.	35,082
KB Future the 1st L.L.C.	30,151
KBH the 6th L.L.C.	50,067
Beomuh Landmark the 2nd L.L.C.	59,386
KB Industry 2nd L.L.C.	30,168
KB Firstville the 1st L.L.C.	18,094

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

KB Handok the 1st L.L.C.	30,044
KB Heracles the 1st L.L.C.	25,137
SLT Gamsam Co., Ltd.	21,300
K plus the 1st L.L.C.	200,208
KB Hwaseong the 1st L.L.C.	23,000
KB Livv H 1st L.L.C.	30,034
KB Beomcheon Land 1st L.L.C	40,194

- The Bank provides the guarantees of payment of principal or principal and fixed rate of return, in case the operating results of the trusts are less than the guaranteed principal or principal and a fixed rate of return.

### Changes in subsidiaries

KB Hwaseong the 1st L.L.C. and 5 other subsidiaries were newly included in the consolidation scope, and KBH the 3rd L.L.C and 2 other subsidiaries were excluded from the scope of consolidation during the three-month period ended March 31, 2020.

### 38. Unconsolidated Structured Entity

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

Nature	Purpose	Activities	Methods of Financing
Asset-backed securitization	Early cash generation through transfer of securitization assets Fees earned as services to SPC, such as providing lines of credit and ABCP purchase commitments	Fulfillment of Asset-backed securitization plan Purchase and collection securitization assets Issuance and repayment of ABS and ABCP	Issuance of ABS and ABCP based on securitization assets
Project financing	Granting PF loans related to SOC and real property Granting loans to ships/aircrafts SPC Project finance to M&A and others	Construction of SOC and real property Building ships/ Construction and purchase of aircrafts M&A	Loan commitments through Credit Line, providing lines of credit and investment agreements
Investment funds	Investment in beneficiary certificates Investment in PEF and partnerships	Management of fund assets Payment of fund fees and allocation of fund profits	Sales of beneficiary certificate instruments Investment of general partners and limited partners

**Kookmin Bank and Subsidiaries**  
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As of March 31, 2020 and December 31, 2019, the size of the unconsolidated structured entities and the risks associated with its interests in unconsolidated structured entities are as follows:

(In millions of Korean won)

	March 31, 2020			
	Asset-backed securitization	Structured finance	Investment funds	Total
<b>Total assets of the unconsolidated structured entities</b>	81,099,196	41,415,758	58,527,483	181,042,437
<b>Carrying amount on financial statements</b>				
Assets				
Financial assets at fair value through profit or loss	221,483	60,828	2,453,491	2,735,802
Derivative financial assets	2,757	-	-	2,757
Loans at amortized cost	114,837	2,837,871	-	2,952,708
Financial investments	7,520,919	-	-	7,520,919
Investments in associates	-	-	310,664	310,664
Other assets	-	494	-	494
	<u>7,859,996</u>	<u>2,899,193</u>	<u>2,764,155</u>	<u>13,523,344</u>
Liabilities				
Deposits	356,783	496,866	116,566	970,215
Derivative financial liabilities	101	-	-	101
Other liabilities	976	1,006	-	1,982
	<u>357,860</u>	<u>497,872</u>	<u>116,566</u>	<u>972,298</u>
<b>Maximum exposure to loss</b>				
Asset <sup>1</sup>	7,859,995	2,899,192	2,764,155	13,523,342
Purchase and capital commitments	-	-	2,318,722	2,318,722
Acceptances and guarantees and unused providing lines of credit	-	2,006,778	-	2,006,778
	<u>7,859,995</u>	<u>4,905,970</u>	<u>5,082,877</u>	<u>17,848,842</u>
<b>Methods of determining the maximum exposure to loss</b>	Providing lines of credit / Purchase commitments	Loan commitments / Capital commitments / Purchase commitments and Acceptances and guarantees	Capital commitments	

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

	December 31, 2019			
	Asset-backed securitization	Structured finance	Investment funds	Total
<b>Total assets of the unconsolidated structured entities</b>				
<b>Carrying amount on financial statements</b>				
Assets				
Financial assets at fair value through profit or loss	69,638,263	39,608,941	44,867,926	154,115,130
Derivative financial assets	228,848	21,778	2,153,921	2,404,547
Loans at amortized cost	1,367	-	-	1,367
Financial investments	124,054	2,686,643	-	2,810,697
Investments in associates	4,680,995	-	-	4,680,995
Other assets	-	-	334,713	334,713
	-	-	-	-
	5,035,264	2,708,421	2,488,634	10,232,319
Liabilities				
Deposits	409,246	523,705	111,908	1,044,859
Other liabilities	1,072	654	-	1,726
	410,318	524,359	111,908	1,046,585
<b>Maximum exposure to loss</b>				
Asset <sup>1</sup>	5,035,264	2,708,421	2,488,634	10,232,319
Purchase and capital commitments	-	-	2,142,836	2,142,836
Acceptances and guarantees and unused providing lines of credit	2,398,467	1,798,208	-	4,196,675
	7,433,731	4,506,629	4,631,470	16,571,830
<b>Methods of determining the maximum exposure to loss</b>	Providing lines of credit / Purchase commitments/ Acceptances and guarantees and Loan commitments	Loan commitments / Capital commitments / Purchase commitments and Acceptances and guarantees	Capital commitments	

<sup>1</sup> Maximum exposure to loss includes the asset amounts, after deducting loss (provision for assets, impairment losses and others), recognized in the consolidated financial statements of the Group.

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**39. Related Party Transactions**

Profit or loss arising from transactions with related parties for the three-month periods ended March 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		2020	2019
<b>Parent</b>			
KB Financial Group Inc.	Fee and commission income	2,133	1,847
	Other non-operating income	236	221
	Interest expense	157	605
	General and administrative expenses	209	136
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Interest income	670	228
	Fee and commission income	3,952	3,996
	Gains on financial instruments at fair value through profit or loss	27,190	12,081
	Reversal of credit losses	-	17
	Other non-operating income	2,206	1,878
	Interest expense	1,281	1,373
	Fee and commission expense	327	266
	Losses on financial instruments at fair value through profit or loss	2,875	3,381
	Provision for credit losses	8	-
	General and administrative expenses	-	17
KB Asset Management Co., Ltd.	Fee and commission income	323	288
	Interest expense	26	21
	Fee and commission expense	324	290
	Other operating expense	39	-
	General and administrative expenses	125	125
KB Real Estate Trust Co., Ltd.	Fee and commission income	54	33
	Other non-operating income	11	11
	Interest expense	67	82
	Fee and commission expense	764	168
KB Investment Co., Ltd.	Fee and commission income	10	6
	Interest expense	176	127
KB Credit Information Co., Ltd.	Fee and commission income	1	14
	Other non-operating income	57	57
	Interest expense	29	29
	Fee and commission expense	5,441	4,878
KB Data System Co., Ltd.	Fee and commission income	56	50
	Other non-operating income	23	10
	Interest expense	79	78

**Kookmin Bank and Subsidiaries**  
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	General and administrative expenses	13,862	12,017
KB Life Insurance Co., Ltd.	Fee and commission income	3,562	3,266
	Gains on financial instruments at fair value through profit or loss	4,509	4,439
	Other non-operating income	709	1,076
	Interest expense	245	243
	Fee and commission expense	-	3
	Losses on financial instruments at fair value through profit or loss	127	170
	General and administrative expenses	237	322
KB Kookmin Card Co., Ltd.	Interest income	1,099	1,005
	Fee and commission income	45,816	46,022
	Gains on financial instruments at fair value through profit or loss	1,006	827
	Other non-operating income	388	741
	Interest expense	235	222
	Fee and commission expense	44	309
	Losses on financial instruments at fair value through profit or loss	-	15
KB Savings Bank Co., Ltd.	General and administrative expenses	181	28
	Fee and commission income	235	89
	Other non-operating income	16	12
	Interest expense	2	2
	Fee and commission expense	-	6
KB Capital Co., Ltd.	Interest income	645	746
	Fee and commission income	634	618
	Other non-operating income	44	51
	Interest expense	31	209
	Fee and commission expense	12	29
	Other operating expense	-	8
	Provision for credit losses	23	37
KB Insurance Co., Ltd.	Interest income	17	24
	Fee and commission income	5,957	5,625
	Gains on financial instruments at fair value through profit or loss	45,247	26,175
	Other non-operating income	90	81
	Interest expense	825	497
	Fee and commission expense	299	-
	Losses on financial instruments	2,068	487

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

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	at fair value through profit or loss		
	General and administrative expenses	3,508	2,748
Hanbando BTL Private Special Asset Fund	Fee and commission income	35	38
KB Mezzanine Private Security Investment Trust No.2	Fee and commission income	1	-
KB Mezzanine Private Securities Fund 3rd	Fee and commission income	1	-
KB Senior Loan Private Fund No.1	Fee and commission income	1	2
	Gains on financial instruments at fair value through profit or loss	74	-
KB AMP Infra Private Special Asset Fund 1(FoFs)	Fee and commission income	3	2
KB Muni bond Private Securities Fund 1 (USD)	Fee and commission income	3	2
KB Global Private Real Estate Debt Fund 1	Fee and commission income	3	2
KB NA Compass Energy Private Special Asset Fund	Fee and commission income	2	2
KB Star Office Private Real Estate Master Fund 3	Interest income	-	219
	Interest expense	22	25
KB Star Office Private Real Estate Master Fund 4	Interest income	189	187
	Fee and commission income	5	5
	Interest expense	8	8
	Provision for credit losses	1	-
KB Global Core Bond Securities Master Fund(Bond)	Fee and commission income	6	4
KB AU Infigen Energy Private Special Asset Fund	Fee and commission income	1	1
KB AU Infigen Energy Private Special Asset Fund 2nd	Fee and commission income	2	-
KB NA Loan Specialty Private Real Estate Investment Trust 1	Fee and commission income	1	-
	Gains on financial instruments at fair value through profit or loss	1,671	-
KB NA Loan Specialty Private Real Estate Investment Trust 3	Fee and commission income	2	-
	Gains on financial instruments at fair value through profit or loss	5,228	-
KB Korea Short Term Premium Private Securities 10(USD)(Bond)	Fee and commission income	2	-
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Gains on financial instruments at fair value through profit or loss	1,170	-

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	Losses on financial instruments at fair value through profit or loss	326	-
KB Korea Short Term Premium Private Securities 4(USD)(Bond) <sup>1</sup>	Fee and commission income	-	1
KB Korea Short Term Premium Private Securities 5(USD)(Bond) <sup>1</sup>	Fee and commission income	-	3
<b>Associates</b>			
Korea Credit Bureau Co., Ltd.	Fee and commission income	1	1
	Interest expense	-	11
	Fee and commission expense	565	-
Incheon Bridge Co., Ltd.	Interest income	1,059	1,891
	Fee and commission income	7	6
	Gains on financial instruments at fair value through profit or loss	1,069	1,585
	Interest expense	100	95
	Fee and commission expense	2	2
Dae-A Leisure Co., Ltd.	Interest expense	2	2
Skydigital INC.	Fee and commission income	1	1
KB High-tech Company Investment Fund	Interest expense	10	1
Aju Good Technology Venture Fund	Interest expense	7	9
KB-KDBC Pre-IPO New Technology Business Investment Fund	Interest expense	15	9
KB Digital Innovation & Growth New Technology Business Investment Fund	Interest expense	-	1
KB-Brain KOSDAQ Scale-up Fund	Interest expense	18	37
KB Global Platform Fund	Interest expense	22	-
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Interest expense	23	24
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Interest income	1	46
	Fee and commission income	1	1
	Reversal of credit losses	-	2
KB No.9 Special Purpose Acquisition Company <sup>1</sup>	Interest expense	-	(23)
KB No.10 Special Purpose Acquisition Company <sup>1</sup>	Interest expense	-	8
KB No.11 Special Purpose Acquisition Company <sup>1</sup>	Interest expense	-	3



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KB No.17 Special Purpose Acquisition Company	Interest expense	7	-
KB No.18 Special Purpose Acquisition Company	Interest expense	10	-
KB No.19 Special Purpose Acquisition Company	Interest expense	4	-
KB No.20 Special Purpose Acquisition Company	Interest expense	7	-
RAND Bio Science Co., Ltd.	Interest expense	7	-
Wise Asset Management Co., Ltd.	Interest expense	-	1
Food Factory Co., Ltd.	Interest income	11	2
	Interest expense	3	-
Acts Co., Ltd.	Interest income	1	-
APRO CO.,LTD. <sup>1</sup>	Interest income	7	-
	Interest expense	1	1
	Provision for credit losses	1	-
Rainist Co., Ltd.	Fee and commission income	9	-
CellinCells Co.,Ltd.	Interest expense	3	-
Fabric Types Co.,LTD.	Fee and commission income	2	-
	Interest expense	(1)	-
BNF Corporation Ltd. <sup>1</sup>	Interest income	9	-
	Fee and commission income	2	-
	Provision for credit losses	8	-
KB Pre IPO Secondary Venture Fund 1st	Interest expense	3	3
Spark Biopharma Inc. <sup>1</sup>	Interest expense	-	8
<b>Other</b>			
Retirement pension	Fee and commission income	298	234
	Interest expense	2	2

<sup>1</sup> Not considered to be the Group's related party as of March 31, 2020.

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Details of receivables and payables, and related allowances for loan losses arising from the related party transactions as of March 31, 2020 and December 31, 2019, are as follows:

*(In millions of Korean won)*

		<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Parent</b>			
KB Financial Group Inc.	Other assets	2,453	35
	Deposits	19,860	18,537
	Other liabilities	517,583	418,286
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Cash and due from financial institutions	3,725	1,387
	Derivative assets	33,521	9,424
	Loans at amortized cost (Gross amount)	80,623	65,289
	Allowances	32	23
	Other assets	10,624	18,320
	Derivative liabilities	2,643	3,979
	Deposits	350,455	423,053
	Provisions	30	30
	Other liabilities <sup>2</sup>	32,967	23,330
KB Asset Management Co., Ltd.	Other assets	319	260
	Deposits	9,282	6,929
	Other liabilities <sup>3</sup>	467	607
KB Real Estate Trust Co., Ltd.	Other assets	49	2
	Deposits	62,956	49,708
	Other liabilities <sup>4</sup>	3,944	3,964
KB Investment Co., Ltd.	Other assets	10	41
	Deposits	64,376	62,686
	Other liabilities	34	53
KB Credit Information Co., Ltd.	Deposits	4,056	4,047
	Other liabilities	6,024	6,022
KB Data System Co., Ltd.	Other assets	530	886
	Deposits	20,017	21,642
	Other liabilities	4,938	5,372
KB Life Insurance Co., Ltd.	Derivative assets	3,244	-
	Other assets	2,365	3,804
	Derivative liabilities	-	1,532
	Deposits	961	571
	Borrowings	25,000	25,000
	Other liabilities <sup>5</sup>	22,748	22,771
KB Kookmin Card Co., Ltd.	Derivative assets	1,250	676
	Loans at amortized cost (Gross amount)	20,784	19,683
	Allowances	8	8
	Other assets	23,868	30,938

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	Deposits	93,643	74,800
	Provisions	238	238
	Other liabilities	52,909	59,277
KB Savings Bank Co., Ltd.	Other assets	36	144
	Other liabilities	712	389
KB Capital Co., Ltd.	Loans at amortized cost (Gross amount)	71,950	64,489
	Allowances	315	269
	Other assets	879	1,804
	Deposits	4,741	126,878
	Provisions	4	12
	Other liabilities	2,521	1,337
KB Insurance Co., Ltd.	Derivative assets	44,251	15,612
	Other assets	16,160	8,549
	Derivative liabilities	1,683	6,453
	Deposits	6,862	5,485
	Borrowings	20,000	20,000
	Debentures	29,992	29,991
	Provisions	6	6
	Other liabilities <sup>6</sup>	7,804	4,794
Hanbando BTL Private Special Asset Fund	Other assets	35	36
KB Mezzanine Private Security Investment Trust No.2	Other assets	1	-
KB Mezzanine Private Securities Fund 3rd	Other assets	1	-
KB Senior Loan Private Fund No.1	Other assets	1	1
KB AMP Infra Private Special Asset Fund 1(FoFs)	Other assets	1	1
KB KBSTAR Mid-Long Term KTB Active ETF(Bond) <sup>1</sup>	Other assets	-	500
KB Onkookmin 2030 TDF Fund (FoFs) <sup>1</sup>	Other assets	-	1
KB Muni bond Private Securities Fund 1 (USD) (Bond)	Other assets	2	2
KB Global Private Real Estate Debt Fund 1	Other assets	3	2
KB NA Compass Energy Private Special Asset Fund	Other assets	1	1
KB Star Office Private Real Estate Master Fund 3	Deposits	6,053	7,364
	Other liabilities	76	58
KB Star Office Private Real Estate Master Fund 4	Loans at amortized cost (Gross amount)	20,000	20,000
	Allowances	1	-
	Other assets	20	13
	Deposits	1,755	1,983

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

	Other liabilities	21	16
KB Global Core Bond Securities	Other assets	2	2
Master Fund(Bond)			
KB AU Infigen Energy Private	Other assets	1	1
Special Asset Fund			
KB AU Infigen Energy Private	Other assets	1	1
Special Asset Fund 2nd			
KB NA Loan Specialty Private	Derivative assets	1,331	-
Real Estate Investment Trust 1	Other assets	1	1
	Derivative liabilities	-	335
KB NA Loan Specialty Private	Derivative assets	4,806	-
Real Estate Investment Trust 3	Other assets	2	1
	Derivative liabilities	-	6
KB Korea Short Term Premium	Other assets	3	1
Private Securities			
10(USD)(Bond)			
KB BMO Senior Loan Private	Derivative assets	1,170	-
Special Asset Fund No.1(FOF)			
<b>Associates</b>			
Korea Credit Bureau Co., Ltd.	Deposits	4,147	17,966
Incheon Bridge Co., Ltd.	Financial assets at fair value through profit or loss	38,926	37,857
	Loans at amortized cost (Gross amount)	144,025	147,700
	Allowances	10	11
	Other assets	494	520
	Deposits	39,113	45,447
	Provisions	6	6
	Other liabilities	431	346
Jungdo Steel Co., Ltd.	Deposits	4	4
Dae-A Leisure Co., Ltd.	Deposits	479	753
	Other liabilities	16	14
Computerlife Co., Ltd.	Deposits	-	1
Skydigital INC.	Deposits	154	25
Jo Yang Industrial Co., Ltd.	Deposits	3	2
KB12-1 Venture Investment Partnership	Deposits	389	440
KB High-tech Company	Deposits	198	11,755
Investment Fund	Other liabilities	1	2
Aju Good Technology Venture Fund	Deposits	5,360	5,456
	Other liabilities	1	2
KB-KDBC Pre-IPO New Technology Business	Deposits	4,977	7,054
Investment Fund	Other liabilities	1	4
KB Digital Innovation & Growth New Technology Business	Deposits	2,450	12

**Kookmin Bank and Subsidiaries**  
**Notes to Consolidated Interim Financial Statements**  
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Investment Fund			
KB-Brain KOSDAQ Scale-up Fund	Deposits	12,969	13,118
	Other liabilities	2	4
KB Global Platform Fund	Deposits	1,912	17,928
	Other liabilities	1	9
<b>Associate of Parent</b>			
KB Star Office Private Real Estate Investment Trust No.1	Deposits	8,197	8,293
	Other liabilities	48	66
<b>Associates of Parent's subsidiaries</b>			
SY Auto Capital Co., Ltd.	Loans at amortized cost (Gross amount)	1,500	1,900
	Allowances	3	4
	Other assets	1	-
	Deposits	4	8
	Provisions	13	13
	Other liabilities	-	2
KB No.17 Special Purpose Acquisition Company	Deposits	1,750	1,742
	Other liabilities	4	27
KB No.18 Special Purpose Acquisition Company	Deposits	2,119	2,140
	Other liabilities	37	28
KB No.19 Special Purpose Acquisition Company	Deposits	1,077	1,093
	Other liabilities	12	7
KB No.20 Special Purpose Acquisition Company	Deposits	1,729	1,984
	Other liabilities	10	3
RAND Bio Science Co., Ltd.	Deposits	2,978	4,452
	Other liabilities	6	-
Wise Asset Management Co., Ltd.	Deposits	-	21
Food Factory Co., Ltd.	Loans at amortized cost (Gross amount)	1,980	1,987
	Allowances	2	2
	Other assets	1	1
	Deposits	1,677	1,073
	Other liabilities	4	1
Acts Co., Ltd.	Loans at amortized cost (Gross amount)	74	-
	Deposits	4	1
Paycoms Co., Ltd.	Deposits	1	1
Big Dipper Co., Ltd.	Deposits	253	6
APRO CO.,LTD. <sup>1</sup>	Loans at amortized cost (Gross amount)	-	2,016
	Deposits	-	3,201
	Other liabilities	-	1
Hasys.	Deposits	1	-
Stratio, Inc.	Deposits	306	726
CellinCells Co., Ltd	Deposits	1,111	1,545

## Kookmin Bank and Subsidiaries

### Notes to Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

	Other liabilities	1	1
Fabric Types CO.,LTD.	Deposits	7,018	395
	Other liabilities	1	2
BNF Corporation Ltd. <sup>1</sup>	Loans at amortized cost (Gross amount)	-	1,400
	Other assets	-	2
	Deposits	-	947
	Other liabilities	-	6
GOMI CORPORATION	Deposits	273	-
S&E BIO	Deposits	1,902	-
KB IGen Private Equity Fund No.1	Deposits	147	147
KB Pre IPO Secondary Venture Fund 1	Deposits	82	2,955
	Other liabilities	-	1
<b>Key management</b>	Loans at amortized cost (Gross amount)	4,218	3,423
	Allowances	2	1
	Other assets	4	3
	Deposits	11,516	10,104
	Other liabilities	274	226
<b>Other</b>			
Retirement pension	Other assets	391	366
	Other liabilities	15	17,620

<sup>1</sup> Not considered to be the Group's related party as of March 31, 2020.

<sup>2</sup> Non-controlling interest equity classified as liabilities include ₩ 3,593 million and ₩ 3,602 million as of March 31, 2020 and December 31, 2019, respectively.

<sup>3</sup> Non-controlling interest equity classified as liabilities include ₩ 331 million and ₩ 325 million as of March 31, 2020 and December 31, 2019, respectively.

<sup>4</sup> Non-controlling interest equity classified as liabilities include ₩ 3,585 million and ₩ 3,596 million as of March 31, 2020 and December 31, 2019, respectively.

<sup>5</sup> Non-controlling interest equity classified as liabilities include ₩ 19,580 million and ₩ 19,604 million as of March 31, 2020 and December 31, 2019, respectively.

<sup>6</sup> Non-controlling interest equity classified as liabilities include ₩ 1,656 million and ₩ 1,624 million as of March 31, 2020 and December 31, 2019, respectively.

**Kookmin Bank and Subsidiaries**  
**Notes to Consolidated Interim Financial Statements**  
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Right-of-use assets and lease liabilities with related parties as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Right-of-use assets	11,911	13,863
	Lease liabilities	16,918	16,658
KB Kookmin Card Co., Ltd.	Right-of-use assets	126	168
	Lease liabilities	22	28
KB Capital Co., Ltd.	Right-of-use assets	7	9
	Lease liabilities	17	23
KB Insurance Co., Ltd.	Right-of-use assets	5,334	5,693
	Lease liabilities	5,845	5,751

Notional amount of derivative assets and liabilities arising from the related party transactions as of March 31, 2020 and December 31, 2019, are as follows:

<i>(In millions of Korean won)</i>		<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Notional amount of derivative financial instruments	795,556	651,372
KB Life Insurance Co., Ltd.	Notional amount of derivative financial instruments	70,583	104,058
KB Kookmin Card Co., Ltd.	Notional amount of derivative financial instruments	40,188	44,472
KB Insurance Co., Ltd.	Notional amount of derivative financial instruments	780,019	799,567
KB NA Loan Specialty Private Real Estate Investment Trust 1	Notional amount of derivative financial instruments	30,565	29,153
KB NA Loan Specialty Private Real Estate Investment Trust 3	Notional amount of derivative financial instruments	100,865	95,519
KB BMO Senior Loan Private Special Asset Fund No.1(FOF)	Notional amount of derivative financial instruments	55,299	-

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

In accordance with Korean IFRS 1024, the Group includes the Parent, the Parent's subsidiaries, associates, associates of the Parent's subsidiaries, key management (including family members), and post-employment benefit plans of the Group and entities regarded as its related parties in the scope of its related parties. Additionally, the Group discloses balances (receivables and payables) and other amounts arising from the related party transactions in the notes to the consolidated financial statements. Refer to Note 12 for details on investments in associates and subsidiaries.

Key management includes the directors of the Bank and the executive directors (vice-presidents and above) of the Bank and companies where the directors and/or their close family members have control or joint control.

Significant loan transactions with related parties for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020 <sup>1</sup>				
	Beginning	Loans	Collections	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	65,289	129,552	117,326	3,108	80,623
KB Kookmin Card Co., Ltd.	19,683	71,555	71,565	1,111	20,784
KB Capital Co., Ltd.	64,489	3,726	-	3,735	71,950
KB Star Office Private Real Estate Master Fund 4	20,000	-	-	-	20,000
<b>Associates</b>					
Incheon Bridge Co., Ltd.	185,557	-	3,675	1,069	182,951
<b>Associates of Parent's subsidiaries</b>					
SY Auto Capital Co., Ltd.	1,900	6,650	7,050	-	1,500
Food Factory Co., Ltd	1,987	-	5	(2)	1,980
APRO CO.,LTD. <sup>2</sup>	2,016	2,000	-	(4,016)	-
BNF Corporation Ltd. <sup>2</sup>	1,400	1,000	-	(2,400)	-
Acts CO.,LTD	-	74	-	-	74
<b>Key management<sup>3</sup></b>	3,423	858	1,119	1,056	4,218

(In millions of Korean won)

	2019 <sup>1</sup>				
	Beginning	Loans	Collections	Others	Ending
<b>Parent's subsidiaries</b>					
KB Securities Co., Ltd.	25,617	213,592	230,823	148	8,534
KB Kookmin Card Co., Ltd.	3,354	58,990	58,990	59	3,413
KB Capital Co., Ltd.	54,787	5,600	-	1,054	61,441
KB Star Office Private Real Estate Master Fund 3	24,000	-	-	-	24,000
KB Star Office Private Real Estate Master Fund 4	20,000	-	-	-	20,000
<b>Associates</b>					
Incheon Bridge Co., Ltd.	191,082	-	2,625	1,585	190,042
<b>Associates of Parent's subsidiaries</b>					
SY Auto Capital Co., Ltd.	8,300	706	4,006	-	5,000
Food Factory Co., Ltd	200	-	5	-	195



**Kookmin Bank and Subsidiaries**  
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**March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

<b>Key management<sup>3</sup></b>	2,218	32	57	1,220	3,413
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<sup>1</sup> Transactions between related parties, such as settlements arising from operating activities and daylight overdraft to be repaid on the day of handling, are excluded.

<sup>2</sup> Not considered to be the Group's related party as of March 31, 2020.

<sup>3</sup> Includes details of loan transactions that occurred before they became related parties.

Significant lending transactions with related parties for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

		2020				
		Beginning	Increase	Decrease	Others <sup>1</sup>	Ending
<b>Parent</b>						
KB Financial Group Inc.	Deposits	18,537	-	-	1,323	19,860
<b>Parent's subsidiaries</b>						
KB Securities Co., Ltd.	Deposits	423,053	-	61,069	(11,529)	350,455
KB Asset Management Co., Ltd.	Deposits	6,929	-	-	2,353	9,282
KB Real Estate Trust Co., Ltd.	Deposits	49,708	-	-	13,248	62,956
KB Investment Co., Ltd.	Deposits	62,686	100,000	110,000	11,690	64,376
KB Credit Information Co., Ltd.	Deposits	4,047	69	-	(60)	4,056
KB Data System Co., Ltd.	Deposits	21,642	4,000	6,000	375	20,017
KB Life Insurance Co., Ltd.	Deposits	571	-	-	390	961
	Borrowings	25,000	-	-	-	25,000
KB Kookmin Card Co., Ltd.	Deposits	74,800	22,000	22,000	18,843	93,643
KB Capital Co., Ltd.	Deposits	126,878	-	-	(122,137)	4,741
KB Insurance Co., Ltd.	Deposits	5,485	150	150	1,377	6,862
	Borrowings	20,000	-	-	-	20,000
	Debentures	29,991	-	-	1	29,992
KB Star Office Private Real Estate Master Fund 3	Deposits	7,364	(1,311)	-	-	6,053
KB Star Office Private Real Estate Master Fund 4	Deposits	1,983	(228)	-	-	1,755
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits	17,966	-	-	(13,819)	4,147
Incheon Bridge Co., Ltd.	Deposits	45,447	-	-	(6,334)	39,113
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	753	-	-	(274)	479
Computerlife Co., Ltd.	Deposits	1	-	-	(1)	-
Skydigital INC.	Deposits	25	-	-	129	154
Jo Yang Industrial Co., Ltd.	Deposits	2	-	-	1	3
KB12-1 Venture	Deposits	440	-	-	(51)	389

**Kookmin Bank and Subsidiaries**  
**Notes to Consolidated Interim Financial Statements**  
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Investment Partnership						
KB High-tech Company	Deposits	11,755	8,000	8,000	(11,557)	198
Investment Fund						
Aju Good Technology	Deposits	5,456	-	-	(96)	5,360
Venture Fund						
KB-KDBC Pre-IPO New	Deposits	7,054	1,500	5,000	1,423	4,977
Technology Business						
Investment Fund						
KB Digital Innovation &	Deposits	12	-	-	2,438	2,450
Growth New Technology						
Business Investment						
Fund						
KB-Brain KOSDAQ	Deposits	13,118	-	-	(149)	12,969
Scale-up Fund						
KB Global Platform Fund	Deposits	17,928	-	-	(16,016)	1,912
<b>Associate of Parent</b>						
KB Star Office Private	Deposits	8,293	2,118	2,099	(115)	8,197
Real Estate Investment						
Trust No.1						
<b>Associates of Parent's</b>						
<b>subsidiaries</b>						
SY Auto Capital Co., Ltd.	Deposits	8	-	-	(4)	4
KB No.17 Special	Deposits	1,742	1,525	1,500	(17)	1,750
Purpose Acquisition						
Company						
KB No.18 Special	Deposits	2,140	-	-	(21)	2,119
Purpose Acquisition						
Company						
KB No.19 Special	Deposits	1,093	-	-	(16)	1,077
Purpose Acquisition						
Company						
KB No.20 Special	Deposits	1,984	-	-	(255)	1,729
Purpose Acquisition						
Company						
RAND Bio Science Co.,	Deposits	4,452	300	600	(1,174)	2,978
Ltd.						
Wise Asset Management	Deposits	21	-	-	(21)	-
Co., Ltd.						
Food Factory Co., Ltd.	Deposits	1,073	1,000	-	(396)	1,677
Acts Co., Ltd.	Deposits	1	-	-	3	4
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	6	-	-	247	253
APRO CO.,LTD. <sup>2</sup>	Deposits	3,201	-	-	(3,201)	-
Hasys.	Deposits	-	-	-	1	1
Stratio, Inc.	Deposits	726	-	-	(420)	306
CellinCells Co., Ltd	Deposits	1,545	-	-	(434)	1,111
Fabric Types CO.,LTD.	Deposits	395	6,502	300	421	7,018
BNF Corporation Ltd. <sup>2</sup>	Deposits	947	-	-	(947)	-
GOMI CORPORATION	Deposits	-	-	-	273	273

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

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S&E BIO	Deposits	-	-	-	1,902	1,902
KB IGen Private Equity Fund No.1	Deposits	147	-	-	-	147
KB Pre IPO Secondary Venture Fund 1st	Deposits	2,955	-	-	(2,873)	82
<b>Key management<sup>3</sup></b>	Deposits	10,104	4,481	3,592	523	11,516

(In millions of Korean won)

		2019				
		Beginning	Increase	Decrease	Others <sup>1</sup>	Ending
<b>Parent</b>						
KB Financial Group Inc.	Deposits	69,621	280,000	60,000	12,528	302,149
<b>Parent's subsidiaries</b>						
KB Asset Management Co., Ltd.	Deposits	3,284	-	-	1,256	4,540
KB Real Estate Trust Co., Ltd.	Deposits	27,321	-	-	(14,369)	12,952
KB Investment Co., Ltd.	Deposits	20,784	50,000	5,000	15,846	81,630
KB Credit Information Co., Ltd.	Deposits	4,240	42	-	(578)	3,704
KB Data System Co., Ltd.	Deposits	18,059	6,000	5,000	(4,368)	14,691
KB Life Insurance Co., Ltd.	Deposits	1,576	-	-	1,201	2,777
	Borrowings	25,000	-	-	-	25,000
KB Kookmin Card Co., Ltd.	Deposits	84,089	22,000	22,000	(30,316)	53,773
KB Capital Co., Ltd.	Deposits	64,283	-	-	(5,862)	58,421
KB Insurance Co., Ltd.	Deposits	5,188	-	2,441	(389)	2,358
	Borrowings	20,000	-	-	-	20,000
	Debentures	30,002	-	-	(13)	29,989
KB Securities Co., Ltd.	Deposits	334,470	-	12,796	39,372	361,046
KB Star Office Private Real Estate Master Fund 3	Deposits	5,361	172	-	-	5,533
KB Star Office Private Real Estate Master Fund 4	Deposits	1,629	167	-	-	1,796
<b>Associates</b>						
Korea Credit Bureau Co., Ltd.	Deposits	15,674	-	2,000	(10,299)	3,375
Incheon Bridge Co., Ltd.	Deposits	43,666	24,000	-	(26,895)	40,771
Doosung Metal Co., Ltd.	Deposits	3	-	-	-	3
Jungdo Co., Ltd.	Deposits	4	-	-	-	4
Dae-A Leisure Co., Ltd.	Deposits	1,229	-	-	43	1,272
Carlif Co., Ltd.	Deposits	2	-	-	-	2
Computerlife Co., Ltd.	Deposits	1	-	-	3	4
Skydigital INC.	Deposits	16	-	-	45	61
KB12-1 Venture Investment Partnership	Deposits	245	-	-	190	435
KB High-tech Company Investment Fund	Deposits	275	-	-	1,660	1,935

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Aju Good Technology Venture Fund	Deposits	6,439	-	-	(3,150)	3,289
KB-KDBC Pre-IPO New Technology Business Investment Fund	Deposits	7,088	-	-	(4,078)	3,010
KB Digital Innovation & Growth New Technology Business Investment Fund	Deposits	618	-	-	1	619
KB-Brain KOSDAQ Scale-up Fund	Deposits	18,813	-	-	(147)	18,666
<b>Associate of Parent</b>						
KB Star Office Private Real Estate Investment Trust No.1	Deposits	7,946	1,951	2,065	(28)	7,804
<b>Associates of Parent's subsidiaries</b>						
SY Auto Capital Co., Ltd.	Deposits	5	-	-	3	8
KB No.9 Special Purpose Acquisition Company <sup>2</sup>	Deposits	2,275	-	2,266	(9)	-
KB No.10 Special Purpose Acquisition Company <sup>2</sup>	Deposits	1,666	-	-	(23)	1,643
KB No.11 Special Purpose Acquisition Company <sup>2</sup>	Deposits	658	-	-	(20)	638
RAND Bio Science Co., Ltd.	Deposits	232	-	-	(158)	74
Wise Asset Management Co., Ltd.	Deposits	696	-	682	(1)	13
Built On Co., Ltd. <sup>2</sup>	Deposits	7	-	-	4	11
Food Factory Co., Ltd.	Deposits	68	-	-	186	254
Acts Co., Ltd.	Deposits	29	-	-	7	36
Paycoms Co., Ltd.	Deposits	1	-	-	-	1
Big Dipper Co., Ltd.	Deposits	182	-	-	(105)	77
APRO CO.,LTD. <sup>2</sup>	Deposits	2,201	-	-	-	2,201
Rainist Co., Ltd.	Deposits	1	-	-	-	1
Spark Biopharma Inc. <sup>2</sup>	Deposits	2,630	-	500	(228)	1,902
Stratio, Inc.	Deposits	516	-	-	1,604	2,120
KB IGen Private Equity Fund No.1	Deposits	148	-	-	-	148
KB Pre IPO Secondary Venture Fund 1st	Deposits	1,115	-	-	(1,003)	112
<b>Key management<sup>3</sup></b>	Deposits	9,771	1,486	2,149	(495)	8,613

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

<sup>2</sup> Not considered to be the Group's related party as of March 31, 2020.

<sup>3</sup> Includes details of lending transactions that occurred before they became related parties.

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Significant contribution and collection arising from transactions with related parties for the three-month periods ended March 31, 2020 and 2019, are as follows:

(In millions of Korean won)

	2020	
	Contribution	Collection and others
<b>Parent's subsidiaries</b>		
Hanbando BTL Private Special Asset Fund	-	6,974
Hope Sharing BTL Private Special Asset Fund	-	502
KB Intellectual Property Investment Association	-	20
KB Senior Loan Private Fund No.1	-	74
KB KBSTAR Mid-Long Term KTB Active ETF(Bond) <sup>1</sup>	-	20,402
KB New Renewable Energy Private Special Asset Fund 1	24,640	39
KB Mezzanine Private Securities Fund 3rd	10,000	227
KB BMO Senior Loan Private Special Asset Fund No.2(FOF)	20,403	-
<b>Associates</b>		
Korea Credit Bureau Co., Ltd.	-	90
Balhae Infrastructure Fund	430	3,484
KB GwS Private Securities Investment Trust	-	4,060
KB12-1 Venture Investment Partnership	-	9,600
KoFC POSCO HANWHA KB Shared Growth No.2. Private Equity Fund	-	2,080
Future Planning KB Start-up Creation Fund	-	1,400
KB High-tech Company Investment Fund	-	9,450
KB-KDBC Pre-IPO New Technology Business Investment Fund	-	500
KB Digital Innovation Investment Fund Limited partnership	1,125	-
KB Intellectual Property Fund 2	3,000	-
KB-UTC Inno-Tech Venture Fund	3,150	-
<b>Associate of Parent's subsidiaries</b>		
KB Stone Bridge Secondary Private Equity Investment	876	-

**Kookmin Bank and Subsidiaries**  
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(In millions of Korean won)

	2019	
	Contribution	Collection and others
<b>Parent's subsidiaries</b>		
Hanbando BTL Private Special Asset Fund	-	5,049
Hope Sharing BTL Private Special Asset Fund	-	499
KB Senior Loan Private Fund No.1	-	225
KB Evergreen Private Securities Fund 98(Bond) <sup>1</sup>	-	52,302
KB Onkookmin 2035 TDF Fund(FoFs) <sup>1</sup>	-	2,289
KB Onkookmin 2045 TDF Fund(FoFs)	-	2,184
KB New Renewable Energy Private Special Asset Fund 1	8	-
KB Mezzanine Private Securities Fund 3rd	8,000	-
<b>Associates</b>		
Korea Credit Bureau Co., Ltd.	-	135
Balhae Infrastructure Fund	191	3,429
KoFC KBIC Frontier Champ 2010-5 (PEF) <sup>1</sup>	-	138
KB GwS Private Securities Investment Trust	-	3,977
Future Planning KB Start-up Creation Fund	-	1,600
KB-TS Technology Venture Private Equity Fund	960	-
KB Digital Innovation Investment Fund Limited partnership	7,000	-

<sup>1</sup> Not considered to be the Group's related party as of March 31, 2020.

Acceptances and guarantees and unused commitments to related parties as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		March 31, 2020	December 31, 2019
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Loan commitment in Korean won	140,000	140,000
KB Investment Co., Ltd.	Loss sharing agreements	1,000	1,000
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	820,000	820,000
	Loan commitment in foreign currency	3,668	3,473
	Other commitments in Korean won	1,300,000	1,300,000
KB Insurance Co., Ltd.	Loan commitment in Korean won	20,000	20,000
KB Mezzanine Private Security Investment Trust No.2	Purchase of securities	11,141	11,141
KB Mezzanine Private Securities Fund 3rd	Purchase of securities	38,260	48,260
KB Senior Loan Private Fund	Purchase of securities	3,770	3,770

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

March 31, 2020 and 2019 (Unaudited), and December 31, 2019

No.1			
KB New Renewable Energy	Purchase of securities	14,502	39,142
Private Special Asset Fund			
1			
KB Europe Renewable	Purchase of securities	15,025	14,454
Specialized Private Equity			
Private Asset Investment			
Trust No. 2			
KB Global Infra Specialized	Purchase of securities	24,999	24,999
Private Equity Private			
Asset Investment Trust No.			
5			
KB Global Infra Specialized	Purchase of securities	24,999	24,999
Private Equity Private			
Asset Investment Trust No.			
6			
KB BMO Senior Loan Private	Purchase of securities	15,915	-
Special Asset Fund			
No.2(FOF)			
<b>Associates</b>			
Balhae Infrastructure Fund	Purchase of securities	6,897	7,327
Incheon Bridge Co., Ltd.	Loan commitment in Korean won	20,000	20,000
KB GwS Private Securities	Purchase of securities	876	876
Investment Trust			
KoFC POSCO HANWHA KB	Purchase of securities	10,040	10,040
Shared Growth No.2			
Private Equity Fund			
Aju Good Technology	Purchase of securities	-	1,154
Venture Fund			
KB-TS Technology	Purchase of securities	3,180	3,180
Venture Private Equity			
Fund			
KB Digital Innovation &	Purchase of securities	1,125	2,250
Growth New			
Technology Business			
Investment Fund			
KB Intellectual Property	Purchase of securities	3,000	6,000
Fund 2			
KB Digital Innovation	Purchase of securities	2,800	2,800
Investment Fund			
Limited partnership			
KB-Brain KOSDAQ	Purchase of securities	9,000	9,000
Scale-up Fund			
KB Sprott Renewables	Purchase of securities	18,173	18,173
No.1. Private Equity			
Fund			
KB Global Platform Fund	Purchase of securities	30,500	30,500
KB-UTC Inno-Tech	Purchase of securities	12,450	14,700
Venture Fund			

# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

#### Associates of Parent's subsidiaries

SY Auto Capital Co., Ltd.	Loan commitment in Korean won	8,500	8,100
BNF Corporation Ltd. <sup>1</sup>	Loan commitment in Korean won	-	360
KB Stone Bridge Secondary Private Equity Investment	Purchase of securities	15,084	15,960
<b>Key management</b>	Loan commitment in Korean won	871	564

<sup>1</sup> Not considered to be the Group's related party as of March 31, 2020.

Acceptances and guarantees and unused commitments received from related parties as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

		<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Parent's subsidiaries</b>			
KB Investment Co., Ltd.	Loss sharing agreements	9,571	12,209
KB Real Estate Trust Co., Ltd.	Purchase of securities	19	19
KB Securities Co., Ltd.	Purchase of securities	19	19
KB Life Insurance Co., Ltd.	Purchase of securities	3,438	3,438
KB Insurance Co., Ltd.	Purchase of securities	3,343	3,343
KB Asset Management Co., Ltd.	Purchase of securities	666	666
KB Kookmin Card Co., Ltd.	Loan commitment in Korean won	95,920	86,400

Compensation to key management for the three-month periods ended March 31, 2020 and 2019, consists of:

(In millions of Korean won)

	<b>2020</b>			
	<b>Short-term employee benefits</b>	<b>Post- employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	432	19	(123)	328
Registered directors (non-executive)	113	-	-	113
Non-registered directors	1,604	74	155	1,833
	<b>2,149</b>	<b>93</b>	<b>32</b>	<b>2,274</b>

(In millions of Korean won)

	<b>2019</b>			
	<b>Short-term employee benefits</b>	<b>Post- employment benefits</b>	<b>Share-based payments</b>	<b>Total</b>
Registered directors (executive)	444	12	170	626
Registered directors (non-executive)	93	-	-	93
Non-registered directors	1,308	53	703	2,064
	<b>1,845</b>	<b>65</b>	<b>873</b>	<b>2,783</b>



# Kookmin Bank and Subsidiaries

## Notes to Consolidated Interim Financial Statements

### March 31, 2020 and 2019 (Unaudited), and December 31, 2019

Significant operating transactions occurring between the Bank and related parties include the establishment of deposit accounts, issuance of general purpose loans, loans on business transactions and trade receivables, and providing foreign currency remittances and related services. Other significant transactions include the grant of credit due to acceptance of banker's usance that the Bank issues and overdraft credit accounts arising from net settlement agreement between the Bank and KB Kookmin Card Co., Ltd.

Collateral offered to related parties as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

(In millions of Korean won)		March 31, 2020		December 31, 2019	
	Assets pledged <sup>1</sup>	Carrying amount	Collateralized amount	Carrying amount	Collateralized amount
Parent's subsidiaries					
KB Securities Co., Ltd.	Securities	55,918	55,000	50,471	50,000
KB Life Insurance Co., Ltd.	Securities	25,958	25,000	25,977	25,000
	Building/ Land	206,802	32,500	207,333	32,500
KB Insurance Co., Ltd.	Securities	49,990	50,000	49,990	50,000
	Building/ Land	206,802	26,000	207,333	26,000

<sup>1</sup> Collaterals related to lease contracts arising from operating activities between related parties are excluded.

Collateral received from related parties as of March 31, 2020 and December 31, 2019, are as follows:

(In millions of Korean won)

	Asset pledged as collateral <sup>1</sup>	March 31, 2020	December 31, 2019
<b>Parent's subsidiaries</b>			
KB Securities Co., Ltd.	Time deposits / Beneficiary right certificate	167,000	167,000
	Securities	42,911	27,948
	Real estate <sup>2</sup>	12,000	12,000
KB Life Insurance Co., Ltd.	Securities	10,000	10,000
KB Kookmin Card Co., Ltd.	Time deposits	22,000	22,000
KB Insurance Co., Ltd.	Securities	135,500	135,500
KB Credit Information Co., Ltd.	Time deposits and others	1,680	1,611
KB Star Office Private Real Estate Master Fund 4	Real estate	24,000	24,000
<b>Key management</b>	Time deposits and others	192	192
	Real estate	4,323	2,922

<sup>1</sup> Collaterals related to lease contracts arising from operating activities between related parties are excluded.

<sup>2</sup> Related to KB Wise Star Jongno Tower Real Estate Master Fund, a subsidiary of KB Securities Co., Ltd.

## **Kookmin Bank and Subsidiaries**

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

#### **March 31, 2020 and 2019 (Unaudited), and December 31, 2019**

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As of March 31, 2020, Incheon Bridge Co., Ltd., a related party, provides fund management account, civil engineering completed risk insurance, and management rights as senior collateral amounting to ₩ 611,000 million to a financial syndicate that consists of the Bank and five other institutions, and as subordinated collateral amounting to ₩ 384,800 million to subordinated debt holders that consist of the Bank and two other institutions. Also, it provides certificate of credit guarantee amounting to ₩ 400,000 million as collateral to a financial syndicate consisting of the Bank and five other institutions.

The amounts of debt securities and others purchased through KB securities Co., Ltd. are ₩ 4,041,048 million and ₩ 3,200,350 million for the three-month periods ended March 31, 2020 and 2019, respectively, and the amounts of debt securities and others sold through KB securities Co., Ltd. are ₩ 4,404,647 million and ₩ 2,307,674 million for the three-month periods ended March 31, 2020 and 2019, respectively. In addition, KB Securities Co., Ltd. acquired ₩ 130,000 million of bonds issued by the Bank for the three-month period ended March 31, 2020.

The amounts of intangible assets purchased through KB Data System Co., Ltd. are ₩ 3,439 million and ₩ 7,899 million for the three-month periods ended March 31, 2020 and 2019, respectively.

The Bank has entered CLS (Continuous Linked Settlement) service agreement with KB Securities Co., Ltd. and accordingly the Bank is able to provide USD 500 million in intraday liquidity under the terms of repayment on the day of payment.

The Bank and KB Kookmin Card Co., Ltd. are jointly and severally liable for the payables of the Bank before the spin-off date.