



**Reaching out  
and touching hearts**

**2010  
Sustainability Report**

 **KB Kookmin Bank**

[www.kbstar.com](http://www.kbstar.com)

## About This Report

### Overview

With this, its second sustainability report, KB Kookmin Bank, a leading bank in the Korean financial market, reports to stakeholders on the activities and performance of its sustainability management in economy, society, and environment. By publishing this report annually, KB Kookmin Bank demonstrates its commitment to the active pursuit of sustainable growth with its stakeholders.

This report addresses key issues, activities, and core topics of the Bank's sustainability management. Core topics are selected based on the results of a materiality test, which summarizes opinions gathered from a broad range of stakeholders. This report is provided so that stakeholders may better understand the Bank's sustainability management. The matters excluded from the key issues are presented in the Sustainability Performance section.

### Reporting Standards, Period, and Scope

This report complies with the G3 Guidelines of the Global Reporting Initiative (GRI) as follows:

1. Materiality	2. Inclusiveness	3. Sustainability Context	4. Completeness
This report addresses the major issues of economy, environment, and society, while including matters that are crucial to stakeholders for evaluation and decision-making.	The report identifies the stakeholders and states how the Bank responds to their expectations and interests.	The report outlines the background of activities and performance in terms of sustainability management.	The report reflects economic, environmental, and social effects in key sustainability issues and indicators and is written so that stakeholders may understand the Bank's performance.

The scope of this report is limited to data collected from domestic head offices and branch offices performing major business activities in Korea. Data collected from overseas branches is indicated as such. All descriptions of corporate activity in this report are based on data collected between January 1 and December 31, 2010. So that readers can compare performance across years, the report includes data from 2008 and 2010, as well.

### Standards of Credibility & Inquiries

Content and data verification was performed by an independent agency based on AA1000AS and AA1000APS standards for reporting. The results of this verification process are available on page 60. This report meets the requirements of the writing guidelines of the GRI.

GRI Application Levels



This 2010 Sustainability Report meets all requirements for the A+ level of the GRI G3 guidelines.

For more information about this report, visit the website of KB Kookmin Bank (<http://www.kbstar.com>) and the Data Analysis, Retrieval and Transfer System (<http://dart.fss.or.kr>), or check the annual reports of KB Kookmin Bank. For inquiries about this report, please contact:

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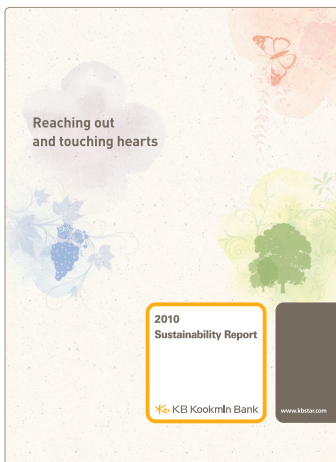
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#### About the Cover

The cover conveys KB Kookmin Bank's progress in developing closer, warmer relationships with all citizens and members of society. Images of butterflies, grapes, and trees represent the core topics of sustainability growth discussed in this report: changes, value creation, and social contribution.

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## A Message from the CEO



“Change, innovation,  
and challenge will be key drivers  
for our sustainable growth”

## Dear valued stakeholders:

I would like to express my gratitude to you for your unwavering support and encouragement for KB Kookmin Bank.

In 2010, KB Kookmin Bank made significant strides in fundamental management innovation as it confronted the uncertainties caused by the lingering effects of the global financial crisis and unstable corporate governance. Thus, we laid a firm foundation for yet another leap forward and for further sustainable growth by realigning the management structure, reducing the size of the organization, and streamlining marketing channels to be more customer-oriented. Additionally, we endeavored to fulfill our responsibilities in corporate citizenship, and as a leading bank in Korea, through well-organized CSR activities and industry-leading green management.

We have now arrived at a moment when we can examine the last decade, as well as devise our plans for the coming decade. To grow along with all of our stakeholders, including customers, shareholders, employees, and local communities, and to become a global bank leading the Asian financial industry, KB Kookmin Bank will pursue the following three core tasks:

### **First, we will restore profitability and earn greater confidence in the market with substantial, qualitative growth.**

In 2010, we strove to improve asset quality and management efficiency. Based on this, we will continue to optimize our risk management, reinforce our performance-based compensation system, and boost our marketing activities to achieve remarkable performance in profitability and asset growth. In doing so, we will concentrate not only on improving our performance indicators such as asset soundness, but also on reinvigorating our field-based sales.

### **Second, we will create value through changes and innovation for sustainable growth.**

As a countermeasure to the rapid changes of the financial market, and to sharpen internal competitiveness, KB Kookmin Bank persists in its pursuit of innovation in all guidelines and systems, thereby building on the progress we made in 2010. Additionally, building on the pride we take in our award-winning customer satisfaction for the last five consecutive years, we will raise customer value beyond mere customer satisfaction by fostering unrivaled professional talent. We will also secure our long-term growth engines by revitalizing investment in smartphone banking services, wealth management, and next-generation customer services, thereby maximizing our shareholder value.

### **Third, we will enhance our CSR activities to develop closer, warmer relationships with all citizens and members of society.**

KB Kookmin Bank has long actively supported the needy with a variety of financial assistance programs and donations, and it has consistently expanded its CSR activities. We have contributed to the development of a culture of sharing by establishing the KB Microfinance Foundation to provide assistance to financially marginalized and underprivileged groups. Looking ahead, we will expand our roles in the development of society, nurturing warm relationships with all citizens of Korea and the world. We will also lead the way in the nation's "lower carbon, green growth" initiative by playing an essential role in green financing and management activities.

All of us at KB Kookmin Bank continue in our endeavors to achieve outstanding economic value, created through the most-efficient management, as well as fulfilling to the greatest possible extent the environmental and social responsibilities of the age. I am looking forward to your continued support and encouragement during the year ahead.

Thank you.

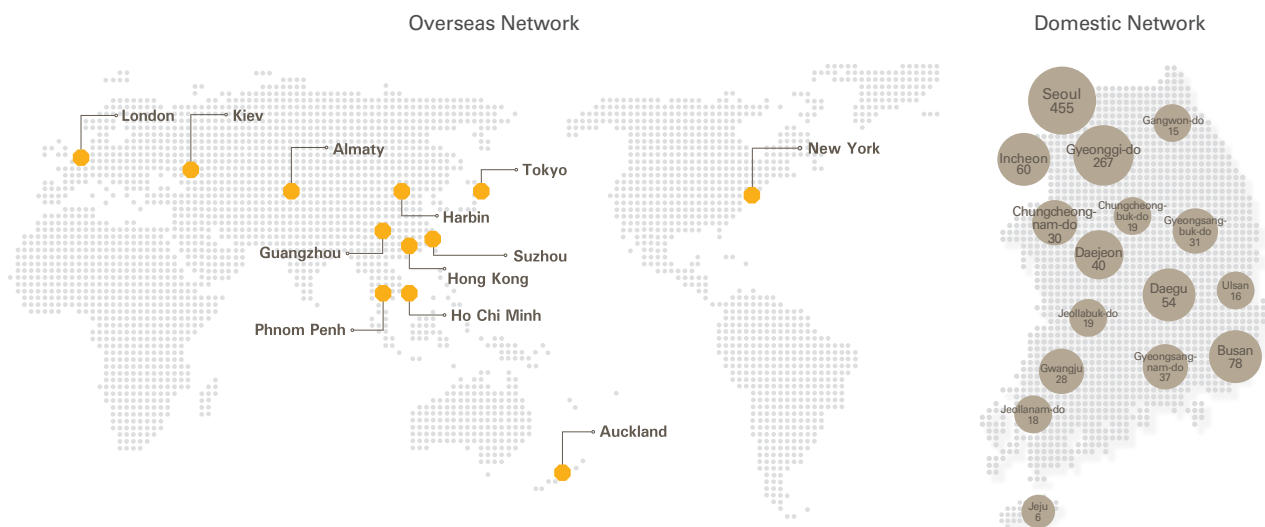
**Min, Byong Deok**  
President & CEO

# Company Profile

## Overview

KB Kookmin Bank is a leader in the Korean banking industry in terms of asset size and the number of customers. Since its rebirth in 2001 through the merger of former Kookmin Bank and the Housing & Commercial Bank, KB Kookmin Bank has led the market with a range of innovative products and services, including the world's first mobile banking service. The Bank provides a variety of customer services including industry-leading retail financing, corporate financing, investment banking, private banking, and trust and pension services. KB Kookmin Bank seeks opportunities to expand the scope of its business operations by entering more overseas markets, especially Asian countries.

KB Kookmin Bank has received the highest credit ratings of all Korean banks from the world's renowned credit rating agencies, demonstrating its stable financial condition. In addition to this outstanding financial stability, the Bank continues to create economic value by providing market-leading products and services to customers. The Bank also makes every effort to fulfill its responsibilities in corporate citizenship, creating social and environmental value through consistent sustainability management, thereby becoming a global bank leading the Asian financial industry.



## Scale & Status

KB Kookmin Bank's network includes 1,173 offices nationwide, including the head office in Myeong-dong, Seoul. The Bank has 22,580 officers and employees serving more than 26 million customers.

KB Kookmin Bank operates six overseas branches in Tokyo, New York, Auckland, Guangzhou, Harbin, and Suzhou; three subsidiaries in Hong Kong, London, and Phnom Penh; and two liaison offices in Kiev and Ho Chi Minh City. The liaison office in Ho Chi Minh City will be upgraded to a branch office in June 2011, while a branch will be launched in Osaka in the second half of the same year. The Bank is also preparing to open liaison offices in Mumbai and Hanoi. Additionally, the Bank holds a 41.9% share, including convertible preferred stocks, in Bank CenterCredit (BCC) in Kazakhstan.

## Major Management Indicators

Establishment	November 1, 2001
CEO	Min, Byong Deok
No. of Branches*	1,173
No. of Employees**	22,580
No. of Customers*	26.4 million
Total Assets*	KRW 255 Trillion
ROE	13.44%
Net Income	KRW 11.2 billion

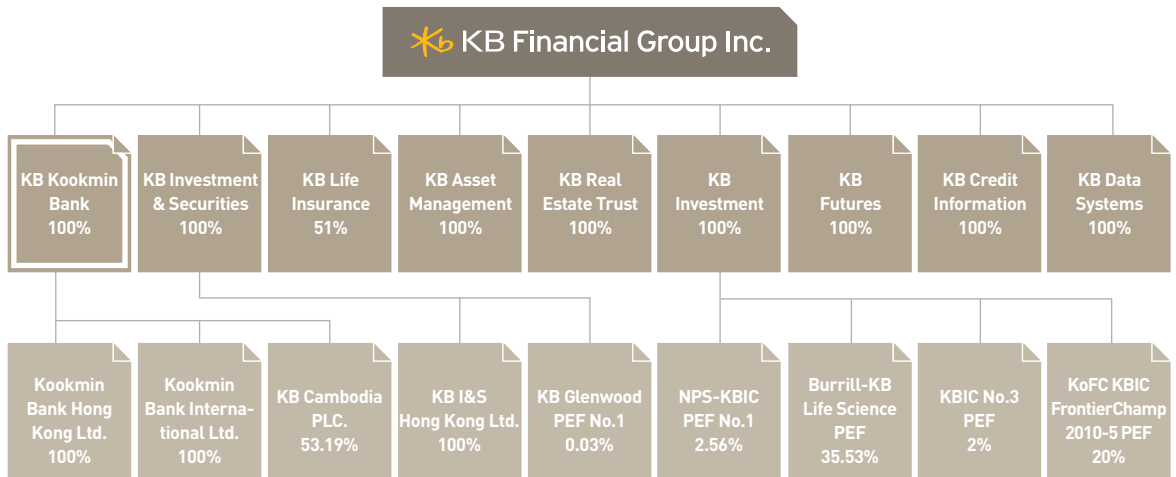
\* As of December 31, 2010

\*\* Including executives and heads of divisions, and excluding local employees at overseas subsidiaries and branches

## Ownership Structure

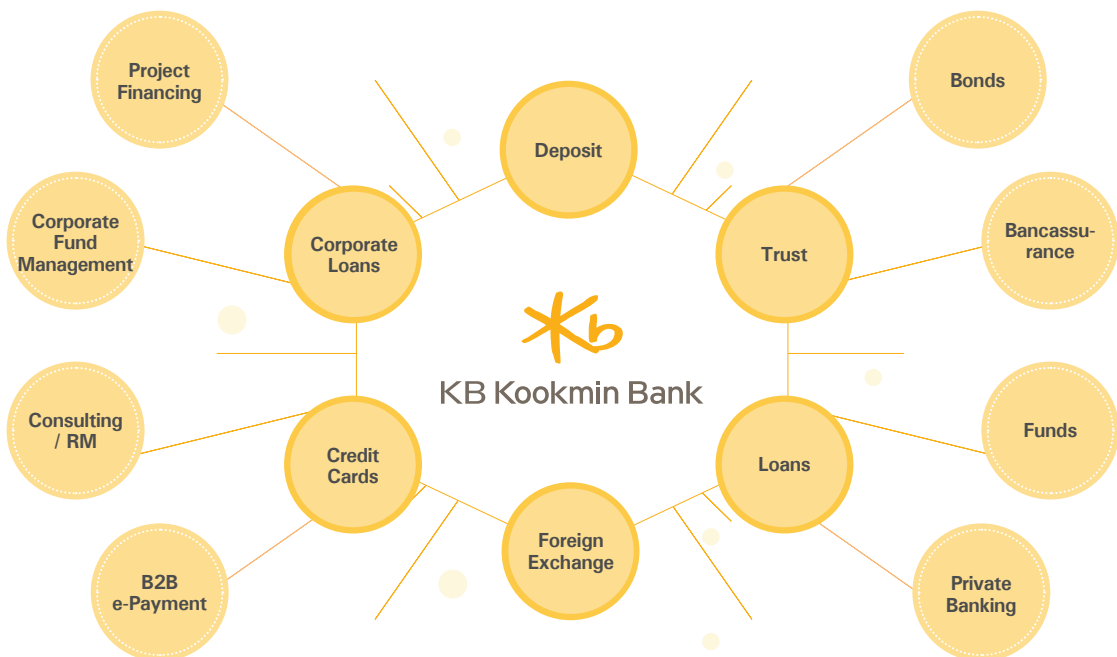
Established as a corporation in 2001 through the merger of former Kookmin Bank and the Housing & Commercial Bank, KB Kookmin Bank became part of KB Financial Group, Inc., which was converted to a holding company in 2008. After its establishment, KB Financial Group, Inc., was listed on the stock market in 2008 through a comprehensive stock transfer from its major subsidiaries, including KB Kookmin Bank, KB Investment & Securities, and KB Credit Information. KB Financial Group Inc. is the legal owner of KB Kookmin Bank, possessing 100% of the shares of the Bank.

KB Financial Group Organizational Chart



## Major Products and Services

KB Kookmin Bank develops and sells deposits, loans, foreign exchange, credit cards, funds, trusts, and bancassurance products for retail and corporate customers. Additionally, the Bank provides PB services, as well as diverse services for corporate customers in project financing, asset management, and consulting.



# Stakeholder Engagement

## Collection and Reflection of Stakeholders' Voices

KB Kookmin Bank communicates with different stakeholders by capitalizing on its organizational structure, which is characterized by a division into head offices and branch offices. The Bank obtains diverse feedback through activities that suit the features of each channel. It also endeavors to clearly understand the concerns of stakeholders and to take action accordingly.

The Bank holds regular meetings and surveys by stakeholder group in order to collect their opinions. In 2010, it held meetings to gather views from its business partners and collected detailed views from surveys. Survey topics included customer satisfaction, the attitude of employees, and ethical management.

KB Kookmin Bank has been charting a course for sustainability management based on stakeholders' opinions. Through collection and analysis of stakeholder opinions, the Bank has identified a wider variety of risks and opportunities. The Bank has selected some of these opinions based on their potential effect and materiality and has reflected them in its vision and strategies for sustainability management.

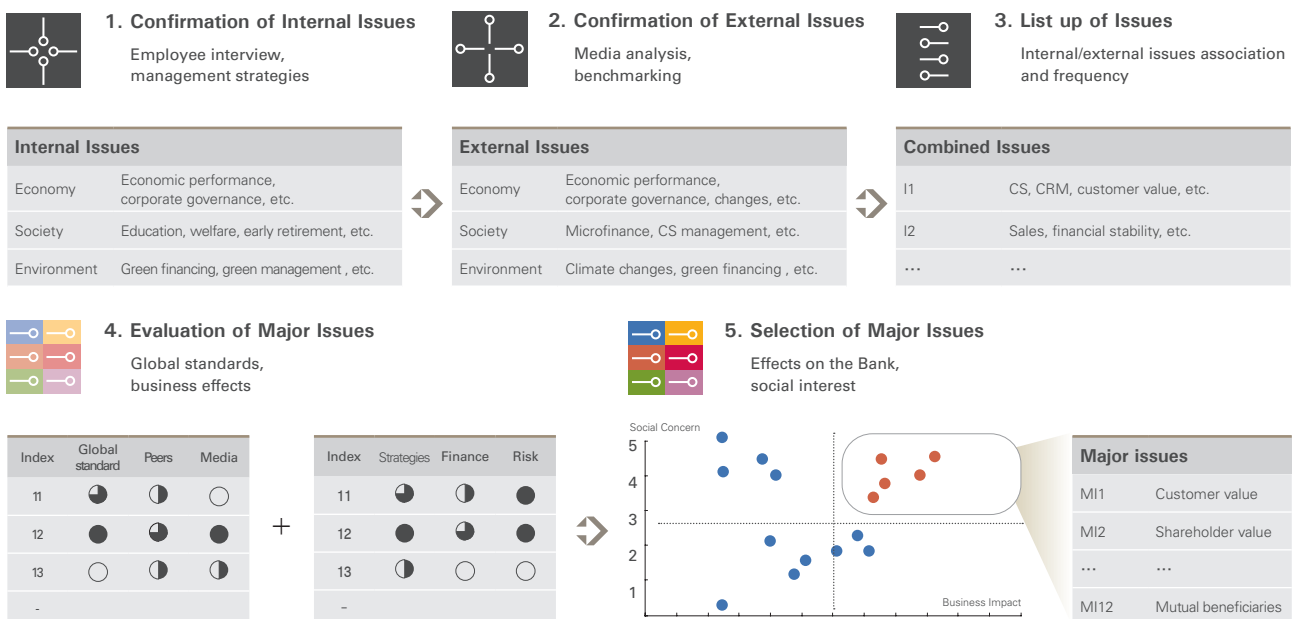
Additionally, the Bank has increased its understanding of government policies and global trends in sustainability management by holding discussions with the government and joining initiatives related to sustainability management.

## Major Channels by Stakeholder

Stakeholders	Major channels	Common channels
Customers	Surveys, customer briefings, VOC	
Shareholders	IR presentations, disclosure, earnings releases	
Employees	Labor-management Council, newsletter, Employee Grievance Center, employee satisfaction survey	Homepage, sustainability report, newsletter
Local communities	CSR volunteer team, local surveys	
Suppliers	Satisfaction survey, informal gatherings, council	

## Materiality Test and Issue Management

KB Kookmin Bank conducted a materiality test to manage and report major issues related to sustainability management. The test used a structured approach illustrated below to identify the most important issues in 2010 to be addressed in this report. After being selected, major issues were finally classified into three core topics to abide by the sustainability management vision and mission. The results of the test are included in this report.





# Sustainability Management Overview

KB Kookmin Bank grows with consistent value creation, changes, and innovation. The Bank also pursues sustainability management for financial services that contributes to the sustainable development of the society as a whole.

## Vision

KB Kookmin Bank aims to become a leading global bank. To achieve this aim, it is creating outstanding economic value and fulfilling its social responsibilities as a corporate citizen by cherishing the core values of community relations, integrity, and environmental conservation.

## Mission Statement

KB Kookmin Bank is taking the initiative in preserving natural beauty and balanced social development through the following:

- transparent management and risk management
- green financing and active countermeasures to climate change
- sustainability management with the utmost consideration for customers, local communities and employees

## Sustainability Framework and Outcomes

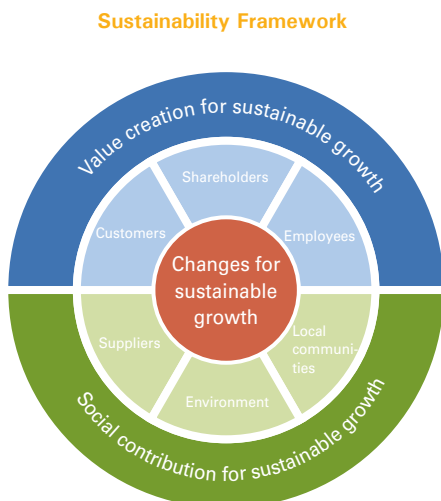
In 2010, KB Kookmin Bank selected three core topics and their accompanying strategic issues to achieve its sustainability vision and mission. The three core topics include changes for sustainable growth, value creation for sustainable growth, and social contribution for sustainable growth.

The Bank established a firm basis for sustainable growth through changes and innovations in corporate governance, streamlining risk management, and enhancing transparent management. Additionally, the Bank sought sustainable growth by creating value in its customers, shareholders, and employees alike, thereby creating a virtuous business cycle. Externally, the Bank also contributed to the sustainable development of the entire society through socially-responsible financial services, as well as various social contribution and green financing activities, response to climate change, and mutually beneficial business relations with suppliers.

This report covers all efforts and approaches that KB Kookmin Bank made in 2010 regarding sustainability management. They are classified into core topics, key issues, and activities and performance. Hereafter, the Bank will continue striving to achieve its vision and mission in sustainability management through revision of related guidelines and thorough monitoring of business operations.

### 6. Selection and Management of Core Topics

Determination of reporting contents



Three Core Topics	Key Issues
<b>Changes for Sustainable Growth</b>	<ol style="list-style-type: none"> <li>1. Corporate governance improvement</li> <li>2. Risk management advancement</li> <li>3. Ethical management practice</li> <li>4. Innovation and changes</li> </ol>
<b>Value Creation for Sustainable Growth</b>	<ol style="list-style-type: none"> <li>5. Customer value creation</li> <li>6. Shareholder value creation</li> <li>7. Employee value creation</li> </ol>
<b>Social Contribution for Sustainable Growth</b>	<ol style="list-style-type: none"> <li>8. Socially responsible finance</li> <li>9. CSR activities</li> <li>10. Green financing supports</li> <li>11. Climate change response</li> <li>12. Mutually beneficial relationships</li> </ol>



**Changes for  
Sustainable Growth**



**Value Creation for  
Sustainable Growth**



**Social Contribution for  
Sustainable Growth**

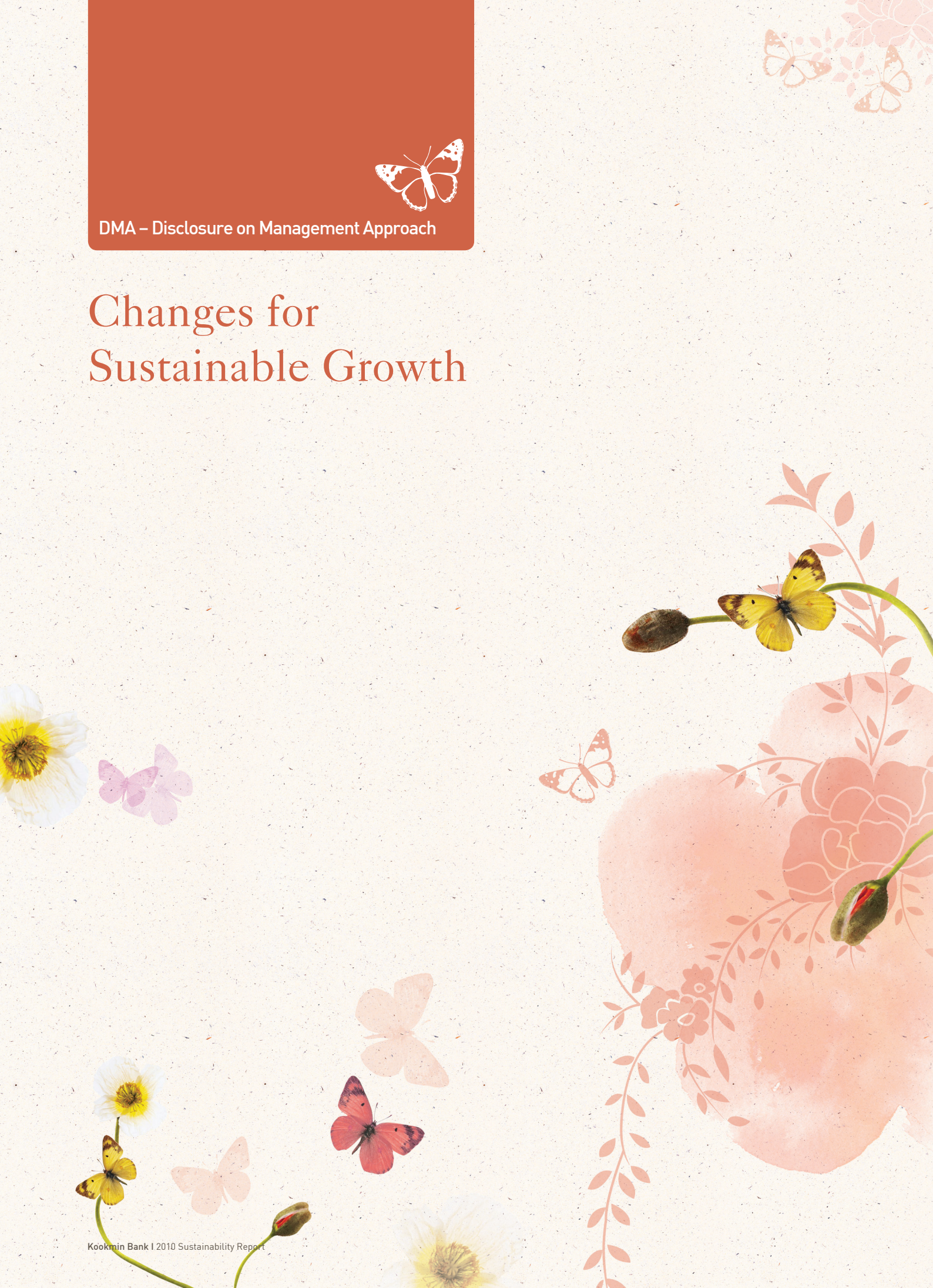


**Sustainability  
Issues**



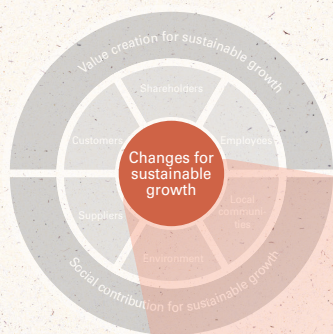
DMA – Disclosure on Management Approach

# Changes for Sustainable Growth



KB Kookmin Bank ensures solid, stable sustainability management through continual improvements to its system of corporate governance, enhancements to the transparency of its management, and consistent innovation

## Sustainability Framework



### ● Approach

KB Kookmin Bank is aware of the indispensable role of innovation and change in its sustainable growth. With the core values of independent corporate governance and proactive risk management, the Bank fosters a culture of innovation and improves the efficiency of its management. It continues to strive toward its goal of becoming a global leader among banks in social responsibility and corporate citizenship.

### ● Key Issues & Activities

#### Improvements in Corporate Governance

- More independence for the organs of governance through a greater separation between the roles of the CEO and the chairman of the BOD
- More efficient decision-making with power granted to the committees of the BOD

#### Advancements in Risk Management

- Improved risk-management governance with a more precisely defined role for risk management consultative bodies
- Balance between risk and returns through the expanded role of a framework for risk-adjusted performance measurement
- Proactive risk management through scenario-based analysis

#### Enhanced Ethical Management

- More efficient internal control through an integrated compliance support system
- Stronger ethical awareness through a system for self-diagnosis in ethical management

#### Improvements in the Efficiency of Management

- Management innovation through the implementation of the "Deep Change Management" campaign

## Key Performance

Classification		2008	2009	2010
Corporate governance indicator				
Ratio of outside directors		57.1 %	57.1 %	55.6 %
Ratio of BOD attendance		89.2 %	93.6 %	91.5 %
Risk management indicator				
No. of Risk Management Committee meetings		8	5	7
Internal control indicator				
No. of participants in ethical management education (in persons)	online	All employees	All employees	All employees
	offline	15,639	9,968	8,384
No. of corruption incidents		0	0	0

# Q1

## What efforts does the Bank pursue to improve corporate governance?

**A1** The Bank is enhancing the transparency of its corporate governance by ensuring the independence of the BOD and revitalizing the activities of its committees.

KB Kookmin Bank considers the BOD to be its highest organ of governance, thus guaranteeing that the Bank will be managed in the most professional and transparent manner. In 2010, the Bank more clearly delineated the roles of the chairman of the BOD and the CEO, thereby reinforcing the independence of the BOD. Through continual improvements in corporate governance, the Bank clarifies its corporate values and defines its decision-making processes.

### Board of Directors

As part of its program to strengthen the independence of the BOD, KB Kookmin Bank created the position of chairman of the BOD and assigned the new chairman some of the responsibilities that had been held by the CEO. This new position reinforced the system of checks and balances within the BOD as well as the transparency of corporate governance.

### Composition of the BOD

The BOD consists of three executive directors and five outside directors. An Outside Director Nomination Committee screens candidates for outside directors to ensure that they adhere to standards of professionalism and prevents potential conflicts of interest by enforcing transparent election procedures. Once these procedures are complete, directors are appointed at the general shareholders' meeting.

### Performance evaluation and compensation

To improve the independence of the BOD's decision-making processes, in 2010 KB Kookmin Bank established the Evaluation & Compensation Committee. With this committee at the helm, the Bank evaluates the performance of its top management with clearly defined criteria and then discloses the results of those evaluations. Thus, the Bank reinforces the role of the BOD as guarantor of the corporate system of checks and balances and provides a mechanism for the company to focus on long-term growth rather than short-term outcomes.

### Committees

KB Kookmin Bank operates three committees, including the Audit

Committee, within the BOD. Each committee includes outside directors whose role is to maximize the efficiency and expertise of decision-making processes.

### Audit Committee

The Audit Committee consists of at least two outside directors and at least one executive director. At least one of these directors an expert in accounting or finance who thereby fulfill the requirements stipulated in related regulations and the Articles of Incorporation. The Audit Committee manages internal auditing processes for finance, compliance, operation, management, and information technologies. These processes range from audit planning and execution to evaluation, follow-ups and suggestions for improvement. The committee also has power to intervene if directors or members of management violate or attempt to violate the regulations and guidelines of the Articles of Incorporation; in such cases, the committee immediately requests that the Board of Directors convene to prevent adverse effects. The Committee also evaluates and suggests improvements for the design and operation of internal control systems. It further provides guidelines for ethical management practices by compiling internal reports on problems in accounting and by enacting, revising, or abolishing articles in the Code of Ethics.

### Risk Management Committee

The Risk Management Committee provides strategies and guidelines for risk management and oversees their implementation to identify, measure, monitor, and control risks that may occur during transactions in the most timely manner possible.

### Evaluation and Compensation Committee

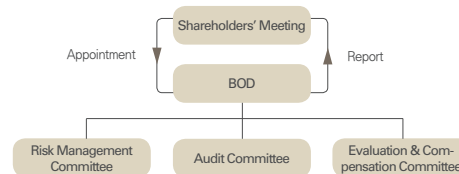
Since its introduction in March 2010 under the BOD, the Evaluation & Compensation Committee has designed a compensation system for top management and other significant personnel who affect Bank-wide risk factors. In doing so, the Committee has linked the compensation system to risk management. Using criteria for financial status and risk management issues, it has also deliberated and evaluated the adequacy of its compensation system. Differing annual evaluation and compensation systems are applied to BOD members and top management.

### Board of Directors\*

Classification	Name	Title
Executive directors	Min, Byong Deok	• President & CEO, KB Kookmin Bank
	Cheong, Yong Hwa	• Chief Audit Executive, KB Kookmin Bank
	Kim, Ok Chan	• Senior Vice President, KB Kookmin Bank • Member, Risk Management Committee • Member, Evaluation & Compensation Committee
Non-standing director	Yoon, Jong Kyoo	• Deputy President & CFO, KB Financial Group Inc. • Member, Risk Management Committee
	Koo, Tae Jin	• Partner, Horwath Choongjung Accounting Firm • Chairman, Board of Directors
Non-executive directors	Park, Jae Hwan	• Former Vice President, Korea Housing Finance Corporation • Member, Risk Management Committee • Member, Evaluation & Compensation Committee
	Kim, In June	• Professor, Seoul National University Department of Economics • Chairman, Audit Committee • Member, Evaluation & Compensation Committee
	Kim Hong Bum	• Dean, Gyeongsang National University's College of Social Science • Member, Risk Management Committee • Member, Audit Committee
	Park Yo Chan	• Lawyer, Jungsang Law Firm • Member, Evaluation & Compensation Committee • Member, Risk Management Committee

\* As of the end of 2010

### Governance and Board Meetings



Committee	No. of Opening
Audit Committee	17
Risk Management Committee	7
Evaluation & Compensation Committee	5

In 2010, the BOD convened 21 times to discuss major management issues. Regular BOD meetings are held every quarter, while extraordinary board meetings are held upon the request of directors and committees or with the agreement of the chairman of the BOD.

Q2

## What activities does the Bank carry out to improve risk management?

**A1** The Bank has amended its risk management guidelines and policies to instill the concepts of risk management into its corporate culture.

KB Kookmin Bank considers risk management to be the most important means of achieving sustainable returns. With this emphasis, it inculcates a risk-aware culture throughout its corporate operations, thereby constantly reinforcing and improving its risk management system and governance.

### Developing a Risk-aware Culture

Through implementation of techniques for risk management in all business processes from planning to performance evaluation, KB Kookmin Bank is developing a risk-aware culture in its daily operations.

#### Business plans emphasizing risk management

Linking business strategies with risk management, the Bank provides guidelines for its internal business plans as well as the plans of the business group that take into account the economic forecast and predicted major risk factors for the coming year. Thus, with business plans that emphasize risk management, the Bank demonstrates the crucial role of risk management in the development of business.

#### Expanded risk-adjusted performance measures

KB Kookmin Bank has introduced Risk-Adjusted Performance Measurement (RAPM) as part of its Key Performance Indicators (KPIs). These indexes are part of the wider program to implement a risk-aware performance evaluation system and thereby improve the asset quality of its loan portfolio. In 2011, the Bank is also expanding the metrics for Risk Adjusted Return on Capital (RAROC) in the KPIs, which reflects credit premiums and the cost of capital in expenses, in the evaluation of branch operations, thereby contributing to substantial growth based on real returns.

### Risk Management Governance Improved

KB Kookmin Bank has reshuffled risk management organization and established a policy regarding pre-approval of the Risk Management Committee for new strategic investment. This newly integrated risk management system enables the Bank to prevent potential risks enterprise-wide.

#### Identification of the roles of the Risk Management Council

In 2010, as part of efforts to enhance decision-making processes for

new strategic investment, the Bank introduced a pre-approval procedure to the Risk Management Committee. It also empowered the Risk Management Council with approval authority for new, high-risk products. By doing so, the Bank has strengthened its control over risk factors in new investment and high-risk products.

In addition, the Bank enhanced communication and control processes between councils by requiring the Financial Strategy Council and Loan Review Committee to report to the Risk Management Committee on their activities, especially pertaining to ALM risk management.

#### Integrated response system for risks

In 2010, as part of a program to prevent the spread of risk within the Bank and implement a system of countermeasures, the Bank inaugurated a Credit Risk Department under the Risk Management Division. The Department is in charge of bank-wide loan portfolio management.

### Proactive Risk Management

In 2010, KB Kookmin Bank implemented systems to control systemic risks in its credit/loan portfolio and strengthened its proactive risk management system.

#### Systemic risk management system implemented

In its efforts to adapt quickly to changes in the global financial environment, the Bank is implementing scenario-based integrated contingency plans to reduce market risks, including effects from the European financial crisis, interest rate fluctuations, declining real estate values, and fluctuations in foreign exchange rates. Moreover, the top echelons of management receive reports on the results of analysis for effects on core financial indicators, including income and loss from credit, markets, and interest, risk-reduction provisions, delinquency rates, and capital adequacy.

#### Credit portfolio management system launched

As part of efforts to assemble a portfolio that achieves the optimum balance between risk and return, KB Kookmin Bank is developing a credit portfolio management system to support decision-making processes for asset allocation. It is also outlining detailed guidelines for credit risk management, particularly regarding the arbitrary decision-making authority of sales and credit analysis committees, as well as loan reviews and interest rate adjustments.

#### Risk Management Advancement Direction



#### Risk Management Governance



Introduction

Changes

Value creation

Social contribution

Performance

# Q3

## What activities does the Bank undertake to enhance its ethical management?

**A1** The Bank provides a comprehensive set of internal controls to prevent regulatory and financial incidents. These include an integrated compliance support system and stronger pre-deliberation and monitoring activities.

KB Kookmin Bank provides a comprehensive set of internal controls to prevent regulatory and financial incidents. The Bank is implementing an Anti-Money Laundering (AML) system that complies with global standards. Additionally, all of the Bank's business operations are monitored as part of a standards compliance program.

### Integrated Compliance Support System

As capital markets develop, the risk of regulatory and financial incidents increases. To deal proactively with this intrinsic risk, KB Kookmin Bank has developed systems for AML risk management and compliance support (CIS). This integrated system allows the Bank to provide more efficient internal controls for crime prevention and compliance.

### Reinforced internal control system

The internal control system consists of four phases internally and externally. Any improper conduct, including misappropriation, theft, bribery, or misbehavior that leads to losses, leaks of customer information, and violations of the Act on Real Name Financial Transactions and Guarantee of Secrecy, must be reported. All reported cases are treated with due legal process.

<Four Phases of Internal Control>

Phase	Internal Control	Supervisory body
1 <sup>st</sup>	Autonomous control	Business group
2 <sup>nd</sup>	Control by an internal control support department	Compliance Support Department
3 <sup>rd</sup>	Control evaluation by an internal control evaluation department	Auditing Department
4 <sup>th</sup>	Control evaluation by a supervisory body	Financial Supervisory Service

### Expanded Pre-deliberation and Monitoring

In 2010, KB Kookmin Bank strengthened the pre-deliberation process for its major business operation, including processes for financial product development and disclosure of management practices. The Bank began using pre-deliberation for advertising materials and financial product manuals, and it added to the Terms and Conditions those business operation areas that require pre-deliberation.

To comply with recent amendments to the Banking Act, the Bank also added to the Terms and Conditions those business areas which require the pre-deliberation of a compliance officer, thereby clearly defining the scope of pre-deliberation and monitoring activities.

### Employee Awareness of Internal Controls

To encourage the voluntary participation of all employees in complying with internal control and ethics, KB Kookmin Bank implements a variety of education programs. The Bank provides e-training programs in ethics and compliance to all employees, regardless of position or duty, and holds group sessions for internal control managers. Additionally, the Bank sends education materials each month to branches, thereby supporting autonomous, branch-level education programs. This policy of supporting local branch training also allows the Bank to observe the level of compliance and the progress of education programs at branches.

### Inspection to Ensure Compliance and Fulfillment

#### Compliance guidelines for overseas branches

In addition to its support for the compliance of domestic branches, the Bank provides Overseas Branch Compliance Guidelines and an internal control system for overseas branches. Through KB-WiseNet, the guidelines are continually updated to reflect opinions gathered from employees. In 2010, the Bank conducted on-site inspection of internal control systems and on-site education seminars at its Suzhou and Harbin branches.

#### Reports of transaction records for financial investment products

To prevent unfair transactions, Bank employees are required to report all transaction records for financial investment products. With this requirement, the Bank not only prevents financial incidents, but also contributes to the broader development of a fair and transparent society.

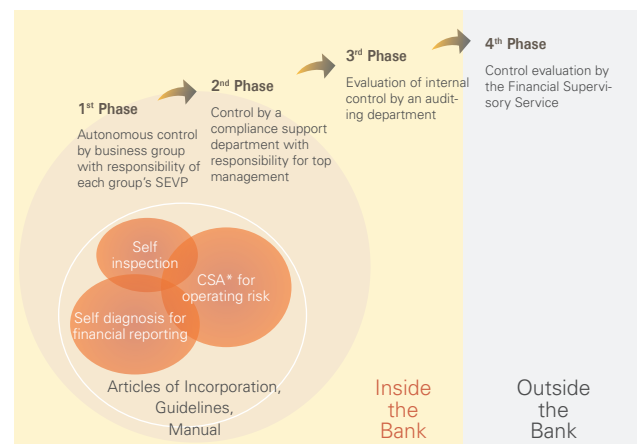
#### Investor protection strengthened

In compliance with the Capital Market and Financial Investment Business Act, the Bank implements an investor protection program. The Bank verifies whether the investor protection program is operating at its best level and monitors the level of compliance at counters where financial investment products are brokered.

### Commitment to Combating Money Laundering

In addition to the integrated compliance support system, KB Kookmin Bank operates a world-class Anti-Money Laundering (AML) system. The Bank also fulfills its responsibility to guarantee the transparent management of customer assets. Through the AML education program, internal control managers and all other employees pursue strategies to ensure Customer Due Diligence (CDD) and immediately report suspicious transactions. The Bank holds periodic education and special inspections at its headquarters and high-risk branches, including private banking centers and branches that specialize in corporate banking.

### A Phased Approach to Internal Control



\* CSA : Control Self Assessment



Q3

## What activities does the Bank undertake to enhance its ethical management?

**A2** To retain customer trust in its financial services, the Bank continually raises employee awareness of ethics and embeds the value of ethical management in its corporate culture.

KB Kookmin Bank provides customers with reliable financial services through strong ethical management founded on a stable internal control system. Since the KB Code of Ethics and Code of Conduct were first introduced, the Bank has practiced ethical management in its daily operation.

### Ethical Management Education

Ethics and compliance training consists of three types: group sessions, on-site education managed by a special ethical management team that visits branches, and e-training programs. KB Kookmin Bank conducts e-training programs for all employees to raise awareness of ethics and compliance, as well as special intensive courses for internal control managers.

Furthermore, the Bank offers incentives to outstanding branches whose employees earn compliance officer certificates for internal control as a result of performance evaluation, thereby increasing employee awareness of ethics and compliance.

### Inculcation of Ethical Management Values in Corporate Culture

During the annual Ethics and Compliance Month, KB Kookmin Bank collects ideas from employees for improvements in internal controls for the prevention of incidents. The Bank also conducts surveys to encourage employees to participate in self-diagnosis toward improvement of ethical management. Furthermore, an integrity contract system and self-diagnosis for compliance enable the Bank to increase employee awareness of ethical management and compliance.

### Whistle-blower program

KB Kookmin Bank provides a whistle-blower program to encourage employees to put ethical management into practice. The program protects whistle blowers against the unfair treatment that can result from reporting suspected dishonest or illegal banking activities. By doing so, the Bank is able to nurture a system of checks and balances between employees that further prevents unethical conduct.

### Collecting ideas regarding ethics and compliance

KB Kookmin Bank holds internal competitions and collects ideas to improve its internal control system. The Bank rewards excellent ideas and reflects them in improvements, thereby stimulating employee participation in ethical management.

### Compliance checks and animated presentations

Each Monday, all employees must perform ethics and compliance checks on their computers before commencing work. In this way, employees are reminded of their obligations in compliance and ethical management. If employees discover violations of ethics and compliance rules during the check, they compile detailed information on the violations and report them immediately. Additionally, each Thursday, employees may watch animated computer presentations on ethics and compliance, thereby raising their awareness of ethics in daily business.

### Surveys on Ethical Management

During 2010, KB Kookmin Bank conducted internal and external diagnostics to ascertain levels of ethical management, determine weaknesses, and seek ways to improve.

In observance of the KB-EMA, its own ethical management indicator, the Bank canvassed employees and customers on their perceptions of ethical management. Employees were asked 20 questions covering five topics, including ethical awareness, shareholders, customers, employees, and social contribution; customers were asked about five topics, including ethical awareness and fair treatment.

In the results of the survey, ethical awareness received the highest score among both employees and customers, followed by financial service matters such as customer protection and fair treatment. KB Kookmin Bank continues to make every effort to fulfill customer expectations and maintain its status as a corporate role model for ethical management.

### Results of 2010 KB-EMA Survey

Employees		Customers	
Topic	Score	Topic	Score
Ethical awareness	99.99	Ethical awareness	82.87
Customer protection	90.43	Fair treatment	82.15
Social contribution	89.23	Fair competition	81.27
Commitment to ethics	89.07	Customer protection	77.39
Transparent management	88.60	Social contribution	69.69

### Award in Ethical Management



KB Kookmin Bank has earned the highest grade – AAA – for three consecutive years in KoBEX SM, a sustainability survey of major domestic companies conducted by the Industrial Policy Research Institute of the Ministry of Knowledge and Economy.

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# Q4

## How does the Bank innovate and adapt for greater sustainable growth?

**A1** To maximize efficiency in management, the Bank employs a strategy known as Deep Change Management, an innovation campaign that stimulates corporate mindset, practices, and guidelines.

During 2010, KB Kookmin Bank conducted Deep Change Management to maximize efficiency through radical innovation. The Bank focused on sustaining a progressive management cycle, along with recovery of profitability, new corporate culture, and development of stronger responsibility-centered management (RCM).

### Innovation through Deep Change Management

Deep Change Management exceeds other, shallower efforts to improve the financial indicators of management. It is a fundamental change through customer-oriented management. Internally, it promotes bank-wide change, while externally enhancing customer value, and, by extension, leading the financial markets.

As the first step, the Bank was reorganized to improve efficiency and productivity. This reorganization involved more than the passive cost-saving efforts of the past, including energy-savings and lower supply expenditures; it required an effort to reform the Bank into a low-cost, high-efficiency organization.

### Improvements in operational efficiency and customer convenience

During 2010, KB Kookmin Bank improved productivity by reducing personnel in back-office units including its centers for credit management, credit analysis, and business support. The slimmer organization of the credit management centers in particular has allowed the Bank to conduct marketing-driven credit management by assigning greater responsibility to the management of branches and the handling of credit. In the business support centers, the Bank centralized its back-office operations, including the clearing and holding of bills and settlement of checking accounts.

The Bank improved the operational efficiency of its sales channels by integrating some of the retail and corporate banking branches, while expanding services to corporate clients at retail branches, generating more than KRW10 billion in sales, as well as creating a branch network that is more customer-oriented and more efficient in the management of its human resources.

### Restructuring of human resources

In its pursuit of more efficient human resource management, KB Kookmin Bank in 2010 launched an early retirement program with the participation of 3,244 employees, after an agreement with labor unions. Participants were supported through counseling on out-

placement and business start-ups, as well through the creation of a wider variety of job positions.

### Radical cost savings

To reduce costs further, the number of open biddings was increased in 2010 to replace private contracts, while annual purchase contracts were signed for standardized goods through competitive bidding. The Bank also improved SMS customer services through the elimination of 136 out of 456 items to minimize unnecessary costs in the sending of SMS's.

### Changes within the Group

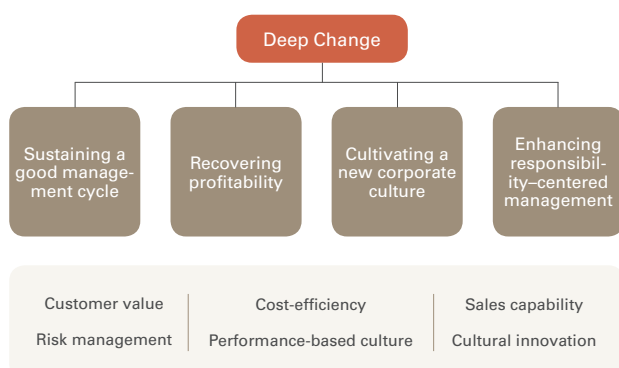
With the cooperation of a special task force on change and innovation in the KB Financial Group, KB Kookmin Bank made significant progress during 2010 in the creation of synergy with other Group subsidiaries.

As part of these efforts, the Bank decided to spin-off its Credit Card Group into a separate subsidiary in order to optimize its management structure and sharpen its competitive capabilities. KB Kookmin Card was officially established on March 2, 2011, following the careful review by a special task force on legal and financial matters. The Bank and the newly-launched credit card company are now establishing further synergy in marketing and product development. In addition to this organizational change, the Bank sought excellence in internal change by defining a new mission and core values. KB Kookmin Bank continues to seek opportunities for the creation of synergy within the Group.

### A New Corporate Culture

Management innovation and adaptation are being inculcated in the Bank's corporate culture, with outcomes well beyond the short-term. The Bank is fostering a new corporate culture that is vital, aggressive, and future-oriented, as well as improving its culture through consistent development of innovative tasks by division. These efforts will be the future engines for innovation in management. In addition, bank-wide campaigns promoting a "Can-Do Spirit" and "Challenge, Innovation, and Teamwork" urge employees to participate in corporate innovation and change.

### Four Objectives and Six Core Tasks of Deep Change Management



### A Special Task Force for Group-wide Innovation and Changes



Headed by the CEO of the Bank, a KB Financial Group special task force had selected core tasks for Group-wide innovation and significantly improved Group-wide performance by December 2010.

## Special Action 1. Into the Field and Nearer the Voices of the Employees

# Top management has led the way in innovation activities, bringing itself closer to the voices of the employees.

### The Pivotal Role of Top Management in Corporate Change

Change has swept through the Bank since new leadership was appointed in August 2010. The Bank completed alignment of its organization and systems of productivity at the end of 2010. This realignment included reduction in the size of the organization, redeployment of the workforce, reassessment of communication channels, amendment of guidelines with marketing-driven approaches, and creation of a sounder asset portfolio. Top management, including the CEO, played a pivotal role in this organizational realignment and took advantage of it as an opportunity to develop a more intimate relationship with employees.

### Strengthening of Internal Communication

To involve employees at the contact point with customers in Deep Change Management, as well as to seek future growth engines for the next stage of corporate development, the CEO paid 17 visits to more than 3,400 employees at nation-wide branches over the course of six weeks from September to November. During these visits, the CEO discussed the direction of management and the Bank's action plans, gathering their direct input. This stronger internal communication has enabled the Bank to encourage employees to seek voluntary change from within, and it has utilized all the competencies that employees can bring to bear on that change, maximizing the company's marketing capability.

### A Role Model for Marketing Activities

In 2010, the Group's top management, including the Bank's CEO, visited major corporate clients to listen carefully to the voices of the customers, thereby proactively supporting sales activities in the field and establishing customer-oriented marketing strategies. Additionally, the CEOs of all the subsidiaries of the Group participated in the Executives Get Members (EGM) campaign, and led marketing activities for deposit and loan products, foreign exchange, and corporate pensions. This leadership allows all employees to participate in the Bank's development of customer-oriented approaches to marketing.

### Growth Satisfied by Customers and Employees alike

As a result of top management's closer communication with customers and employees, the Bank's Deep Change Management campaign earned the full trust of its participants and set a fine example of effective communication for employees.



- ▶ Nation-wide CEO Communication (September – October)
- ▶ Management Workshop (September)
- ▶ Top Management Visits to Major Clients (September)
- ▶ Top Management Visits to Branches (September – Present)
- ▶ New Product Promotional Activities (September – Present)



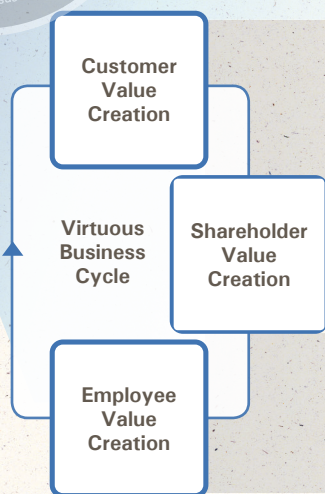
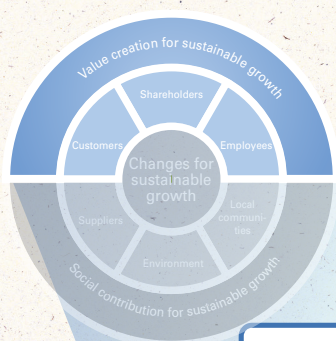
DMA – Disclosure on Management Approach

# Value Creation for Sustainable Growth



KB Kookmin Bank consistently develops itself by sustaining a good management cycle, along with value creation for its customers, shareholders, and employees.

## Sustainability Framework



## Approach

Based on its own customer satisfaction activities, KB Kookmin Bank remains a leader in the creation of customer value through premium products and services. Furthermore, the Bank is thoroughly managing asset quality to improve profitability and secure growth engines. The Bank is also transforming itself into a world-class workplace by attracting high-caliber human resources.

## Key Issues & Activities

- Enhanced customer satisfaction through revision of Service Identity (SI)
- Strengthened CS infrastructure through implementation of My Star, a next-generation banking system
- Introduced market-leading products and services for the needs of each market segment
- Maintained asset soundness through strengthened provisions for loan losses
- Secured growth engines through launch of Corporate & Investment Banking Group, Hidden Star 500 program\*, and 'Rock Star' branches\*\*
- Fostered financial professionals through KB Financial Academy and KB MBA
- Cultivated performance-based culture through preferential treatment for outstanding employees
- Strengthened employee welfare through one-stop KB welfare service

\* A program to locate and develop promising SMEs  
 \*\* A new branch system specialized in youth groups

## Key Performance

Classification	2008	2009	2010
Customer value creation indicator			
National Customer Satisfaction Index (NCSI)	No.1 (71 points)	No.1 (71 points)	No.1 (73 points)
Shareholder value creation indicator			
Won-denominated deposit (M/S)	KRW160.2 trillion (21.3%)	KRW169.5 trillion (21.3%)	KRW180.4 trillion (21.5%)
Won-denominated loan (M/S)	KRW169.7 trillion (21.6%)	KRW171.2 trillion (21.0%)	KRW172.0 trillion (20.5%)
BIS ratio	13.18 %	14.04 %	13.44 %
Employee value creation indicator			
Average hours of education	114 Hrs.	86 Hrs.	110 Hrs.

# Q5

## How does the Bank create customer value?

**A1** KB Kookmin Bank continues to execute customer satisfaction management processes in a highly organized fashion in order to provide the best possible services, even exceeding customer expectations.

Under the leadership of the CEO and its new customer value management system, KB Kookmin Bank continuously improves customer value by delivering services that exceed mere customer satisfaction. As a result, the Bank has ranked number-one for five consecutive years on Korea's National Customer Satisfaction Index – the first time a local bank has held that distinction.

### Well-organized Customer Satisfaction System

#### Revision of the Customer Satisfaction Charter and Service Identity

KB Kookmin Bank has reorganized its existing Service Identity (SI), which focuses on the improvement of human services, to include material services for systems and products.

In 2010, the Bank conducted quantitative and qualitative research into customer values to ascertain core customer expectations and to determine the attributes of services. This research revealed that customers consider economic values, such as their quality of life and their level of satisfaction, while also factoring in traditional values such as stability and comfort; they also place value in self-expression, with high priority on free choice.

Using the five core values revealed in the research, KB Kookmin Bank performed a comprehensive revision of its SI system and Customer Satisfaction Charter. To raise awareness of the revised Charter, the Bank held promotional campaigns and ceremonies throughout the company.

Through these revisions, KB Kookmin Bank has improved the cohesiveness of its customer satisfaction activities, and it continues to discover ways to meet customer expectations into the future.

#### CS quality improvements system operations

**Integrated CS management system** The Bank selects and manages those vital few critical-to-quality (CTQ) factors that are most likely to lead to customer dissatisfaction and the downturn of overall CS levels if they are not managed continuously at headquarters.

**Voice-of-Customer (VOC) and Voice-of-Employee (VOE)** Through its VOC system, the Bank carefully considers customer input, both positive and negative, fully addressing complaints while establishing standards for performance. It responds to all comments within two business days, developing improvements. Through its VOE,

the Bank continuously improves employee satisfaction by considering them to be internal customers and strengthens management-employee relations through on-site communication.

When the Bank receives complaints or suggestions for improvement from branch employees, the relevant SEVP or general manager reviews and registers them in a database. They then use the feedback to make improvements to the system. In addition, the Bank disseminates the ideas gathered from employee feedback, as well as the status of improvements, throughout the company on a quarterly basis. This dissemination adds further support to internal communication channels and assists in field-based system improvements.

#### Consumer protection (civil affairs) program

**Speedy CS 24 Hrs service program** The Bank provides a rapid customer satisfaction program. Under this service, which is the responsibility of branch managers, customer complaints at branches are resolved within 24 hours.

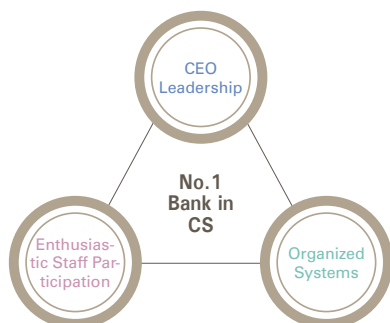
**Supporting Support Desk in branches** If a customer complaint cannot be resolved within 24 hours of receipt, a branch can request assistance from Bank headquarters, which provides support specialists at service centers in regional head offices for difficult cases.

**Guidelines and process improvement** The Bank proactively pursues its commitments to consumer protection and prevention of customer complaints. Through regular analysis of factors that lead to customer dissatisfaction, the Bank continues to improve related guidelines and processes, as well as encouraging employee participation.

#### Monitoring CS through research

In addition to customer satisfaction surveys conducted by external agencies, KB Kookmin Bank regularly conducts self-measurement on the level of satisfaction that customers receive from their contact with the Bank. This research enables the Bank to understand the level of service quality in its sales channels, as well as satisfaction in its systems, processes, and products, which are regulated by headquarters. Through the research conducted in 2010, the Bank identified specific points that need to be improved, and prescribed improvement activities.

### The Three Sources of Customer Satisfaction



Under the leadership of the CEO, the Bank promotes CS activities throughout the company, with the primary objective of management being the improvement of customer value.

As the highest priority for its employees, customer satisfaction management at KB Kookmin Bank is developing Participatory CS, thereby inculcating CS throughout the corporate culture.

A dynamic CS process is embedded within the organic interaction between customer value and valuation criteria, minimizing the gap between customer expectations and the current level of services, a gap that can result from changes in customer value. This dynamic process occurs in three stages: CS measurement, administration, and improvement processes.

Q5

How does the Bank create customer value?

**A1** KB Kookmin Bank continues to execute customer satisfaction management processes in a highly organized fashion in order to provide the best possible services, even exceeding customer expectations.

Offering Premium Services at Points of Contact

Customer-centered CS Activities

KB Kookmin Bank conducts a CS activities program that creates profit while reinforcing the processes of customer value improvement. These CS activities lead to changes that are increasingly customer-centered and reflect a new willingness to innovate and seek greater authenticity in customer care. As part of their efforts to present the Bank's customer-oriented image, all sales branches display banners to express their willingness to serve the customer; they also perform structured customer satisfaction projects such as selection of monthly CS themes, action themes, and focused initiatives.

CS-Star Award System

KB Kookmin Bank conducts a range of promotional activities to reward employees who excel in CS performance, thereby embedding premium service practices throughout the company and promoting the value of authenticity. As part of its employee mileage program, every six months the Bank designates staff who excel in customer service as CS-Stars and rewards them with a special certification. Selected employees participate in the CS-Star Energy-UP program, which inspires them with a sense of pride in CS activities and provides them with the opportunity to motivate their colleagues. Selected employees participate in the CS-Star Energy-UP program, which inspires them with a sense of pride in CS activities and provides them with the opportunity to motivate their colleagues.

CS Manager Program

A CS Manager is a specialist in customer satisfaction training, providing CS education at the regional level. To improve customer response at points of contact, CS Managers organize training sessions for CS performance supervisors and CS leaders, visit branches for customized CS consultations, and hold customer-interaction events to boost sales.

Utilizing a Variety of Channels for CS Education

KB Kookmin Bank has enhanced its ability to respond to customer requests through a variety of channels, including the production of brochures and use of broadcast media. In order to standardize

the unique premium services that KB Kookmin Bank offers, and to strengthen the ability to implement CS at the branches, the Bank publishes and distributes a booklet called "An Active KB to Master CS" to all branch offices.

In addition, the Bank produces a series of educational videos entitled "Happy Tuesday! CS Proposal!" This series, which is presented through in-house, closed-circuit broadcast, demonstrates to employees the importance of counseling skills in the execution of advanced services. It is written as a television situation comedy, thereby presenting in role-play format a set of examples from situations that may arise during actual interactions between customer and employee.

- Ranked No. 1 on NCSI for five consecutive years, the first such accomplishment in the Korean financial industry, while winning the first position at KCSI for the fourth time in a row



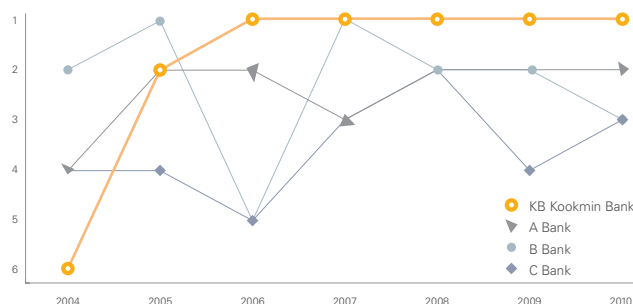
- At a ceremony to announce the Bank's first position on the National Customer Satisfaction Index (NCSI)



CS Education Programs in 2010

Program	Description	No. of Meeting
Visiting education	CS consulting observes retail banking branches	Throughout the year
Group education	Group education at regional HQs	120 times
	KB CS Academy	10 times
Others	Online CS Education	5 times
	CS Education by rank at HR Development Center (including training of new recruits)	15 courses
	CS education for divisions in HQs	14 times
	CS education for outside institutions	6 institutions

Ranking in the National Customer Satisfaction Index (Banks)



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## How does the Bank create customer value?

**A2** In order to provide differentiated financial services to meet individual customer needs, the Bank has reinforced its core CS infrastructure, including CRM and banking systems.

In 2010, KB Kookmin Bank performed two significant improvements to its marketing systems, thereby integrating the needs of the customer with the features of its products and creating customer value through differentiation of marketing activities. First, the Bank streamlined its CRM system to manage customers more efficiently. After a large-scaled investment over the past three years, a next-generation banking system was also launched in February 2010 to allow the Bank to provide more convenient and stable financial services.

### The CRM System Upgraded

Through the CRM system, KB Kookmin Bank provides value that is differentiated by customer. The system offers the Bank a full variety of insights into the needs of customers, while holding CS campaigns and financial planning. The system also provides feedback through analysis of customer response and performance of channel activities.

Through four upgrades to the current CRM system, the Bank has implemented the nation's most customized client management system. In particular, the G-CRM system was upgraded in 2010 with the expansion of external data and addition of a variety of client analysis capabilities. The G-CRM system now supports highly effective branch sector-specific marketing activities to attract new customers. With the ability to analyze the status of a target marketing area, G-CRM assists in the management of performance at branches. In this capacity, it analyzes data from internal and external banking transactions, breaking them down by zoning district, apartment building, and housing unit. It has also enabled more systematic management of KB HouStar, a real estate brokerage in partnership with KB Kookmin Bank.

### My Star – A Next-Generation System

In order to provide more competitive, leading-edge financial services, KB Kookmin Bank launched My Star, a next-generation information system, in February 2010, the culmination of a three-stage development process begun in June 2007.

Through 'My Star', the largest domestic banking IT project, the Bank is developing a world-class, high-capacity processing system. The system also enables the Bank to provide highly-optimized, customized financial consulting in retail branches by offering a private banking level of premium financial services to all customers.

#### Fast, convenient, reliable customer service

In 2010, the Bank reduced customer waiting times by integrating different transactions at terminals for loans, savings, credit cards, or bancassurance. The Bank also developed customer-oriented services, including a service for customer-designated account numbers where customers can specify account numbers, and a customer-specific asset management service through an analysis of individual investment orientation.

In addition, the Bank achieved three major innovations in the security of its customer information. First, it obtained the first ISO27001 certification in the Korean financial sector. Secondly, it introduced a new identification system called K-PIN, or the KB Personal Information Number. Also, for the first time in the Korean banking industry, the Bank has developed the Customer Information Leakage Prevention System.

#### Providing a fast, efficient work environment

A New Product Factory concept was introduced in 2010 to reduce development periods and to facilitate the development of complex financial instruments. Branches increased the efficiency of their business processes through new IT services for customer care and marketing activities and through automatic accounting of transactions at close of business.

#### Enhanced system reliability

As an extensive, world-class electronic banking system, My Star handles a daily trading volume of 160 million transactions worldwide. System administrators monitor operations 24 hours a day, 365 days per year through the Korean financial sector's first patented IT service management system and integrated security control system. In addition, the simultaneous implementation of a next-generation disaster recovery system has reinforced the Bank's capability to deliver non-stop IT services.



### My Star - Specialized for the Needs of Every Clients

<b>A Client-centered System</b>	<ul style="list-style-type: none"> <li>• Distinct services for retail and corporate clients</li> <li>• Minimal customer waiting times</li> <li>• Customization for specific clients</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure to protect customer information</li> <li>• Integrated customer information</li> <li>• Client-centered, user-friendly interfaces</li> </ul>
<b>A User-friendly System</b>	<ul style="list-style-type: none"> <li>• Timeliness and consistency in client data management</li> <li>• Expanded screen and terminal functions</li> </ul>	<ul style="list-style-type: none"> <li>• Automated, simplified business procedures at branches</li> </ul>
<b>Support for Product Development</b>	<ul style="list-style-type: none"> <li>• Greater efficiency and timeliness in product development</li> <li>• Integrated management of product information and development</li> </ul>	
<b>Rapid Support for Business Operations</b>	<ul style="list-style-type: none"> <li>• Shared, integrated data</li> <li>• Development of a client-focused data management system</li> <li>• Expanded screen and terminal functions</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated processes connecting tasks</li> <li>• Rapid transaction processing</li> </ul>
<b>An Efficient, Reliable System</b>	<ul style="list-style-type: none"> <li>• Constant operation, 24 hours per day, 365 days per year</li> <li>• Development of a cost-effective IT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of standard technologies and standardized processes</li> <li>• Support for a globalized business environment</li> </ul>

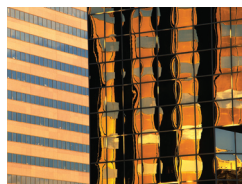


Q5

How does the Bank create customer value?

**A3** Through services that are highly responsive to customer needs, KB Kookmin Bank sets trends in the financial markets and helps customers gain the highest possible value.

**KB Kookmin UP Time Deposits**  
A time deposit with interest rates compounded monthly in a terraced structure, with monthly rate increases, this product also offers withdrawal in installments and preferential interest rates when cross-buying.



**KB Biz Star Loans**  
For business owners with superior credit records, this product reduces the burden of initial interest rates through discounted rates and annual fees. Clients may choose from a selection of annual adjustments to initial interest rates.

**Family Love Free Installment Savings Deposits**  
Interest rate discounts are granted to a family according to the number of members, upon achievement of targeted amounts, or based on credit card usage. As a free savings account that reflects the needs of Korean families, it may be closed at any time if a family needs to pay tribute at a special event.

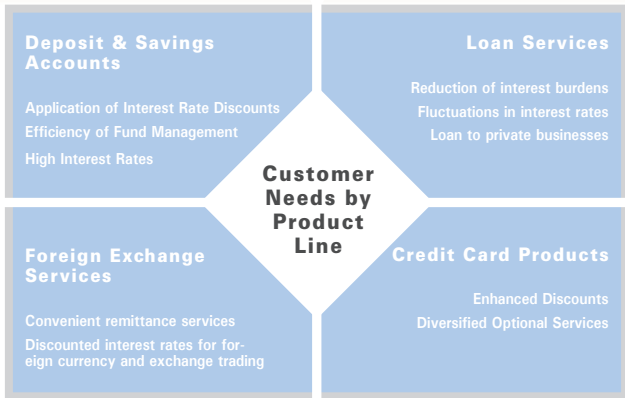


**KB Branch Sector-specific SOHO Prime Loans**  
These community-based real estate mortgage loans offer SOHO customers preferential interest rates of as much as 0.5%p. Additional loan amounts are granted based on business income or revenue, depending on profitability.

**KB Wise Plan & Installment Savings Deposits**  
As a set of complex financial products for conservative investors, this is an auto-balancing package of funds and savings instruments that closely follow current financial market conditions. KB Card financial points can be deposited, with bank transaction fees waived.



**KB COFIX-linked Mortgage Loans**  
Through this product, interest rates are linked to the Cost of Funds Index (COFIX), offering customers expanded options for interest rates on mortgage loans. The COFIX is calculated based on information on the costs of funding from nine major domestic banks. Due to a lower fluctuation than market interest rates, this product is ideal for customers who seek stable interest rates for long-term mortgage loans.



**CNY Private Remittance Service**  
As a special remittance service for Renminbi (RMB), this product eliminates the inconveniences of CNY remittance to the People's Republic of China, such as restriction, additional exchange procedures, and the unpredictability in the value of transferred amounts that results from FX fluctuation.



**KB Kookmin Good Day Card**  
With discounts on living expenses such as public transportation, telecommunications, and gas, this card offers families a cash-back service based on annual usage.

**KB Kookmin UP Foreign Currency Time Deposits**  
With such features as monthly interest rates increases, partitioning of withdrawal services, and preferential rates for foreign currency transactions, this foreign currency time deposit is most appropriate for customers with funds in a foreign currency.



**KB Kookmin Good Shopping Card**  
This card offers discounts on certain items at large-scale discount outlets, department stores, home shopping outlets, and on-line shopping malls.

**KB Network FX Service**  
With discounts up to 50% on 38 foreign currencies, this product enables travelers to receive foreign currency cash or travelers checks at the nearest Bank branches, or at branches and FX booths at the Incheon International Airport through FX application at branch offices, or via internet banking.



**KB Kookmin GounMom S Card**  
In cooperation with the maternity support project of the National Health Insurance Corporation, this card assists with a portion of prenatal screening and childbirth costs, including hospitals, childcare, and discounts on shopping.

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How does the Bank create customer value?

**A3** Through services that are highly responsive to customer needs, KB Kookmin Bank is setting trends in the financial markets and helps customers gain the highest possible value.

Market-leading Products and Services

Expanded financial products and services through smartphones

KB Smart★phone Installment Deposits / Time Deposits offer customers an opportunity to reduce consumption while cultivating the habit of saving money. In an effort to appeal to young clients, this product combines entertainment with the latest electronic financial management features. For example, account status is represented by animated icons.

KB Star Plus is a service that emphasizes customer lifestyle and combines smartphone applications with KB's unique information services. It provides a range of financial information in each major service area of KB Kookmin Bank. Moreover, it provides customers with functions that they may find useful in daily life, such as a household ledger for financial transactions, making it convenient for them to understand their household finances at a glance.

Service	Details
Apartment listings	Smartphone users may find detailed information on apartments through augmented reality technology.
Star Shop database	KB Credit Card customers may search for Star Shop services; clients with cellular phones may use coupons in Star Shop stores.
Virtual Pocket Book	This application offers all the functions of an account book; it also allows users to import and view credit card expenses along with other financial transactions.
Star View service	Smartphone customers may use their built-in cameras to view apartment rental rates, or to find Star Shop locations, Bank branches, and ATMs.

Integrated Fund Management for Corporate Clients

KB Kookmin Bank has developed customized services for corporate clients as well as private customers. Cyber Branch is the first integrated fund management system in the financial sector to enable corporate clients to monitor all transactions across financial accounts in real time and on one screen. The system also allows clients to link information on fund transfers and banking transactions with their own accounting systems, thereby automating their fund management business processes. Thus, it provides corporate clients with a means of incident prevention. Through a safe, convenient integrated financial management system, financial advisors can now perform multi-level approvals and transparent corporate financial management.

KB Smart★phone Installment Deposits / Time Deposits - Making Financial Life Fun



1. A new savings system where icons represent the savings

- The smartphone interface features icons representing items that a user selects for reduced consumption. When an icon is selected, a corresponding amount is automatically deposited into the savings account.
- When a user selects an icon 10 times, the user earns a 0.1% increase on the annual interest rate.



2. Visually showing the status of an account - Farm Development

- Visual effects make use of farm animals to show the user that the expiration date for an account is approaching; as the date approaches, the number of farm animals grows.



## How does the Bank create shareholder value?

**A1** Market dominance and capital adequacy are the foundations for the shareholder value of KB Kookmin Bank. The Bank continues to improve profitability and growth potential through higher operational efficiency.

Since the financial crisis of 2009, the banking industry has placed more emphasis on the soundness and stability of capital as the most necessary conditions for the sustainable creation of shareholder value. KB Kookmin Bank possesses abundant capital and strong market power, and it is therefore well positioned to respond to fluctuations in the financial markets. The Bank's BIS ratio, loan-deposit ratio, and other indicators of financial soundness are all in the hands of in-depth management, with a stronger business portfolio that expands revenue sources.

### Profitability and Growth

In 2010, rather than pursuing sizable growth, the Bank laid the foundations for sustainable growth while maintaining financial soundness. At the end of 2010, KB Kookmin Bank recorded total assets of 254.9 trillion won, 1.6 trillion won less than the previous year. The Bank also reduced its net income due mainly to conservative provision for possible loan losses, thereby helping to maintain the soundness of assets.

Despite these decreases in assets and net income, KB Kookmin Bank continues to hold the number-one position in market share, with 21% of all KRW deposits and KRW loans, key indicators of a bank's position in the deposit and loan market. The Bank's net interest margin (NIM), an important indicator of profitability, rose to 2.77%, an increase of 0.36% over the previous year.

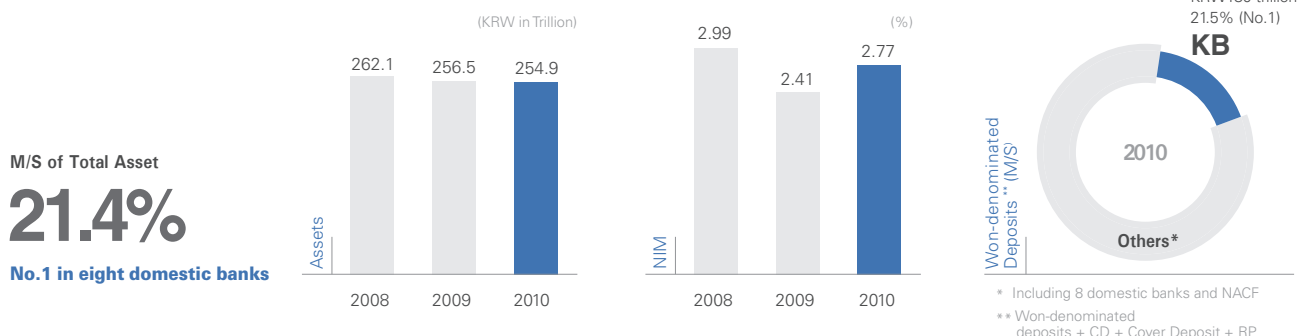
KB Kookmin Bank's profitability and growth ratios continue to improve as management becomes more efficient and the business portfolio becomes stronger.

### Soundness and Stability

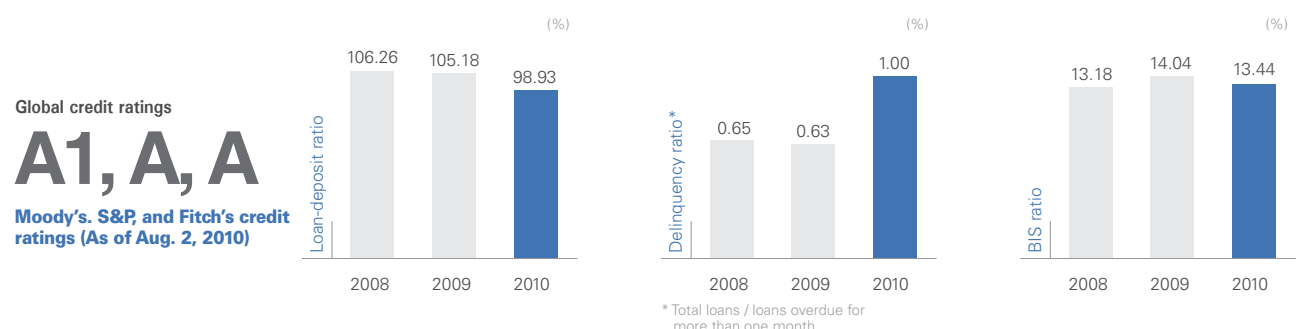
With proactive risk management and conservative asset management, KB Kookmin Bank has improved its asset quality and capital adequacy, resulting in greater overall financial stability. In 2010, with 119.87% of its NPL coverage ratio, KB Kookmin Bank maintained its ability to absorb losses caused by bad loans, thereby reinforcing the safety of its management. With a BIS capital adequacy ratio of 13.44% in 2010, the Bank has maintained capital adequacy, as well.

Despite a difficult external environment, KB Kookmin Bank has earned excellent international credit ratings due to its stable financial and sales structures. Adding to the high ratings it had attained in 2009, KB Kookmin Bank received an "A" in 2010 from Standard & Poor's, an "A1" from Moody's, and an "A" from Fitch, maintaining the highest ratings and most positive outlooks given to domestic commercial banks. To maintain these credit standings, which reflect the soundness and stability of its capital and therefore the level of shareholder value, KB Kookmin Bank continues to develop its risk management systems and reinforce its internal control systems.

#### Profitability and growth



#### Soundness and stability



Introduction

Changes

Value creation

Social contribution

Performance

Q6

How does the Bank create shareholder value?

**A2** By acquiring future growth engines, the Bank is strengthening its business portfolio and expanding its customer base to create sustainable shareholder value.

In response to changing market conditions and the need to secure new growth engines, KB Kookmin Bank has reinforced a relatively weak part of business portfolio. It has restructured and strengthened services targeting corporate banking customers. It has launched a full-scale youth marketing initiative focusing on the future prospects of college students, thereby adding to its potential customer base. In addition, it has initiated a step-by-step process to advance into overseas markets, seeking new growth engines beyond the already saturated domestic market.

**Strengthening Corporate Banking**

As part of the development of future growth engines, KB Kookmin Bank has strengthened the sales force in the corporate banking sector. The Bank reshuffled its organization of large corporate and institutional banking businesses. The Bank also established stronger business plans for large corporations as well as small and medium-sized businesses.

**Fostering professionalism in corporate banking**

To enhance its expertise in corporate banking services, the Bank has realigned human resources and related organizational structures. In terms of organization, the Bank launched the Corporate & Investment Banking Group in 2010, which includes the Large Corporate & Public Institution Business Division and the Investment Banking Division. These new divisions have strengthened the Bank's expertise in sales and product development. In addition, we focus on the sales force and product development through the separation of internal staff into two groups; experts in corporate customers and product specialists. We will seek to strengthen our expertise, including training courses for future development of professionals in corporate banking.

**Expanded consultation services for corporate clients**

KB Kookmin Bank is expanding to all branches the consultation services provided to small and medium-sized enterprises (SMEs), which have previously been available only at corporate banking branches. KB Wise consulting provides appropriate solutions to the management problems of SMEs by understanding their unique situations, thereby supporting their sustainable growth. By providing every consultation service at no cost to the client, KB Kookmin Bank establishes new relationships with companies

through direct and indirect financial support and secures potential customers for future win-win relationships.

**Discovery and development program for blue chip SMEs**

The Hidden Star 500 system was implemented in February 2011 to identify blue chip SMEs with competitive products and technologies, and then to provide them with systematic and personalized services for each stage of growth, thereby assisting them to become global companies. KB Financial Group provides a full array of financial and non-financial services customized to the needs of SMEs included in the Hidden Star 500. Based on this differentiated corporate banking service, the Bank also continues to fulfill its social responsibilities as an industry leader through contributions to national economic development and the creation of employment.

**Expanding into Overseas Markets**

KB Kookmin Bank is expanding its global network to find opportunities in new markets. The Bank launched its first Chinese branch in Suzhou in July 2010, followed by two more branches. It is now planning to extend its presence in China by establishing a local subsidiary, which is expected to evolve into a regional hub. In other Asian regions, the Bank is preparing to open a branch office in Osaka, while the liaison office in Ho Chi Minh City will be upgraded to a branch office. The bank is also preparing to launch liaison offices in Mumbai and Hanoi. Bank CeterCredit (BCC) now has a subsidiary in Moscow which will become an important base for future business development in CIS countries. Likewise, the continuous expansion of the overseas sales network will help the Bank to lay the foundations that are needed to become a global financial services provider.

**Expanding into the Youth Market**

To expand its youth-client base, KB Kookmin Bank has selected the youth to be the core target audience and has created specialized channels focusing on their needs. It has launched Rock Star branches to secure youth clients at major universities around the country. In addition, it launched the Campus Plaza, a marketing unit dedicated to the needs of young customers.

■ Held the 1st seminar for SMEs included in the Hidden Star 500



■ Held a groundbreaking ceremony for Sookmyung Snow Flower Zone, a Rock Star branch at Sookmyung Women's University





## How does the Bank create employee value?

**A1** KB Kookmin Bank is implementing strategies to develop careers and provide the best education for financial professionals.

At the core of the Bank's growth lies an education system that focuses on talent. Employees develop themselves into financial professionals through position-specific and work-specific training. They acquire the skills needed to become global experts and leaders through courses that match their job grades and core expertise. They may choose to earn MBAs by studying at home or abroad.

### Enhancing On-the-job Skills

Through upgrades to its Career Development Program (CDP) and position-specific training programs, KB Kookmin Bank cultivates a sense of professionalism among all employees. These programs provide a long-term learning system to encourage the continuous learning and growth of employees as members of the financial community. The CDP provides both required and elective courses, where employees can acquire the sets of knowledge needed for their positions.

#### A training system for branch managers and contract personnel

KB Kookmin Bank has extended its position-specific training system and CDP from full-time staff to branch managers and contract staff, thereby helping employees in every position to develop their capacities.

#### Training private bankers (PBs) and VIP managers (VMs)

In order to nurture the highest level of PBs and VMs, the Bank provides regular training programs to help them understand financial market data. Courses present a range of views and practical information on financial markets, real estate, and tax policy. Employees who earn superior grades are incentivized with recognition from the CEO and opportunities for overseas training.

### Cultivating Shared Organizational Values

To develop the leadership skills of the highest performers in each position, and to enhance core competencies, in 2010 KB Kookmin Bank divided position-specific training into two categories: leadership courses and job grade courses (including training for new recruits and promotion). In so doing, the Bank was able to strengthen employee loyalty and promote leadership.

### Reinforcing Global Capacity

KB Kookmin Bank offers foreign language training courses in support of its global business initiatives and development of local experts. It has recently launched courses in Russian, Vietnamese, Bahasa Indonesia, and other languages for countries where branches have recently opened, thereby actively assisting overseas staff in minimizing language difficulties. Additional training courses provide overseas experts with tools for analysis of local markets in Asia and the CIS; they also support efforts to develop the global sales network.

As of 2010, a total of 57 professional-grade employees had been trained in China, Vietnam, Russia, Uzbekistan, and other regions.

### Developing Excellent Human Resources

#### An outstanding system to nurture excellence in HR

KB Kookmin Bank provides in-house programs to help employees develop as financial professionals. By offering an in-house MBA in Finance, the Bank provides a unique approach to the development of human resources development process. The Bank also offers support for employees who choose other MBA courses in Korea or overseas.

**Professional training courses** Professional training courses at KB are divided into two categories: programs for the entire Financial Group that are designed to train individuals for core business areas, and programs designed to serve employees of the Bank. Under the group-level programs, employees of the Group may study core business areas including corporate banking and IB, trading and derivatives, risk management, and asset management consulting. Specialist training sessions are also offered to foster business expertise within the Bank, with medium and long-term professional development in fields such as marketing and accounting.

**KB Financial MBA** The in-house MBA courses at KB Kookmin Bank consist of three stages: basic, intensive, and overseas studies. The program takes six months to complete. In the basic stage, the employee learns about KB's corporate mind-set, leadership skills, and corporate loyalty. In the intensive stage, employees progress systematically through sessions that address economics, financial management, management accounting, and overall management. Finally, the international stage provides employees with the opportunity to study in Hong Kong, London, or other destinations, where they attend lectures on finance and visit actual enterprises to practice benchmarking.

#### MBAs at home or abroad

In conjunction with outstanding domestic and overseas universities, KB Kookmin Bank offers specialized training courses focusing on finance. In 2010, the Bank selected staff with excellent performance records for degree programs with Korea University and the Korea Advanced Institute for Science and Technology (KAIST). Those selected will complete their degrees in one or two years. In addition, the Bank is offering MBA programs through some of the world's most respected universities, including the London School of Business and, most notably, Beijing University.

#### HR Development Strategies and Education/Training

##### Providing education programs to nurture world-class human resources

Enhancing Job Skills	Sharing Corporate Value	Nurturing Global Talents	Fostering Outstanding Talents
Nurturing workplace expertise to enhance management performance	Fostering loyalty and leadership by grade	Nurturing global talents to achieve global strategies	Securing excellent HR for long-term growth
Job training by position/CDP On-site mobile training Weekend training for certificates	Position-specific training KB leadership development course Branch-level teamwork training	Regional specialists training Global language courses	KB Financial MBA courses Domestic/overseas MBAs Specialist nurturing programs



## How does the Bank create employee value?

**A2** KB Kookmin Bank uses fair performance evaluation and compensation systems to develop a culture of rational meritocracy.

In order to establish a culture of meritocracy, KB Kookmin Bank has implemented a compensation scheme that offers preferential treatment to talented personnel. The Bank's systematic human resource development programs nurture talent and provide reasonable compensation based on step-by-step performance appraisals and competency assessments.

### Performance Evaluation System

The Bank's performance appraisal system ensures that all parts of the company, from headquarters down to branches and individual employees, communicate clearly and efficiently. It serves a crucial role in the decisions and strategies of the management. To make the best possible use of these assessments, the Bank recently established the Performance Improvement Division.

#### The direction of the evaluation system

The Bank's performance appraisal system provides continuous measurement of communications between organizations and individuals to improve the performance of the branches. At the same time, it acts as a tool to facilitate improvement of staff competencies and is used as an efficient vehicle to execute management strategies for specific actions. Assessments at all levels – down to branches, teams, and individuals – are performed in phases and in a manner that will achieve the most systematic measurement of organizational performance.

#### Launched a center for performance improvement

As part of efforts to inculcate a culture of meritocracy and increase the efficiency of personnel operations, KB Kookmin Bank has recently established the Performance Improvement Division. This division is responsible for the improvement of underperforming employees. These employees are selected for education, training or coaching. Progress assessments measure developments in competency and improvements in performance, and these results are used in human resource planning and management. This system motivates low performers and leads to a focus on the development of capacities and productivity.

### Compensation System

The compensation program of the Bank is implemented in two broad categories – one for general positions and one for professionals; compensation is deemed adequate in consideration of the nature of the work in a specific position and the level of individual achievement.

The compensation program of the Bank is implemented in two broad categories – one for general positions and one for specialists. Compensation is granted based on the nature of the work and the level of individual achievement.

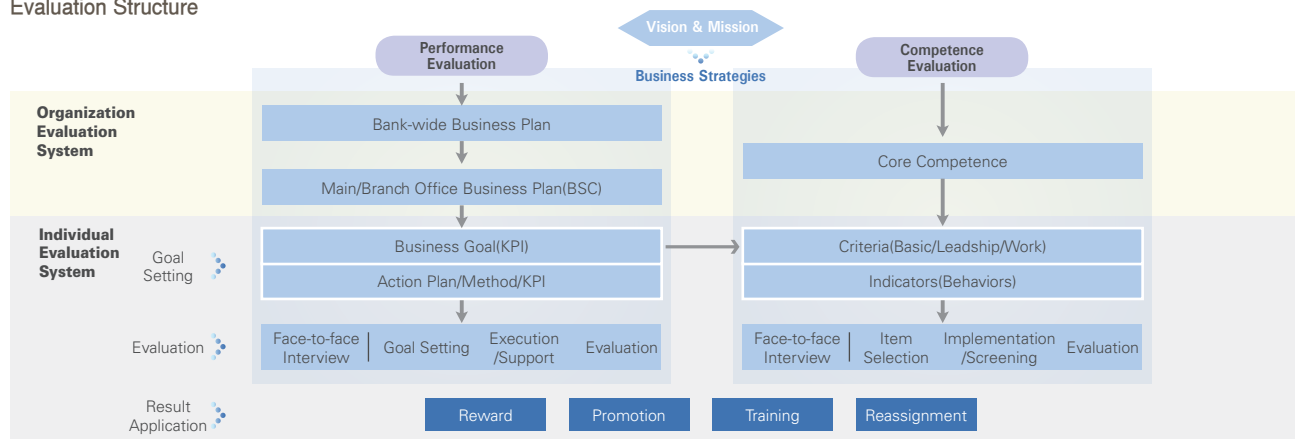
Regular employees are paid a basic salary and a share of profits that is based on performance. Basic salary consists of base pay and three additional components, while the profit share consists of a fixed share combined with three other components, including incentives, which are paid according to the performance of organizations and individuals. In particular, incentives are paid to the employees who excel in their positions, thereby motivating the sales force and raising morale. Specialist-grade salaries include a higher proportion of profit share that is differentiated according to individual performance.

The Bank awards talented personnel with reasonable compensation and preferential treatment, encouraging them to contribute their talents to the company. This preferential system also promotes self-development and motivates workers, as well as strengthening the competitiveness of KB Kookmin Bank.

#### Benefits for Outstanding Employees

	Candidates	Benefits
Outstanding performance	KB Man Award	<ul style="list-style-type: none"> <li>• Awards and plaques</li> <li>• Vacations</li> <li>• Promotions</li> <li>• Greater opportunities for training</li> </ul>
	Appointments as specialists	<ul style="list-style-type: none"> <li>• Retail banking: Masters</li> <li>• Corporate banking: RM champions, consultants</li> <li>• PB: PB of the year</li> <li>• Others: CS managers</li> </ul> <ul style="list-style-type: none"> <li>• Preferential treatments including special promotions</li> <li>• CEO recognition for excellent performers</li> <li>• Greater opportunities for training</li> </ul>
High potential	MBA programs	<ul style="list-style-type: none"> <li>• Domestic/overseas MBAs</li> <li>• KB financial MBA</li> </ul> <ul style="list-style-type: none"> <li>• Appointment to desired positions</li> <li>• Greater opportunities for training</li> </ul>
	Special qualifications	<ul style="list-style-type: none"> <li>• Certificates for level A and B, based on Bank standard (14 certificates including CPA)</li> </ul> <ul style="list-style-type: none"> <li>• Preferential appointment to specialized</li> <li>• Greater opportunities for training</li> </ul>

#### Evaluation Structure





## How does the Bank create employee value?

**A3** The Bank provides extensive welfare services to boost employee morale.

KB Kookmin Bank provides one-stop employee health and welfare services to help employees enjoy their work lives. To increase employee satisfaction, it offers a wide variety of healthcare services, leisure programs, and retirement plans, including pensions.

### One-Stop KB Welfare Service

The Bank's welfare system offers resolutions to all counseling queries related to employee benefits via a single telephone connection. Through this call center, the Bank fulfills its commitment to implement an employee-centered welfare system, with support services that can be contacted in emergencies or during holidays. In addition, to encourage the use of annual leave, the Bank operates recreation facilities during summer, including condominiums around the country available for a membership fee.

#### Personalized health services

In cooperation with an external health care company, KB Kookmin Bank provides personalized health care services, with health information and counseling available 24 hours, 365 days a year. These services focus, however, on management of the most common illnesses. Through an outpatient reservation network, employees can easily access hospitals and clinics across the country.

#### Employee complaints center

KB Kookmin Bank offers a variety of channels for employees to be heard. It is committed to promoting a cheerful and healthy work life through separate centers that address employee complaints, help employees cope with conflicts, handle cases of sexual harassment, and receive counseling for personal problems.

### Strengthening KB Family Welfare Services

KB Kookmin Bank offers a variety of programs for employees and their families. In an effort to strengthen its family support systems, the Bank provides residences for employees who need housing; it offers financial support to families in grief, as well as congratulations for family milestones. Financial aid is available to assist children with school expenses.

The Bank promotes a culture that allows time and space for employees to care for their families. Every first, second, and third Wednesday of the month, employees leave their offices at 6 p.m., a practice which promotes family bonds; offices also celebrate spouses' birthdays.

### Promoting the Cultural Life of Employees

Using the KB Family Love credit card, another feature of the Bank's selective welfare system, employees can take advantage of cultural events, self development, and recreation according to their personal needs. By maintaining a balance between work and family, employees find more energy for productivity at work.

### Retirement Benefit System

The Bank manages a retirement benefit system in response to an aging society, with the objective of providing a stable life for employees. The choice of retirement benefits has recently been expanded to include two types of plans: the defined benefit (DB) and the defined contribution (DC).



Introduction

Changes

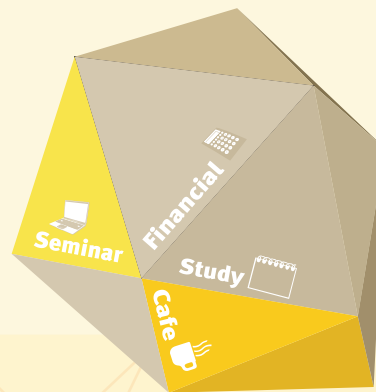
Value creation

Social contribution

Performance

## Enjoying the Bank

A new concept reflecting  
a new generation's needs



### 'Rock Star' – A New Branch for New Concepts

In January 2011, KB Kookmin Bank inaugurated the 'Rock Star' zones, branches that redefine the concepts of banking for the youth market, particularly college students. Bank branches are being reborn as centers of activity for college students, providing a clear response to rapid changes in the financial industry and becoming a platform of communication for the young generation. In these zones, basic banking services such as savings, deposits, and credit or debit cards are offered along with spaces for activities, including seminar rooms, mini-cafes, movies and music.

### 'Rock Star' – Investment in the Customers of the Future

KB Kookmin Bank has reconsidered the importance of the youth from an investment perspective, valuing them as potential customers and sources of future revenue. Beginning with Sookmyung Women's and Ewha Women's universities, the program has opened a total of 41 'Rock Star' zones as of April 2011, with 11 in Seoul, 6 in suburban areas, 9 in Chungcheong, 10 in Youngnam, and 5 in Honam, allowing more young people to enjoy the convenience of nearby locations.

Such efforts to attract young clients not only increase shareholder value in the current market, but also drive future growth. Furthermore, these zones are changing the image of KB Kookmin Bank and adding to its customer value as new cultural spaces.

### 'Rock Star' ... Is It Possible to Rock?

#### Off-line channels for 'Rock Star'

'Rock Star' zones are positioned at points of contact with the younger audience. They consist of mini stores aimed at the young generation in locations with heavy traffic by university students and high student population density. Employees at these zones are in their early 20s to 30s, and the atmosphere of the branches represents a revolution in the concept of a financial institution. The objective is to form a consensus within the youth community that these zones are friendly places to visit.

#### On-line channels for 'Rock Star'

To keep pace with rapid change in the financial industry and the flow of a new generation characterized by social networks, 'Rock Star' provides a new level of service that young people prefer. A website ([www.kbrockstar.com](http://www.kbrockstar.com)) and official Twitter page (@kb\_rockstar) provide information delivered through media that appeal to youth, ranging from the introduction of 'Rock Star' to financial and employment information, restaurants, and events. Site menus are configured to meet a variety of student needs, enabling the audience to find information about the Bank more quickly.

#### Financial products customized for the youth

Currently, youth-only 'Rock Star' accounts and 'Rock Star' debit cards are available. 'Rock Star' accounts offer an annual interest rate of 4%, which is relatively high, up to an average deposit balance of KRW 1 million. Additional services are in development, such as favorable foreign exchange rates through electronic banking and automated teller machines that are free of charge. 'Rock Star' debit cards offer unprecedented fee discounts on top of the existing 20~30% given to purchases at cafes, bookstores, and restaurants near universities.

### 'Rock Star' – Enjoyable Banks for Young Customers

Until now, banks have developed differentiated services primarily for wealthy customers and corporate clients, but have never addressed the need for specific space and services dedicated to young customers. 'Rock Star' zones feature familiar environments that fit into the university campus, using university symbols and colors. Thus, they present a customized outward appearance that customers will instantly recognize. They feature seminar rooms available at any time, free of charge, and new media such as media walls and public iPads, making them comfortable places that students will want to visit even if they have no banking to do. Within each Zone, mini-cafes provide take-out at affordable prices. KB 'Rock Star' is demonstrating to the industry that such unconventional services do successfully reach out to young customers.





## 'Rock Star' Zone

### Bank Zone

Space for general banking services

- Retail banking services (excluding loan and bancassurance)
- Sleek design with customer-friendly atmosphere
- Financial consulting and products specialized in university students

### Fun & Community Zone

Space suitable for university students lifestyle

- Multi-channel experiences in WiFi zones
- Equipped with Seminar rooms, Mini cafes, and media wall
- Opening small events only for 'Rock Star' zones
- Lectures for financial information and job search at seminar rooms





DMA – Disclosure on Management Approach

# Social Contribution for Sustainable Growth



KB Kookmin Bank actively participates in regional development and fulfills its responsibilities in corporate citizenship.

## Sustainability Framework



## Approach

KB Kookmin Bank fulfills its social responsibilities through a variety of sharing and voluntary activities and innovative responses to environmental challenges. In addition, the Bank seeks mutually beneficial growth with its suppliers.

## Key Issues & Activities



## Key Performance

Classification	2008	2009	2010
<b>Socially responsible financing indicator</b>			
Loan exposure to microfinance (KRW in billions)	-	-	7.1
Financial education participants (in persons)	-	42,290	17,402
<b>Social contribution indicator</b>			
Investment in social contribution activities (KRW in billions)	89.8	131.7	62.8
<b>Green financing indicator</b>			
Eco-friendly funds/direct investment & loan/other loan (KRW in billions)	-	310.1*	910.8
No. of green product accounts (accounts)	-	91,449	106,193
<b>Green management indicator</b>			
Amount of greenhouse gas emission (tCO <sub>2</sub> _eq)	48,088	59,152	56,123
<b>Partner company indicator</b>			
Suppliers' satisfaction (points)	-	95.23	97.00

\*The figures in the 2009 sustainability report for eco-friendly funds/direct investment & loan/other loan were revised to include amounts for the KB Solar-Biz Loan.

# Q8

## How does the Bank provide socially responsible financial services?

**A1** The Bank responds to the needs of society by improving customer access to financial services.

KB Kookmin Bank enhances access to financial services for all customers and the entire nation through a variety of ways. The Bank's customer outreach continues with initiatives ranging from direct contact at desks to indirect contact through other channels.

### Building Channels to Strengthen Customer Contacts

#### Branches in small and medium-sized towns

KB Kookmin Bank has the largest banking network in Korea, a total of 1,173 branches to welcome customers anywhere in the country. There are 26 branches in more remote towns, offering financial services in under-served areas.

#### Universal counters

For the disabled and elderly, KB Kookmin Bank has lowered the height of counters and installed seats at online banking windows for more convenient, frequent use, including deposits, withdrawals and revision of records. In 2010, these universal counters were installed in 68 additional branches, increasing customer convenience at 480 branches, or 40% of the total.

#### Mobile automated branches

To resolve customer inconvenience due to temporary surges in demand for financial services in places such as highway rest areas during major holidays, the Bank has operated mobile year-round automated branches since September 2010. These branches also provide traveling customers with cell phone chargers and first-aid kits.

### Improved Convenience in Financial Services

#### ATM machines for the visually impaired

KB Kookmin Bank is in the process of improving e-financial services, which are becoming increasingly popular with customers. Some automated machines are reserved for customers who have difficulty identifying buttons due to poor eyesight. These machines allow users to adjust screen magnification. A total of 7,925 were installed as of March 2011.

The Bank also provides ATM machines with Braille input buttons

and voice prompts to assist the visually impaired, using electronic sensors to detect when customers approach. To ensure security and privacy, the machines include earphones. 1,044 machines are currently in operation as of March 2011, and service will be extended to all branches by the end of the year.

#### Foreign-language brochures

With the increase in the number of multicultural families in Korea, the need for foreign language financial services is also growing. To provide foreigners with more convenient banking services, and as part of its support for financial services to international and multicultural families, the Bank publishes brochures for KB Star Club services in English and Chinese.

### Discount Fees for the Economically Disadvantaged

KB Kookmin Bank offers discounted fees for economically disadvantaged customers who are under 18 years or over 65 years of age. This program adds a psychological benefit by relieving some of the economic burden that all ages face when they are economically disadvantaged. Discounts of 20% are offered through ATMs for withdrawals and transfers

## Enhancing Access to Financial Services



**A Universal Counter at the Baekgung Branch, Seongnam City**  
KB Kookmin Bank has improved its branches by providing convenient online banking windows for the disabled and elderly to handle the most common transactions.



**A KB Kookmin Bank Website in Chinese**  
The Bank has developed a Chinese version of its website to accommodate the 10,000 Chinese-speaking customers who use its services each month.

Q8

How does the Bank provide socially responsible financial services?

**A2** Through the KB Microfinance Foundation, the Bank helps the underprivileged become financially independent.

The KB Microfinance Foundation manages the Bank's sharing of benefits with the community and provides mutual benefit for the Bank and the underprivileged. As of December 2010, the Foundation has provided KRW7.1 billion in financial support -- the banking industry's largest contribution -- through provincial and metropolitan area offices and active fund-raising activities. It expects to expand from the current size of KRW10 billion to KRW50 billion within 5 years, thereby making this support a long-term commitment.

Operations of the KB Micro-finance Foundation

In 2010, the Bank reassigned small-loan financing to the KB Microfinance Foundation, taking advantage of the foundation's central role to administer unsecured small-loan finance. The KB Microfinance Foundation provides working capital to the underprivileged, who lack access to conventional financial services. In conjunction with Small Enterprise Development Agency (SEDA), the Foundation also offers them consulting services on start-ups and business operations

Regional Expansion of Microfinance Support

While the headquarters of other institutions are located in Seoul, the head office for the KB Microfinance Foundation was established in Daejeon, thereby enabling services to reach provincial areas with less access to microfinance support. The first KB Microfinance Branch opened in 2010 in Dobong-gu, Seoul, followed by branch offices in Busan, Incheon, Daegu, and Gwangju. As of the end of 2010, the Bank operates the head office in Daejeon, five branch offices, and one sub-branch.

In addition, the Bank has forged a strategic agreement with local governments for funding that reflects the characteristics of each region. An MOU was signed with Gyeonggi and Busan to support low-income families and entrepreneurship with customized product releases offering relaxed lending criteria.

Facilitating Microfinance

KB Kookmin Bank is committed to the facilitation of microfinance services. Promotional materials produced in the form of cartoons have made it easy for the public to understand microfinance. In

addition, employees visit traditional markets, local employment security centers, and local government offices to find customers in need of financial support, thereby seeking out eligible applicants rather than merely waiting for them. Meticulous surveys are conducted to find beneficiaries and help them obtain financial independence as well as financial support.

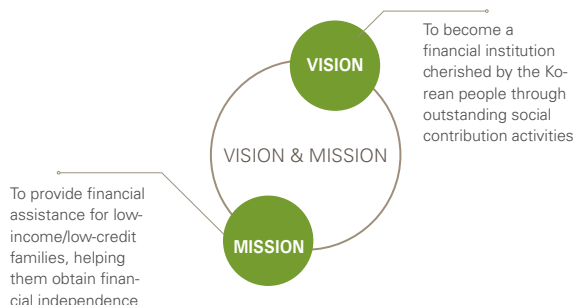
Application Process for Microfinance



Application Steps

- 1 Initial consultation and screening**
  - All loan applicants are required to visit the KB Microfinance Foundation for initial consultation.
  - All loan applicants are required to submit their identification cards. In the initial consultation, applicants determine their basic eligibility and restrictions; the adequacy of proposed working capital for their business plans is also screened.
- 2 Additional consultation**
  - Applicants who fulfill basic requirements or restrictions are required to obtain a SEDA consultation report on business plans.
  - During the consultation, applicants receive basic education on how to start a business, while the feasibility of their business plans is examined.
- 3 Loan application**
  - Applicants submit loan applications, certificates for basic requirements, and a SEDA consultation report
  - Loans are approved following deliberations by the Microfinance Foundation. Not all applicants are approved.
- 4 Deliberation and determination**
  - Loans are determined through due diligence, feasibility tests for business plans, interviews, and screening of certificates to ensure compliance with requirements.
- 5 Approval and disbursement**
  - When applicants fulfill all conditions, a loan agreement is concluded and loans are disbursed.

Vision and Mission of the KB Microfinance Foundation



Outreach of the KB Microfinance Foundation



The chairman of KB Financial Group and the CEO of KB Kookmin Bank visited Shinpo Market, Incheon, in September 2010.

Introduction

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Social contribution

Performance

# Q8

## How does the Bank provide socially responsible financial services?

**A3** The Bank fulfills its social responsibilities through the introduction of a range of products in the public interest and encouragement of customer participation in CSR activities.

### Development of Public-interest Products for Local Communities

KB Kookmin Bank provides benefits directly to the underprivileged through financial support and improvements in service, while offering to general customers greater opportunities to participate indirectly in social contribution activities through public-interest products. Through such products, the Bank returns value to society by assuming the burden of interest payments and revenue. The Bank continues to encourage public involvement and interest in social contribution by ensuring competitiveness in the financial industry and expanding the marketing activities for its public-interest products.

Classification	Product	Details	Performance	
Deposit Accounts	KB Happy Mom Installment Savings Deposits	<ul style="list-style-type: none"> <li>• Preferential benefits for new mothers as a countermeasure to lower birth rates, a major social concern in Korea;</li> <li>• Preferential interest rates in financial assistance for pregnant mothers, newborns, and multi-child families; KB Maternity Classes</li> </ul>	Sales	KRW165.6 billion
	KB Movie Love Installment Deposits	<ul style="list-style-type: none"> <li>• Boosting movie ticket sales by participating in the prevention of illegal downloads;</li> <li>• Donation of 1% of payable interest to funds raised for the development of the Korean movie industry</li> </ul>	Sales	KRW222.5 billion
	I-Love-Figure-Queen-Yuna e-Procurement Time Deposits	<ul style="list-style-type: none"> <li>• Promotion of less popular Winter Olympic sports through endorsement by world-champion figure skater Yuna Kim</li> <li>• Donation of 1% of payable interest to the underprivileged and financially-marginalized, including children suffering from rare or incurable diseases</li> </ul>	Sales	KRW979.2billion
Investment Trust (Fund)	KB Kangaroo Regular Savings Investment Trust	<ul style="list-style-type: none"> <li>• Donation of a portion of fees from distributors and asset management companies to children's education and children suffering from rare or incurable diseases</li> </ul>	Sales	KRW164.1billion
Credit Card	KB My Home Love Card	<ul style="list-style-type: none"> <li>• Economic assistance to local communities and support for the financially-marginalized;</li> <li>• Donation of 0.2% of card usage amounts to the My Home Love Development Fund</li> </ul>	Usage	KRW263.7 billion
			No. of accounts	212,741

\* For more information on public interest products, visit the KB Kookmin Bank website ([www.kbstar.com](http://www.kbstar.com) > Sustainability > Social Responsibility > CSR Themes > Public welfare > Public Products).

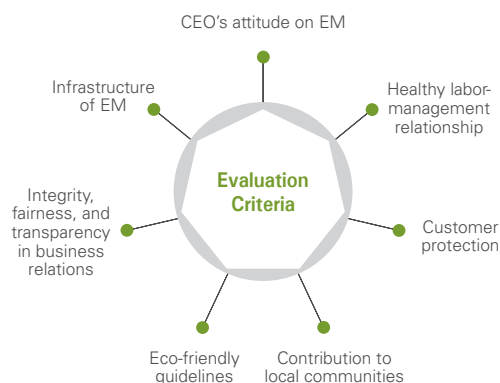
### Social Responsibility through Finance - Considering Socially Responsible Practices of Businesses When Evaluating Small-business Credit

KB Kookmin Bank understands the significant role of corporate social responsibility (CSR) in ensuring the sustainable future of the corporation and society. As a financial institution, the Bank uses CSR indicators as part of criteria to assess the credit ratings of SMEs, thereby encouraging their CSR activities and reinforcing credit risk management.

In 2010, the Bank expanded the scope of these criteria beyond indicators of ethical management, a non-financial criterion, into Green Growth policy, job creation, and other socially-responsible activities, thereby keeping pace with the growing concerns and demands of stakeholders. There are five grades in the criteria. SME CSR activities must be reevaluated each year through consistent monitoring.

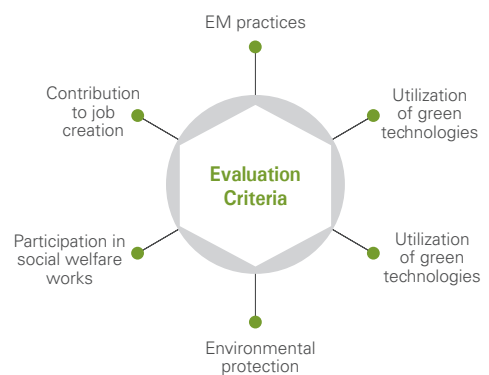
#### Before - Ethical Management (EM) Indicators

##### Up to May 2010



#### After - Extended CSR Indicators

##### Since May 2010





## How does the Bank develop social contributions for the community?

**A1** KB Kookmin Bank conducts a range of CSR programs, including the activities of the KB Social Service Organization and initiatives to support the youth. The Bank is also extending the reach of these programs internationally.

The social contribution activities of KB Kookmin Bank focus on supporting future generations, in recognition that the future depends on the successful coexistence of business and society.

### Youth Support Programs

#### KB Happy Table - Assistance for undernourished children

KB Kookmin Bank assists undernourished children through the 'KB Happy Table' project, which has served more than one million meals since 2008. In 2010, KB Bank provided meals for 1,907 students in 147 elementary and middle schools across Korea. During school vacations, when schools do not provide lunches, Bank employees make and deliver rice, side dishes, and snacks to undernourished children.

#### KB Mini Libraries - Bridging the information gap

Since 2007, the Bank has participated in financing information and cultural spaces called KB Mini Libraries, in cooperation with the Ministry of Culture, Sports, and Tourism and the Munhwa Broadcasting Company. As of the end of 2010, there were 22 Mini Libraries nationwide. Some, such as the KB Youngsters Library in the Seoul SOS Children's Village in 2009 and the Busan City Mini Library in 2010, have been built with funds raised through employees' volunteer fundraising activities. In addition to its domestic projects, the Bank helps bridge the information gap overseas through Mini Libraries for youth in Vietnam, Cambodia, and other culturally marginalized areas.

#### KB Hope Study Rooms - Cultivating hope

KB Hope Study Rooms promote the learning skills of young people in difficult environments by supporting educational programs at local children's centers, which play an important role in the education of low-income youth. Since 2007, the Childcare Center Study Improvement Program has placed college-aged mentors and teachers in contact with children through voluntary 1:1 tutoring, mentoring, and training at 40 local children's centers. The college mentoring program, KB Star King, selects 50 mentors for the first and second half respectively. More than 5,600 college students applied for 100 openings in 2010 – a promising response.

### Global Social Contribution

#### RaonAtti - An overseas volunteer group for university students

The Bank operates RaonAtti, an overseas volunteer corps for university students that offers a helping hand to people suffering from poverty, hunger, and natural disasters in developing Asian nations. In 2010, a total of 60 college students – 30 each for the first and second half of the year – were sent to six Asian countries: Vietnam, Cambodia, Malaysia, Sri Lanka, Thailand, and the Philippines. Volunteer groups are assigned to areas after completing one month of training in Korea. They commit to five months of service in overseas activities overseas, such as taking care of disabled children, teaching language to vulnerable children, and serving meals to hungry children.

#### KB Korean language program - Sharing the Korean language with the world

Since 2007, the KB Loves Hangul program has led in the dissemination of the Korean language around the world. The Bank is committed to the development and distribution of Korean study materials translated into local languages in Vietnam, Mongolia, Indonesia, and Kazakhstan.

To meet the needs of local college students, leading experts in Korean education and local professors are developing customized textbooks that make the study of Korean easy. As of the end of 2010, textbooks in Vietnamese, Mongolian, and Indonesian were being developed for students in beginning, intermediate, and advanced levels, and for intermediate students in Kazakhstan. The Bank plans to support Korean language education in more key regions.

### Community Volunteer Activities

The Bank's 22,000 employees are members of the KB Social Service Organization, participating in nationwide activities such as KB Kimchi Sharing and KB Volunteer Day, but also operating at the local level through each branch.

Introduction

Changes

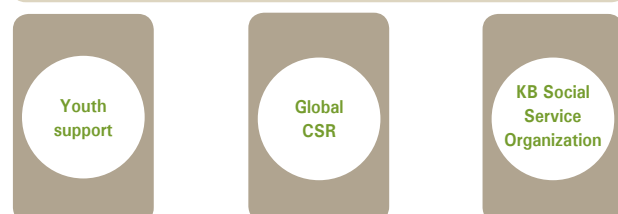
Value creation

Social contribution

Performance

### Key CSR Activities of KB Kookmin Bank

#### 3 Key Areas



Classification	Major activities
Youth support	KB English Camp, KB Hope Study Room, KB Mini Library, KB Academy, KB Happy Table, KB Youth Sky Theater Performance Arts Festival, and KB Museum Tour
Global CSR	RaonAtti (a university student overseas volunteer group), KB Loves Hangul, KB Hangul Class
Volunteer activities	KB Social Service Organization

**How does the Bank develop social contributions for the community?**

**A1** KB Kookmin Bank conducts a range of CSR programs, including the activities of the KB Social Service Organization and initiatives to support the youth. The Bank is also extending the reach of these programs internationally.

\* For more information on CSR activities, visit the KB Kookmin Bank website ([www.kbstar.com](http://www.kbstar.com) > Sustainability > Social Responsibility > Volunteer Activity).

**Community Education -- A Volunteer's Experience**

**From Gil Soon Park, a Team Leader in the NHF Management Department**

When KB Kookmin Bank inaugurated its economics education program, the Marketing Team asked me to cooperate in the production of a KB-sponsored television program, "A Green Renaissance to Change Korea," which was scheduled to be broadcast on the LivingTV channel. At first, I felt nervous knowing that I would appear on TV, but as I began to prepare, I realized that it would be an opportunity for me to gain much-needed confidence. My lecture was entitled "Green," an introduction to the economic value of



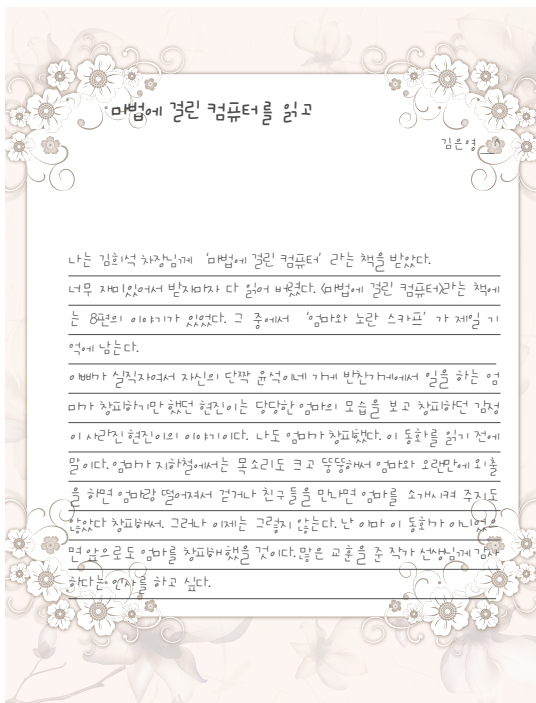
recycling. I thought that it would be fun to associate the old theme of global warming caused by environmental destruction with tasks that children can practice in their everyday lives.

I added to the agenda the effects of recycling bottles, paper, and plastic, including the understanding of the official Eco Label, which I had learned about at a workshop of the KB Green Economy Education Group. I also discussed the role of the Green Growth Movement, especially as it is reflected in the Stop CO<sub>2</sub> Club Member Guidelines, in our daily lives. All of these components made it a good lecture.

My lecture didn't go easy at first. The camera made me, and even the students, very nervous. Furthermore, the Internet connection, which I needed for the lecture, was not very smooth, making me sweat even more. Fortunately, with the help of a teacher, we managed to connect to the Internet, and everything was alright. I felt more at ease with the camera, and the children responded naturally to an interview during the lecture. The economics class was a moderate success.

Although my lecture was not the best, I hoped that it would aid students in understanding economics and finance and even help them plan for their future. I hope that the KB Green Economics Education program continues to improve, becoming more systematic in its approach.

**Mecenat Activity -- A Child's Book Review**



\* As a Mecenat activity, KB Kookmin Bank publishes children's books. The review above was written by Kim Eun Young, a young participant in the reading program at the Dongducheon Children's Center, about one of these books. Eun Young mentions Kim Hi Suk, manager of the Mia Station branch, who has been sending storybooks to the Dongducheon Center since 2007.

**Social Service -- A Letter of Thanks**



\* This is a letter from a student named Noh Joo Yeon at Happy Work, a vocational facility for the disabled, about a trip she made with volunteers from the KB Kookmin Bank Mortgage Credit Management Center. She says that writing the letter made her hands uncomfortable, but she wrote it character-by-character with her whole heart.

**Noh Joo Yeon at Happy Work**

I was delighted to visit Yeosu with my Happy Work families and KB Kookmin Bank volunteers. It was a pleasant outing to the ceramic town. The first and second buses departed separately.

The first place we visited was the Tomb of King Se Jong. I was happy to see the green grass. Hwang In Hee from KB Kookmin Bank told stories about King Se Jong. We also visited the museum. It was really good to learn so much.

I enjoyed the delicious pork we had for lunch, as well as talking with friends from Happy Work. We painted on cups in various colors and made ceramics together. We had a good time with friends and volunteers from KB Kookmin Bank, taking pictures together. We put these memories in our hearts and took the buses back home. The trip put everyone in a light-hearted mood.

I'd like to thank KB Kookmin Bank supporters and teachers for spending a good time with us. The time with my Happy Work family will remain as good memories. I love you all.





## How does the Bank develop financial support for the green growth of society?

**A1** KB Kookmin Bank is aggressively developing a comprehensive set of financial solutions to support and nurture the growth of green industry.

KB Kookmin Bank is expanding funding for green companies through the KB Green Growth Loan, a representative green financial service, and is seeking a variety of ways to support green companies. To do so, it is developing an enhanced infrastructure for green finance through dedicated reorganization of its green business unit. KB Kookmin Bank continues to promote the rapid growth of Korea's green industry.

### Support for the Growth of Green Industry

KB Kookmin Bank contributes to the growth of green industry nationwide through direct investment and financial products. In particular, it leads the banking industry in the support of funding for green businesses by actively expanding the scope of KB Green Growth Loans.

#### Facilitating the KB Green Growth Loan

The KB Green Growth Loan is a corporate banking product that supports funding for green growth companies and fosters green technologies and green industries to enhance industrial competitiveness. As the Bank's representative green financial product, it offers premium financial services and additional preferential benefits necessary for the growth of green companies.

Preferential interest rates are offered to manufacturers of eco-products, providers of renewable energy, and waste-recycling businesses. The Bank also donates 0.5% of loan sales revenues to a Green Growth Development Fund for associations and organizations, thereby contributing still further to the development of the green industry.

In consideration of the unstable funding structure of the green industry, KB Kookmin Bank continues to create the demand for funding through organic cooperation with external organizations. This cooperation is based on agreements and on the reinforcement of the credit levels of debtors through the strength of guarantor institutions. Specifically, in 2010, through business agreements with Gyeonggi province and Gyeonggi Credit Foundation, KB Green Growth Loans were granted to low-carbon green companies located in the region. Since its launch in February 2009, the amount of support has steadily increased thanks to efforts to identify promising green businesses, along with expanded cooperation with other institutions. As a result, its outstanding balance has expanded from KRW254.3 billion

for 235 companies at the end of 2009 to KRW821.5 billion for 363 companies at the end of 2010

### Financial Solutions for Multifaceted Support of Green Industry

#### Cooperation with other financial institutions

KB Kookmin Bank aggressively participates in collaborative initiatives with organizations involved in financial support for green industry, so that more funding can be secured by banks for green industry.

A case in point is the cooperative development of tax-free green financial products with the Presidential Committee on Green Growth and the Korea Federation of Banks. One result of these collaborative initiatives was the enactment of the Standards for Green Financial Management. The Bank complies with these standards in the development of green financial products.

#### Sponsoring the National Green Tech Award

KB Kookmin Bank is the only financial institution that sponsors the National Green Tech Award, which is given by a joint body consisting of the Ministry for Education, Science and Technology, the Ministry of Knowledge Economy, the Ministry of Environment, and the Ministry of Land, Transport and Maritime Affairs. These awards recognize low-carbon, industry-leading green technologies. The Bank is at the forefront of the development of green technologies and in creating a social consensus on the importance of green growth.

As a sponsor, the Bank grants KB Green Growth Loans to the awardees through an agreement with the Korea Technology Credit Guarantee Fund and the Korea Industrial Technology Association. In addition, the Bank provides SMEs who receive the KB Kookmin Bank CEO award with premium benefits and the opportunity to promote their technology in the KB Kookmin Bank booth at the Low-carbon, Green-growth Expo.

#### Conducting trial global matching

KB Kookmin Bank encourages its corporate clients to participate on a trial basis in a matching program organized by SMBC (Sumitomo Mitsui Banking Corporation), a partner bank. The program, which matches suppliers with vendors, has enabled the Bank to provide its corporate clients in the green industry with practical support and to examine new fee-based green business models.

### Green Business Investment and Products

Classification	Investment and Products	Performance	
		2009	2010
Green Growth support	New & Renewable Energy Fund Investment* (KRW in billions)	1.2	-
	New Technology Investment through Green Growth Investment Fund* (KRW in billions)	1.0	-
	Direct Investment & Loans for Wind Power Industry* (KRW in billions)	19.5	23.6
	KB Solar-Biz Loan** (KRW in billions)	34.1	65.7
	KB Green Growth Loan** (KRW in billions)	254.3	821.5
Promotion of customer eco-lifestyles***	Business Taxi Corporate Card (no. of accounts)	7,823	9,305
	Preferential Business Installment Savings (no. of accounts, KRW in billions)	16,787 (305.9)	9,026 (271.4)
	KB Green Growth e-Procurement Time Deposits (no. of accounts, KRW in billions)	21,833 (208.8)	6,914 (68.4)
	Green Bicycle Insurance (no. of accounts, KRW in million)	12,144 (490.0)	14,246 (591.0)
	KB Green Growth Card (no. of accounts)	32,862	66,702

\* Based on the amount of annual direct investment by KB Kookmin Bank

\*\* Based on annual year-end balances

\*\*\* Based on the annual year-end number of active accounts; figures in parenthesis represent annual year-end balances

# Q10

## How does the Bank develop financial support for the green growth of society?

**A1** KB Kookmin Bank is aggressively developing a comprehensive set of financial solutions to support and nurture green industry.

### Future plans

Along with the government's stricter guidelines on greenhouse gas emissions and energy conservation, the demand for investment in energy-saving facilities is expected to grow. Thus, KB Kookmin Bank is seeking opportunities to expand funding activities for energy service companies (ESCO). The Bank is also exploring new business opportunities in the worldwide carbon emissions trading scheme.

### Consolidation of the Green Financing Infrastructure

#### Dedicated reorganization and strengthening of green financing

In 2009, KB Kookmin Bank inaugurated a Green Business Task Force, the Korean financial industry's first organization dedicated to promoting green finance and green management. In August 2010, KB Kookmin Bank reorganized and renamed the organization as the Green Business Department, reinforcing executive powers and expertise in green financing.

In 2010, the Bank also added green financial education programs to the curriculum of its existing e-training sessions to help employees better understand green finance and to develop experts in the field. The Bank is now developing a green finance course in its Core Job Professional Development Program, a training program for the next generation of talent.

#### Strengthening environmental-risk management systems

Since September 30, 2009, the Bank has employed an eco-friendliness checklist to assign credit ratings to green growth companies receiving loans of more than KRW8 billion and to companies and projects requiring environmental management.

The use of these results has been made possible by alliances with an outside professional institution since March 2010, thereby enhancing its environmental risk management framework.

The Bank also receives advice on improving environmental risk assessment techniques. Environmental risk management has improved significantly through such alliances with a professional institution.

### Building green financial networks and enhancing communication

As the leading green bank, KB Kookmin Bank has strengthened the green financial network that links it with the government and related agencies. This communications link has enabled the Bank to take the lead in policy proposals for the development of green finance and a system of close collaboration among financial institutions. The Bank continues to provide a variety of financial support to reinforce the competitiveness of the green industry.

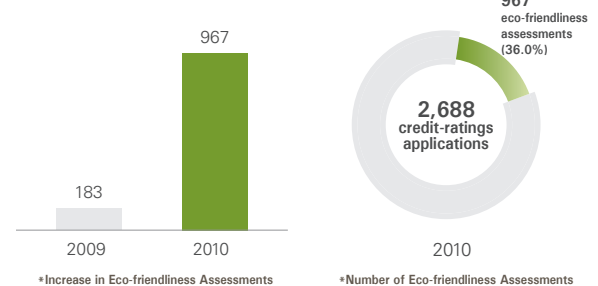
The Bank also launched KB WiseGreen, its green-brand identity, in May 2010, and applied it to KB green financial products and services. With this integrated brand name, KB Kookmin Bank is increasing the efficiency of internal and external communication.

#### Industries Subject to Inspection of Eco-friendly Management

##### Industries Subject to Environmental Assessment

- Green Growth industries: Renewable energy, carbon free energy, advanced wastewater treatment, LED applications, green transportation system, new materials, nano-convergence technologies, and bio-pharmaceuticals
- Industries necessary for eco-friendly management: Mining, tobacco manufacturing, textile dyeing, manufacture of refined petroleum products, chemicals manufacturing, sewage disposal, and general construction

#### Assessment Results



### Agreements with Gyeonggi-do and Gyeonggi Credit Foundation for Support of Green Growth



KB Green Growth Loans offer preferential interest rates to new growth engines and low-carbon green companies recommended by the Gyeonggi-do provincial government.

### Sole Financial-Sector Sponsor of the National Green Tech Award



The second National Green Tech Award was held in December 2010. As the sole sponsor from the financial sector, KB Kookmin Bank played an important role in creating a social consensus on the importance of green growth and in promoting the development of green technologies.

Q11

How does the Bank respond to climate change?

**A1** The Bank actively demonstrates its leadership in green management through the improvement of systems, organizations, and infrastructure.

In 2010, KB Kookmin Bank established a framework to enhance its response to climate change, both internally and externally. Through such initiatives as the KB Carbon-dioxide Emission Management System (KB-CEMS), the introduction of eco-friendly green branches, and the use of hybrid cars, the Bank provides employees with a greener work environment. By participating in various initiatives, the Bank is standing strong as a global green bank.

Enhancing the Green Management Infrastructure

Carbon-dioxide Emission Management System

KB Kookmin Bank has developed the KB-CEMS, the first system in the financial sector to monitor carbon emissions company-wide. Following development and preparation during the second half of 2009, KB-CEMS came into full operation in 2010 to measure energy usage and carbon emissions, as well as to set and monitor fulfillment of annual targets for carbon emissions reduction, thereby creating an opportunity to establish a quantitative ground for cost savings and carbon management.

KB-CEMS has received the ISO9001 certification, signaling its recognition as a data management system that meets global standards.

New eco-friendly green branches

KB Kookmin Bank installed eco-friendly office supplies such as building materials with environmental certifications and LED lighting in five of the branches opened in 2010. It posted information on new installations, thereby contributing to customer awareness of green products and encouraging employee commitment.

The Bank has also placed hydroponic gardens inside branches to improve work environments with indoor air purification and humidity control.

Introduction of eco-friendly low-carbon vehicles

KB Kookmin Bank replaced the 47 mid-size cars whose leases expired in 2010 with hybrid vehicles. These cars have helped the Bank achieve energy savings and greenhouse-gas reduction due to their high fuel efficiency and the use of LPG, which emits the least greenhouse gas of any fuel. More cars are being replaced in 2011.

Energy Conservation and Reduction of Greenhouse Gases

Participation in Energy (-) Love (+) Campaign

KB Kookmin Bank participates in the Energy (-) Love (+) Campaign sponsored by the Ministry of Knowledge Economy and organized by the Korea Energy Management Corporation. From July to August, this campaign donates funds saved from reduced heating costs to the needy. The Bank's 442 branches were able to reduce total electricity consumption by 1,866 MWh, equivalent to KRW 205 million or 873 tons of CO<sub>2</sub>. As a result, the Bank was recognized for its outstanding participation in the campaign.

Through its own summer and winter energy conservation campaigns, the Bank also promotes energy-saving habits in the daily lives of the employees.

Carbon-neutral program participation

In 2010, KB Kookmin Bank participated in a carbon-neutral program organized by the Korea Energy Management Corporation.

At the beginning of 2010, the CO<sub>2</sub> reduction target was set at 443.74 tCO<sub>2</sub>, which is 1% of 44,374.17 tCO<sub>2</sub>, the amount of carbon emitted by the seven headquarter buildings in 2009. By setting targets for a carbon dioxide reduction ratio at the seven headquarter buildings during the period from January to December 2010, the Bank reduced 2,325.66 tCO<sub>2</sub>, exceeding the target by 1,881.92 tCO<sub>2</sub>.

In addition to achieving the targets, and as part of voluntary green management practices, the Bank planted 5,500 yellow poplars and ginkgo trees in the army base camp of 26th Division, offsetting 996.62 tCO<sub>2</sub> of carbon dioxide emissions.

Introduction

Changes

Value creation

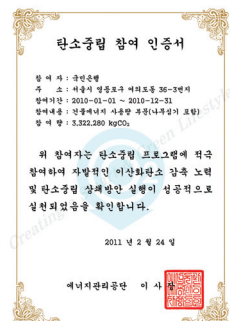
Social contribution

Performance

An Auto Teller Machine Built with Eco-friendly Building Materials



Greenhouse Gas Reduction Activities



**How does the Bank respond to climate change?**

**A1** The Bank actively demonstrates its leadership in green management through the improvement of systems, organizations, and infrastructure.

**Global Initiative Activities and Achievements**

**UN Global Compact**



In April 2010, KB Kookmin Bank participated in '2010 B4E (Business for Environment)', co-sponsored by the UNGC, the United Nations Environment Program, the WWF, and Global Initiatives. Since the participation, the Bank has actively responded to climate change and has achieved outstanding non-financial performance by signing the Caring for Climate (C4C) agreement.

**Acting as chair of the UNEP FI Korea Group**



The Bank has actively participated in UNEP FI since joining in April 2004. In April 2010, it organized a meeting of the UNEP FI Korea Group as chair. In this meeting, the Bank announced the progress of its green finance and discussed plans for the group's future activities. In addition, the Bank hosted a UNEP FI Korea group workshop in November 2010 to share group's future policy plans.

**Participation in the Carbon Disclosure Project (CDP)**

**CARBON DISCLOSURE PROJECT** KB Kookmin Bank has participated in the Carbon Disclosure Project (CDP) as a signatory since 2009. In October 2010, KB Financial Group was named a Carbon Disclosure Project (CDP) leader in the financial sector for the second consecutive year. Thus, the Group's transparent disclosure of carbon information and ongoing green management activities were widely acknowledged.

**Included in the DJSI Asia/Pacific & Korea**



**Dow Jones Sustainability Indexes**  
Member 2010/11

KB Financial Group has been included in the Dow Jones Sustainability Asia/Pacific and

Korea Indexes for two consecutive years since 2009. DJSI Korea is organized by Korea Productivity Center and assessed SAM, headquartered in Switzerland. The inclusion signals official recognition of KB Financial Group by international investors for its outstanding sustainability.

**Joined in FTSE4GOOD Index**



**FTSE4Good** In March 2011, KB Financial Group was included in the FTSE4GOOD Index. The index was created by the FTSE Group, developer of two of the world's major stock market indexes, to provide recognition of the world's leading companies in corporate ethics. KB Financial Group will maintain its inclusion in the index, as well as its leading role in CSR management, through newly revitalized CSR activities.

## Q12

## How does the Bank conduct business activities with suppliers?

**A1** The Bank has improved guidelines and processes through active communication with suppliers, and it encourages them to participate in ethical, fair, and transparent business relationships.

KB Kookmin Bank improves its procurement systems through active communication with all suppliers. In addition, the Bank continues to seek opportunities for mutually beneficial relations with partners by screening and evaluating their ethical management.

### Communication with Suppliers

KB Kookmin Bank continuously improves procurement policies and processes, including guidelines for purchasing. It also regularly holds meetings and conducts satisfaction surveys of its suppliers to reflect their concerns in the improvement of guidelines.

#### Meetings with suppliers

KB Kookmin Bank regularly holds business meetings with suppliers to build mutually beneficial relationships. At these meetings, the Bank introduces guidelines for procurement activities and collects complaints and suggestions from suppliers.

To incorporate industry-specific considerations into the Bank's procurement policy, procurement categories are classified as strategic procurement, IT procurement, facilities construction, and general purchasing. Discussions during meetings are transcribed. Opinions and suggestions are reflected in business operations through due analysis and review.

#### Survey of supplier satisfaction

KB Kookmin Bank conducts surveys to improve its purchasing policies and processes. It uses the information from these surveys to develop mutually beneficial relationships with suppliers. In 2010, surveys were conducted on 229 suppliers to address issues such as the fairness of selection, appropriateness of deadlines, staff attitudes, unfair treatment, and purchasing processes.

After each survey, the companies receive invitations to submit suggestions for improvement to the Bank. Moreover, the Bank is

also creating a database for survey results to strengthen foundations for cooperative relationships with suppliers.

### Integrity Contract

Every contract for purchase of goods or services at the Bank must include a clause prohibiting the use of money, goods, or entertainment to gain unfair advantage. Any violation of this clause will disqualify a supplier indefinitely from further bidding rights. These standards are regarded by other institutions as exemplary provisions for ethical management.

### Evaluation of Ethical Management

Since 2009, KB Kookmin Bank has reviewed suppliers' ethical management practices and used them as evaluation criteria. The criteria for inclusion of suppliers in the Approved Vendor List (AVL) include introduction of ethical management (including a code of ethics and programs for ethics education), the eco-friendliness of a proposed product, and social contribution activities. These criteria are also used in the selection of general vendors.

Introduction

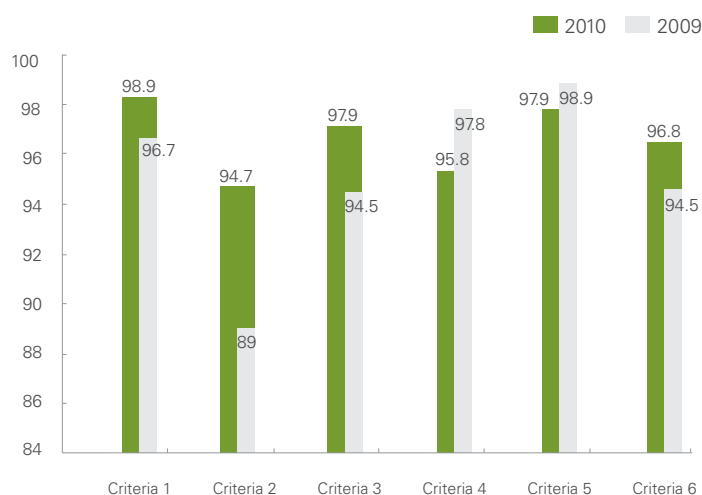
Changes

Value creation

Social contribution

Performance

### The Result of Supplier Satisfaction Survey



- Target: 229 suppliers
- Duration : May 13 ~ 27, 2010
- Criteria
  1. Fair and rational process in selecting suppliers
  2. Appropriateness of the duration for selection and delivery (including the completion of construction projects)
  3. Appropriateness of inspection for delivery (including the completion of construction projects) and duration of payment
  4. Active but polite attitudes of Bank employees
  5. Entertainment required by Bank employees for business purposes, and other unfair treatment
  6. Overall process of procurement (including facilities construction)

\* These criteria attained an average satisfaction rate for 97.0%, increasing 1.8%p compared to the previous year.

## Special Action 3. Implementation of Paperless Business Processes

# Electronic Documents in Branches – Creating New Work Environments

### Promoting the Use of Electronic Documents

In 2010, KB Kookmin Bank implemented the Paperless Green Bank Project, which promotes four initiatives: I.D. scanning, invoice digitization, e-public documents, and digital credit record search. The Bank extended these practices to all branches in January 2011. Prior to these initiatives, the photocopying of customer identification at branches had delayed communication with customers; in addition, separate invoice management at the branch level had increased the risk of data loss and other difficulties in data access and management. However, with these improvements, the Bank can now respond to customer requests more quickly, and it can actively participate in low-carbon, green-growth activities due to the reductions in paper use.

### Four Initiatives

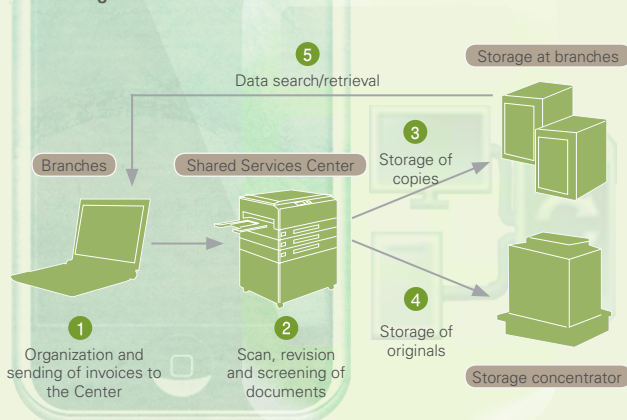
#### Implementation of identification scanning

I.D. scanners were installed in banking windows at all branches. Prior to this, employees had to leave their seats to photocopy customer IDs and enter information to confirm the authenticity at the employee-only website. Since scanner installation, however, scans can be performed at desks, and authenticity can be determined automatically, a significant improvement in efficiency.

#### Electronic documents generated at branches

Invoices generated at branches are sent to a Shared Services Center, where copies are produced and original documents are stored in a separate specialized library. In the past, branch documents such as application forms were stored in a library at each branch, inevitably requiring personnel and time to fulfill customer requests; they were also occasionally lost during office moves or disasters, and they were not properly disposed of at the end of their retention periods. The digitization of all invoices has made it possible to open any document electronically, thereby reducing costs by facilitating disposal of all expired documents, and enhancing the security of customer information by reducing the risk of data loss.

#### Invoice Digitization at Branches



### Results of Four Initiatives

Four initiatives	Before	After
I.D. scanning	Employees had to leave their seats to photocopy customer IDs	I.D. scanners were installed in all bank windows to store the I.D. as image files, easier to manage and access
Branch documents digitalization	Unsystematic management of branch documents such as application forms, and the risk of losses	Invoices are scanned by Shared Service Center, and original documents are stored in a separate specialized library.
e-Public documents	Documents with blank spaces for customers to fill in were printed out.	By eliminating printing process, the Bank manages all documents in electronic form.
Digital credit record search	Information searches were printed and scanned, followed by scanning and printing of image files and subsequent disposal of the original documents.	The Bank manages and stores customer credit loan information in digital form, thereby eliminating printing.

#### Electronic public documents

Instead of printing documents with blank spaces for customers to complete, the Bank manages all documents in electronic form. Views and approvals are also completed electronically, which simplifies manual tasks and results in annual savings of about 7.3 million sheets of paper.

#### Other electronic documents

Search tables for customer credit data, which are required when handling personal loans, as well as search tables used in the review of applications for the Housing Finance Credit Guarantee and e-certificates, are now stored as image files. As the loan transactions require many data searches, the use of electronic documents has contributed not only to reductions in paper consumption, but also to reductions in working hours.

### Killing Three Birds with One Stone

KB Kookmin Bank's Green Bank promotes the use of electronic documents to increase business efficiency, provide an effective means to the ongoing 'Work Diet', and provide rapid, accurate services to customers. Specifically, by dramatically reducing paper usage in all branches, the Bank is further strengthening its position as the leading green bank for low-carbon, green growth in society as a whole.



**Sustainability  
Performance**



# Creating Economic Value

## Economic Performance

The Bank shares the economic value created by its banking operations with its stakeholders, contributing to the growth of society as a whole. For balanced regional growth, the Bank focuses on hiring regional suppliers and manpower, as well as steadily investing in local communities

### 1. Operating Results and Asset Portfolio

In 2010, the operating income of the Bank changed moderately from the previous year, but its net income fell due to preemptive and conservative provisions for possible loan losses. Although net income was lower, the net interest margin (NIM) was wider compared to that of the previous year, and net income is expected to improve gradually in the coming year due to the growth of interest income.

#### Summarized Income Statement

(Unit: KRW in billions)

	2008	2009	2010
Net-interest income	7,230.6	6,220.6	6,947.6
Non-interest income	368.4	457.8	335.6
General & administrative expenses	3,799.6	3,535.6	4,061.4
Operating income before provisioning	3,799.4	3,142.8	3,221.8
Provision expenses	1,987.9	2,439.7	3,120.3
(Provision for loan losses)	1,811.3	1,925.8	2,750.7
Operating income	1,811.5	703.1	101.5
Non-operating income	346.8	(42.6)	(184.3)
Net income before taxes	2,158.3	660.5	(82.8)
Taxes	647.5	24.7	(94.0)
Net income	1,510.8	635.8	11.2

#### Loan Exposure by Customer

(Unit: KRW in billions, %)

	Loan*	Ratio
Large corporate	11,743	6.62
SMEs	65,120	36.70
Household	97,932	55.17
Others	2,684	1.51
Total	177,479	100.00

\* Sum of Won- and foreign currency-denominated loans as of the end of 2010

#### Loan Exposure by Industry

(Unit: KRW in billions, %)

	Loan*	Ratio(%)
Financial	2,221	2.80
Manufacturing	24,068	30.37
Service	32,616	41.15
Others	20,350	25.68
Total	79,255	100.00

\* Sum of Won- and foreign currency-denominated loans as of the end of 2010

### 2. Distribution of Economic Value EC1

KB Kookmin Bank creates economic value through its business operations, and shares it with its employees, shareholders and creditors, the government, and suppliers.

The value created by the Bank is distributed to stakeholders in several ways: salaries and benefits to employees, dividends to shareholders, interest payments to customers, taxes to the government, fees and commissions to suppliers, and donations or contributions to local communities.

(Unit: KRW in billions)

	2008	2009	2010
Amount flows from operating activities			
Operating revenues	44,379.5	26,114.4	20,796.1
Amount distributed to stakeholders			
Officers/Employees (Salaries & welfares)	2,357.0	2,055.3	2,628.9
Shareholders (Dividends)	-	95.3	-
Customers (Interest)	6,333.9	5,467.7	4,740.7
Government (Taxes/Dues)	165.1	121.8	111.0
Local communities (CSR activities)	89.8	131.7	62.8
Suppliers (Purchase & service)	1,022.8	945.4	944.0

\* Figures for 2009 and 2010 reflect the profit and loss from discontinued operations resulting from spin-off of the credit card business



### 3. Regional Contractors for Construction Projects EC6

The Bank encourages the participation of regional contractors in the renovation of branch offices nation-wide. In doing so, the Bank contributes to regional economic development. In 2010, regional contractors shared 83.9% of all such works.

### 4. Local Recruits and Managers EC7

The Bank discovers new growth drivers in overseas markets to overcome the growth limitations inherent in domestic banking businesses and to locate future growth engines in response to the growing tendency of globally integrated financial markets and emerging Asian markets. As a result, the number of expatriate employees has grown. Moreover, to link the growth of the Bank with the development of local communities, KB Kookmin Bank consistently increases local recruits.

### 5. CSR Activities for the Public Interest EC8

KB Kookmin Bank has selected main social contribution areas and has held a variety of CSR programs to contribute to a brighter, healthier society.

\* Abiding by the third clause of Article 7 in the Regulations for Donation Operations, KB Kookmin Bank prohibits donations to politicians and political organizations.

	(Unit: %)		
	2008	2009	2010
Ratio of regional contractors	94.6	85.7	83.9
Ratio of non-regional contractors	5.4	14.3	16.1
Total	100	100	100

\* Changes in reporting standard from purchased amount in 2008-2009 to project participation ratio in 2010

	(Unit: %)			
	2008	2009	2010	
No. of employees at overseas	No. of expatriate employees	45	47	54
	No. of local recruits (a)	75	97	105
	Total	120	144	159
No. of local managers (b)	8	16	15	
Ratio of local managers (b/a)	10.7%	16.5%	14.3%	

**Ratio of Local Recruits and Local Managers**  
**66.0%, 14.3%**

Investment	(Unit: KRW in billions)	Hours of Participation	(Unit: Hours)
	Amount		Hours
Local communities/ Public interest	16.2	Local communities/ Public interest	168,944
Education	3.0	Education	2,497
Environment	0.2	Environment	1,801
Culture/sports/arts	4.8	Culture/sports/arts	387
Global	2.4	Global	297
Microfinance	36.2	Total	173,926
Total	62.8		

# Creating Environmental Value

## Environmental Performance

Given the nature of the financial services industry, the environmental impact of KB Kookmin Bank is comparatively lighter than that of other companies in other industries, who directly use fossil fuel. KB Kookmin Bank aims to become a leading green bank by controlling energy consumption and CO<sub>2</sub> emissions through continual monitoring. As a financial service provider, KB Kookmin Bank produces no products manufactured by processes that discharge polluting materials or involve hazardous materials. In 2010, there was no record of violations of environmental laws.

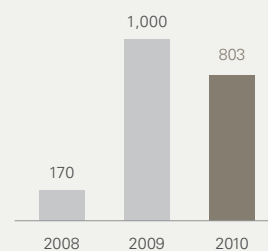
### 6. Using Recycled Materials EN1, EN2

As a service sector, the banking industry does not use primary raw materials such as metal or mineral resources, unlike manufacturing businesses. KB Kookmin Bank, however, has been using substantial amounts of paper for bills and receipts, office documents, contract documents and other documents at bank counters and back offices. KB Kookmin Bank deems document paper to be major raw material. Copy paper usage in 2010 declined by 20% compared to the previous year.

KB Kookmin Bank continues to increase its use of recycled paper. The Bank used around 10 tons of recycled paper in 2010. These figures will increase as the Bank extends usage of recycled paper into new areas.

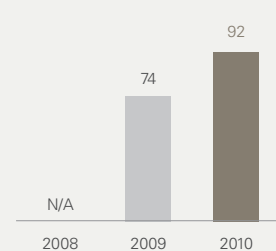
Copy Paper Purchase

(Unit: Tons)



Recycled Paper Purchase

(Unit: Tons)



\* Scope of Data Collection  
2008: Head office  
2009, 2010 : Head office and branches

### 7. Energy Consumption and Greenhouse Gas Emissions EN3, EN4, EN16, EN17

In 2010, KB Kookmin Bank directly and indirectly consumed 1,082 TJ of energy resources, including electricity and fuels for heating systems and vehicles. Accordingly, a total of 56,123 tCO<sub>2</sub>\_eq of greenhouse gas was emitted.

Energy Consumption by Emission Source

(Unit: TJ)

Emission sources		2008	2009	2010	
Scope 1 (Direct emission)	Stationary Combustion	Diesel	25	21	25
		Kerosene	6	6	6
		LNG	55	55	55
		LPG	0	0	0
	Total	87	82	87	
Subtotal		173	164	173	
Scope 2 (Indirect emission)	Electricity	731	954	905	
	Heating system	1	4	4	
	Subtotal	732	958	909	
Total		905	1,122	1,082	

Greenhouse Gas Emission

(Unit: tCO<sub>2</sub>\_eq)

Emission sources		2008	2009	2010	
Scope 1 (Direct emission)	Stationary Combustion	Diesel	1,897.1	1,563.0	1,817.1
		Kerosene	442.2	216.5	181.2
		LNG	3,102.4	4,318.7	4,185.5
		LPG	7.8	3.1	2.5
	Total	5,449.5	6,101.3	6,186.3	
	Mobile Combustion	Gasoline	4,353.3	3,299.0	2,606.2
		Diesel	348.9	335.2	364.8
		LPG	0.0	0.0	66.1
	Total	4,702.2	3,634.2	3,037.1	
	Subtotal		10,151.7	9,735.5	9,223.4
Scope 2 (Indirect emission)	Electricity	37,937.0	49,416.8	46,899.8	
	Heating system	0.1	0.2	0.2	
	Subtotal	37,937.1	49,417.0	46,900.0	
Total		48,088.8	59,152.5	56,123.4	

\* Scope of data: Seven large buildings and boarding houses

\*\* Based on the guidelines of the Ministry of Environment for greenhouse gas reduction and energy conservation

## 8. Energy-savings and Reduction of Greenhouse Gas Emissions EN5, EN7, EN18

KB Kookmin Bank is improving the condition of its buildings in order to reduce electrical consumption. The Bank improved building conditions through the following means: Introducing high efficiency air conditioners; adjusting cooling temperatures in office spaces; turning off lights in unused spaces; and installing standby power-down outlets, particularly in computers at Yeouido, Myeongdong, Sewoo, and Gwanghwamun head offices. The Bank also improved infrastructure by replacing lighting systems at head offices and branches to increase energy-efficiency.

In addition, the Bank carried out activities to conserve energy in daily operations. As a result, electrical consumption was decreased by 49TJ from the previous year.

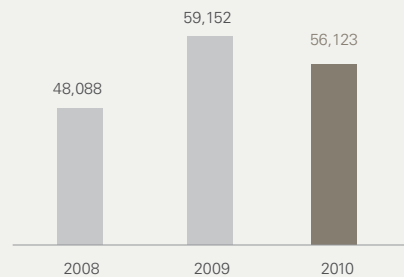
## 9. Water Consumption and Waste Water EN8, EN21

Total water usage at the seven large buildings in 2010 was 186,302m<sup>3</sup>. Municipal waterworks supply most water, and the Bank does not use underground or recycled water.

Since the Bank relies on waterworks as a supply source, it is not directly affected by disruptions in catchment. Water used by KB Kookmin Bank is domestic sewage. The Bank does not treat its own sewage, but relies on local municipal sewage treatment facilities on an aggregate basis. Therefore, the Bank's sewage output has negligible environmental impact on the local area of discharge, particularly on its biodiversity.

## 10. Waste Discharge EN22

Most waste discharged from KB Kookmin Bank is office waste. In addition, all currently-generated office waste is managed by an outsourced waste treatment business to minimize environmental pollution.



\* Greenhouse gas emissions (Unit: tCO<sub>2</sub>\_eq)

		(Unit: m <sup>3</sup> )		
		2008	2009	2010
Total usage		133,619	205,060	186,302
Scope of data collection	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center, Yeouido Data-processing Center, Sewoo Head Office	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center, Yeouido Data-processing Center, Sewoo Head Office

		(Unit: m <sup>3</sup> )		
		2008	2009	2010
Total discharge		53	42	38
Scope of data collection	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center, Yeouido Data-processing Center, Sewoo Head Office	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center, Yeouido Data-processing Center, Sewoo Head Office	Yeouido Head Office, Myeongdong Head Office, Gwanghwamun building, Yeomchang Data-processing Center, Jongam Data-processing Center, Yeouido Data-processing Center, Sewoo Head Office

# Creating Environmental Value

## 11. Environmental Investment EN30

Environmental concerns, including climate change, have become significant issues in corporate management. KB Kookmin Bank supports corporate "green growth" and confronts climate change through formulation of systematic, attainable plans and active investment in green industries and technologies.

In green financing, KB Kookmin Bank continues to seek outstanding financial solutions to support eco-friendly businesses. Furthermore, the Bank continues to seek new business opportunities in emerging international carbon markets.

(Unit: KRW in million)

	2009	2010
Direct investment to support "green growth"	310,100	910,800
Investment to "green management"		
• Hybrid vehicle	-	35
• Eco-friendly building materials purchase	786	821
• Recycled paper purchase	374	414

# Creating Social Value

## Labor and Human Rights

KB Kookmin Bank upholds the principles of equal opportunity in its recruitment practices. The Bank also maintains cooperative, mutually beneficial labor-management relations. To assist employees who encounter unexpected difficulties, the Bank provides an Employee Grievance Center and health care programs.

### 12. HR and Employment LA1

As of the end of 2010, KB Kookmin Bank has 22,580 officers and employees. The Bank hires employees for both regular and non-regular positions, which are defined according to their duties and qualifications. In 2009, the Bank transitioned most of its temporary workers, who held fixed-term contracts, into permanent employment. As a result, non-regular workers accounted for 3% of the Bank's total workforce as of the end of 2010. The Bank complies with the Temporary Employee Protection Act and Act on the Protection, Etc. of Fixed-term and Part-time Employees.

The Bank provides equal employment opportunity for socially disadvantaged groups. In 2010, it hired 249 disabled persons, as well as 1,385 veterans, persons of distinguished national service, and their family members. The number of female employees accounted for 46% of the total. There is no distinction between male and female workers for the purpose of compensation and promotion. The Bank also supports harmony between workplace and home by permitting leaves of absence for health, maternity, prenatal care, and childcare. Additionally, it operates facilities including a women's lounge, nursing rooms, and childcare centers.

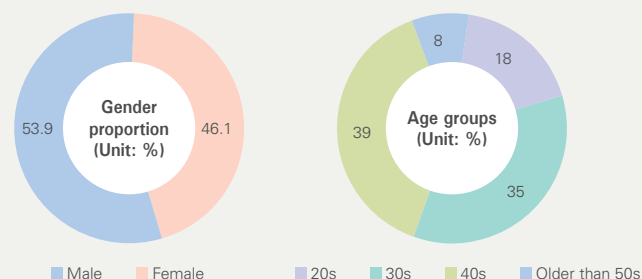
### 13. Retirement LA2

In 2010, KB Kookmin Bank launched an early retirement program, through which it assisted 3,777 participants in planning for life after retirement. This assistance included special severance pay, outplacement, job counseling, honorable promotions, subsidies for children's education, and support for business start-ups. In particular, participants in the early retirement program were supported with counseling and education programs for outplacement and start-ups.

	(Unit: Persons)		
	2008	2009	2010
Regular	17,789	18,237	16,546
Permanent Employment	4,998	6,975	5,270
Non-regular	3,245	730	764
Total	26,032	25,942	22,580

\* Including executives and heads of divisions, and excluding overseas local staff

	(Unit: Persons)		
	2008	2009	2010
Disabled	292	294	249
Patriots and veterans	1,599	1,531	1,385



	(Unit: Persons)		
	2008	2009	2010
Male	540	117	1,749
Female	626	334	2,028
Total	1,166	451	3,777

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# Creating Social Value

## 14. Elimination of Labor Discrimination HR4, HR6, HR7, LA14

Abiding by the Labor Relations Act, KB Kookmin Bank prohibits child labor and compulsory labor. The Bank also equally pays male and female employees according to their ranks. The Bank's guidelines for personnel management include clear statements about these prohibitions and sets out countermeasures for any form of discrimination.

	Cases
No. of total discrimination	0
Gender discrimination (including sexual harassment)	0
Region discrimination	0
Education background discrimination	0
Age discrimination	0
Educational opportunities discrimination	0

## 15. Health and Safety LA6, LA7

As most employment positions are characterized primarily by office work, a collective bargaining agreement is enforced regarding safety and health care, environmental inspection, education for the prevention of accidents, sanitation education, periodic medical examinations, mental health, and resort facilities. The agreement also covers accident compensation, injury compensation, maternal compensation, group insurance subscription, support for medical expenses, recuperation, surgical operations, and support of physical activities

\* Related collective bargaining agreement : See Chapter 4, fifth clause (Injury Compensation), sixth clause (Safety & Health), seventh clause (Recuperation), and eighth clause (Physical activities)

(Unit: %)

	2008	2009	2010
Industrial accident rate*	0.08	0.03	0.05
Frequency rate of injury**	0.33	0.16	0.21

\* The industrial accident rate is the percentage of injured persons among the total number of employees. Normally, the duration of the calculation is a year. If the duration is one year, the calculation equals the ratio of the number of injuries per year to the average number of employees per year. The ratio is calculated as follows:  
Industrial accident rate = (Number of injured person/Number of employees) x 100

\*\* Frequency of injuries reflects the number of injuries per one million man-hours. The ratio is calculated as follows:  
Frequency rate of injury = (Number of accidents / Working hours in a year) x 1,000,000

(Unit: Hours, Days, %)

	2008	2009	2010
Total working days	62,558,400	62,344,800	61,495,200
Lost Work Days*	81,640	106,407	44,621
Rate of LWD**	0.13	0.17	0.07

\* Lost Work Days (LWDs) are numbers of days which employees are not capable for their duties due to industrial accidents and disease.

\*\* LWD rate = (Total No. of LWD / Working days in a year) x 100

## 16. Health Management Programs LA8, LA9

KB Kookmin Bank implements a tailored health management program for serious diseases to support employees and their families. In addition to health and safety education programs, the Bank provides a variety of timely information to help employees maintain good health.

Programs	Target	Details
Tailored health management program	Employees and their families	<ul style="list-style-type: none"> <li>• 24 hours &amp; every days consulting for health</li> <li>• Reservation for the nation-wide medical centers</li> <li>• Providing a variety of health information</li> <li>• 1:1 tailored management for employees with abnormal findings</li> <li>• Concentrating on health risk groups</li> </ul>

## 17. Labor-Management Relationship LA4, LA5, HR5

KB Kookmin Bank has signed "Joint Collective Bargaining Agreements" with 34 institutions, including the Korean Financial Industry Union and other commercial banks through the Financial Industry Users Council. According to Chapter 2 (union activities) of the agreement, the Bank guarantees freedom of association for union training, supply of various facilities and materials, and various publicity activities while in employment.

KB Kookmin Bank has launched a joint standing consultative body between labor and management to determine important policies. The Bank invigorates communications between labor and management, thus establishing a symbiotic culture. This communication includes TFTs, workshops, and in-house as well as external training sessions for employees in charge of labor-management relations. These efforts allow the Bank to share its vision and establish a culture of mutual trust and cooperation, greatly enhancing its reputation and competitiveness and securing future growth engines.

In compliance with the Collective Bargaining Agreement and the guidelines of the Labor-Management Council, KB Kookmin Bank fulfills its responsibility to notify employees in a timely manner on important changes in business.

The Bank also guarantees the rights of employees with respect to dismissal and organizational downsizing pursuant to Article 46 (Limitation of Dismissal), Article 47 (Downsizing), and Article 48 (Prima Facie Proof) of the Collective Bargaining Agreement, as well as Article 7 (Efforts to avoid Dismissal) of the Agreement on Stable Employment

	(Unit: Persons)	
	2009	2010
Employees eligible for labor union membership	21,732	19,124
Labor union members	21,156	18,732



Details	
Labor-Management Council	<ul style="list-style-type: none"> <li>Abolished the restriction on the number of examinations for regular job position</li> <li>Added entrance to or graduation from school as an acceptable leave of absence</li> <li>Modified the period and the basis of assessment for a new part of KPIs introduced to reduce overtime work</li> <li>Provided plans to encourage employees in the IT Business Group</li> </ul>
Joint labor-management workshop	<ul style="list-style-type: none"> <li>Held a workshop to discuss major management issues and to strengthen membership</li> </ul>
Joint labor-management TFTs	<ul style="list-style-type: none"> <li>Held a workshop related to HR, welfare, and salaries</li> </ul>

Classification	Agreements	Conclusion	Discussion
Collective Bargaining Agreement	<ul style="list-style-type: none"> <li>Enacted and amended the guidelines for recruits</li> <li>Placed limitations on dismissal</li> </ul>		<ul style="list-style-type: none"> <li>Union activities while in employment</li> <li>Downsizing</li> <li>Protections against sexual harassment</li> </ul>
Labor-Management Council		<ul style="list-style-type: none"> <li>Established basic plans for employee education and career development</li> <li>Built and operated welfare facilities</li> <li>Introduced an Intra-company Labor Welfare Fund</li> </ul>	<ul style="list-style-type: none"> <li>Treatment of employee grievances</li> <li>Improvement of safety and health in the workplace, as well as general employee health</li> <li>Balance between work and breaks</li> <li>Employee welfare and other concerns for labor-management cooperation</li> </ul>
Agreement on Stable Employment	<ul style="list-style-type: none"> <li>Leaves caused by management problems</li> <li>Early retirement</li> <li>Education for outplacement and business start-ups</li> </ul>		<ul style="list-style-type: none"> <li>Stable employment</li> <li>Employment succession plans after acquisitions, splits, mergers, transfers, spin-offs, and outsourcing</li> <li>Efforts to avoid dismissal</li> </ul>
Business Development Council			<ul style="list-style-type: none"> <li>Higher workplace productivity and distribution of value created by that higher productivity</li> <li>Welfare of employees</li> <li>Improvement of HR management, and other effects on employment, including reorganization</li> <li>Recruitment, deployment, and education of employees</li> </ul>

# Creating Social Value

## Education & Training

KB Kookmin Bank systematically manages the work histories of its employees and offers a variety of education courses to cultivate their expertise. The Bank also regularly conducts education programs in ethics and anti-corruption to foster a culture of professional ethics. Furthermore, the Bank administers education for security guards and officers.

### 18. Employee Education LA10

KB Kookmin Bank continues to improve the quality of its education and training programs to foster professionalism and global talent. To attract outstanding employees, the Bank provides a variety of courses and incentives to foster professionalism in core tasks. All employees voluntarily participate in training programs to enhance individual competence.

	2008	2009	2010
Average hours of education per employee	114	86	110
Average hours of education by rank			
L(S) 1*	145	96	121
L(S) 2**	132	85	111
L(S) 3**	123	102	107
L(S) 4**	56	42	70
Others***	78	77	105

- \* L(S)1 level: Team members
- \*\* L(S) 2-4 level: Head of units, team leaders or members
- \*\*\* Others : Executives, office workers, and experts, etc.

**Average Hours of  
Education per Employee  
in 2010 Compared to 2009  
+ 24 Hours**

### 19. Ethics and Human Rights Education HR3, HR8, SO3

KB Kookmin Bank holds a variety of education programs for anti-corruption and ethics. All employees of the Bank are required to take one of various ethics compliance education programs, including group sessions, e-training programs, and mobile training sessions. All 313 security guards participated in 10 hours of education programs, while 709 guards who were outsourced from external security service companies, or 98% of the total, completed safety and ethics education programs.

(Unit: Times, Person)

	2008		2009		2010	
	Online	Offline	Online	Offline	Online	Offline
No. of Education	7	577	8	523	8	351
No. of participants	All employees	15,639	All employees	9,968	All employees	8,384

### 20. Anti-corruption and Violations SO2, SO4, SO8

To eliminate corruption, including illegal rebates from suppliers, misappropriation, and bribery, the Bank evaluates the performance of its anti-corruption prevention framework for each business group. All employees are required to participate in ethics compliance checks and self diagnoses through integrated compliance support systems for internal control and self-assessment of operational risk. Additionally, once a year the Bank conducts surveys of customers and employees to evaluate ethical management, thereby monitoring current status of the ethical management and potential risks from corruption.

	2008	2009	2010
Number of workplaces	All workplaces	All workplaces	All workplaces
Percentage of workplaces receiving anti-corruption checks	100%	100%	100%

In 2010, there were six non-financial penalties for breaches of law. Accordingly, the employees concerned were warned, and internal guidance and supervision were strengthened.



## Product Responsibility

KB Kookmin Bank continues to improve its deliberations on the disclosure of information about financial products, and it observes internal guidelines on marketing and the management of information for the customer, thereby protecting the customer's rights. In addition, the Bank conducts CS surveys and other CS activities to fulfill its responsibilities to maintain products and services, from their introduction, to sales, to post-sales consultation.

### 21. Type of Financial Service Information Required by Procedures PR3

KB Kookmin Bank provides product information to its customers in various forms. Abiding by the Compliance Manual, the Bank places the highest priority on providing its customers with accurate information.

### 22. Customer Satisfaction PR5

Along with external CS surveys, KB Kookmin Bank conducts its own CS surveys for all business channels, including branches, call centers, and internet banking. The results of the survey are reflected in the CS targets of the Key Performance Indicators (KPI) at each branch and used in the evaluation of branch CS performance. With detailed information about the results, the Bank promptly prescribes remedial action for any problems.

### 23. Marketing Communications PR6

KB Kookmin Bank provides product information to its customers in various forms, including invitation letters. In so doing, the Bank places the highest priority on providing its customers with accurate information about financial products and services.

KB Kookmin Bank complies with internal and external regulations regarding advertising and promotional activities for its financial products. The Bank protects the rights of its users and investors and prevents unfair business activities, including attracting customers away from competitors in unjust ways. The Bank observes related regulations: Article 89 (public disclosure of financial transaction terms) of the Bank Supervision Regulation; Chapter 7 (protection of rights and interests of users of financial institutions) of the Regulation on Supervision of Banking Business; and Chapter 3 (investment advertisement) of the Regulations on the Operation and Service of Financial Investment Companies.

(Unit: Cases)

	2008	2009	2010
Previews of disclosure about financial products	1,105	1,343	1,813

#### Number of Previews of Product Information Disclosures in 2010 Compared to 2009

## + 470 Cases

(Unit: Rank, Points)

	2008	2009	2010
NCSI*	No. 1	No. 1	No. 1
KCSI**	No. 1	No. 1	No. 1
CSI of Branches	91.40	92.55	92.82

\* National Customer Satisfaction Index (NCSI), Korea Productivity Center

\*\* Korea Customer Satisfaction Index (KCSI), Korea Management Association

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# Creating Social Value


## 24. Protection of Customer Privacy PR8

Since the Customer Information Management Guidelines stipulated criteria for management and protection for illegal disclosure of customer information in 2004, KB Kookmin Bank has amended the Guidelines seven times to raise the level of customer privacy protection. To protect customer information, the Bank assigns at least one customer information manager to each branch office to conduct daily inspection of customer information management activities, as well periodic training of personnel in CIM. In addition, the deputy branch manager examines the appropriateness of customer information management on a monthly basis. In 2010, there was no record of leak or loss of customer information or data.

Details	
Data control	<ul style="list-style-type: none"> <li>Recording employees' extractions of customer data through printing or downloading from the e-banking system, in order to monitor disposal of that data after office hours, as well as to ensure registration of each disposal in the data processing system.</li> <li>Requiring business purpose codes for every e-transaction to prevent retrieval of customer information for non-business purposes</li> <li>Restricting the number of employees allowed to access customer information through the CRM system to four per branch office</li> <li>Installing customer information protection systems on the PCs of all employees</li> </ul>
Monitoring and education	<ul style="list-style-type: none"> <li>Monitoring and supervising the management/processing of customer information every quarter</li> <li>Regularly inspecting computer logs for unauthorized retrieval of customer information for non-business purposes and the appropriateness of revision</li> <li>Reviewing the status of customer information management through on-site inspection at each branch office (Audit Dept.).</li> <li>Conducting bank-wide customer information security training (Every half year)</li> <li>Including customer information protection/management courses in intensive training courses for internal control managers</li> </ul>



# Appendix

- **Organization Chart**
  - **Awards in 2010 Related to Sustainability Management**
  - **Membership in Associations and Organizations for Sustainability Management**
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- 

# Organization Chart

9 Groups, 16 Divisions, 57 Departments (as of March 24, 2011)



## Awards in 2010 Related to Sustainability Management

Month	Awards	Organizers
Jan.	Selected as the top bank at the 2010 Human Resource Management Awards	The Korea Economic Daily
Feb.	KB Green Growth Loan is awarded a special prize at the 2010 e-Daily Financial Product Awards	e-Daily
Mar.	Ranked 1st for the 12th consecutive year in the 2010 Korea Brand Power Index (K-BPI)	Korea Management Association Consulting
Apr.	Selected as Korea's top bank at the 2010 Korea Brand Power Golden Brand	Korea Management Association Consulting
May	Received the Minister of Knowledge Economy Award for green management at the Global Green Management Excellence Awards	Ministry of Knowledge Economy, Ministry of Environment
Jul.	2009 annual report won premium award for the 2nd consecutive year in general financial category for at 2008 League of American Communication Professionals Award *	League of American Communication Professionals (LACP)
Aug.	Ranked 1st among banks in the NBCI(National Brand Competitiveness Index) for the 7th consecutive year	Korea Productivity Center
Sep.	Selected as Best Domestic Provider of FX Services as voted by financial institutions	Asiamoney
	Ranked 1st among banks in the KCSI(Korean Customer Satisfaction Index) for the 4th consecutive year	Korea Management Association Consulting
	Received the Minister of Knowledge Economy Award at the 34th National Productivity Awards in the green productivity category	Korea Productivity Center
Oct.	Named a Carbon Disclosure Project(CDP) leader in the financial area for the second year *	CDP Korea
	Joined the Dow Jones Sustainability Asia/Pacific Index for two consecutive years	Dow Jones, SAM, Korea Productivity Center
Nov.	Recognized for the 5th consecutive year at CSR Award Korea 2010	The Korea Economic Daily
Dec.	Received Grand Prize in new product development of 2010 at Korea Marketing Awards	Seoul Economic Daily
	Ranked 1st on the National Customer Satisfaction Index for the 5th consecutive year	Korea Productivity Center

\* Awards for KB Financial Group

\*\* For more information about awards, visit the "History" page under "About Us" at the website of KB Kookmin Bank (<http://www.kbstar.com>), or "KB Financial Group History" under "Management Info" at the website of KB Financial Group ([www.kbfng.com](http://www.kbfng.com)).

## Membership in Associations and Organizations for Sustainability Management

Associations and Organizations	Purpose of membership
Korea Auditors Association	Information exchange on auditing
Korea Internal Control Society	Information exchange on internal controls
Korea Listed Companies Association	Information exchange on auditing
KMA Consulting	Implementation of CS related policies
Korea Productivity Center	NCSI, CEO dinner banquet
Korea Federation of Small and Medium Business	Meeting of economy related groups
Korea Federation of Banks	Information exchange among banks and joint response to issues
Korea Personnel Management Association	Gatherings of persons in charge of HR management and training
The Institute for Industrial Policy Studies	Forums on ethical management
Korea Association of Procurement and Supply Management	Academic research on procurement and supply management
Financial Information Security Association	Discussion with other financial institutions and Financial Supervisory Service on policy-making for information protection
KF-ISAC(Information Sharing and Analysis Center) of KFTC	Implementation of the Law of Critical Infrastructure Protection

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# Independent Assurance Statement

## To the readers of the 2010 KB Kookmin Bank Sustainability Report:

The Korea Productivity Center (the auditor) has received a request for independent third-party assurance for the KB Kookmin Bank Sustainability Report of 2010.

### Our Independence

KB Kookmin Bank is responsible for the collection and presentation of information within this report, and our responsibility is to carry out assurance activities on specific information within the verification scope stipulated below. With the exception of providing third party verification services, this auditor has not been involved in the formulation of KB Kookmin Bank's Sustainability Report or any other business operations, thereby avoiding any conflicts of interest and maintaining independence.

### Assurance Standards

We have been engaged to provide Type 1 assurance, which covers evaluation of adherence to the AA1000APS (2008) stakeholder principles of inclusivity, materiality, and responsiveness. KB Kookmin Bank has confirmed that this report has been prepared according to the GRI G3 Guidelines.

### Scope

In adherence to the aforementioned assurance standards, this assurance statement excludes reviews of the reliability of data provided in this report. Additionally, on-site inspection was restricted to head offices in Seoul, thus excluding other domestic branch offices and overseas branches. The results included in this report may be changed if additional assurance procedures are applied.

### Methodology

To provide this statement of assurance, we have performed the following tasks:

1. Inspection of the appropriateness in selection of key issues and contents presented in this report through media research and benchmarking;
2. Review of reporting rates and methodologies abiding by all indicators of the GRI G3 Guidelines, especially the additional indicators for the financial services industry, in order to meet the level-A criteria of the GRI Application;
3. Verification of the fulfillment of the principles of the GRI G3 Guidelines regarding contents and quality;
4. Assessment of the suitability of the contents of this report, with attention to errors in expression in comparison with other sources;
5. Identification of evidence supporting the data and other information in this report through on-site inspection of head offices, as well as internal processes and systems.

### Results

The auditor verifies that this report reflects the activities and performance of sustainability management at KB Kookmin Bank with integrity and fairness. We also grant assurance that the Bank meets the criteria required for level A of the GRI Application, exactly as KB Kookmin Bank has declared.

#### 1. Inclusivity : Participation of stakeholders

KB Kookmin Bank classifies its stakeholders into customers, shareholders, employees, local communities, and suppliers. The Bank uses a variety of communication channels and methods to collect a full range of stakeholder opinions and to understand stakeholder interests. The Bank considers the views of its customers through a VOC system, an Internet homepage, surveys, and customer satisfaction indexes. Based on observation of company operations, the auditor acknowledges the efforts of the Bank to improve customer satisfaction. The Bank holds briefings to provide customers with investment information and provides programs to encourage employee participation in these efforts, such as CS-Star and CS-manager positions. The Bank operates a large-scale data processing system called My Star to provide customized retail services. The auditor recommends, however, that the Bank establish additional communication channels for stakeholders to encourage their further participation and to collect opinions.

## 2. Materiality : Selection and report of key issues

We confirm that the Bank understands the needs of key stakeholders in the financial services industry, and we verify that it has identified key issues for its sustainable growth. To do so, the Bank has collected diverse opinions of stakeholders through regular informal meetings and through surveys administered according to type of stakeholder and issue. We acknowledge that this report also reflects external opinions regarding the risks and opportunities that may result from participation in initiatives and meetings with government agencies. We confirm that this report accurately defines the key issues that the Bank has identified through the collection of stakeholder opinions and materiality tests. We recommend that the Bank to extend its research of key issues by consulting outside experts to collect their opinions and identify external financial market issues.

## 3. Responsiveness : Organizational response to key issues

We grant assurance that KB Kookmin Bank carries out the activities described in this report to respond to sustainability issues. The Bank improves customer value by providing products tailored to a range of customer needs through a CRM system. It also reinvigorates its CS activities through a CS Dynamic Process, a customer protection program, and related surveys. We also acknowledge the quality of the Bank's professional development programs, which we consider to be a crucial issue of sustainability management in the financial sector. These professional development programs include education on financial market conditions, training for specialists, as well as an in-house MBA course offered to employees according to rank and position. We advise the Bank to present long-term strategies and plans in this report, in addition to its responses to key issues.

## Recommended Improvements

This auditor expresses confidence in the efforts of KB Kookmin Bank to improve its sustainability management, and in the performance that it has demonstrated. We offer the following suggestions to encourage the Bank to enhance sustainability in the performance of its business operations:

1. We advise the Bank to establish a bank-wide sustainability management system that covers overseas branches and other domestic branches more thoroughly, and to report the performance of that system in this report.
2. We suggest that the Bank implement additional, systematic communication channels to encourage stakeholder participation.
3. We counsel the Bank to develop additional indicators to measure the performance of sustainability management and to link it with financial management.
4. We advise the bank to implement an integrated system to manage its diverse sustainability management indicators for use in this report.



*Dong-Kyu Choi*

Dong-Kyu Choi  
Chairman of Korea Productivity

*김동수*

Dongsoo Kim

*Tae Ho Park*

Tae Ho Park

*Ju Mi Park*

Ju Mi Park

*김영환*

Young Hwan Kim

## GRI Application Level Check Statement



### Statement GRI Application Level Check

GRI hereby states that **KB Kookmin Bank** has presented its report "2010 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 May 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because KB Kookmin Bank has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 May 2011. GRI explicitly excludes the statement being applied to any later changes to such material.



# GRI Guideline Index

● Fully   ● Partially   ○ Not

	Description	Page	Reported	Remarks
<b>1. Strategy and Analysis</b>				
1.1	CEO Message	3	●	
1.2	Sustainability: effects, risks and opportunities	3	●	
<b>2. Organizational Profile</b>				
2.1	Name of the organization	4	●	
2.2	Primary brands, products, and services	5	●	
2.3	Operational structure of the organization	58	●	
2.4	Location of organization's headquarters	4	●	
2.5	Number of countries where the organization operates	4	●	
2.6	Nature of ownership and legal form	5	●	
2.7	Market served	4	●	
2.8	Scale of the reporting organization	4	●	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	-	●	No significant change
2.10	Award received	59	●	
<b>3. Report Parameters</b>				
3.1	Reporting period	Inside cover	●	
3.2	Date of most recent previous report	Inside cover	●	
3.3	Reporting cycle	Inside cover	●	
3.4	Contact points	Inside cover	●	
3.5	Process for defining report content	Inside cover, 6~7	●	
3.6	Boundary of the report	Inside cover	●	
3.7	Specific limitations on the scope or boundary of the report	Inside cover	●	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Inside cover	●	
3.9	Data collection and calculation methods	Inside cover	●	
3.10	Re-statements/changes in the presentation of information	33	●	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	-	●	No significant change
3.12	GRI Content Index	63~66	●	
3.13	Verification of external third parties	60~61	●	
<b>4. Governance, Commitments, and Engagement</b>				
4.1	Governance structure, including responsibility for sustainability	12	●	
4.2	Independence of the Chair of the highest governance body	12	●	
4.3	For organizations without a highest governance body: independent and/or non-executive members	12	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	53	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	12	●	
4.6	Processes in place to ensure conflicts of interest are avoided	12	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body in the field of sustainability	12	●	
4.8	Statements of mission or values, codes of conduct, and principles	7	●	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social opportunities and risks	12	●	
4.10	Processes for evaluating the highest governance body's sustainability performance	12	●	
4.11	Implementation of the precautionary approach or principle	13	●	
4.12	Participation in/support for external initiatives	42	●	
4.13	Memberships	59	●	
4.14	Stakeholder engagement	6	●	
4.15	Basis for the selection of stakeholders	6	●	

# GRI Guideline Index

● Fully ◐ Partially ○ Not

	Description	Page	Reported	Remarks
4.16	Stakeholder dialog	6	●	
4.17	Statement on the main wishes of stakeholders	6-7	●	
<b>Economic Performance Indicators</b>				
EC1	Economic value generated and distributed	46	●	
EC2	Financial implications of climate change	39-40	●	
EC3	Coverage of the organization's defined benefit plan obligations	29	●	
EC4	Financial assistance received from government	-	●	No government subsidy
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	-	○	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	47	●	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	47	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	47	●	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	3	●	
<b>Environmental Performance Indicator</b>				
EN1	Materials used by weight or volume	48	●	
EN2	Percentage of materials used that are recycled input materials	48	●	
EN3	Direct energy consumption by primary energy source	48	●	
EN4	Indirect energy consumption by primary source	48	●	
EN5	Energy saved due to conservation and efficiency improvements	49	●	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	39~40	◐	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	49	◐	
EN8	Total water withdrawal by source	49	●	
EN9	Water sources significantly affected by withdrawal of water	-	○	No occurrence, due to industry
EN10	Percentage and total volume of water recycled and reused	-	○	No occurrence, due to industry
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	○	No occurrence, due to industry
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	○	No occurrence, due to industry
EN13	Habitats protected or restored	-	○	No occurrence, due to industry
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	-	○	No occurrence, due to industry
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	○	No occurrence, due to industry
EN16	Total direct and indirect greenhouse gas emissions by weight	48	●	
EN17	Other relevant indirect greenhouse gas emissions by weight	48	●	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	49	●	
EN19	Emissions of ozone-depleting substances by weight	-	○	No occurrence, due to industry
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions by type and weight	-	○	No occurrence, due to industry
EN21	Total water discharge by quality and destination	49	●	
EN22	Total weight of waste by type and disposal method	49	●	
EN23	Total number and volume of significant spills	-	○	No occurrence, due to industry
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-	○	No occurrence, due to industry
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	-	○	No occurrence, due to industry
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	39~40	◐	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	○	No occurrence, due to industry
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	●	No occurrence, due to industry

● Fully ● Partially ○ Not

	Description	Page	Reported	Remarks
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	-	●	No occurrence, due to industry
EN30	Total environmental protection expenditures and investments by type	50	●	
<b>Social Performance Indicator</b>				
<b>Labor Practices and Decent Work</b>				
LA1	Total workforce by employment type, employment contract, and region	51	○	
LA2	Total number and rate of employee turnover by age group, gender, and region	51	○	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	29	●	
LA4	Percentage of employees covered by collective bargaining agreements	53	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	53	●	
LA6	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs	-	○	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	52	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	52	●	
LA9	Health and safety topics covered in formal agreements with trade unions.	52	●	
LA10	Average hours of training per year per employee by employee category	54	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	51	●	
LA12	Percentage of employees receiving regular performance and career development reviews	28	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	51	○	
LA14	Ratio of basic salary of men to women by employee category	51	●	
<b>Human Rights</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	36	○	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	43	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	54	●	
HR4	Total number of incidents of discrimination and actions taken	52	●	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	53	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	52	●	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	52	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	54	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	●	No incidents
<b>Society</b>				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	37~38	○	
SO2	Percentage and total number of business units analyzed for risks related to corruption	54	●	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	54	●	
SO4	Actions taken in response to incidents of corruption	54	●	
SO5	Public policy positions and participation in public policy development and lobbying	39~40	●	

## GRI Guideline Index

● Fully ◐ Partially ○ Not

	Description	Page	Reported	Remarks
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	47	●	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-	○	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	54	◐	

### Product Responsibility

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	-	○	No occurrence, due to industry
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of customers	-	●	No incidents
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	55	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-	●	No incidents
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	55	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	55	●	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	-	●	No incidents
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	56	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	●	No incidents

### Financial Services Sector Supplement

FS1	Policies with specific environmental and social components applied to business lines	36, 40	●	
FS2	Procedures for assessing screening environmental and social risks in business lines	36, 40	●	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	36, 40	●	
FS4	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	40	●	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	39, 40	●	
FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	46	◐	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	35, 36	◐	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	39	●	
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	36, 40	●	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	36, 40	◐	
FS11	Percentage of assets subject to positive and negative environmental or social screening	-	○	No such assets
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	-	○	No such voting policies
FS13	Access points in low-populated or economically disadvantaged areas by type	34	●	
FS14	Initiatives to improve access to financial services for disadvantaged people	34	●	
FS15	Policies for the fair design and sale of financial products and services	55	●	
FS16	Initiatives to enhance financial literacy by type of beneficiary	33, 38	●	

## UN Global Compact Principles

In April 2009, KB Kookmin Bank enrolled in UN Global Compact to become a company fulfilling social responsibility. The Bank announced that the Bank will abide by and implement 10 principles. The Bank will report its abidance of Global Compact principles through annual Sustainability Report.

Classification	Principle	Action and Performance Indicator	G3	
Human Rights	1. Support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> <li>• Staff education</li> <li>• Guidelines of personnel and welfare management for investing companies</li> <li>• Education on human right protection and ethical management</li> <li>• Education on prevention of sexual harassment</li> </ul>	HR1 HR2 HR3 HR4	HR5 HR6 HR7
	2. Make sure that businesses are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>• No. of cases of discriminatory practice</li> <li>• No. of infringement for rights of local communities</li> </ul>	HR4 HR8	
Labor	3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> <li>• Current status of labor union and its enrollment</li> <li>• Occurrence of labor disputes</li> </ul>	HR5 LA4 LA5	
	4. Uphold the elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> <li>• Compliance with Labor Standards Act, ILO and Collective Agreement</li> </ul>	HR7	
	5. Uphold the effective abolition of child labor	<ul style="list-style-type: none"> <li>• Compliance with Labor Standards Act, ILO and Collective Agreement</li> </ul>	HR6	
	6. Uphold the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> <li>• Employment rate of the disabled</li> <li>• Female employment rate</li> <li>• Recruits of local talents</li> </ul>	HR4 LA2 LA10	LA13 LA14
Environment	7. Support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> <li>• Risk management for non-financial areas</li> <li>• Guidelines of environmental risk management</li> </ul>	4.11	
	8. Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> <li>• Measures of environmental effects</li> <li>• Prevention of biodiversity</li> <li>• Management of environmental performance</li> <li>• Reduction of greenhouse gas emission</li> </ul>	EN12 EN13 EN14 EN18	EN21 EN22 EN26 EN30
	9. Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> <li>• Energy-saving activities</li> <li>• Environmental investment and expenditure</li> <li>• Prevention for global warming</li> </ul>	EN5 EN6 EN7	EN10 EN18 EN26
Anti-corruption	10. Work against all forms of corruption, including extortion and bribery	<ul style="list-style-type: none"> <li>• Implementation of "integrity contract system"</li> <li>• Reinforcement of self-diagnosis for ethical management</li> </ul>	SO2 SO3	SO4

## Glossary

Term	Definition
Provision for Loan Losses	An allowance for non-performing loans classified as estimated loss among accounts receivable
Social Responsibility (SR)	The responsibility of a government, corporation, organization or individual for the society as a whole. Also known as "Corporate Responsibility"; it includes human rights, environment, labor, and corporate governance. In 2010, ISO 26000, an international standard for social responsibility, was introduced worldwide.
Carbon Disclosure Project(CDP)	A global project in response to climate change, with participation of the world's leading financial and investment institutions; requires surveys of major corporations. These surveys include strategies or countermeasures to climate change and current status regarding carbon emissions.
Project Financing (PF)	A method of financing, in which loans are secured through project assets and paid entirely from project cash flow, ideal for large-scale funding of such projects as oil exploration, mining, shipbuilding and highway construction
Critical to Quality (CTQ)	An indicator of the level of quality demanded by customers; also, the improvement objective of the 6 Sigma activities. The term has recently been incorporated for use in business.
AA1000AS	An international standard introduced by the Accountability, used in guidelines for sustainability reports. It consists of three principles: Inclusivity, Materiality and Responsiveness.
Asset and Liability Management (ALM) Risk	Risks that may result from differing maturity periods in funding sources, classified into two categories: Interest and Liquidity risks
Business for the Environment (B4E)	The world's largest international event organized by the UNEP for environmental concerns; holds summits of CEOs from various countries to discuss global environmental protection
BIS Ratio	Introduced by the Bank for International Settlement (BIS); provides a ratio between risk-bearing shareholders' equity and risk-weighted assets (bad loans). Since July 1988, it has measured the adequacy of capital to secure financial soundness and stability for banks worldwide.
CIS (Common Wealth of Independent States)	A political community of 10 former Soviet republics, formed during the breakup of the Soviet Union in 1991. Current members: Russia, Ukraine, Belarus, Azerbaijan, Armenia, Uzbekistan, Kyrgyzstan, Kazakhstan, Tajikistan, and Moldova
Customer Relationship Management (CRM)	A management technique and marketing program utilizing a database that tracks purchasing trends for products and services, including both existing and potential customers
Energy Service Company (ESCO)	A company that invests in energy-saving facilities and recoups the investment via savings in energy costs, on behalf of energy consumers
Global Reporting Initiative (GRI)	A non-profit, independent international body that has introduced international standards on sustainable management. G3.1 is the most current version.
ISO 27001	A globally accepted Information Security Management System (ISMS) standard utilizing the best practices of the world's leading players. ISMS may be certified to verify that organizations comply with the standard.
Risk-adjusted Return Performance Measurement (RAPM)	A framework to assess financial performance against risk by business unit or individual using indicators such as risk-adjusted return on capital (RAROC)
United Nations Environment Programme Finance Initiative (UNEP FI)	A global partnership between the United Nations Environment Programme (UNEP) and the global financial sector to identify, promote, and realize the adoption of the best environmental and sustainability practices at all levels of financial institution operations
UN Global Compact (UNGC)	An initiative inaugurated at UN headquarters in New York in July 2000, originally proposed by former UN Secretary General Kofi Annan at the 1999 World Economic Forum in Davos, Switzerland, for the ethics of international society and environment

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