



KB Financial Group Inc.

U.S. RESOLUTION PLAN

PUBLIC SECTION

December 2013

This resolution plan report contains-forward looking statements. Words and phrases such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “estimate,” “expect,” “future,” “goal,” “intend,” “may,” “objective,” “plan,” “positioned,” “predict,” “project,” “risk,” “seek to,” “shall,” “should,” “will likely result,” “will pursue,” “plan,” and words and terms of similar substance used in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements.

All forward-looking statements are management’s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

KB Financial Group cautions the reader to not place undue reliance on the forward-looking statements, which speak only as of the date of this resolution plan. Except as required by law, KB Financial Group Inc. is not under any obligation, and expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to KB Financial Group Inc. or any person acting on KB Financial Group Inc.’s behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this resolution plan.

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1. Introduction

U.S. resolution plan rules

In September 2011, the Federal Deposit Insurance Corporation (“FDIC”) and the Board of Governors of the Federal Reserve System (“FRB”) issued a final rule (“Joint Rule”) implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This rule requires foreign banking organizations that are treated as bank holding companies (“BHCs”) under Section 8(a) of the International Banking Act with total global consolidated assets of U.S. \$50 billion or more to submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the U.S. operations of the BHC.

Because KB Financial Group Inc. (“KBFG” and, together with its subsidiaries, “Group”) is treated as a BHC under the International Banking Act, it has prepared this resolution plan (the “U.S. Resolution Plan”) in accordance with the Joint Rule. All information provided in the U.S. Resolution Plan is as at December 31, 2012 unless specified otherwise.

Overview of KBFG’s Global Operations

KBFG is a publicly-traded Korean financial holding company established and organized under the Financial Holding Companies Act of Korea with its head office in Seoul, Korea. KBFG offers a diverse line of financial products and services through its subsidiaries, including Kookmin Bank (“KB Kookmin”). Based on total asset value, KBFG is the fourth largest financial group in Korea. KBFG, through its subsidiaries, engages in a broad range of financial business, including commercial banking, credit cards, asset management, life insurance, capital markets activities and international banking. As at December 31, 2012, KBFG’s consolidated assets totalled approximately KRW 282 trillion (U.S. \$265.2 billion) and its consolidated liabilities (including deposits) totalled approximately KRW 257.3 trillion (U.S. \$242.0 billion).¹

The Group is organized into the following business segments based on the nature of the products and services provided, the type or class of customer, and the Group’s management organization.

Retail Banking

KBFG has strength in retail banking through its largest and foremost subsidiary, KB Kookmin, which is the largest commercial bank in Korea in terms of total assets. KB Kookmin was formed through a merger of the former Kookmin Bank and the Housing and Commercial Bank (“H&CB”) in 2001. The former Kookmin Bank and H&CB were both incorporated under the special legislative objective of providing banking services to individuals as well as small- and medium-sized enterprises. Due to such history, KB Kookmin was able to accumulate special know-how and expertise in retail banking. This area of business has been and is expected to remain one of KBFG’s core businesses.

As at December 31, 2012, KBFG operated a combined banking network of 1,193 branches and 9,650 automated teller machines in Korea. As at December 31, 2012, KBFG had a customer base of approximately 29.5 million retail customers, representing more than one-half of the entire Korean population.

¹ Figures in US dollars are from Form 20-F. The applicable exchange rate is 1,063.24 KRW/USD, which was the noon buying rate in effect on December 31, 2012 as quoted by the Federal Reserve Bank of New York in the United States. For the sake of consistency, all figures in the U.S. Resolution Plan originally denominated in Korean Won were converted into US dollars using the same spot exchange rate.

Corporate Banking

KBFG's small- and medium-sized enterprise banking business has traditionally been and is expected to remain one of KBFG's core businesses. Corporate banking makes up the single largest component of KBFG's non-retail credit portfolio and represents a widely diversified exposure to a broad spectrum of the Korean corporate community. KBFG's corporate banking business segment is organized to meet the needs of small- and medium-sized enterprises. In addition to lending and deposit activities with small- and medium-sized enterprises, KB Kookmin has recently emphasized widening its client base to large corporate customers.

Credit Card Business

KBFG considers the credit card business to be one of its core areas of growth in the non-banking business sector. The activities within this segment include credit sales, extensions of short-term credit card loans, including cash advances, and other supporting activities. As at the end of 2012, the Group had approximately 10.5 million cardholders.

Investment & Securities Business

The Group invests and trades in debt and equity securities, extends loans repayable on demand to financial market participants, and, to a lesser extent, engages in derivatives and asset securitization transactions. In investment banking, KBFG's subsidiary KB Investment & Securities leads the industry in underwriting corporate bond and asset backed securities issues. In institutional sales, KBFG offers a wide array of services to domestic and overseas institutional investors. These services include brokerage and sales of financial products, the brokerage of domestic and overseas futures products, and over-the-counter derivatives. In the retail sector, KBFG offers comprehensive wealth management services through KB Kookmin's extensive network.

Life Insurance Business

KBFG, through its subsidiary KB Life Insurance provides life insurance and wealth management services to customers. KB Life Insurance offers financial insurance services through bancassurance agency marketing, direct marketing channels and total consultant channels, which provide face-to-face service.

U.S. Operations

The New York branch of Kookmin Bank (the "KB NY Branch"), which is KBFG's only U.S. entity and the entity through which KBFG conducts its U.S. operations, engages primarily in wholesale banking services and export and import financing. The KB NY Branch's primary lending market is U.S. subsidiaries and branches of Korea-based multinational companies.

2. Core Business Lines

The Joint Rule defines Core Business Lines ("CBLs") as those business lines of the covered company, including associated operations, services, functions and support, that, upon failure, would result in a material loss of revenue, profit or franchise value. Under the Joint Rule, because KBFG is a foreign banking organization, the scope of the CBL analysis is limited to those operations conducted in whole or material part in the United States. KBFG has determined that none of its U.S. operations satisfies the definition of a CBL for purposes of the Joint Rule.

3. Material Entities

The Joint Rule defines Material Entities (“MEs”) as those legal entities of KBFG that are significant to the activities of a CBL or critical operation. Under the Joint Rule, because KBFG is a foreign banking organization, the scope of the ME analysis is limited to those entities domiciled, or who conduct operations in whole or material part, in the United States. Because KBFG has no CBLs or critical operations in the United States under the Joint Rule, KBFG also has no MEs for purposes of the Joint Rule.

4. Summary financial information regarding assets, liabilities, capital and major funding sources

The following table summarizes the consolidated balance sheet of KBFG as at December 31, 2012.

KB FINANCIAL GROUP INC. AND SUBSIDIARIES

(in millions of Korean won)

	2012
Assets	
Cash and due from financial institutions	10,568,350
Financial assets at fair value through profit or loss	6,299,194
Derivative financial assets	2,024,784
Loans	212,716,251
Financial investments	36,897,139
Investments in associates	1,035,205
Property and equipment	3,103,597
Investment property	52,974
Intangible assets	500,023
Deferred income tax assets	18,432
Assets held for sale	35,412
Other assets	8,755,217
Total assets	282,006,578
Liabilities	
Financial liabilities at fair value through profit or loss	1,851,135
Derivative financial liabilities	2,068,813
Deposits	194,403,279
Debts	15,969,522
Debentures	24,131,770
Provisions	669,729
Defined benefit liabilities	75,157
Current income tax liabilities	264,666

Deferred income tax liabilities	129,969
Other liabilities	17,738,498
Total liabilities	257,302,538
Equity	
Share capital	1,931,758
Capital surplus	15,840,300
Accumulated other comprehensive income	359,969
Retained earnings	6,377,491
Equity attributable to shareholders of the parent company	24,509,518
Non-controlling interests	194,522
Total equity	24,704,040
Total liabilities and equity	282,006,578

The following table summarizes the capital ratios of KBFG and KB Kookmin as at December 31, 2012.

	Capital Adequacy (as at Dec. 31, 2012)	
	KBFG	KB Kookmin
BIS Capital Ratio (actual)	13.90%	14.40%
Tier 1 Capital Ratio (actual)	10.64%	10.87%

5. Derivative and hedging activities

The KB NY Branch is not a party to any swaps, repurchase agreement, or derivative transactions, and therefore, KBFG does not have any exposure related to such activities in connection with its U.S. operations conducted through the KB NY Branch.

6. Memberships in material payment, clearing and settlement systems

The KB NY Branch uses payment, settlement and clearing systems to conduct its operations and meet customer needs. In particular, the KB NY Branch relies on the Fedwire Funds Service and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging service. These systems are used by the KB NY Branch to facilitate customer payment services and to support its financial market activity.

7. Foreign operations

KBFG currently has four subsidiaries, ten branches, and two representative offices in Asia, Oceania, the U.S., and Europe. KBFG maintains two offices in Japan, Vietnam and Cambodia, and one office each in New Zealand, India, England, and the United States. In China, KBFG maintains six offices, including one in Hong Kong.

KBFG's international banking activities focus on foreign exchange services, derivatives dealing, import and export-related services, offshore lending, syndicated loans, and foreign currency securities investment. These services are provided primarily to KBFG's Korean corporate clients and their overseas subsidiaries as well as affiliates of Korean corporations. KBFG also raises foreign currency funds through its international banking operations.

8. Material supervisory authorities

KBFG is subject to the laws and regulations that are a condition for authorization to conduct banking and financial services business in each country of incorporation and operation. These requirements are largely prescribed on a jurisdictional basis by the applicable government central bank, regulatory authorities or other applicable bodies.

KBFG and KB Kookmin are regulated by the Korean Financial Services Commission and the Financial Supervisory Service. KB Kookmin is also regulated by the Korean Ministry of Strategy and Finance and the Financial Services Commission regarding its foreign exchange businesses.

Because KBFG is a foreign banking organization treated as a bank holding company, the FRB has general regulatory oversight over KBFG and the KB NY Branch in connection with the U.S. operations. The KB NY Branch is principally regulated by the New York State Department of Financial Services (the "NYDFS").

9. Principal officers

The following table summarizes KBFG's Board of Directors as of September 30, 2013.

KBFG Board of Directors		
Executive Directors		
Name	Position	Director Since
Young Rok Lim	Chairman and CEO	2011
Non-executive Directors		
Name	Position	Director Since
Kyung Jae Lee	Non-executive Director	2010
Jae Wook Bae	Non-executive Director	2011
Young Jin Kim	Non-executive Director	2011
Kun Ho Hwang	Non-executive Director	2012
Jong Cheon Lee	Non-executive Director	2011

Seung Hee Koh	Non-executive Director	2010
Young Kwa Kim	Non-executive Director	2013
Young Nam Lee	Non-executive Director	2010
Jae Mok Cho	Non-executive Director	2009

The following table summarizes KBFG’s Executive Officers as of September 30, 2013.

KBFG Executive Officers

Name	Position
Woong-Won Yoon	Deputy President; Chief Financial Officer
Yong Soo Kim	Deputy President; Chief Public Relations Officer
Min Ho Lee	Deputy President; Chief Compliance Officer
Ki-Bum Lee	Senior Managing Director & Chief Risk Officer
Jae-Youl Kim	Senior Managing Director & Chief Information Officer
Ihn-Sung Song	Managing Director & Chief Human Resources Officer
Kyu Sul Choi	Managing Director & Head of Investor Relations
Moon-II Baek	Managing Director & Head of Public Relations
Kyung Yup Cho	Managing Director & Head of KB Research

10. **Resolution planning corporate governance structure and processes related to resolution planning**

Currently, the only resolution planning requirement to which KBFG is subject is the U.S. resolution planning requirement in the Joint Rule. Accordingly, KBFG’s resolution planning governance in 2013 was focused on the proper preparation and timely submission of the U.S. Resolution Plan.

In 2013, an ad-hoc team of experts (the “Resolution Team”) whose members include experts from strategic planning, global business, compliance, accounting from KBFG and KB Kookmin Bank was assembled to prepare the U.S. Resolution Plan. The Resolution Team was responsible for providing coordination and consistency in preparing the U.S. Resolution Plan. Additional members were included in response to project requirements on an as-needed basis so as to ensure that all aspects of the U.S. Resolution Plan received due attention. All processes related to the development of the U.S. Resolution Plan were coordinated by the Resolution Team which directly reported to KBFG’s Chief Financial Officer (“CFO”). The KB NY Branch was also involved from the initial stages, actively gathering relevant data and participating in the formulation of the U.S. Resolution Plan.

KBFG also retained external legal counsel with relevant expertise and experience to work alongside KBFG’s internal members.

Prior to the board’s delegation of its authority to approve KBFG’s U.S. Resolution Plan, the CFO reviewed the plan and the governance structure employed for its development. The KBFG Board of Directors, after receiving the reports on the U.S. Resolution Plan preparation process, delegated the CFO the authority to finalize, approve and submit the U.S. Resolution Plan on November 29, 2013.

11. **Material management information systems**

KBFG has robust operational and management information systems to monitor the financial health and risk, and support the operations, of its global operations. The KB NY Branch relies on systems developed by KB Kookmin to support its day-to-day operations.

These systems are used for credit and market risk management, banking and trading transaction recordkeeping, trade reporting, middle office processing, and client and referential data maintenance and analysis. KBFG's management information systems are a combination of customized commercial systems and custom systems developed in-house.

12. **Resolution strategy summary**

Because KBFG does not have CBLs, critical operations or MEs under the Joint Rule, KBFG's U.S. Resolution Plan is not required to provide a detailed strategy for the resolution of its U.S. operations in the event of its failure. Nonetheless, KBFG's U.S. Resolution Plan does include a high-level discussion of the insolvency of the KB NY Branch, which is the sole entity conducting KBFG's U.S. operations.

The KB NY Branch would be subject to liquidation proceedings overseen by the Superintendent of the NYDFS ("Superintendent") pursuant to Article 13 of the New York Banking Law ("NYBL"). Upon its seizure by the Superintendent, the property of the KB NY Branch would be "ring fenced," meaning that title to all property on the books of the KB NY Branch, wherever located, and all property of KB Kookmin situated in New York, would immediately vest with the Superintendent. The Superintendent would use the ring-fenced assets to satisfy the claims of unaffiliated creditors of the KB NY Branch and would return any remaining assets to KB Kookmin or its insolvency estate.